Lance J.M. Steinhart, P.C.
Attorney At Law
1720 Windward Concourse
Suite 250
Alpharetta, Georgia 30005

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2004 DEC 16 PM 3:05
T.R.A. DOCKET ROOM

Also Admitted in New York
and Maryland

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

December 15, 2004

VIA OVERNIGHT MAIL

Mr David Waddell
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 32743-0505

Re: Acceris Communications Corp.

DOCKET NO.
04-00438

Dear Mr. Waddell

Enclosed please find for filing an original and thirteen (13) copies of Acceris Communications Corp.' Application for a Certificate of Public Convenience and Necessity to Provide Competing Local Exchange Services in Tennessee. I have also enclosed a check in the amount of $25 00 payable to the "Tennessee Regulatory Authority" for the filing fee.

APPLICANT HAS ALSO ENCLOSED ONE COPY OF ITS TENNESSEE PROJECTIONS IN A SEPARATE ENVELOPE AND HEREBY RESPECTFULLY REQUESTS CONFIDENTIAL TREATMENT OF THE ENCLOSED FINANCIAL INFORMATION THAT CONTAINS CONFIDENTIAL AND PROPRIETARY INFORMATION. APPLICANT EXPECTS THAT THIS INFORMATION WILL BE RESTRICTED TO COUNSEL, AGENTS AND EMPLOYEES WHO ARE SPECIFICALLY ASSIGNED TO THIS APPLICATION BY THE COMMISSION.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me. Thank you

Respectfully submitted,

Lance J.M. Steinhart
Attorney for Acceris Communications Corp.

Enclosures
cc: David Silverman (w/enc)
H. LaDon Baltimore/Local Counsel

STATE OF TENNESSEE
BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

In re:	)	
	)	
Application of	)	
Acceris Communications Corp.	)	
	)	
For a Certificate of Public	)	**DOCKET NO.**
Convenience and Necessity to	)	
Provide Competing	)	
Local Exchange	)	
Telecommunications Services	)	

APPLICATION OF ACCERIS COMMUNICATIONS CORP. FOR AUTHORITY TO PROVIDE COMPETING LOCAL EXCHANGE SERVICE

Acceris Communications Corp. ("Acceris" or "Applicant"), pursuant to T.C.A. § § 65-2-103, 65-2-102 and 65-4-201; Section 253 of the Federal Telecommunications Act of 1996; and Section 1220-4-8-.04 of the Rules of the Tennessee Public Service Commission Division of Public Utilities, respectfully submits this Application for Authority to Provide Competing Local Exchange Telecommunications Services ("Application") in the State of Tennessee.

Acceris intends to offer resold and/or facilities-based/UNE local exchange service to both business and residential customers throughout the state. Applicant intends to provide local exchange services to customers located in non-rural local exchange carriers' service areas of Tennessee. Applicant has entered into an interconnection agreement with BellSouth.

Approval of this Application will promote the public interest by increasing the level of competition in the Tennessee telecommunications market. Ultimately, competition will compel all telecommunications service providers to operate more efficiently and pass the resultant cost savings on to consumers. In addition, as a result of competition, the overall quality of local exchange service will improve. Applicant is willing and able to adhere to all applicable TRA policies, rules and orders.

In support of its Application, Acceris states as follows:

I. Introduction

1. The name and address of the Applicant are:
   Acceris Communications Corp.
   9775 Businesspark Avenue
   San Diego, California 92131

The following is a list of applicant's corporate officers and directors:

Officers

Allan C. Silber	CEO
Kelly D. Murumets	President
Kenneth L. Hilton	Exec. VP, Sales & Marketing
James Ducay	Exec. VP/COO
Ralph Brandifino	Treasurer/CFO
Gary Clifford	VP/Asst. Treasurer
Stephen Weintraub	Secretary

Directors

Allan C. Silber
Samuel Shimer

The above-named individuals can be reached at:
Acceris Communications Corp.
9775 Businesspark Avenue, San Diego, California 92131
Telephone: (800) 576-7775

Applicant is authorized to provide and is providing long distance services throughout the

United States. Applicant is authorized to provide local exchange service in Alabama, Arkansas, California, Colorado, Delaware, Florida, Idaho, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Washington, and West Virginia, and is providing such services in Massachusetts, New Jersey, New York and Pennsylvania Applicant has not been denied the local exchange authority requested herein in any state, nor had its authority revoked in any state.

The name, address and telephone number of a Tennessee contact person responsible for and knowledgeable about Applicant's operations are:

David Silverman, General Counsel
Acceris Communications Corp.
9775 Businesspark Avenue
San Diego, California 92131
(800) 576-7775

The name, address and telephone number of a person responsible for repair and maintenance (customer service) are:

Walker Burl, Customer Service Manager
Acceris Communications Corp.
9775 Businesspark Avenue
San Diego, California 92131
(800) 576-7775
(800) 569-8700 (toll-free customer service)
E-mail: walker.burl@acceris.com

2 All correspondence, notices, inquiries and other communications regarding this Application should be directed to:

Lance J.M. Steinhart
Lance JM Steinhart, PC
1720 Windward Concourse
Suite 250
Alpharetta, Georgia 30005
(770) 232-9200 (Phone)
(770) 232-9208 (Facsimile)
lsteinhart@telecomcounsel.com (E-mail)

3 In support of this Application, the following exhibits are attached hereto:

a. Exhibit A - Acceris's Certificate of Incorporation, as amended filed with the Secretary of State for the State of Delaware and Bylaws,
b. Exhibit B - Acceris's Certificate of Authority to Operate in Tennessee as a Foreign Corporation;
c. Exhibit C - Acceris Communications, Inc.'s Form 10-Q for the quarterly period ended September 30, 2004
d. Exhibit D - Biographies of selected Acceris management.
e. Exhibit E - Corporate Organization Chart
f. Exhibit F - IntraLATA Presubscription Implementation Plan
g. Exhibit G - Small and Minority-Owned Telecommunications Business Participation Plan
h. Exhibit H - Pre-Filed Testimony
i. Exhibit I - Numbering Issues & Tennessee Specific Operational Issues
j. Exhibit J - Bond or Letter of Credit
k. Exhibit K - Tariff

II. Description of the Applicant

1. General Information

Applicant is a Delaware Corporation, which was formed on May 25, 2000. The company is headquartered at 9775 Businesspark Avenue, San Diego, California 92131.

2. Customer Service

Registrant's customer service department may be contacted via a toll-free number, (800) 569-8700, or a local number. The Company will maintain a Customer Service Department exclusively for Customer's questions, requests for service, complaints and trouble handling. The Company's Customer Service address and toll free number(s) will be printed on the Customer's bill. The Customer Service Department will be located at 9775 Businesspark Avenue, San Diego, California 92131. The toll free number will be available 24 hours per day, 7 days per week.

Office Hours- Excluding holidays, Customer Service Representatives will be available 8:00 AM to 5:00 PM standard time Monday through Friday. After hours, Sundays and on holidays, Customers will be automatically forwarded to an answering service for messaging and paging.

Complaint Procedures- The Customer shall pose any inquiries or disputes directly to the Company for resolution. Written communications should be directed to the Company's Customer Service department. All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is pending. The Company will investigate a Customer inquiry or dispute and report the findings to the Customer. If the Company finds its actions to be consistent with its Tariff, the Company will inform the Customer of its no fault finding and require full payment of any outstanding balance due. If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Commission for determination.

III. Acceris Possesses the Technical, Managerial and Financial Expertise Necessary to Provide Local Exchange Service

Acceris possesses the requisite technical, financial and managerial capabilities to operate as a competitive telecommunications provider. These capabilities are explained in detail below.

1. Financial Qualifications

Acceris is financially able to provide the services proposed in its tariff as evidenced by its Acceris Communications, Inc.'s Form 10-Q for the quarterly period ended September 30, 2004.

2. Managerial Qualifications

Acceris's senior management team is highly skilled, and has had extensive experience in the telecommunications industry. Using this expertise, Acceris's management team has developed innovative marketing and customer care programs, and provides its customers with high quality advanced services at competitive rates. Acceris has extensive experience in the technical, managerial, and financial aspects of the telecommunications industry.

3. Technical Qualifications

Applicant's key management personnel have significant business and telecommunications experience. Applicant is authorized to provide and is providing long distance services throughout the United States. Applicant is authorized to provide local exchange service in Alabama, Arkansas, California, Colorado, Delaware, Florida, Idaho, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Washington, and West Virginia, and is providing such services in Massachusetts, New Jersey, New York and Pennsylvania. Applicant has not been denied the local exchange authority requested herein in any state, nor had its authority revoked in any state.

Acceris will initially resell services and provide service using unbundled network elements, utilizing the facilities of the existing LECs or underlying carriers that presently serve Tennessee. Acceris will primarily utilize the facilities and services of BellSouth. Although there are no current plans to do so, Acceris may install equipment for the provision of local exchange services If Acceris installs facilities in Tennessee, it may use the following or a similar configuration of equipment: Acceris will provide voice, high speed data and internet access services through a combination of the latest technology switching and transport media comprised of the Lucent Technology 5 ESS Generic 13 switch module, ADSL/SDSL transport and Internet service equipment and the latest Optical multiplexer DAC's configurations. The switching system consists of a central processing and control complex capable of interconnection as a peer to the incumbent as well as competitive local exchange companies. The hub portion of the switch will interconnect with the public switched network on Signaling System 7 ("SS7") or Feature Group D ("FGD") facilities. The system's remote module capability will allow properties to be served in a manner that provides the exchange of appropriate signaling, control and calling/caller information to the network in accordance with network standards and specifications. Additionally, these services will be delivered over a combination of delivery mechanisms through incumbent local carriers' unbundled loop network, both copper and fiber and transport networks, as well as via Acceris constructed facilities. There will be no customer provided equipment that will not be compatible with an incumbent local exchange carrier

Acceris is requesting statewide authority. Initial rollout is planned for the Chattanooga and Nashville market areas. Acceris has no current plans to install local switching equipment in the State of Tennessee.

As the foregoing illustrates, Acceris possesses considerable telecommunications expertise. Acceris has been providing a wide range of telecommunications services to consumers since 2000. Applicant will also rely upon the technical expertise and telecommunications experience of its underlying carriers. Thus, Acceris is technically qualified to provide local exchange and interexchange telecommunications services in Tennessee. Applicant also is willing to adhere to all applicable Commission policies, rules and orders.

IV. Approval of Acceris's Application is in the Public Interest

Granting Acceris's Application is consistent with the public interest, and, in that regard Applicant makes the following representations to the Commission:

a. Applicant possesses the technical, financial, and managerial resources sufficient to provide the services requested;

b. Applicant's services will meet the service standards required by the Commission;

c. The provision services by Applicant will not adversely impact the availability of affordable local exchange service;

d. Applicant, to the extent it is required to do so by the Commission, will participate in the support of universally available telephone service at affordable rates; and,

e. The provision of local exchange services by Applicant will not adversely impact the public interest.

The demands of a competitive market are a better means to achieve affordability and quality of service than a monopoly environment. As competitors vie for market share, they will compete based upon price, innovation and customer service.

Those providers that offer consumers the most cost effective products will gain market share. In contrast, providers whose products do not meet the needs of consumers will lose market share and may ultimately, be eliminated from the industry.

Additionally, Acceris's entry into the local exchange markets will not unreasonably prejudice or disadvantage any telephone service providers. Incumbent local exchange carriers presently serve a large majority of the local exchange customers in Tennessee. The major advantages of incumbency (i.e., ownership of the existing local network as well as access to, and long-standing relationships with, every local customer) constitute a substantial obstacle to new entrants. Moreover, exchange services competition will stimulate the demand for the services supplied by all local service carriers, including those of the incumbent LECs. Thus, in a competitive market, there will be increased potential for such LECs to generate higher revenues. Additionally, in a competitive market, incumbent providers will have market incentives to improve the efficiency of their operations, thereby reducing their costs and ultimately their profit margins.

Currently, Tennessee consumers have a limited choice with regard to the provision of local exchange telecommunications service. A competitive local exchange service market comprised of incumbents and competitive providers such as Acceris will offer consumers a competitive option and, therefore, will better satisfy the needs of various market segments. In this regard, approval of this Application is clearly in the public interest.

V. Description of Services Offered and Service Territory

Acceris expects to offer a full array of local exchange services, including the following:

Local Exchange:

A. Local Exchange Services for business and residence customers that will enable customers to originate and terminate local calls in the local calling area served by other LECs, including custom calling features.

B Switched local exchange services, including basic service, trunks, carrier access, and any other switched local services that currently exist or will exist in the future.

C. Non-switched local services (e.g., private line) that currently exist or will exist in the future.

D. Centrex and/or Centrex-like services that currently exist or will exist in the future

E. Digital subscriber line, ISDN, and other high capacity services.

In addition to the services listed above, Acceris, through interconnection with other carriers, will offer dual-party relay services, 9-1-1 Emergency Services, directory assistance and operator assisted calls, lifeline, and toll-free calling.

Prior to providing local exchange services to the public in Tennessee, Acceris will file a complete Final Tariff and/or Price List with the Commission, which will contain a description of services to be provided, all rules and regulations applicable to such services, and proposed rates for such services. The Applicant's IntraLATA Presubscription Implementation Plan is attached hereto as Exhibit F. Applicant's proposed tariff is attached hereto as Exhibit K.

VI. Waivers and Regulatory Compliance

Acceris requests that the Commission grant it a waiver of those regulatory requirements inapplicable to competitive local service resellers such as Acceris. Such rules are not appropriate or necessary for competitive providers and constitute an economic barrier to entry into the local exchange market.

1. Financial Record-Keeping System

a. Acceris requests that it be exempt from any record-keeping rules or regulations that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation, and as a competitive carrier, Acceris does not maintain its financial records in this manner.

b. As a competitive carrier, Acceris maintains its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP"). Neither the FCC, nor the Commission, has required Acceris to maintain its records under the USOA for purposes of Acceris's local exchange operations. Thus, Acceris does not possess the detailed cost data required by USOA, nor does it maintain detailed records on a state-specific basis. As a competitive provider, Acceris's network operations are integrated to achieve maximum efficiency. Having to maintain records pertaining specifically to its Tennessee local service operations would place an extreme burden on Acceris.

c. Moreover, Acceris asserts that because it utilizes GAAP, the Commission will have a reliable means by which to evaluate Acceris's operations. Therefore, Acceris hereby respectfully requests to be exempted from the any USOA requirements of the Commission.

d. The Applicant does agree that it will provide wire line activity reports as required by Commission rules and regulations.

2. Local Exchange Directories

Acceris requests that it not be required to publish local exchange directories. Acceris will make arrangements with the incumbent LECs whereby the names of Acceris's customers will be included in the directories published by the incumbent LECs. LEC directories will also be modified to include Acceris's customer service number. These directories will be distributed to Acceris's customers. This approach is entirely reasonable and will have a direct benefit to the customers of both Acceris and the incumbent LEC since they need only refer to one directory for a universal listing of customer information. It would be an unnecessary burden on Acceris to require that it publish and distribute its own directory to all customers located within each exchange area, particularly since nearly all of these customers will be customers of the incumbent LECs. It is more efficient for Acceris to simply include its limited customer list in the existing directories of the incumbent LECs.

VII. Regulatory Obligations

Applicant shall provide, either directly or indirectly or through arrangements with other carriers or companies, to the extent required by law or regulation:

1. Provide access to 911 and E 911 emergency service;

2. Provide white page directory listings and directory assistance;

3. Provide consumer access to and support for the Tennessee Relay Center in the same manner as incumbent local exchange telephone companies;

4. Provide free blocking service for 900, 976 type services in accordance with Commission policy;

5. Provide Lifeline and Link-up services to qualifying citizens of this state;

6. Provide educational discounts in existence as of June 6, 1995

Applicant shall also:

1. Provide support for universal service in a manner determined by the Commission. This requirement shall not be construed as prohibiting the granting of a certificate before the universal service issues are determined by the Commission;

2. Provide interconnection with other certificated carriers or Commission authorized carriers on a nondiscriminatory basis under reasonable terms and conditions;

3. Comply with Commission basic service standards as defined in any applicable rules and decisions of the Commission;

4. Provide equal access to authorized inter-and intraLATA long distance providers, unless otherwise exempted by the Commission.

VIII. Conclusion

This Application demonstrates that Acceris Communications Corp., possesses the technical, financial and managerial resources to provide resold and facilities-based/UNE-P local exchange service in the State of Tennessee. Furthermore, granting this Application will promote the public interest by increasing the level of competition in the Tennessee telecommunications market. Ultimately, competition will compel all exchange telecommunications service providers to operate more efficiently and with resulting reduced prices for consumers. In addition, as a result of competition, the overall quality of local exchange service will improve. As stated above, Applicant does not intend to provide local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, until Applicant provides such LECs notice of intent at least 30 days prior to the date of the intended service, or as otherwise required by law.

Wherefore, Acceris Communications Corp., respectfully petitions this Commission for a Certificate of Public Convenience and Necessity to Provide Competing local exchange telecommunications services in the State of Tennessee in accordance with this Application and for such other relief as it deems necessary and appropriate.

Respectfully submitted,

Acceris Communications Corp.

Lance J.M. Steinhart, Esq.
Lance JM Steinhart, PC
1720 Windward Concourse, Suite 250
Alpharetta, Georgia 30005
Telephone: (770) 232-9200
Facsimile: (770) 232-9208
E-mail: lsteinhart@telecomcounsel.com
Attorney for Applicant

Dec 15, 2004

VERIFICATION OF APPLICANT

I, David Silverman, General Counsel of Acceris Communications Corp., a Delaware Corporation, the applicant for a Certificate of Public Convenience and Necessity from the Public Service Commission of the State of Tennessee, verify that based on information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.

David B Silverman

David Silverman
General Counsel
Acceris Communications Corp.

Sworn to me, the undersigned
Notary Public on this
15th **day of** Dec. **, 2004.**

State of Georgia
County of Forsyth

Charlotte E Lacy
Notary Public

My commission expires
January 29, 2005

EXHIBIT "A"
CERTIFICATE OF INCORPORATION & BYLAWS

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "WORLDXCHANGE CORP.", CHANGING ITS NAME FROM "WORLDXCHANGE CORP." TO "ACCERIS COMMUNICATIONS CORP.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF JANUARY, A.D. 2004, AT 5:09 O'CLOCK P.M.

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

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3234808 8100

040040822

AUTHENTICATION: 2883065

DATE: 01-21-04

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:09 PM 01/20/2004
FILED 05:09 PM 01/20/2004
SRV 040040822 – 3234808 FILE

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

****

WorldxChange Corp., (hereinafter called the "corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

1. The name of the corporation is WorldxChange Corp.
2. The Certificate of Incorporation of the corporation is hereby amended by striking out Article FIRST, thereof and by substituting in lieu of said Article the following new Article:

   FIRST: The name of the corporation is

   Acceris Communications Corp.

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

Executed on this 20th day of January, 2004.

By // Kelly D. Murumets //
Name: Kelly D. Murumets
Title: President

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "PT-I LONG DISTANCE, INC.", CHANGING ITS NAME FROM "PT-I LONG DISTANCE, INC." TO "WORLDXCHANGE CORP.", FILED IN THIS OFFICE ON THE SEVENTH DAY OF JUNE, A.D. 2001, AT 11 O'CLOCK A.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:00 AM 06/07/2001
010273295 – 3234808

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION

OF

PT-I LONG DISTANCE, INC.

PT-I Long Distance, Inc.________________, (hereinafter called the "corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

1. The name of the corporation PT-I Long Distance, Inc.____________________.

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

   1.) "The name of the corporation is WorldxChange Corp. (the "Corporation")."

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

Executed on this 7th day of June, 2001.

/s/ Gary Wasserson
Gary Wasserson
President and Treasurer

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "PT-1 COUNSEL INC.", CHANGING ITS NAME FROM "PT-1 COUNSEL INC." TO "PT-I LONG DISTANCE, INC.", FILED IN THIS OFFICE ON THE THIRTY-FIRST DAY OF OCTOBER, A.D. 2000, AT 11 O'CLOCK A.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 11:00 AM 10/31/2000
001547051 – 3234808

CERTIFICATE OF AMENDMENT
OF THE CERTIFICATE OF INCORPORATION
OF
PT-1 COUNSEL INC.

UNDER SECTION 242 OF THE GENERAL INCORPORATION LAW OF THE STATE OF DELAWARE

* * * * *

I, THE UNDERSIGNED, Gary Wasserson, being the President of PT-1 Counsel Inc. hereby certify:

1. The name of the corporation is PT-1 Counsel Inc.

2. The certificate of incorporation of said corporation was filed with the Department of State on the 25th day of May 2000.

3. (a) The certificate of incorporation is amended to change the name of the corporation.

   (b) To effect the foregoing, Article 1 relating to the name of the corporation is amended to read as follows:

   "The name of the corporation is PT-1 Long Distance, Inc. (the "Corporation")."

4. The amendment was authorized in the following manner:

By unanimous written consent of the board of directors, followed by the unanimous written consent of all of the shareholders in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, I have signed this certificate on the 30th day of October, 2000 and I affirm the statements contained therein as true under penalties of perjury.

Gary Wasserson
President & Chief Executive Officer

CERTIFICATE OF INCORPORATION
OF
PT-1 COUNSEL INC.

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

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

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

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

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

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

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

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

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

Name: Daniel Y. Gielchinsky
Sole Incorporator

EXHIBIT "B"
FOREIGN CORPORATION QUALIFICATION

Secretary of State
Division of Business Services
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

DATE: 02/17/04
REQUEST NUMBER: 5038-3179
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 02/17/04 1336
EFFECTIVE DATE/TIME: 02/17/04 1630
CONTROL NUMBER: 0390996

TO:
LAW OFFICE OF LANCE J.M. STEINHART PC
1720 WINDWARD -
CONCOURSE, S250
ALPHARETTA, GA 30005

RE:
WORLDXCHANGE CORP.
APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY - FOR PROFIT

THIS WILL ACKNOWLEDGE THE FILING OF THE ATTACHED DOCUMENT WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR AMENDED CERTIFICATE OF AUTHORITY - FOR PROFIT

ON DATE: 02/17/04

	FEES	
RECEIVED:	$20.00	$0.00
TOTAL PAYMENT RECEIVED:		$20.00

RECEIPT NUMBER: 00003427421
ACCOUNT NUMBER: 00376461

FROM:
WORLDXCHANGE CORP.
9775 BUSINEES PARK
AVE
SAN DIEGO, CA 92131-0000

Riley C Darnell

RILEY C DARNELL
SECRETARY OF STATE

SS-4458

EXHIBIT "C"
FINANCIAL INFORMATION

e10vq10-Q 1 w00154e10vq.htm ACCERIS COMMUNICATIONS, INC

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004
OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number: 0-17973
ACCERIS COMMUNICATIONS INC.
(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction of
incorporation or organization) 59-2291344

(I.R.S. Employer Identification No.)

9775 Businesspark Avenue, San Diego, California 92131
(Address of principal executive offices)
(858) 547-5700
(Registrant's telephone number)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter time period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x
Check whether the registrant is an accelerated filed (as defined in Rule 12b-2 of the Act).
Yes o No x
As of August 6, 2004, there were 19,262,095 shares of common stock $0.01 par value outstanding.

1

PART I - FINANCIAL INFORMATION
Item 1 - Financial Statements.
ACCERIS COMMUNICATIONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, December 31,
(In thousands of dollars, except share and per share amounts)

2004

2003

(unaudited) (unaudited)
(as restated)
ASSETS
Current assets:
Cash and cash equivalents $2,357 $2,033
Accounts receivable, less allowance for doubtful accounts of $1,352 and $1,764 at June 30, 2004 and December 31, 2003, respectively 14,352 18,018
Investment in preferred and common stock – 2,058
Other current assets 1,813 2,202

Total current assets 18,522 24,311
Furniture, fixtures, equipment and software, net 6,237 8,483
Other assets:
Intangible assets, net 2,593 3,297
Goodwill 1,120 1,120
Investment in preferred stock 1,100 1,100
Other assets 728 743

Total assets $30,300 $39,054

LIABILITIES AND STOCKHOLDERS' DEFICIT
Current liabilities:
Accounts payable and accrued liabilities $27,322 $29,113
Unearned revenue 1,496 5,678
Revolving credit facility 7,154 12,127
Current portion of notes payable 138 1,254
Current portion of obligations under capital leases 2,825 2,715

Total current liabilities 38,935 50,887
Notes payable, less current portion 724 772
Obligations under capital leases, less current portion 191 1,631
Notes payable to a related party, net of unamortized Beneficial Conversion Features 42,122 28,717

Total liabilities 81,972 82,007

Commitments and contingencies
Stockholders' deficit:
Preferred stock, $10.00 par value, authorized 10,000,000 shares, issued and outstanding 619 at June 30, 2004 and December 31, 2003, liquidation preference of $613 at June 30, 2004 and December 31, 2003 6 6
Common stock, $0.01 par value, authorized 300,000,000 shares, issued and outstanding 19,262,095 at June 30, 2004 and December 31, 2003 192 192
Additional paid-in capital 183,581 182,879
Accumulated deficit (235,451) (226,030)

Total stockholders' deficit (51,672) (42,953)

Total liabilities and stockholders' deficit $30,300 $39,054

The accompanying notes are an integral part of these condensed consolidated financial statements
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ACCERIS COMMUNICATIONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

Three Months Ended Six Months Ended
June 30,

June 30,

(In thousands, except per share amounts)

2004

2003

2004

2003

(as restated) (as restated)

Revenues:
Telecommunications services $26,419 $35,995 $61,142 $66,362
Technology licensing and development 90 1,050 540 1,050

Total revenues 26,509 37,045 61,682 67,412

Operating costs and expenses:
Telecommunications network expense (exclusive of depreciation expense on telecommunications network assets of $1,294 and $1,056 for the three months ended June 30, 2004 and 2003, respectively, and $2,639 and $2,086 for the six months ended June 30, 2004 and 2003, respectively, included in depreciation and amortization below) 15,477 21,319 32,112 47,068
Selling, general and administrative 14,074 14,617 28,834 28,841
Provision for doubtful accounts 1,740 1,131 2,967 2,306
Research and development 106 - 106 -
Depreciation and amortization 1,653 1,758 3,357 3,584

Total operating costs and expenses 33,050 38,825 67,376 81,799

Operating loss (6,541) (1,780) (5,694) (14,387)

Other income (expense):
Interest expense (2,487) (3,394) (6,022) (6,309)
Interest and other income 812 1 2,189 3

Total other income (expense) (1,675) (3,393) (3,833) (6,306)

Loss from continuing operations (8,216) (5,173) (9,527) (20,693)
Gain from discontinued operations (net of $0 tax) - 371 104 94

Net loss $(8,216) $(4,802) $(9,423) $(20,599)

Basic and diluted weighted average shares outstanding 19,262 5,834
19,262 5,834
Net loss per common share - basic and diluted:
Loss from continuing operations $(0.43) $(0.88) $(0.50) $(3.55)
Gain from discontinued operations - 0.06 0.01 0.02

Net loss per common share $(0.43) $(0.82) $(0.49) $(3.53)

The accompanying notes are an integral part of these condensed consolidated financial statements
3

ACCERIS COMMUNICATIONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Six Months Ended
June 30,

(In thousands of dollars)

2004

2003

(as restated)

Cash flows from operating activities:
Net loss $(9,423) $(20,599)
Adjustments to reconcile net loss to net cash used in operating activities:
Depreciation and amortization 3,357 3,584
Provision for doubtful accounts 2,967 2,306
Decrease in allowance for impairment of net assets of discontinued operations (148) (169)
Gain on sale of investment in common stock (1,376) -
Accrued interest added to loan principal 1,929 2,122
Expense associated with stock options issued to non-employee for services 9 -
Settlement of note payable - (394)
Gain on discharge of obligation (767) -
Management benefit conferred by controlling shareholder 115 -
Stock received as payment on technology licensing agreement - (1,100)
Amortization of discount on notes payable to related party 2,599 2,373
Increase (decrease) from changes in operating assets and liabilities:

Accounts receivable 699 (4,588)
Other assets 390 (436)
Unearned revenue (4,182) 9,307
Accounts payable and accrued liabilities (1,021) 2,509

Net cash used in operating activities (4,852) (5,085)

Cash flows from investing activities:
Purchases of furniture, fixtures, equipment and software (393) (1,305)
Cash received from sale of assets - 160
Cash received from sale of investments in common stock, net 3,582 -

Net cash provided by (used in) investing activities 3,189 (1,145)

Cash flows from financing activities:
Proceeds from issuance of notes payable to related party 9,439 100
Proceeds from (repayment of) revolving credit facility, net (4,973)
5,762
Payment of capital lease and note payable obligations (1,390) (1,268)
Payment of note payable to RSL Estate (1,104) -
Costs paid by controlling shareholder 15 64

Net cash provided by financing activities 1,987 4,658

Increase (decrease) in cash and cash equivalents 324 (1,572)
Cash and cash equivalents at beginning of period 2,033 3,620

Cash and cash equivalents at end of period $2,357 $2,048

Supplemental schedule of non-cash investing and financing activities:

Preferred stock received in exchange for assets of discontinued operations
$- $1,691

The accompanying notes are an integral part of these condensed consolidated financial statements
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ACCERIS COMMUNICATIONS INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
Note 1 - Description of Business and Principles of Consolidation
The unaudited condensed consolidated financial statements include the accounts of Acceris Communications Inc. (formerly I-Link Incorporated) and its wholly owned subsidiaries Acceris Communications Corp. ("ACC," formerly WorldxChange Corp.); I-Link Communications Inc., ("ILC"), which is substantially included in discontinued operations; Transpoint Holdings Corporation, which includes the purchased assets of Transpoint Communications, LLC and the

purchased membership interest in Local Telecom Holdings, LLC (collectively, "Transpoint"), which the Company purchased in July 2003; and Acceris Communications Technologies, Inc. These entities combined are referred to as "Acceris" or the "Company" in these unaudited condensed consolidated financial statements.

We are a broad-based communications company, servicing residential, small and medium-sized businesses and corporate accounts in the United States. We provide a range of products from local dial tone, domestic and international long-distance voice services to fully managed, integrated data and enhanced services. We are a US facilities-based carrier with points of presence in 30 major US cities. Our voice network features 11 voice switches and nationwide Feature Group D ("FGD") access which enables low cost call origination. Our data network consists of 17 Nortel Passports that have recently been upgraded to support multi-protocol label switching ("MPLS"). Finally, we have relationships with multiple tier I and tier II providers in the U.S. and abroad, which allows for efficient call management and least cost routing.

We currently manage our Company through two business segments. The Telecommunications segment provides voice and data services to our residential customers and large corporate accounts, while the Technologies segment is responsible for commercialization of our proprietary soft-switch technology and underlying intellectual property, including the Company's Voice over Internet Protocol ("VoIP") patent portfolio.

Telecommunications

Our Telecommunications segment offers a broad range of voice and data products and services to residential, small office/home office ("SOHO") and small-medium sized enterprises ("SME"), and corporate accounts through a network of multi-level marketing ("MLM") agents, commercial agents, affinity groups and outbound telemarketing. Our customers are serviced through direct sales and support teams who offer fully managed and fully integrated voice and data solutions.

We have capitalized upon a unique synthesis of marketing and network capabilities. Through the strength of our agent network we are adding new customers each month, many of them with a strong international usage component. Due to our favorable cost structure and network optimization, we offer competitive rates to selected international regions. We continue to experience customer attrition particularly with our 10-10-XXX customer base which we have not marketed directly since 2002. We have also seen the average revenue per user ("ARPU") decline. The Company's domestic telephone network continues to operate at well below available capacity leading to cost inefficiencies. We attribute this to increased cellular penetration and deregulation in various countries which have lower rates per month in those markets. This is most evident in India in 2004. Additionally, regulatory uncertainty exists in the domestic telephone markets due to recent court decisions. Future regulatory changes may penalize or benefit the current operations of the business.

We differentiate ourselves to our residential customers by offering attractively priced bundles of international minutes, both on a stand alone basis and as part of a local dial tone + long-distance package to preferred destinations, and by specialized customer service, which includes in-language customer support. By using this targeted strategy, we have acquired a substantial number of ethnic users whose monthly spending on telecommunications services is generally higher than that of the average retail customer.

Our proprietary technology enables us to offer unbundled value-added services such as voicemail, unified messaging and on-the-fly conferencing at a low cost, creating another competitive advantage when targeting retail customers. These features distinguish us from mass-market providers that typically offer higher priced, "one-size-fits-all" national and international rate plans. We are in the process of productizing and deploying this technology.

Our direct sales force focuses on multi-location customers with limited information technology ("IT") resources. By taking a consultative approach to network solutions and providing in-depth analysis of our customers' business needs and operating environments, we are able to design and deliver competitively priced and customized voice and data solutions. Our commercial

customers also benefit from our relationships with multiple providers, which ensures superior service with respect to network redundancy, cost and supplier risk. We are able to offer strong customer service due to easy access to information and to our engineering, technical and administrative staffs.
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Technologies

Our Technologies segment offers a proven network convergence solution for the deployment of IP-based voice and data services over a single network. We have over nine years of experience developing VoIP technologies. Our proprietary soft-switch solution both enables existing telecom service providers to reduce telecommunications costs and permits new communications service providers to enter the enhanced communications market with limited investment. In addition, we have a patent portfolio that includes two VoIP patents (the "VoIP Patents") which we believe are foundational VoIP patents for communications over traditional telecommunication networks. We are pursuing opportunities to leverage our patents through a focused licensing strategy that targets carriers, equipment vendors and customers who are deploying IP for phone-to-phone communication.

All significant intercompany accounts and transactions have been eliminated upon consolidation.

Management believes that the unaudited interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation. The December 31, 2003, condensed consolidated balance sheet presented herein is derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The condensed consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K, for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

The results of operations for the three and six month periods ended June 30, 2004 are not necessarily indicative of those to be expected for the entire year ending December 31, 2004.

Note 2 - Restatement

The consolidated financial statements of the company have been restated in each reporting period from the fourth quarter of 2002 through to the first quarter of 2004 to correct for the misapplication of the accounting principles of Emerging Issues Task Force Issue No. 00-27 ("EITF 00-27"). The restated numbers are included in the year to date results as presented in the accompanying consolidated financial statements.

On September 20, 2004, management of the Company concluded that the accounting principles as set forth in EITF 00-27, regarding Beneficial Conversion Features ("BCF"), had not been properly applied in current and prior years to its convertible debentures issued in March 2001. The initial determination of the BCF in 2001 at the issue date was correct. However, adjustments to the number of shares and their conversion price were made under the debentures' anti-dilution provisions. The various anti-dilution events and their respective impacts on the number of shares and the conversion price were disclosed in the Company's previous public filings. However, the principles under EITF 00-27 also require a redetermination of the BCF at each date an anti-dilution event occurred. This redetermination was not completed in prior reporting periods. Additionally, the accumulation of unpaid interest costs on these same convertible debentures has been deemed to be interest paid in kind ("PIK"); such interest also contains a conversion feature, which once assessed as PIK interest required the determination of a BCF. This determination was not made by the Company in its prior reportings.

This matter was raised by the Company's recently appointed independent auditors, BDO Seidman, LLP ("BDO"), in the course of their review of the Company's prior public filings. After discussions among the Company's management, BDO, and the Company's prior auditors, PricewaterhouseCoopers, LLP ("PwC"), the Company's management concluded that a correction of the prior accounting on this matter was required. The Company's management brought the matter for consideration before the Audit Committee and the full Board of Directors of the Company. Having considered the circumstances underlying the accounting errors and their effects upon the Company's prior filings, and having discussed the matter with the BDO and PwC representatives as well as the Company's management, the Audit Committee concluded that the previously issued financial statements should not be relied upon and approved and authorized the Company's management to amend certain previously filed public reports.

The correction of these errors results in an increase in deemed interest expense and net loss, in all reporting periods from the fourth quarter of 2002 through the first quarter of 2004, and a reduction in reported liabilities and stockholders' deficit in all reporting periods from the fourth quarter of 2002 through the first quarter of 2004. The effect of these errors is detailed, by reporting period, below. The restatement had no effect on loss from discontinued operations or net loss per share from discontinued operations.

Effect of the restatements on the consolidated statements of operations
(in thousands of dollars except per share amounts)
(per share information reported on a post 20:1 stock consolidation basis for all periods shown. Stock consolidation enacted in the fourth quarter of 2003)

	Three months ended Dec. 31, 2002	Three months ended March 31, 2003	Three months ended June 30, 2003	Three months ended Sept. 30, 2003	Three months ended Dec. 31, 2003	Three months ended March 31, 2004
Net income (loss) as currently reported on Form 10-K or 10-Q	$(11,117)	$(14,895)	$(3,713)	$(3,257)	$(4,456)	$594
Correction of EITF 00-27 errors	(301)	(902)	(1,089)	(1,337)	(1,779)	(1,801)
Net loss as expected to be reported on revised Form 10-K or 10-Q	$(11,418)	$(15,797)	$(4,802)	$(4,594)	$(6,235)	$(1,207)

Net income (loss) per share as currently reported on Form 10-K or 10-Q
$(1.92) $(2.55) $(0.64) $(0.56) $(0.44) $0.03

Net loss per share as expected to be reported on revised Form 10-K or 10-Q
$(1.96) $(2.71) $(0.82) $(0.79) $(0.59) $(0.06)

Effect of the restatements on the consolidated balance sheets
(in thousands of dollars)

As at As at As at As at As at As at
Dec. 31, 2002 March 31, 2003 June 30, 2003 Sept. 30, 2003 Dec. 31, 2003
March 31, 2004
Notes payable to a related party:
As currently reported on Form 10-K or 10-Q $30,058 $30,496 $30,985
$33,483 $35,073 $41,060
Correction of EITF 00-27 errors (6,109) (5,364) (4,437) (3,265)
(6,356) (4,834)
As expected to be reported on revised Form 10-K or 10-Q $

23,949 $

25,132 $

26,548 $

30,218 $

28,717 $

36,226

Additional paid-in capital:
As currently reported on Form 10-K or 10-Q $129,553 $129,553 $129,618 $129,618 $171,115 $171,192
Correction of EITF 00-27 errors 6,410 6,567 6,729 6,894 11,764 12,043
As expected to be reported on revised Form 10-K or 10-Q $

135,963 $

136,120 $

136,347 $

136,512 $

182,879 $

183,235

Accumulated deficit
As currently reported on Form 10-K or 10-Q $(194,301) $(209,196) $(212,909) $(216,166) $(220,622) $(220,028)
Correction of EITF 00-27 errors (301) (1,203) (2,292) (3,629) (5,408) (7,209)
As expected to be reported on revised Form 10-K or 10-Q $

(194,602) $

(210,399) $

(215,201) $

(219,795) $

(226,030) $

(227,237)

Stockholders' equity (deficit):
As currently reported on Form 10-K or 10-Q $(63,925) $(78,820) $(82,468) $(85,725) $(49,309) $(47,292)
Correction of EITF 00-27 errors 6,109 5,364 4,437 3,265 6,356 4,834
As expected to be reported on revised Form 10-K or 10-Q $

(57,816) $

(73,456) $

(78,031) $

(82,460) $

(42,953) $

(42,458)

Note 3 - Summary of Significant Accounting Policies
Net loss per share

Basic earnings per share is computed based on the weighted average number of Acceris common shares outstanding during the period. Options, warrants, convertible preferred stock and convertible debt are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive. As the Company has a net loss for the three and six month periods ended June 30, 2003 and 2004, basic and diluted loss per share are the same.

Potential common shares that were not included in the computation of diluted earnings per share because they would have been anti-dilutive are as follows:

	June 30, 2004	June 30, 2003
Assumed conversion of Series N preferred stock	24,760	24,760
Assumed conversion of convertible debt	2,599,350	6,419,150
Assumed exercise of options and warrants to purchase shares of common stock	2,377,030	436,650
	5,001,140	6,880,560

Investments

Dividends and realized gains and losses on securities are included in other income in the condensed consolidated statements of operations.

The Company holds investments in convertible preferred stock of AccessLine Communications Corporation ("AccessLine"). The convertible preferred stock is accounted for under the cost method, as the preferred securities are not readily marketable and the Company's ownership interests do not allow it to exercise significant influence over this entity. As of June 30, 2004 and December 31, 2003, the carrying value of the preferred stock was $1,100. The Company monitors this investment for impairment annually by considering current factors including economic environment, market conditions and operational performance and other specific factors relating to the business underlying the investment, and will record impairments in carrying values when necessary. The fair value of the security is estimated using the best available information as of the evaluation date, including the quoted market prices of comparable public companies, market price of the common stock underlying the preferred stock, recent financing rounds of the investee and other investee specific information. See Note 6 for further discussion of the Company's investment in AccessLine convertible preferred stock.

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Concentrations

Concentrations of risk with third party providers:

Acceris utilizes the services of certain local exchange carriers ("LECs") to bill and collect from customers for a significant portion of its revenues. If the LECs were unable or unwilling to provide such services in the future, the Company would be required to significantly enhance its billing and collection capabilities in a short amount of time and its collection experience may be adversely affected during this transition period. If the LECs were unable to remit payments received from their customers relating to Acceris billings, the Company's operations and cash position may be adversely affected. Management believes it has good business relationships with the LECs.

The Company depends on certain large telecommunications carriers to provide network services for significant portions of the Company's telecommunications traffic. If these carriers were unwilling or unable to provide such services in the future, the Company's ability to provide services to its customers may be adversely affected and the Company might not be able to obtain similar services from alternative carriers on a timely basis or on terms acceptable to the Company. Management believes it has good business relationships with its key carriers.

Concentrations of credit risk

The Company's retail telecommunications subscribers are primarily residential and small business subscribers in the United States. The Company's customers are generally concentrated in the areas of highest population in the United States, more specifically California, Florida, New York, Texas and Illinois. No single customer accounted for over 10% of revenues in the three and six month periods ending June 30, 2004 or 2003. The Company performs ongoing credit evaluations of its larger carrier and retail business customers but generally does not require collateral to support customer receivables.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-based compensation

At June 30, 2004, the Company had several stock-based compensation plans, which are described more fully in Note 18 to the audited consolidated financial statements contained in our most recently filed Form 10-K. The Company accounts for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations (collectively, "APB 25"). Stock-based employee compensation cost is not reflected in net loss, as all options granted under those plans had an exercise price equal to or in excess of the market value of the underlying common stock on the date of grant. In accordance with SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, see below for a tabular presentation of the pro forma stock-based compensation cost, net loss and loss per share as if the fair value-based method of expense recognition and measurement prescribed by SFAS 123 had been applied to all employee options. Options granted to non-employees (excluding non-employee members of the Company's Board of Directors), consultants and marketing agents are recognized and measured using the fair value-based method prescribed by SFAS 123.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
		(as restated)		(as restated)
Net loss as reported	$(8,216)	$(4,802)	$(9,423)	$(20,599)
Deduct:				
Employee stock-based compensation cost determined under the fair value-based method for all awards, net of $0 tax	(161)	(18)	(338)	(36)
Pro forma net loss	$(8,377)	$(4,820)	$(9,761)	$(20,635)

Net loss per share, basic and diluted:
As reported $(0.43) $(0.82) $(0.49) $(3.53)
Pro forma $(0.43) $(0.83) $(0.51) $(3.54)

Note 4 - Liquidity and Capital Resources

The Company has incurred substantial operating losses and negative cash flows from operations since inception. At June 30, 2004 the Company had a stockholders' deficit of $51,672 ($42,953 - December 31, 2003), negative working capital of $20,413 ($26,576 - December 31, 2003), amounts due to its controlling shareholder of $42,122 ($28,717 - December 31, 2003) and $7,154 ($12,127 - December 31, 2003) owing under its revolving credit facility (included in working capital). There are $nil additional borrowings available under the revolving credit facility at June 30, 2004.

The related party debt is owed to the Company's controlling shareholder, Counsel Corporation (collectively with all its subsidiaries "Counsel") and is due at December 31, 2005, subject to certain contingent acceleration clauses linked to the raising of capital. In addition to the Company's expectation of raising funds in the remainder of 2004 from third parties, the Company has a funding commitment from Counsel to fund, through long-term intercompany advances or equity contributions, all capital investment, working capital or other operational cash requirements (the "Keep Well") through June 30, 2005. During the first six months of 2004, Counsel advanced the Company $9,439 under the Keep Well, and converted $1,929 of accrued interest into principal.

The revolving credit facility is provided by an asset based lender. The asset based lender is secured by a first lien on all of the assets of ACC. Borrowings under the facility are based on various advance rates of the accounts receivable base subject to certain reductions and covenants. Amounts available under the asset based facility are subject to change based upon the level of receivables and other related factors, such as the aging of accounts, customer concentrations, etc. Borrowings under this facility are classified as a current liability due to the demand nature of the borrowings. The facility matures on June 30, 2005. The Company is looking to extend the term of the facility beyond its current maturity date, or to replace the facility prior to maturity.

In August 2004, the Company implemented a resizing of the organization targeted at reducing its operating costs. The cost cutting reflects both the continued efficiencies created by the ongoing integration of the Company's operations, related to its four acquisitions over the last three years, and management's commitment to its objective of achieving break-even operating income by the end of 2004, despite softening revenue and regulatory uncertainty. Approximately 20 percent of the Company's work force has been removed from the organization. The reduction affected staff in the San Diego, Pittsburgh and Somerset facilities. The Company anticipates that it will record expenses of between $1,000 and $2,000 during the third quarter ended September 30, 2004 related to this restructuring. Restructuring charges will include employee reduction costs and lease termination costs and may include additional charges related to potential asset impairments.

The Company does not expect to generate net cash flow from operating activities in the remainder of 2004. The Company expects that funding to support its operations will be derived from proceeds from a third party fund raise which may take the form of debt, equity or a hybrid instrument, or from the proceeds on the sale of assets in addition to advances under the Keep Well. In the first half of 2004, the Company was funded primarily by increases in related party debt and from the proceeds on the sale of the shares held in BUI.

Management intends to raise funds from third parties to support the operating needs of the business. Use of funds from such arrangements may include such uses as funding operations, improving working capital, repaying obligations of the business and funding future merger and acquisition activities. There can be no assurance that the Company's capital raising efforts will be successful or can occur on favorable terms to existing security or debt holders.

There continues to be no assurance that the Company will be able to improve its cash flow from operations, obtain additional third party financing, extend, repay or refinance its debt with Counsel or its asset based lender on favorable terms,

or obtain an extension of the existing funding commitment from Counsel or its asset based lender beyond their respective maturity dates. This circumstance raises substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets and liquidation of liabilities that may result from this uncertainty.

Note 5 - Composition of Certain Financial Statements Captions

Furniture, fixtures, equipment and software consisted of the following:

	June 30, 2004	December 31, 2003
Telecommunications network equipment	$14,303	$14,196
Furniture, fixtures and office equipment	4,251	4,059
Building /leasehold improvements	313	305
Software and information systems	2,072	1,986
	20,939	20,546
Less accumulated depreciation and amortization	(14,702)	(12,063)
	$6,237	$8,483

Included in telecommunications network equipment was $9,752 and $9,739 in assets acquired under capital leases at June 30, 2004 and December 31, 2003, respectively. Accumulated amortization on these leased assets was $7,569 and $6,382 at June 30, 2004 and December 31, 2003, respectively.

Intangible assets consisted of the following:

June 30, 2004

Amortization period

Accumulated

Cost

amortization

Net

Intangible assets subject to amortization:
Customer contracts and relationships 12 - 60 months $2,006 $(849) $1,157
Agent relationships 36 months 2,116 (770) 1,346
Agent contracts 12 months 242 (242) -
Patents 60 months 100 (10) 90

4,464 (1,871) 2,593
Goodwill 1,120 - 1,120

Total intangible assets and goodwill $5,584 $(1,871) $3,713

December 31, 2003

Amortization period Accumulated

Cost

amortization

Net

Intangible assets subject to amortization:
Customer contracts and relationships 12 - 60 months $2,006 $(510) $1,496
Agent relationships 36 months 2,116 (415) 1,701
Agent contracts 12 months 242 (242) -
Patents 60 months 100 - 100

4,464 (1,167) 3,297
Goodwill 1,120 - 1,120

Total intangible assets and goodwill	$5,584	$(1,167)	$4,417

Amortization expense for the three months ended June 30, 2004 and 2003 was $366 and $174, respectively. Amortization expense for the six months ended June 30, 2004 and 2003 was $718 and $397, respectively.
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Accounts payable and accrued liabilities consisted of the following:

	June 30, 2004	December 31, 2003
Accounts payable	$10,209	$3,370
Telecommunications and related accruals	2,916	9,840
Regulatory fees	6,694	6,790
Other	7,503	9,113
	$27,322	$29,113

Note 6 - Investments

Prior to June 21, 2004, the Company held an investment in the common stock of Buyers United Inc. ("BUI"), which investment was acquired as consideration received related to the sale of the operations of ILC. At the time of the sale of the ILC business, the purchase price consideration paid by BUI was in the form of convertible preferred stock, with additional shares of preferred stock received subsequently based on contingent earn out provisions in the purchase agreement. In addition, common stock dividends were earned on the preferred stock holding. On March 16, 2004, the Company converted its preferred stock into 1,500,000 shares of BUI common stock, and sold 750,000 shares at $2.30 per share in a private placement transaction. This sale resulted in a gain of approximately $565, which is included in interest and other income in the three months ended March 31, 2004 and was based on specific identification of the securities sold and their related cost basis. Through several open market transactions during the three months ended June 30, 2004, the Company sold the remaining 808,546 of these shares, resulting in a gain of approximately $811. These gains are included in other income in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2004.

The Company's investments as of June 30, 2004 consist of convertible preferred stock in AccessLine. This stock was received as consideration for a licensing agreement in the second quarter of 2003 and was reflected in technology licensing and development revenues for that quarter, at its carrying value of $1,100.

Note 7 - Network Service Offering

The Company, through its Telecommunications segment (see Note 16 for further discussion of the Company's segments), began to sell a network service offering in November 2002. The Company ceased selling this network service offering in July 2003. Revenues for the Company's network service offering are accounted for using the unencumbered cash receipt method. The Company determined that collectibility of the amounts billed to customers was not reasonably assured at the time of billing. Under its agreements with the LECs, cash collections remitted to the Company are subject to adjustment, generally over several months. Accordingly, the Company recognizes revenue when the actual cash collections to be retained by the Company are finalized and unencumbered. There was no further billing of customers for the network service offering subsequent to the program's termination. During the three and six months ended June 30, 2004, the Company recognized $190 and $6,553, respectively, as non-recurring revenue from prior-year sales of this service offering as prior period cash collections were finalized. At June 30, 2004, the Company was awaiting the reconciliation from two remaining LECs, leaving approximately $161 of cash receipts that were still subject to adjustment by the LECs and therefore encumbered. This amount is included in unearned revenue at June 30, 2004.

At March 31, 2004, the Company had not paid the service provider approximately $519 which was previously reserved pursuant to services provided in July 2003, which were expensed as a telecommunications cost in the third quarter of 2003. During the second quarter of 2004, a settlement was reached with the service provider whereby the Company paid approximately $300 to the service provider, rendering all parties free and clear of all future obligations under the plan. The discharge of the remaining $219 obligation is included as an offset to telecommunications expense in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2004.

Note 8 - Discharge of Obligation

In the first quarter of 2004, the Company was discharged of an obligation totaling $767 owed to a consortium of owners of a certain telecommunications asset, to which the Company previously held an indefeasible right of usage. The discharge of the obligation is included in interest and other income in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2004.

Note 9 - Patent Residual Option

In the fourth quarter of 2003, Acceris acquired Patent No. 6,243,373 from an arms length party. Consideration provided was $100 plus a 35% residual payable to the third party relating to the net proceeds from future licensing and or enforcement actions from the combined Acceris VoIP Patents (i.e. Patent No. 6,243,373 and 6,438,124). Net proceeds are defined as amounts collected from the third parties net of the direct costs associated with putting the licensing or enforcement in place and related collection costs. At that time of closing, Acceris was granted the right to decrease the residual payable from 35% to 30% on or before June 30, 2004 for an additional payment of $614 and based upon exercising the right to decrease the residual from 35% to 30% Acceris would have the additional right to decrease its residual payable from 30% to 15% for an additional $5,000. In the second quarter, Acceris was granted an extension through July 31, 2004 of its right to decrease the residual from 35% to 30% for no additional consideration by the arms length party. As of August 31, 2004, Acceris was subsequently granted a further extension of its right to decrease its residual from 35% to 30% through September 30, 2004 for no additional consideration. The additional right to decrease the residual from 30% to 15%, which is preconditioned on the decrease of residual from 35% to 30% remains in full force and effect.

Note 10 - Discontinued Operations

On December 6, 2002, the Company entered into an agreement to sell substantially all of the assets and customer base of ILC to BUI. The sale included the physical assets required to operate Acceris' nationwide network using its patented VoIP technology (constituting the core business of ILC) and a non-exclusive license in perpetuity to use Acceris' proprietary software platform. The sale closed on May 1, 2003 and provided for a post closing cash settlement between the parties. The sale price consisted of 300,000 shares of Series B convertible preferred stock (8% dividend) of BUI, subject to adjustment in certain circumstances, of which 75,000 shares were subject to an earn-out provision (contingent consideration). The fair value of the 225,000 shares (non-contingent consideration) of BUI convertible preferred stock was determined to be $1,350 as of December 31, 2002. The earn-out took place on a monthly basis over a fourteen-month period, which began January 2003. The Company recognized the value of the earn-out shares as additional sales proceeds when earned. During the year ended December 31, 2003, 64,286 shares of the contingent consideration with a fair value of $566 were earned and included as a component of gain (loss) from discontinued operations (32,142 shares with a fair value of $371 were earned in the six months ended June 30, 2003). As of December 31, 2003, the combined fair value of the 225,000 original shares and the 64,286 shares earned from the contingent consideration was determined to be $1,916. See Note 5 for a discussion of the disposition of these shares in the six months ended June 30, 2004.

In the first quarter of 2004, the Company recorded a gain from discontinued operations of $104. This gain was due to the receipt in January 2004 of the remaining 10,714 shares of common stock as contingent consideration, which is recorded as additional gain from discontinued operations. Upon closing of the sale, BUI assumed all operational losses subsequent to December 2002. Accordingly, the gains of $371 and $94 for the three and six months ended June 30, 2003, respectively, include the increase in the sales price for the losses incurred since December 6, 2002.

Note 11 - Income Taxes

The Company recognized no income tax benefit from the losses generated in the six months ended June 30, 2004 and 2003 because of the uncertainty surrounding the realization of the related deferred tax asset. Pursuant to Section 382 of the Internal Revenue Code, annual usage of the Company's net operating loss carryforwards is limited as a result of previous cumulative changes of ownership resulting in a change of control of the Company. These rules in general provide that an ownership change occurs when the percentage shareholdings of 5% direct or indirect shareholders of a loss corporation have in aggregate increased by more than 50 percentage points during the immediately preceding three years.

Note 12 - Related Party Transactions

During the six months ended June 30, 2004, Counsel, Acceris' controlling shareholder, advanced $9,439 and converted $1,929 of interest payable to principal. All loans from Counsel mature on December 31, 2005 and accrue interest at rates ranging from 9% to 10%, with interest compounding quarterly and some of the loans are subject to an accelerated maturity in certain circumstances. At June 30, 2004, no events resulting in accelerated maturity had occurred. The Keep Well from Counsel expires on June 30, 2005 and provides a commitment to fund through long-term intercompany advances or equity contributions, all capital investment, working capital or other operational cash requirements of the Company.

The Chief Executive Officer ("CEO") of Acceris is an employee of Counsel. As CEO, he is entitled to an annual salary of $275 and a discretionary bonus of up to 100% of the base salary.

Counsel provided additional management services through Acceris' President, Chief Financial Officer and Corporate Secretary, who are also employees of Counsel. No contractual arrangement exists for these services so the contribution of these individuals are considered as a conferred benefit by the controlling shareholder resulting in the recording of an expense of $115 for the six months ended June 30, 2004. This expense is included in selling, general and administrative expenses and results in an increase in paid-in capital.

Note 13 - Commitments and Contingencies

Legal Proceedings

On April 16, 2004, certain shareholders of the Company (the "Plaintiffs") filed a putative derivative complaint in the Superior Court of the State of California in and for the County of San Diego, (the "Complaint") against the Company, WorldxChange Corporation (sic), Counsel Communications LLC, and Counsel Corporation as well as certain present and former officers and directors of the Company, some of whom also are or were directors and/or officers of the other corporate defendants (collectively, the "Defendants"). The Complaint alleges, inter alia, that the Defendants, in their respective roles as controlling shareholder and directors and officers of the Company committed breaches of the fiduciary duties of care, loyalty and good faith and were unjustly enriched, and that the individual Defendants committed waste of corporate assets, abuse of control and gross mismanagement. The Plaintiffs seek compensatory damages, restitution, disgorgement of allegedly unlawful profits, benefits and other compensation, attorneys' fees and expenses in connection with the Complaint The Company believes that these claims in their entirety are without merit and intends to vigorously defend this action. There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on its business, results of operations, financial position or liquidity.

Acceris and several of Acceris' current and former executives and board members were named in a securities action filed in the Superior Court of the State of California in and for the County of San Diego on April 16, 2004, in which the plaintiffs made claims nearly identical to those set forth in the derivative suit above. The Company believes that these claims in their entirety are without merit and intends to vigorously defend this action. There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on its business, results of operations, financial position or liquidity

In connection with the Company's efforts to enforce its patent rights, Acceris Communications Technologies Inc filed a patent infringement lawsuit against ITXC Corp ("ITXC") in the United States District Court of the District of New Jersey on April 14, 2004 The complaint alleges that ITXC's VoIP services and systems infringe the Company's U S. Patent No. 6,243,373, entitled "Method and Apparatus for Implementing a Computer Network/Internet Telephone System " On May 7, 2004, ITXC filed a lawsuit against Acceris Communications Technologies Inc , and the Company, in the United States District Court for the District of New Jersey for infringement of five ITXC patents relating to VoIP technology, directed generally to the transmission of telephone calls over the Internet and the completion of telephone calls by switching them off the Internet and onto a public switched telephone network. The Company believes that the allegations contained in ITXC's complaint are, in their entirety, without merit and the Company intends to provide a vigorous defense to ITXC's claims There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on its business, results of operations, financial position or liquidity.

At our Adjourned Meeting of Stockholders held on December 30, 2003, our stockholders approved an amendment to our Articles of Incorporation, deleting Article VI thereof (regarding liquidations, reorganizations, mergers and the like) Stockholders who were entitled to vote at the meeting and advised us in writing, prior to the vote on the amendment, that they dissented and intended to demand payment for their shares if the amendment was effectuated, were entitled to exercise their appraisal rights and obtain payment in cash for their shares under Sections 607 1301 - 607.1333 of the Florida Business Corporation Act, provided their shares were not voted in favor of the amendment In January 2004, appraisal notices in compliance with Florida corporate statutes were sent to all stockholders who had advised us of their intention to exercise their appraisal rights. The appraisal notices included our estimate of fair value of our shares, being $4 00 per share on a post-split basis. These stockholders had until February 29, 2004 to return their completed appraisal notices along with certificates for the shares for which they were exercising their appraisal rights. Approximately 33 stockholders holding approximately 74,000 shares of our stock returned completed appraisal notices by February 29, 2004. A stockholder of 20 shares notified us of his acceptance of our offer of $4.00 per share, while the stockholders of the remaining shares did not accept our offer Subject to the qualification that we may not make any payment to a stockholder seeking appraisal rights if, at the time of payment, our total assets are less than our total liabilities, stockholders who accepted our offer to purchase their shares at the estimated fair value will be paid for their shares within 90 days of our receipt of a duly executed appraisal notice If we should be required to make any payments to dissenting stockholders, Counsel will fund any such amounts through the purchase of shares of our common stock. Stockholders who did not accept our offer were required to indicate their own estimate of fair value. Because Acceris did not agree with the estimates submitted by many of the dissenting shareholders,

Acceris has sought a judicial determination of the fair value of the common stock held by the dissenting stockholders. On June 24, 2004, Acceris filed suit against the dissenting shareholders seeking a declaratory judgment, appraisal and other relief in the Circuit Court for the 17th Judicial District in Broward County, Florida. There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on our business, results of operations, financial position or liquidity

The Company is involved in various other legal matters arising out of its operations in the normal course of business, none of which are expected, individually or in the aggregate, to have a material adverse effect on the Company.

Note 14 - Agent Warrant Program

During the first quarter of 2004, the Company launched the Acceris Communications Inc. Platinum Agent Program (the "Agent Warrant Program"), which provides for the issuance of warrants to purchase up to 1,000,000 shares of the Company's common stock to independent agents who participate in the Agent Warrant Program. The Agent Warrant Program was established to encourage and reward consistent, substantial and persistent production by selected commercial agents serving the Company's domestic markets and to strengthen the Company's relationships with these agents by granting long-term incentives in the form of the warrants to purchase the Company's common stock at current price levels The Agent Warrant Program is administered by the Compensation Committee of the Board of Directors of the Company.

Participants in the Agent Warrant Program will be granted warrants upon commencement, the vesting of which is based on maintaining certain revenue levels for a period of 24 months The grants are classified into tiers based on commissionable revenue levels, the vesting period of which begins upon the achievement of certain commissionable revenue levels during the eighteen month period beginning February 1, 2004 Vesting of the warrants within each tier occurs 50% after 12 months and 100% after 24 months, dependent on the agent maintaining the associated revenue level for the entire period

As of June 30, 2004, 600,000 warrants have been issued under the Agent Warrant Program, none of which have met the requirements to begin vesting The warrants issued under the plan will be accounted for under the provisions of the FASB's Emerging Issue Task Force's ("EITF") Issue No 96-18, Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services ("EITF 96-18") Accordingly, the

Company will recognize an expense associated with these warrants over the vesting period based on the then current fair market value of the warrants calculated at each reporting period At such time as the vesting for any warrants begins, the expense will be included in selling, general and administrative expense. As the vesting period has not commenced for any of the warrants issued prior to June 30, 2004, no expense has been recognized in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2004

Note 15 - Subsequent Event

In August 2004, the Company implemented a resizing of the organization targeted at reducing its operating costs. The cost cutting reflects both the continued efficiencies created by the ongoing integration of the Company's operations, related to its four acquisitions over the last three years, and management's commitment to its objective to achieving break-even operating income by the end of 2004, despite softening revenue and regulatory uncertainty. Approximately 20 percent of the Company's work force has been removed from the organization The reduction affected staff in the San Diego, Pittsburgh and Somerset facilities. The Company anticipates that it will record expenses of between $1,000 and $2,000 during the third quarter ended September 30, 2004 related to this restructuring. Restructuring charges will include employee reduction costs and lease termination costs and may include additional charges related to potential asset impairments Management is in the process of assessing the impact of these measures on other assets

In September 2004, the Company reached a settlement with the estate of Worldxchange relating to its June 2001 acquisition of the assets of Worldxchange Corporation. Pursuant to this settlement the Company has been discharged of approximately $200 of recorded liabilities and further expects to receive additional proceeds of less than $50 that will be recorded as income when collected.

Note 16 - Segment Reporting

In the first quarter of 2004, the Company changed the structure of its internal organization and the method upon which it evaluates its performance. Previously, the Company had three segments consisting of Enterprise, Retail and Technologies, which primarily distinguished themselves by the product offerings available In the first quarter of 2004, management began to evaluate the Company as two divisions consisting of Telecommunications and Technologies. The Company uses the information available by division to evaluate management and Company performance and to make decisions regarding the allocation of Company assets. Telecommunications includes the operations of the assets and liabilities purchased from WorldxChange (which we acquired in June 2001) and the Agent and Enterprise business of RSL, which were acquired in December 2002 This segment offers a dial around telecommunications product, a 1+ product and a local dial tone bundled offering through MLM, commercial agents and telemarketing channels. This segment also offers voice and data solutions to business customers through an in-house sales force The Technologies segment offers a fully

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developed network convergence solution for voice and data and licenses its technology to third party users. Prior period amounts have been restated to conform to this presentation

There are no material inter-segment revenues The Company's business is conducted principally in the U.S.; foreign operations are not significant The table below presents information about the segments of the Company as of and for the three and six months ended June 30, 2004.

For the three months For the six months
ended June 30,

ended June 30,

	2004	2003	2004	2003
		(as restated)		(as restated)
Revenues from external customers.				
Telecommunications	$26,419	$35,995	$61,142	$66,362
Technologies	90	1,050	540	1,050
Total revenues from external customers for reportable segments	$26,509	$37,045	$61,682	$67,412
Segment income (loss):				
Telecommunications	$(5,819)	$(2,057)	$(4,644)	$(14,716)
Technologies	(486)	476	(407)	402
Total segment income (loss) for reportable segments	(6,305)	(1,581)	(5,051)	(14,314)
Unallocated amounts in consolidated net loss.				
Amortization of discount on notes payable	–	(192)	(104)	(382)
Gain on discharge of obligation	–	–	767	–
Gain on sale of investment in common stock	812	–	1,376	–
Corporate interest expense, net	(2,490)	(2,451)	(5,872)	(4,646)
Other corporate expenses	(233)	(949)	(643)	(1,351)

Consolidated net loss from continuing operations $(8,216) $(5,173) $(9,527) $(20,693)

Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the information contained in the condensed consolidated financial statements of the Company and the related notes thereto appearing elsewhere herein and in conjunction with the Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in the Company’s Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission (“SEC”) All numbers are in thousands of dollars except for share and per share data.

Forward Looking Information

This report contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Exchange Act of 1934, as amended, that are based on management’s exercise of business judgment as well as assumptions made by and information currently available to management When used in this document, the words “may,” "will," “anticipate," "believe," “estimate,” “expect,” “intend” and words of similar import, are intended to identify any forward-looking statements You should not place undue reliance on these forward-looking statements These statements reflect our current view of future events and are subject to certain risks and uncertainties as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements We undertake no obligation and do not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

Many factors could cause actual results to differ materially from our forward-looking statements. Several of these factors, which are more fully discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, include, without limitation

1) Our ability to·

- finance and manage growth,
- execute on the strategy and the business plans of management;
- maintain our relationship with telecommunications carriers;
- provide ongoing competitive services and pricing,
- retain and attract key personnel,
- operate effective network facilities;

• maintain favorable relationships with local exchange carriers ("LECs"), long-distance providers and other vendors, including our ability to meet our usage commitments;

• attract new subscribers while minimizing subscriber attrition,

• continue to grow the distribution for our Telecommunications segment through multi level marketing ("MLM"), residential and commercial agents, and with our direct sales force;

• continue to offer competitive local dial tone, long distance and data products and to expand the geographic reach of our local dial tone offering,

• efficiently integrate completed acquisitions;

• address legal proceedings in an effective manner;

• maintain, operate and upgrade our information systems network,

• maintain and operate our networks in a cost effective manner;

• extend our related party debt beyond its December 31, 2005 maturity date or replace such debt on acceptable terms,

• complete a third party debt or equity financing,

• extend our asset based lending facility beyond its June 30, 2005 maturity or replace the facility on acceptable terms;

• obtain Counsel's continued commitment and ability to fund through June 30, 2005, the cash requirements of the business;

• maintain compliance with existing and evolving federal and state governmental regulation of telecommunications providers;

2) Adoption of new, or changes in, accounting principles; and
3) Other risks referenced from time to time in our filings with the SEC and the Federal Communications Commission.

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Restatement

The consolidated financial statements of the company have been restated in each reporting period from the fourth quarter of 2002 through to the first quarter of 2004 to correct for the misapplication of the accounting principles of Emerging Issues Task Force Issue No. 00-27 ("EITF 00-27"). The restated numbers are included in the year to date results as presented in the accompanying consolidated financial statements

On September 20, 2004, management of the Company concluded that the accounting principles as set forth in EITF 00-27, regarding Beneficial Conversion Features ("BCF"), had not been properly applied in current and prior years to its convertible debentures issued in March 2001. The initial determination of the BCF in 2001 at the issue date was correct However, adjustments to the number of shares and their conversion price were made under the debentures' anti-dilution provisions. The various anti-dilution events and their respective impacts on the number of shares and the conversion price were disclosed in the Company's previous public filings However, the principles under EITF 00-27 also require a redetermination of the BCF at each date an anti-dilution event occurred. This redetermination was not completed in prior reporting periods Additionally, the accumulation of unpaid interest costs on these same convertible debentures has

been deemed to be interest paid in kind ("PIK"), such interest also contains a conversion feature, which once assessed as PIK interest required the determination of a BCF This determination was not made by the Company in its prior reportings.
This matter was raised by the Company's recently appointed independent auditors, BDO Seidman, LLP ("BDO"), in the course of their review of the Company's prior public filings After discussions among the Company's management, BDO, and the Company's prior auditors, PricewaterhouseCoopers, LLP ("PwC"), the Company's management concluded that a correction of the prior accounting on this matter was required The Company's management brought the matter for consideration before the Audit Committee and the full Board of Directors of the Company Having considered the circumstances underlying the accounting errors and their effects upon the Company's prior filings, and having discussed the matter with the BDO and PwC representatives as well as the Company's management, the Audit Committee concluded that the previously issued financial statements should not be relied upon and approved and authorized the Company's management to amend certain previously filed public reports
The correction of these errors results in an increase in deemed interest expense and net loss, in all reporting periods from the fourth quarter of 2002 through the first quarter of 2004, and a reduction in reported liabilities and stockholders' deficit in all reporting periods from the fourth quarter of 2002 through the first quarter of 2004 The effect of these errors is detailed, by reporting period, below. The restatement had no effect on loss from discontinued operations or net loss per share from discontinued operations
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Effect of the restatements on the consolidated statements of operations
(in thousands of dollars except per share amounts)
(per share information reported on a post 20.1 stock consolidation basis for all periods shown Stock consolidation enacted in the fourth quarter of 2003)

	Three months ended Dec. 31, 2002	Three months ended March 31, 2003	Three months ended June 30, 2003	Three months ended Sept. 30, 2003	Three months ended Dec 31, 2003	Three months ended March 31, 2004
Net income (loss) as currently reported on Form 10-K or 10-Q	$(11,117)	$(14,895)	$(3,713)	$(3,257)	$(4,456)	$594
Correction of EITF 00-27 errors	(301)	(902)	(1,089)	(1,337)	(1,779)	(1,801)
Net loss as expected to be reported on revised Form 10-K or 10-Q	$ (11,418)	$ (15,797)	$ (4,802)	$ (4,594)	$ (6,235)	$ (1,207)

Net income (loss) per share as currently reported on Form 10-K or 10-Q
$(1.92) $(2.55) $(0.64) $(0.56) $(0.44) $0.03

Net loss per share as expected to be reported on revised Form 10-K or 10-Q
$(1.96) $(2 71) $(0 82) $(0 79) $(0 59) $(0 06)

Effect of the restatements on the consolidated balance sheets
(in thousands of dollars)

As at As at As at As at As at As at
Dec 31, 2002 March 31, 2003 June 30, 2003 Sept. 30, 2003 Dec 31, 2003
March 31, 2004
Notes payable to a related party:
As currently reported on Form 10-K or 10-Q $30,058 $30,496 $30,985
$33,483 $35,073 $41,060
Correction of EITF 00-27 errors (6,109) (5,364) (4,437) (3,265)
(6,356) (4,834)
As expected to be reported on revised Form 10-K or 10-Q $

23,949 $

25,132 $

26,548 $

30,218 $

28,717 $

36,226

Additional paid-in capital·
As currently reported on Form 10-K or 10-Q $129,553 $129,553 $129,618 $129,618 $171,115 $171,192
Correction of EITF 00-27 errors 6,410 6,567 6,729 6,894 11,764 12,043
As expected to be reported on revised Form 10-K or 10-Q $

135,963 $

136,120 $

136,347 $

136,512 $

182,879 $

183,235

Accumulated deficit
As currently reported on Form 10-K or 10-Q $(194,301) $(209,196) $(212,909) $(216,166) $(220,622) $(220,028)
Correction of EITF 00-27 errors (301) (1,203) (2,292) (3,629) (5,408) (7,209)
As expected to be reported on revised Form 10-K or 10-Q $

(194,602) $

(210,399) $

(215,201) $

(219,795) $

(226,030) $

(227,237)

Stockholders' equity (deficit)
As currently reported on Form 10-K or 10-Q $(63,925) $(78,820) $(82,468) $(85,725) $(49,309) $(47,292)
Correction of EITF 00-27 errors 6,109 5,364 4,437 3,265 6,356 4,834
As expected to be reported on revised Form 10-K or 10-Q $

(57,816) $

(73,456) $

(78,031) $

(82,460) $

(42,953) $

(42,458)

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Overview and Recent Developments

We are a broad-based communications company, servicing residential, small and medium-sized businesses and large corporate accounts in the United States. We provide a range of products from local dial tone, domestic and international long-distance voice services to fully managed, integrated data and enhanced services We are a facilities-based carrier with points of presence in 30 major U.S cities We currently have 11 voice switches and 17 data switches located throughout the United States. Our operational expertise and our focus on first-rate customer support enable us to provide high quality voice and data communications solutions

We currently manage our Company through two business segments. Our Telecommunications segment offers a broad selection of voice and data telecommunications products and services to residential and commercial customers through a network of independent agents, primarily via MLM and commercial agent programs. Our Technologies segment offers a proven network convergence solution for voice and data in Voice over Internet Protocol ("VoIP") communications technology and holds two foundational patents in the VoIP space (U.S Patent Nos. 6,243,373 and 6,438,124, together the "VoIP Patents"). We are pursuing efforts to license the technology supported by our patents to carriers and equipment manufacturers and suppliers in the IP telephony market.

In August 2004, the Company implemented a resizing of the organization targeted at reducing its operating costs The cost cutting reflects both the continued efficiencies created by the ongoing integration of the Company's operations, related to its four acquisitions over the last three years, and management's commitment to its objective to achieving break-even operating income by the end of 2004, despite softening revenue and regulatory uncertainty. Approximately 20 percent of the Company's work force have been removed from the organization. The reduction affected staff in the San Diego, Pittsburgh and Somerset facilities The Company anticipates that it will record expenses of between $1,000 and $2,000 during the third quarter ended September 30, 2004 related to this restructuring Restructuring charges will include employee reduction costs and lease termination costs and may include additional charges related to potential asset impairments Management is in the process of assessing the impact of these measures on other assets

Acceris has been built through the acquisition of predecessor businesses, which have been and are continuing to be integrated, consolidated and reorganized. These predecessor businesses are organized into two segments: Telecommunications and Technologies Telecommunications has been assembled through the acquisition of certain assets of WorldxChange Communications, Inc. ("WorldxChange") in 2001 and certain assets of RSL COM USA, Inc ("RSL") in 2002. Added to this was the acquisition of the assets of Transpoint Communications, LLC and the membership interest of Local Telecom Holdings, Inc , (collectively, "Transpoint"), which closed in 2003.

Our development and transition is articulated below

Telecommunications.

WorldxChange was a facilities-based telecommunications carrier providing international and domestic long-distance service to retail customers At the time we purchased the business, WorldxChange consisted primarily of a dial-around product that allowed a customer to make a call from any phone by dialing a 10-10-XXX prefix Since the acquisition, we have commenced offering a 1+ product (1+ products are those with which a customer directly dials a long-distance number from their telephone by dialing 1-area code-phone number) and have also begun to offer local communications products to our residential and small business customers The local dial tone service is being provided under the terms of the Unbundled Network Element Platform ("UNE-P") authorized by the Telecommunications Act of 1996 and was available in New York and New Jersey in the first quarter of 2004, and has since expanded to Pennsylvania, Massachusetts and Florida. Historically, WorldxChange marketed its services through consumer mass marketing techniques, including direct mail and direct response television and radio In 2002, we revamped our channel strategy by de-emphasizing the direct mail channel and devoting our efforts to pursuing more profitable methods of attracting and retaining customers. We now use commercial agents as well as a network of independent commission agents recruited through an MLM program to attract and retain new customers In 2004 we launched the Acceris Communications Inc Platinum Agent Program which awards warrants to certain of our agents based on performance criteria as a means to attract and incentivize existing and new independent agents In December 2002, we completed the purchase of certain assets of RSL from a bankruptcy proceeding. The purchase included the assets used by RSL to provide long-distance voice and data services, including frame relay, to their commercial customers and the assets used to provide long-distance and other voice services to small businesses and the consumer/residential market, which they referred to as their Agent business

In July 2003, we completed the purchase of Transpoint The purchase of Transpoint provided us with further penetration into the commercial agent channel and a larger commercial customer base
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Our Telecommunications segment offers a broad range of voice and data products and services to residential, small office/home office ("SOHO") and small-medium sized enterprises ("SME"), and commercial customers through a network of MLM agents, commercial agents, affinity groups and outbound telemarketing. Our customers are serviced through direct sales and support teams who offer fully managed and fully integrated voice and data solutions

We have capitalized upon a unique synthesis of marketing and network capabilities. Through the strength of our agent network we are adding new customers each month, many of them with a strong international usage component Due to our favorable cost structure and network optimization, we offer competitive rates to selected international regions We continue to experience customer attrition particularly with our 10-10-XXX customer base which we have not marketed directly since 2002 We have also seen the average revenue per user ("ARPU") decline The Company's domestic telephone network continues to operate at well below available capacity leading to cost inefficiencies We attribute this to increased cellular penetration and deregulation in various countries which have lower rates per month in those markets This is most evident in India in 2004. Additionally, regulatory uncertainty exists in the domestic telephone markets due to recent court decisions Future regulatory changes may penalize or benefit the current operations of the business

We differentiate ourselves to our residential customers by offering attractively priced bundles of international minutes, both on a stand alone basis and as part of a local dial tone + long-distance package to preferred destinations, and by specialized customer service, which includes in-language customer support By using this targeted strategy, we have acquired a substantial number of ethnic users whose monthly spending on telecommunications services is generally higher than that of the average retail customer. These subscribers also tend to exhibit higher brand loyalty, resulting in lower customer turnover ("churn") than average retail consumers for our type of products.

Our proprietary technology enables us to offer unbundled value-added services such as voicemail, unified messaging and on-the-fly conferencing at a low cost, creating another competitive advantage when targeting retail customers. These features distinguish us from mass-market providers that typically offer higher priced, "one-size-fits-all" national and international rate plans

Our direct sales force focuses on multi-location customers with limited information technology ("IT") resources By taking a consultative approach to network solutions and providing in-depth analysis of our customers' business needs and operating environments, we are able to design and deliver competitively priced and customized voice and data solutions. Our commercial customers also benefit from our relationships with multiple providers, which ensures superior service with respect to network redundancy, cost and supplier risk We are able to offer strong customer service due to easy access to information and to our engineering, technical and administrative staffs.

Our voice network features 11 voice switches and nationwide Feature Group D ("FGD") access, which enables low cost call origination. Our data network consists of 17 Nortel Passports that have recently been upgraded to support multi-protocol label switching ("MPLS") Finally, we have relationships with multiple tier I and tier II providers in the U.S and abroad, which allows for efficient call management and least cost routing

Technologies

In 1994, we began operating as an Internet service provider and quickly identified that the emerging IP environment was a promising basis for enhanced service delivery We soon turned to designing and building an IP telecommunications platform consisting of our proprietary software, hardware and leased telecommunications lines. The goal was to create a platform with the quality and reliability necessary for voice transmission.

In 1997, we started offering enhanced services over a mixed IP-and-circuit-switched network platform. These services offered a blend of traditional and enhanced communication services and combined the inherent cost advantages of the IP-based network with the reliability of the existing Public Switched Telephone Network ("PSTN").

In August 1997, we acquired MiBridge, Inc ("MiBridge"), a communications technology company engaged in the design, development, integration and marketing of a range of software telecommunications products that support multimedia communications over the PSTN, LANs and IP networks. The acquisition of MiBridge permitted us to accelerate the development and deployment of IP technology across our network platform.

In 1998, we first deployed our real-time IP communications network platform. With this new platform, all core operating functions such as switching, routing and media control became software-driven This new platform represented the first nationwide, commercially viable VoIP platform of its kind Following the launch of our software-defined VoIP platform in 1998, we continued to refine and enhance the platform to make it even more efficient and capable for our partners and customers.

On December 6, 2002, we entered into a definitive purchase and sale agreement to sell substantially all of the assets and customer base of our wholly owned subsidiary I-Link Communications, Inc. ("ILC") to Buyers United, Inc. ("BUI"), which closed on May 1, 2003. The sale included the physical assets required to operate our nationwide network using our patented VoIP technology (constituting the core business of the ILC business) and a fully paid non-exclusive perpetual license to our proprietary software-based network convergence solution for voice and data. The sale of the ILC business removed essentially all operations that did not pertain to our proprietary software-based convergence solution for voice and data This sale marked the final stage of the transformation of our Technologies operations into a business based principally on the licensing of our proprietary software

Today, our Technologies segment offers a proven network convergence solution for the deployment of IP-based voice and data services over a single network We have over nine years of experience developing VoIP technologies. Our proprietary soft-switch solution enables existing telecom service providers to reduce telecommunications costs and permits new communications service providers to enter the enhanced communications market with limited capital investment In addition, we own four patents and utilize the technology supported by those patents in providing our proprietary software solutions. We believe that we hold foundational patents for VoIP in our VoIP Patents To date, we have licensed portions of that technology to third parties on a non-exclusive basis In addition, we also have several patent applications pending before the Untied States Patent and Trademark Office and other such authorities internationally. We are pursuing opportunities to leverage our patents through a focused licensing strategy that targets carriers, equipment vendors and customers who are deploying IP for phone-to-phone communication

Business Strategy

Our business strategy is to build a large, profitable base of residential, SME and corporate accounts that purchase bundled telecom services As part of our strategy, we have consolidated our high quality communications networks and are in the process of restructuring our operations in order to leverage our infrastructure across branded sales channels

To achieve our goals, through both organic and acquisition growth we plan to·

Penetrate our distribution channels: Our distribution channels, which we have built over the last three years, continue to grow and mature Our recently launched Platinum-Agent Program rewards agents for substantial and persistent production. The equity incentives available under this program are expected to increase both the number of commercial agents and the revenue contribution per commercial agent. The program provides for stock purchase warrants accruing for the benefit of selected agents, resulting in recurring revenue for us and providing incentives for our agents so that their objectives and ours are aligned

Expand our product portfolio We have recently expanded our product set to include local dial tone in order to extend the average life and monthly average revenues of current and future customers We are currently delivering local dial tone services to customers via the UNE-P In addition, we intend to roll-out VoIP and related services to our residential, SME and enterprise customers beginning in the later part of 2004 and continuing into 2005 Products will include an IP origination service with enhanced features such as call screening and find me/follow me, and multimedia business services that integrate voice, video and text in a single communication session

Enter new geographic markets: In first quarter of 2004, we launched our local + long-distance bundled product set in New York and New Jersey In the second quarter of 2004, we entered the Pennsylvania, Massachusetts and Florida markets. We currently offer stand alone long-distance services nationwide in the US

License our intellectual property: We have four issued patents and two pending patent applications, which we utilize to provide our proprietary solutions We believe that we hold the foundational patents for the manner in which a significant portion of VoIP traffic is routed in the marketplace today We have licensed portions of our technology to third parties on a non-exclusive basis We plan to further monetize our intellectual property by offering licenses to service providers, equipment companies and end-users who are deploying VoIP networks for phone-to-phone communications

Leverage our existing scalable infrastructure We have created a network and back office infrastructure that satisfies the needs of our existing customers and that will support additional revenue growth without significant incremental capital investment. We continue to reduce our network costs and are completing the consolidation of duplicate back office functions. Our IT strategy is expected to ensure efficiency and integrity internally by eliminating redundant costs and mitigating strategic risks We expect to make significant incremental capital investments pursuant to our expanded product portfolio outlined above, in addition to the base level of annual capital investment necessary to keep our infrastructure efficient and maintained.

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Industry

Historically, the communications services industry has transmitted voice and data over separate networks using different technologies Traditional carriers have typically built telephone networks based on circuit switching technology, which establishes and maintains a dedicated path for each telephone call until the call is terminated

The communications services industry continues to evolve, both domestically and internationally, providing significant opportunities and risks to the participants in these markets Factors that have been driving this change include

- entry of new competitors and investment of substantial capital in existing and new services resulting in significant price competition
- technological advances resulting in a proliferation of new services and products and rapid increases in network capacity
- the Telecommunications Act of 1996 (the “1996 Act”)
- growing deregulation of communications services markets in the United States and in selected countries around the world

VoIP is a technology that can replace services provided by the traditional telephone network This type of data network is more efficient than a dedicated circuit network because the data network is not restricted by the one-call, one-line limitation of a traditional telephone network. This improved efficiency creates cost savings that can be either passed on to the consumer in the form of lower rates or retained by the VoIP provider

The VoIP industry has grown dramatically from the early days of calls made through personal computers According to a research study from Insight Research Corporation, VoIP-based services is projected to grow significantly through 2007, representing a growth opportunity for VoIP service providers.

Competition

Competition in the telecommunications industry is based upon pricing, customer service, billing services and perceived quality. We compete against numerous telecommunications companies that offer essentially the same services as we do. Many of our competitors, including the incumbent local exchange carriers ("ILECs"), are substantially larger and have greater financial, technical and marketing resources Our success will depend upon our continued ability to provide high quality, high value services at prices competitive with, or lower than, those charged by our competitors

The ILECs and the major carriers, including SBC, Verizon, BellSouth, AT&T, Sprint Corporation and MCI/Worldcom, Inc , have targeted price plans at residential and small business customers – our primary target market – with significantly simplified rate structures and with bundles of local services with long-distance, which may lower overall local and long-distance prices. Competition is also fierce for the commercial customers that we serve. This market was typically dominated by AT&T, Sprint and MCI (national long-distance carriers) but now offers additional growth opportunities for the incumbent local exchange companies as they are able to service multi-location customers with offices located outside of their local calling area.

Pricing pressure has existed for several years in the telecommunications industry and is expected to continue, and this is coupled with the introduction of new technologies, such as VoIP, which seek to provide voice communications at a cost below that of traditional circuit-switched service In addition, wireless carriers have marketed their services as an alternative to traditional long-distance and local services, further increasing competition and consumer choice. Reductions in prices charged by competitors may have a material adverse effect on us Cable companies have entered the telecommunications business, and this development may increase the competition faced by the Company.

The ILECs are well-capitalized, well-known companies that have the capacity to "bundle" other services, such as local and wireless telephone services and high speed Internet access, with long- distance telephone services. The ILECs' name recognition in their existing markets, the established relationships that they have with their existing local service customers, their ability to take advantage of those relationships, and the possibility that interpretations of the 1996 Act may be favorable to the ILECs, also make it more difficult for us to compete with them

Government Regulation

Telecommunications industry

The telecommunications industry is subject to government regulation at federal, state and local levels Any change in current government regulation regarding telecommunications pricing, system access, consumer protection or other relevant legislation could have a material impact on our results of operations Most of our current operations are subject to regulation by the Federal Communications Commission ("FCC") under the Communications Act of 1934. In addition, certain of our operations are subject to regulation by state public utility or public service commissions. Changes in the regulation of, or the enactment of changes in interpretation of, legislation affecting us could damage our operations and lower the price of our common stock

The 1996 Act, among other things, allows the Regional Bell Operating Companies ("RBOC") and others to enter the long-distance business Entry of the RBOCs or other entities, such as electric utilities and cable television companies, into the long-distance business may have a negative impact on our business or our customers. We anticipate that some of these entrants will prove to be strong competitors because they are better capitalized, already have substantial customer bases, and enjoy cost advantages relating to local telecom lines and access charges. This could adversely impact the results of our operations, which could have a negative effect on the price of our common stock In addition, the 1996 Act provides that state proceedings may in certain instances determine access charges we are required to pay to the local exchange carriers If these proceedings occur, rates could increase which could lead to a loss of customers, weaker operating results and the lowering of the price of our common stock.

Overview of Federal Regulation

As a carrier offering telecommunications services to the public, we are subject to the provisions of the Communications Act of 1934, as amended, and FCC regulations issued thereunder These regulations require us, among other things, to offer our regulated services to the public on a non-discriminatory basis at just and reasonable rates. We are subject to FCC requirements that we obtain prior FCC approval for transactions that would cause a transfer of control of one or more regulated subsidiaries. Such approval requirements may delay, prevent or deter transactions that could result in a transfer of control of our company.

International Service Regulation. We possess authority from the FCC, granted pursuant to Section 214 of the Communications Act of 1934, to provide international telecommunications service. The FCC has streamlined regulation of competitive international services and has removed certain restrictions against providing certain services Presently, the FCC is considering a number of international service issues that may further alter the regulatory regime applicable to us For instance, the FCC is considering revisions to the rules regarding the rates that international carriers like us pay for termination of calls to mobile phones located abroad

Pursuant to FCC rules, we have cancelled our international and domestic FCC tariffs and replaced them with a general service agreement and price lists As required by FCC rules, we have posted these materials on our Internet web site The "detariffing" of our services has given us greater pricing flexibility for our services, but we are not entitled to the legal protection provided by the "filed rate doctrine," which generally provides protections to carriers from legal actions by customers that challenge the terms and conditions of service

Interstate Service Regulation. As an inter-exchange carrier ("IXC"), our interstate telecommunications services are regulated by the FCC While we are not required to obtain FCC approval to begin or expand our interstate operations, we are required to obtain FCC approvals for certain transactions that would affect our ownership or the services we provide Additionally, we must file various reports and pay certain fees and assessments We are subject to the FCC's complaint jurisdiction and must contribute to the federal Universal Service Fund ("USF") We must also comply with the Communications Assistance for Law Enforcement Act ("CALEA"), and certain FCC regulations which require telecommunications common carriers to modify their networks to allow law enforcement authorities to perform electronic surveillance.

Overview of State Regulation

Through certain of our subsidiaries, we are authorized to provide intrastate interexchange telecommunications services and, in certain states, are authorized to provide competitive local exchange services by virtue of certificates granted by state public service commissions Our regulated subsidiaries must comply with state laws applicable to all similarly certified carriers including the regulation of services, payment of regulatory fees and preparation and submission of reports The adoption of new regulations or changes to existing regulations may adversely affect our ability to provide telecommunications services Consumers may file complaints against us at the public service commissions. The certificates of authority we hold can be generally conditioned, modified, cancelled, terminated or revoked by state public service commissions. Further, many states require prior approval or notification for certain stock or asset transactions, or in some states, for the issuance of securities, debts, guarantees or other financial transactions Such approvals can delay or prevent certain transactions

Overview of Ongoing Policy Issues

Local Service Through the 1996 Act, Congress sought to establish a competitive and deregulated national policy framework for advanced telecommunications and information technologies. To date, local exchange competition has not progressed to a point where significant regulatory intervention is no longer required. Regulators believed that a "hands-off" policy would drive local exchange service into an adequately competitive market, but there continues to be a strong need for policy issue clarification and construction Some policy changes have been addressed through the court system, not the regulatory system For instance, the FCC has attempted several times to develop a list of UNEs which are portions of the ILEC networks and services that must be sold separately to competitors. On several occasions, the courts have rejected the FCC's approach to defining UNEs. The FCC's most recent attempt to develop rules, the Triennial Review Order, was vacated by the U S. Circuit Court of Appeals in Washington D C on March 4, 2004 The Court's ruling went into effect on June 16, 2004 Since then, several competitive carriers have filed appeals with the U S Supreme Court, seeking a stay and review of the U S. Circuit Court's ruling. Those requests for appeal are still pending. At the same time, the FCC is expected to issue interim rules regarding access to, and pricing of, UNEs that will be in effect until permanent rules are issued by the FCC. However, if the U S Supreme Court agrees to review the decision of the U.S Circuit Court and issues a stay of that lower court's decision, then the effective date of the U S. Circuit Court's ruling and the effectiveness of the FCC's interim rules could be substantially delayed. We are unable to determine the outcome of these proceedings; however, the inability to purchase UNEs or price increase related to the interim rules could increase our costs for providing local service, or prevent us from providing the service altogether.

Universal Service Fund In 1997, the FCC issued an order implementing Section 254 of the 1996 Act, regarding the preservation of universal telephone service. Section 254 and related regulations require all interstate and certain international telecommunications carriers to contribute toward the USF, a fund that provides subsidies for the provision of service to schools and libraries, rural health care providers, low income consumers and consumers in high cost areas.

Quarterly, the Universal Service Administrative Company ("USAC"), which oversees the USF, reviews the need for program funding and determines the applicable USF contribution percentage that interstate telecommunications carriers must contribute While carriers are permitted to pass through the USF charges to consumers, the FCC has strictly limited amounts passed through to consumers in excess of a carrier's determined contribution percentage

As discussed below, the industry is moving from traditional circuit-switched telephone service to digitized IP-based communications It is possible that this trend could threaten the amount of revenues USAC can collect through the USF system, and that the resulting revenue shortfall could prevent the system from meeting its funding demands Separately from the FCC's inquiry into the regulation of IP-based voice service, the FCC could exercise its so called "permissive authority" under the 1996 Act and assess USF contribution on VoIP providers To date, only some VoIP providers contribute to the USF. If VoIP providers were exempted from USF contributions, telecommunications carriers would likely pay significantly higher USF contributions, conversely, if VoIP providers were required to contribute, traditional telecommunications carriers would contribute less. In addition to the FCC, Congress is considering this issue Current Congressional debates are divided over whether IP-based telephony service providers should be required to contribute to the USF. A decision to require VoIP providers to contribute to the USF may adversely affect our provision of VoIP services

VoIP Notice of Proposed Rule Making In March 2004, the FCC issued the VoIP

Notice of Proposed Rulemaking to solicit comments on many aspects of the regulatory treatment of VoIP services (the "VoIP NPRM"). The FCC continues to consider the possibility of regulating access to IP-based services, but has not yet decided on the appropriate level of regulatory intervention for IP-based service applications. Should the FCC rule that our software-based solution for VoIP deployment, and other similar service applications should be regulated, our VoIP services may be adversely affected

Further, the VoIP NPRM will likely address the applicability of access charges to VoIP services Access charges provide compensation to local exchange carriers for traffic that originates or terminates on their networks. Certain LECs have argued that certain types of VoIP carriers provide the same basic functionality as traditional telephone service carriers, in that they carry a customer's call from an origination point to a termination destination. Any ruling or decision from the FCC requiring VoIP carriers to pay access charges to ILECs for local loop use may adversely affect our VoIP services

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The VoIP NPRM is also expected to address the extent to which CALEA will be applicable to VoIP services Recently, in a separate proceeding, the Federal Bureau of Investigation and other federal agencies have asked the FCC to clarify that VoIP is a telecommunications service, for the purpose of subjecting VoIP to CALEA's wiretapping requirements

Broadband Deployment Broadband refers to any platform capable of providing high bandwidth-intensive content and advanced telecommunications capability The FCC's stated goal for broadband services is to establish regulatory policies that promote competition, innovation and investment in broadband services and facilities Broadband technologies encompass evolving high-speed digital technologies that offer integrated access to voice, high-speed data, video-on-demand or interactive delivery services The FCC is seeking to 1) encourage the ubiquitous availability of broadband access to the Internet, 2) promote competition across different platforms for broadband services, 3) ensure that broadband services exist in a minimal regulatory environment that promotes investment and innovation and 4) develop an analytical framework that is consistent, to the extent possible, across multiple platforms The FCC has opened several inquiries to determine how to promote the availability of advanced telecommunications capability with the goal of removing barriers to deployment, encouraging competition and promoting broadband infrastructure investment For instance, the FCC is considering the appropriate regulatory requirements for ILEC provision of domestic broadband telecommunications services. The FCC's concern is whether the application of traditional common carrier regulations to ILEC-provided broadband telecommunications services is appropriate. Under existing regulations, ILECs are treated as dominant carriers absent a specific finding to the contrary for a particular market and, as dominant carriers, are subject to numerous regulations, such as tariff filing and pricing requirements.

On February 7, 2002, the FCC released its third biennial report on the availability of broadband, in which it concluded that broadband is being deployed in a reasonable and timely manner The report showed that the advanced telecommunications services market continues to grow and that the availability of and subscribership to high-speed services increased significantly since the last report Additionally, the report noted that investment in infrastructure for advanced telecommunications remains strong. The data in the report is gathered largely from standardized information from providers of advanced telecommunications capability including wireline telephone companies, cable providers, wireless providers, satellite providers, and any other facilities-based providers of 250 or more high-speed service lines (or wireless channels) in a given state

Internet Service Regulation. The demand for high-speed Internet access has increased significantly over the past several years as consumers increase their Internet use The FCC is active in reviewing the need for regulatory oversight of Internet services and to date has advocated less regulation and more market-based competition for broadband providers The FCC's stated policy is to promote the continued development of the Internet and other interactive computer-based communications services. We cannot be certain that the FCC will continue to take a deregulatory approach to the Internet. Should the FCC increase regulatory oversight of Internet services, our costs could increase for providing those services

Recent legislation in the United States (including the Sarbanes-Oxley Act of 2002) is increasing the scope and cost of work provided to us by our independent auditors and legal advisors Many guidelines have not yet been finalized and there is a risk that we will incur significant costs in the future to comply with legislative requirements or rules, pronouncements and guidelines by regulatory bodies, including the cost of restating previously reported financial results, thereby reducing profitability.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period On an on-going basis, management evaluates its estimates and judgments, including those related to intangible assets, contingencies, collectibility of receivables and litigation Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates under different assumptions or conditions

The critical accounting estimates used in the preparation of our consolidated financial statements are discussed in our Annual Report on Form 10-K for the year ended December 31, 2003. To aid in the understanding of our financial reporting, a summary of significant accounting policies are described in Note 3 of Consolidated Financial Statements and Notes thereto included in Item 1 of this report. These policies have the potential to have a more significant impact on our financial statements, either because of the

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significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature

Liquidity and Capital Resources

The Company has incurred substantial operating losses and negative cash flows from operations since inception At June 30, 2004 the Company had a stockholders' deficit of $51,672 ($42,953 - December 31, 2003), negative working capital of $20,413 ($26,576 - December 31, 2003), amounts due to its controlling shareholder of $42,122 ($28,717 - December 31, 2003) and $7,154 ($12,127 - December 31, 2003) owing under its revolving credit facility (included in working capital). There are $nil additional borrowings available under the revolving credit facility at June 30, 2004

The related party debt is owed to the Company's controlling shareholder, Counsel Corporation (collectively with all its subsidiaries "Counsel") and is due at December 31, 2005, subject to certain contingent acceleration clauses linked to the raising of capital In addition to the Company's expectation of raising funds in the remainder of 2004 from third parties, the Company has a funding commitment from Counsel to fund, through long-term intercompany advances or equity contributions, all capital investment, working capital or other operational cash requirements (the "Keep Well") through June 30, 2005 During the first six months of 2004, Counsel advanced the Company $9,439 under the Keep

Well, and converted $1,929 of accrued interest into principal

The revolving credit facility is provided by an asset based lender. The asset based lender is secured by a first lien on all of the assets of ACC. Borrowings under the facility are based on various advance rates of the accounts receivable base subject to certain reductions and covenants. Amounts available under the asset based facility are subject to change based upon the level of receivables and other related factors, such as the aging of accounts, customer concentrations, etc Borrowings under this facility are classified as a current liability due to the demand nature of the borrowings. The facility matures on June 30, 2005. The Company is looking to extend the term of the facility beyond its current maturity date, or to replace the facility prior to maturity.

In August 2004, the Company implemented a resizing of the organization targeted at reducing its operating costs. The cost cutting reflects both the continued efficiencies created by the ongoing integration of the Company's operations, related to its four acquisitions over the last three years, and management's commitment to its objective of achieving break-even operating income by the end of 2004, despite softening revenue and regulatory uncertainty Approximately 20 percent of the Company's work force has been removed from the organization The reduction affected staff in the San Diego, Pittsburgh and Somerset facilities. The Company anticipates that it will record expenses of between $1,000 and $2,000 during the third quarter ended September 30, 2004 related to this restructuring. Restructuring charges will include employee reduction costs and lease termination costs and may include additional charges related to potential asset impairments

The Company does not expect to generate net cash flow from operating activities in the remainder of 2004 The Company expects that funding to support its operations will be derived from proceeds from a third party fund raise which may take the form of debt, equity or a hybrid instrument, or from the proceeds on the sale of assets in addition to advances under the Keep Well. In the first half of 2004, the Company was funded primarily by increases in related party debt and from the proceeds on the sale of the shares held in BUI.

Management intends to raise funds from third parties to support the operating needs of the business. Use of funds from such arrangements may include such uses as funding operations, improving working capital, repaying obligations of the business and funding future merger and acquisition activities There can be no assurance that the Company's capital raising efforts will be successful or can occur on favorable terms to existing security or debt holders.

There continues to be no assurance that the Company will be able to improve its cash flow from operations, obtain additional third party financing, extend, repay or refinance its debt with Counsel or its asset based lender on favorable terms, or obtain an extension of the existing funding commitment from Counsel or its asset based lender beyond their respective maturity dates This circumstance raises substantial doubt about the Company's ability to continue as a going concern The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets and liquidation of liabilities that may result from this uncertainty.

Cash Position

Cash and cash equivalents as of June 30, 2004 were $2,357 compared to $2,033 at December 31, 2003.

Cash flows from operating activities

Our working capital deficit decreased to $20,413 as of June 30, 2004, from $26,576 as of December 31, 2003 The decrease in our working capital deficit is primarily related to the decrease in our revolving credit facility of $4,973 due to payments made to our asset based lender during the first half of the year, the decrease in our unearned revenue of $4,182 since December 31, 2003 due principally to the recognition of revenue as cash receipts associated with our non-recurring network service offering became unencumbered, and a reduction in our accounts payable and accrued expenses of $1,021 This was partially offset by a decrease in our accounts receivable of $3,666 during the first half of 2004.

Cash used by operating activities during the six months ended June 30, 2004 was $4,852 as compared to $5,085 during the same period in 2003. The net decrease in cash used in 2004 was primarily due to an $11,176 decrease in net loss to $9,423 for the first six months of 2004 from a net loss of $20,599 for the same period in 2003

Cash flows from investing activities

Net cash provided by investing activities during the six months ended June 30, 2004 was $3,189 as compared to net cash used of $1,145 for the same period in 2003 In the first half of 2004, net cash provided by investing activities relates to $3,582 in proceeds received from the sale of common stock in BUI received as consideration for the sale of the ILC operations in May 2003, offset by the purchase of equipment in the amount of $393

Cash flows from financing activities

Financing activities provided net cash of $1,987 during the six months ended June 30, 2004 as compared to $4,658 for the same period in 2003 The decrease from 2003 to 2004 is due primarily to repayment of $4,973 on our revolving credit facility during the first half of 2004, as opposed to receipt of $5,762 during the same period in 2003, repayment of a note payable of $1,104 in the second quarter of 2004 as final settlement of the acquisition of certain assets of the former assets of RSL, scheduled lease and note payable payments of $1,390, offset by the receipt of $9,439 in funding from Counsel in the first half of 2004, compared to receiving $100 from Counsel during the same period in 2003.

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Supplemental Statistical and Financial Data

The following data is provided for additional information about our operations It should be read in conjunction with the quarterly segment analysis provided herein. All amounts below are unaudited

	2003				2004	
(In millions of dollars, except where indicated)	Q1	Q2	Q3	Q4	Q1	Q2
Gross revenues – product mix						
Domestic long-distance	$7 8	$7.8	$7 4	$7 5	$6.4	$5.6
International long-distance	12.8	14.4	15.3	15 1	13 0	11 3
Local dial tone	–	–	–	–	0 1	1 0
MRC/USF(1)	2.3	2.4	2 8	3 0	3.0	2 7
Dedicated voice	0 4	0.3	0.4	0.4	0 3	0 3
Direct sales revenues	7.1	6 8	5.9	5.9	5.4	5 1

Other - 0 1 0 2 - 0 1 0 2

Total telecommunications revenue $30 4 $31 8 $32.0 $31.9 $28 3 $26.2
Network service offering - 4.1 3.1 0 4 6.4 0.2
Technology licensing and development - 1 1 1 0 0.1 0 5 0 1

Total revenues $30 4 $37.0 $36.1 $32.4 $35.2 $26 5

Gross revenues - product mix (minutes)
Domestic long-distance (5) 135,236,248 140,798,912 134,198,098
121,880,023 129,277,406 134,649,835
International long-distance 83,191,655 93,896,850 98,873,877
98,978,290 91,288,985 83,923,345
Dedicated voice 9,571,155 7,772,277 9,364,583 8,653,038 9,653,915
9,374,236
Active Retail Subscribers (in number of people):
Dial- around (2)
Beginning of Period 199,375 228,330 215,187 206,937 192,678
164,331
Adds 112,223 85,246 100,624 63,349 46,518 40,094
Churn (83,268) (98,389) (108,874) (77,608) (74,865) (65,568)

End of Period 228,330 215,187 206,937 192,678 164,331 138,857
Local dial tone
Beginning of Period - - - - - 2,895
Adds - - - - 3,112 10,818
Churn - - - - (217) (2,029)

End of Period - - - - 2,895 11,684
1+(3)
Beginning of Period 72,008 136,896 174,486 168,242 161,570 165,847
Adds 109,646 81,040 43,964 25,356 25,344 27,093
Churn (44,758) (43,450) (50,208) (32,028) (21,067) (20,778)

End of Period 136,896 174,486 168,242 161,570 165,847 172,162

Total subscribers (End of Period) 365,226 389,673 375,179 354,248 333,073 322,703

Direct Sales(6)
Active Customer Base 276 254 236 227 256 252
Total top 10 billing $1,243 $1,163 $1,094 $1,050 $926 $1,034
Avg monthly revenue per user (active subscriptions) in absolute dollars (4)
Dial- around $21 61 $20 60 $22 07 $23 01 $20.89 $21.61
Local dial tone $- $- $- $- $11 51 $28 53
1+ $20 70 $22.16 $24 17 $26.20 $24 92 $21 30
Telecommunications revenue by customer type
Dial- around $14 8 $13.3 $13.7 $13.3 $10 3 $9 0
1+ 8.5 11.6 12.2 12 7 12.4 11.0
Local dial tone - - - - 0 1 1.0
Direct sales 7 1 6 8 5.9 5.9 5.4 5.0
Other - 0.1 0 2 - 0 1 0.2

Total telecommunications revenues $30 4 $31 8 $32.0 $31 9 $28 3 $26 2

(continued on following page)

2003

2004

(In millions of dollars, except where indicated)

	Q1	Q2	Q3	Q4	Q1	Q2
Gross revenue – product mix (%)						
Domestic long-distance	25.6%	24 6%	23.1%	23.5%	22.6%	21.4%
International long-distance	42 1%	45 3%	47.8%	47 3%	45.9%	43.1%
Local dial tone	–	–	–	–	0.4%	3 8%
MRC/USF(1)	7.6%	7 5%	8.8%	9 4%	10 6%	10 3%
Dedicated voice	1.3%	0 9%	1.3%	1 3%	1 0%	1 1%
Direct sales revenues	23.4%	21.4%	18.4%	18.5%	19.1%	19 5%
Other	–	0 3%	0 6%	0 0%	0.4%	0 8%
Total telecommunications revenues	100.0%	100.0%	100.0%	100.0 %	100 0%	100.0%

1 MRC/USF represents "Monthly Recurring Charges" and "Universal Service Fund" fees charged to the customers
2 "Dial- around" refers to a product which allows a customer to make a call from any phone by dialing a 10-10-XXX prefix
3 " 1 +" refers to a product which allows a retail customer to directly make a long- distance call from their own phone by dialing " 1" plus the destination number
4 Average monthly revenues per user is calculated as the revenues of the quarter divided by the number of users at the end divided by 3 to get per month.

5 Includes Local Product Line Bulk/Package Rate Domestic Minutes
6 Represents Number of Parent Customers with Revenues greater than $0 in each calendar month

Management Discussion of Operations

The following table displays the Company's consolidated quarterly results of operations for the eight quarters ended June 30, 2004

(as restated) (as restated) (as restated) (as restated) (as restated) (as restated)

	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
Revenues								
Telecommunications (excluding network service offering shown below)	$19,835	$21,622	$30,367	$31,853	$31,923	$31,994	$28,360	$26,229
Network service offering	-	-	-	4,142	3,079	408	6,363	190
Technologies	321	47	-	1,050	1,049	64	450	90
Total	20,156	21,669	30,367	37,045	36,051	32,466	35,173	26,509
Operating costs and expenses·								
Telecommunication network expense (exclusive of depreciation shown below)	11,197	12,235	19,543	19,154	19,266	18,936	16,635	15,680
Network service offering	-	1,995	6,205	2,165	807	(70)	-	(203)
Selling, general, administrative and other	7,389	9,779	14,225	14,617	13,981	14,441	14,760	14,074
Provision for doubtful accounts	1,119	2,274	1,175	1,131	1,466	1,666	1,227	1,740
Research and development	317	234	-	-	-	-	-	106
Depreciation and amortization	985	1,245	1,826	1,758	1,993	1,548	1,704	1,653

Total operating costs and expenses 21,007 27,762 42,974 38,825
37,513 36,521 34,326 33,050

Operating income (loss) (851) (6,093) (12,607) (1,780) (1,462)
(4,055) 847 (6,541)
Other income (expense)·
Interest expense (1,777) (2,184) (2,915) (3,394) (3,398) (3,562)
(3,535) (2,487)
Interest and other income 152 224 2 1 53 1,160 1,377 812

Total other income (expense) (1,625) (1,960) (2,913) (3,393) (3,345)
(2,402) (2,158) (1,675)

Income (loss) from continuing operations (2,476) (8,053) (15,520) (5,173) (4,807) (6,457) (1,311) (8,216)
Gain (loss) from discontinued operations, net of $0 tax (1,463) (3,365) (277) 371 213 222 104 -

Net income (loss) $(3,939) $(11,418) $(15,797) $(4,802) $(4,594) $(6,235) $(1,207) $(8,216)

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Three-Month Period Ended June 30, 2004 Compared to Three-Month Period Ended June 30, 2003

In order to more fully understand the comparison of the results of continuing operations for the three months ended June 30, 2004 as compared to the same period in 2003, it is important to note the following significant changes in our operations that occurred

- In July 2003, we completed the acquisition of Transpoint The operations of Transpoint have been included in the statement of operations for the second quarter of 2004 However, there were no such operations in the second quarter of 2003.

- In November 2002, we began to sell a network service offering obtained from a new supplier. The sale of that product ceased in late July 2003. Revenue from this offering is recognized using the unencumbered cash method In the second quarter of 2004, $190 was recognized in income compared to $4,142 in the same quarter of 2003 Expenses associated with this offering were recorded when incurred. In the second quarter of 2004 the Company recorded a recovery of $203 in telecommunications network costs compared to incurring a cost of $2,165 during the same period in 2003 The cessation of this product offering does not qualify as discontinued operations under generally accepted accounting principles

- In January 2004, the Company commenced offering local dial tone services via the UNE-P. By June 30, 2004 services were being offered in five states and the Company had approximately 11,000 local customers on the service In the second half of the year the Company expects to expand this service into additional states.

Revenues

Telecommunications services revenue decreased $5,624 to $26,229 in the second quarter of 2004 as compared to $31,853 during the same period in 2003 (excluding revenues from our network service offering of $190 and $4,142, respectively) The primary reason for the decrease related to.

- We continue to experience customer attrition particularly with our 10-10-XXX customer base which we have not marketed directly since 2002.

- We have also seen the average revenue per user ("ARPU") decline We attribute this to increased cellular penetration and deregulation in various countries which have lower rates per month in those markets. This was most evident in India in 2004.

- In the first quarter of 2004, the Company commenced its efforts to attract local dial tone customers under the UNE-P platform, which are expected to be longer term and higher revenue generating than 1+ customers At the end of the current quarter, the Company was offering such service in five states, New Jersey, New York, Massachusetts, Pennsylvania and Florida

- See supplemental, statistical and financial data disclosed herein.

Technology licensing and related services revenue was $90 in the second quarter of 2004 as compared to $1,050 in the second quarter of 2003.

Operating costs and expenses

Telecommunications network expense was $15,680 in the three months ended June 30, 2004 as compared to $19,154 during the same period in 2003 (excluding costs associated with our network service offering of ($203) and $2,165, respectively)

Telecommunications services margins (telecommunications services revenues less telecommunications network expenses) continue to fluctuate significantly from period to period, and are expected to continue to fluctuate significantly for the foreseeable future. Predicting whether margins will increase or decline is difficult to estimate with certainty Factors that have affected and continue to affect margins include

- Differences in attributes associated with the various long-distance programs in place at the Company. The effectiveness of each offering can change margins significantly from period to period. Some factors that affect the

effectiveness of any program include the ongoing deregulation of phone services in various countries where customer traffic terminates, actions and reactions by competitors to market pricing, the trend toward bundled service offerings and the increasing level of wireline to cellular connections In addition, changes in customer traffic patterns also increase and decrease our margins

• Our frame relay network and voice network Each network has a significant fixed cost element and a minor variable per minute cost of traffic carried element, significant fluctuations in the number of minutes carried from month to month can significantly affect the margin percentage from period to period

• Changes in contribution rates to the USF and other regulatory changes associated with the fund Such changes include increases and decreases in contribution rates, changes in the method of determining assessments, changes in the definition of assessable revenue, and the limitation that USF contributions collected from customers can no longer exceed contributions

Our selling, general, administrative and other expense was $14,074 in the three months ended June 30, 2004 as compared to $14,617 during the same period of 2003 The reduction in operating costs is due to a reduction in sales commission related to lower revenue offset by an increase in legal fees associated with the Company's patent infringement strategy and the defense of the Company and its officers in a derivative lawsuit (more fully described in note 13 of the condensed unaudited financial statements)

The provision for doubtful accounts was $1,740 in the three months ended June 30, 2004 as compared to $1,131 for the same period of 2003 The provision for doubtful accounts as a percent of revenue, excluding revenue from our network service offering, was approximately 6.6% for the three months ended June 30, 2004, versus approximately 3.4% for the three months ended June 30, 2003 Management is taking steps to bring the bad debt provision more into line with historical averages by tightening the credit granting process

The Company commenced a research and development program incurring costs of $106 in the second quarter of 2004. This program is expected to allow the Company to provide enhanced telecommunication services to its customer base in the near term The Company did not carry out any research and development work in 2003

Depreciation and amortization was $1,653 in the three months ended June 30, 2004 compared to $1,758 during the same period of 2003

Other income (expense)

Interest expense totaled $2,487 in the second quarter of 2004, of which $1,708 is pursuant to related party debt, compared to the second quarter of 2003, when $2,309 of the interest expense of $3,394 was pursuant to related party debt. Included in the interest expense for the second quarter of 2004 is BCF of $667, compared to $1,186 for the same period in 2003 Third party interest is lower in the second quarter of 2004 compared to the same period in 2003, due to lower average outstanding balance on the asset based facility partially offset by an increase in interest expense on regulatory amounts owing.

Interest and other income was $812 for the second quarter of 2004 compared to $1 during the second quarter of 2003 The increase of $811 related to the gain on the sale of shares of BUI common stock during second quarter of 2004.

Discontinued Operations

In the second quarter of 2004, there was no gain or loss from discontinued operations recorded, compared to the $371 gain reported in second quarter of 2003 related to the sale of the ILC business

Segment Profitability

For the quarter ended June 30, 2004, our Telecommunications segment realized an operating segment loss of $5,819, while our Technologies segment recorded an operating segment loss of $486. We anticipate that through revenue growth and continued control of expenses, both segments will report operating income in future quarters. The measures of operating segment loss discussed above exclude $1,911 of net expenses that are not allocated to a specific segment. These consist primarily of selling, general and administrative costs, as well as $2,490 of interest expense, net of an $812 gain on the sale of the balance of our holdings in BUI common stock.

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Six-Month Period Ended June 30, 2004 Compared to Six-Month Period Ended June 30, 2003

In order to more fully understand the comparison of the results of continuing operations for the six months ended June 30, 2004 as compared to the same period in 2003, it is important to note the following significant changes in our operations that occurred·

- In July 2003, we completed the acquisition of Transpoint The operations of Transpoint have been included in the statement of operations for the six months ended June 30, 2004 However, there were no such operations in the same period of 2003.

- In November 2002, we began to sell a network service offering obtained from a new supplier. The sale of that product ceased in late July 2003. Revenue from this offering is recognized using the unencumbered cash method. In the first half of 2004, $6,553 was recognized in income compared to $4,142 in the same quarter of 2003. Expenses associated with this offering were recorded when incurred. In the second quarter of 2004 the Company recorded a recovery of $203 in telecommunications network costs compared to incurring a cost of $8,370 during the same period in 2003 The cessation of this product offering does not qualify as discontinued operations under generally accepted accounting principles

- In January 2004, the Company commenced offering local dial tone services via the UNE-P. By June 30, 2004 services were being offered in five states and the Company had approximately local 11,000 customers.

Revenues

Telecommunications services revenue decreased $7,631 to $54,589 in the six month period ended June 30, 2004 as compared to $62,220 in the same period during 2003 (excluding revenues from our network service offering). The primary reason for the decrease related to

- We continue to experience customer attrition particularly with our 10-10-XXX customer base which we have not marketed directly since 2002

- We have also seen the average revenue per user (“ARPU”) decline We attribute this to increased cellular penetration and deregulation in various countries which have lower rates per month in those markets. This was most evident in India in 2004

- In the first quarter of 2004, the Company commenced its efforts to attract local dial tone customers under the UNE-P platform, which are expected to be longer term and higher revenue generating than 1+ customers. At the end of the current quarter, the Company was offering such service in five states, New Jersey, New York, Massachusetts, Pennsylvania and Florida

• See supplemental, statistical and financial data disclosed herein

Technology licensing and related services revenue was $540 in the first half of 2004 as compared to $1,050 in the same period of 2003 In the first six months of 2003, the Company recorded revenue from the AccessLine contract. The revenue in 2004 relates to a contract that was entered into with a Japanese company in the third quarter of 2003. Under the terms of the contract, we earned $540 based on the receipt of funds related to the delivery of product in 2003 The Company has no continuing obligation related to this contract Technology licensing revenues are project-based and, as such, these revenues will vary from period to period based on timing and size of technology licensing projects and payments.

Operating costs and expenses

Telecommunications network expense was $32,315 in the six months ended June 30, 2004 as compared to $38,697 during the same period in 2003 (excluding costs associated with our network service offering of ($203) and $8,371, respectively)

Telecommunications services margins (telecommunications services revenues less telecommunications network expenses) continue to fluctuate significantly from period to period, and are expected to continue to fluctuate significantly for the foreseeable future Predicting whether margins will increase or decline is difficult to estimate with certainty Factors that have affected and continue to affect margins include:

• Differences in attributes associated with the various long-distance programs in place at the Company. The effectiveness of each offering can change margins significantly from period to period Some factors that affect the effectiveness of any program include the ongoing deregulation of phone services in various countries where customer

traffic terminates, actions and reactions by competitors to market pricing, the trend toward bundled service offerings and the increasing level of wireline to cellular connections. In addition, changes in customer traffic patterns also increase and decrease our margins.

• Our frame relay network and voice network Each network has a significant fixed cost element and a minor variable per minute cost of traffic carried element, significant fluctuations in the number of minutes carried from month to month can significantly affect the margin percentage from period to period.

• Changes in contribution rates to the USF and other regulatory changes associated with the fund. Such changes include increases and decreases in contribution rates, changes in the method of determining assessments, changes in the definition of assessable revenue, and the limitation that USF contributions collected from customers can no longer exceed contributions.

Our selling, general, administrative and other expense was $28,834 in the six months ended June 30, 2004 as compared to $28,841 during the same period of 2003

The Company commenced a research and development program incurring costs of $106 in the first half of 2004 This program is expected to allow the Company to provide enhanced telecommunication services to its customer base in the near term. The Company did not carry out any research and development work in 2003

The provision for doubtful accounts was $2,967 in the six months ended June 30, 2004 as compared to $2,306 for the same period of 2003. The provision for doubtful accounts as a percent of revenue, excluding revenue from our network service offering, was approximately 5 4% for the six months ended June 30, 2004, versus approximately 3 6% for the six months ended June 30, 2003. Management is taking steps to bring the bad debt provision more into line with historical averages by tightening the credit granting process

Depreciation and amortization was $3,357 in the six months ended June 30, 2004 compared to $3,584 during the same period of 2003

Other income (expense)

Interest expense totaled $6,022 in the six months ended June 30, 2004, of which $4,397 is pursuant to related party debt, compared to the same period in 2003, when $4,113 of the interest expense of $6,309 was pursuant to related party debt Included in the interest expense for the six months ended June 30, 2004 is BCF of $2,536, compared to $2,183 for the same period in 2003 Third party interest is lower in the first half of 2004 compared to the same period in 2003, due to lower average outstanding balance on the asset based facility partially offset by an increase in interest expense on regulatory amounts owing.

Interest and other income increased $2,186 to $2,189 for the six months ended June 30, 2004 from $3 during the same period of 2003 The increase is primarily due to a gain of $767 related to the discharge of certain obligations associated with our former participation with a consortium of owners in an indefeasible right of usage, and a gain of $1,376 from our sale of shares of BUI common stock in the first six months of 2004.

Discontinued Operations

In the first half of 2004, we recorded a gain from discontinued operations of $104 related to the sale of our ILC operations to BUI entered into in December 2002 The sale closed on May 1, 2003 Contingent shares (10,714) of BUI stock were earned during the three months ended March 31, 2004, with a value of $104. In the first half of 2003, we recorded a gain from discontinued operations of $94 related to the sale of the ILC business.

Segment Profitability

For the six months ended June 30, 2004, our Telecommunications segment realized an operating segment loss of $4,644, while our Technologies segment recorded an operating segment loss of $407. We anticipate that through revenue growth and continued control of expenses, both segments will report operating income in future quarters. The measures of operating segment income and loss discussed above exclude $4,476 of net income and expenses that are not allocated to a specific segment These consist primarily of selling, general and administrative costs, as well as $5,872 of interest expense, net of a $1,376 gain on the sale of our holdings in BUI common stock and a gain of $767 recognized on the discharge of an obligation during the first quarter of 2004.

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Item 3 - Quantitative and Qualitative Disclosures about Market Risk.

Our exposure to market risk is limited to interest rate sensitivity, which is affected by changes in the general level of United States interest rates. Our cash equivalents are invested with high quality issuers and we limit the amount of credit exposure to any one issuer. Due to the short-term nature of the cash equivalents, we believe that we are not subject to any material interest rate risk as it relates to interest income. As to interest expense, we have one debt instrument that has variable interest rates based on the prime rate of interest. Assuming the debt amount on our asset backed facility at June 30, 2004 were constant during the next twelve-month period, the impact of a one percent increase in the prime interest rate would be an increase in interest expense of approximately $72 for the next twelve-month period. However, because the debt instrument is subject to an interest rate floor of 6.0%, a one percent decrease in the prime interest rate would have no impact on interest expense during the next twelve-month period. We do not believe that we are subject to material market risk on our fixed rate debt with Counsel in the near term

We did not have any foreign currency hedges or other derivative financial instruments as of June 30, 2004 We do not enter into financial instruments for trading or speculative purposes and do not currently utilize derivative financial instruments Our operations are conducted primarily in the United States and as such are not subject to material foreign currency exchange rate risk.

Item 4 - Controls and Procedures.

As of the end of the period covered by this quarterly report, the Company carried out, under the supervision of and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers"), an evaluation of the effectiveness of its "disclosure controls and procedures" (as the term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) Based on this evaluation, the Certifying Officers have concluded that the Company's disclosure controls and procedures were not effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act, and the rules and regulations promulgated thereunder This deficiency constitutes a material weakness, and detailed below are the facts surrounding this matter.

On September 20, 2004, management of the Company concluded that the requirements of Emerging Issues Task Force Issue No 00-27 ("EITF 00-27"), regarding the accounting for Beneficial Conversion Features ("BCF") present on convertible debt and preferred stock instruments had not been properly applied in current and prior years to its convertible debentures issued in March 2001. While the initial accounting for the BCF at the time of the issuance of the debentures was correct, the Company failed to remeasure the BCF as required by EITF 00-27 when at subsequent dates the number of shares and effective conversion prices changes as the result of the debentures' anti-dilution provisions These anti-dilution events and their respective impacts on the number of shares and the conversion price were disclosed in the Company's previous public filings. However, under EITF 00-27 the BCF should also have been remeasured at the date of each anti-dilution event. Additionally, the debentures called for the addition of accruing interest to the debentures, as a result of which such accruing interest is deemed to have been paid in kind ("PIK") and the Company failed, as required by EITF 00-27, to measure the BCF upon the deemed interest of the PIK convertible debentures

This matter was raised by the Company's recently appointed independent auditors, BDO Seidman, LLP ("BDO"), in the course of their review of the Company's prior public filings After discussions among the Company's management, BDO, and the Company's prior auditors, PricewaterhouseCoopers, LLP ("PwC"), the Company's management concluded that a correction of the prior accounting on this matter was required The Company's management brought the matter for consideration before the Audit Committee and the full Board of Directors of the Company Having considered the circumstances underlying the accounting errors and their effects upon the Company's prior filings, and having discussed the matter with the BDO and PwC representatives as well as the Company's management, the Audit Committee concluded that the previously issued financial statements should not be relied upon and approved and authorized the Company's management to amend certain previously filed public reports.

Additionally, management and the Audit Committee considered what changes, if any, were necessary to the Company's disclosure controls and procedures to ensure that the errors described above would not reoccur and to provide that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act, and the rules and regulations promulgated thereunder. In its review the Audit Committee noted that the errors described above (i) related principally to periods that preceded changes the Company has already made to consolidate and upgrade its accounting staff and function, and (ii) that the errors described above did not result from the failure of the Company's disclosure controls and procedures to make known to the appropriate officials and auditors the facts concerning the Company's convertible debentures or the occurrence of the anti-dilution events As a result management and the Audit Committee determined that education and professional development of accounting staff on the complications of EITF 00-27 and its application would be sufficient to prevent a reoccurrence. This knowledge development has occurred as of September 2004. No additional changes to the Company's disclosure controls and procedures were needed in response to the discovery of the errors described above.

Further, there were no changes in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

On April 16, 2004, certain shareholders of the Company (the "Plaintiffs") filed a putative derivative complaint in the Superior Court of the State of California in and for the County of San Diego, (the "Complaint") against the Company, WorldxChange Corporation (sic), Counsel Communications LLC, and Counsel Corporation as well as certain present and former officers and directors of the Company, some of whom also are or were directors and/or officers of the other corporate defendants (collectively, the "Defendants"). The Complaint alleges, inter alia, that the Defendants, in their respective roles as controlling shareholder and directors and officers of the Company committed breaches of the fiduciary duties of care, loyalty and good faith and were unjustly enriched, and that the individual Defendants committed waste of corporate assets, abuse of control and gross mismanagement The Plaintiffs seek compensatory damages, restitution, disgorgement of allegedly unlawful profits, benefits and other compensation, attorneys' fees and expenses in connection with the Complaint The Company believes that these claims in their entirety are without merit and intends to vigorously defend this action There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on its business, results of operations, financial position or liquidity

Acceris and several of Acceris' current and former executives and board members were named in a securities action filed in the Superior Court of the State of California in and for the County of San Diego on April 16, 2004, in which the plaintiffs made claims nearly identical to those set forth in the derivative suit above. The Company believes that these claims in their entirety are without merit and intends to vigorously defend this action. There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on its business, results of operations, financial position or liquidity.

In connection with the Company's efforts to enforce its patent rights, Acceris Communications Technologies Inc filed a patent infringement lawsuit against ITXC Corp ("ITXC") in the United States District Court of the District of New Jersey on April 14, 2004 The complaint alleges that ITXC's VoIP services and systems infringe the Company's U S Patent No 6,243,373, entitled "Method and Apparatus for Implementing a Computer Network/Internet Telephone System." On May 7, 2004, ITXC filed a lawsuit against Acceris Communications Technologies Inc , and the Company, in the United States District Court for the District of New Jersey for infringement of five ITXC patents relating to VoIP technology, directed generally to the transmission of telephone calls over the Internet and the completion of telephone calls by switching them off the Internet and onto a public switched telephone network The Company believes that the allegations contained in ITXC's complaint are, in their entirety, without merit and the Company intends to provide a vigorous defense to ITXC's claims There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on its business, results of operations, financial position or liquidity

At our Adjourned Meeting of Stockholders held on December 30, 2003, our stockholders approved an amendment to our Articles of Incorporation, deleting

Article VI thereof (regarding liquidations, reorganizations, mergers and the like). Stockholders who were entitled to vote at the meeting and advised us in writing, prior to the vote on the amendment, that they dissented and intended to demand payment for their shares if the amendment was effectuated, were entitled to exercise their appraisal rights and obtain payment in cash for their shares under Sections 607 1301 - 607.1333 of the Florida Business Corporation Act, provided their shares were not voted in favor of the amendment. In January 2004, appraisal notices in compliance with Florida corporate statutes were sent to all stockholders who had advised us of their intention to exercise their appraisal rights The appraisal notices included our estimate of fair value of our shares, being $4 00 per share on a post-split basis. These stockholders had until February 29, 2004 to return their completed appraisal notices along with certificates for the shares for which they were exercising their appraisal rights Approximately 33 stockholders holding approximately 74,000 shares of our stock returned completed appraisal notices by February 29, 2004 A stockholder of 20 shares notified us of his acceptance of our offer of $4.00 per share, while the stockholders of the remaining shares did not accept our offer. Subject to the qualification that we may not make any payment to a stockholder seeking appraisal rights if, at the time of payment, our total assets are less than our total liabilities, stockholders who accepted our offer to purchase their shares at the estimated fair value will be paid for their shares within 90 days of our receipt of a duly executed appraisal notice If we should be required to make any payments to dissenting stockholders, Counsel will fund any such amounts through the purchase of shares of our common stock Stockholders who did not accept our offer were required to indicate their own estimate of fair value Because Acceris did not agree with the estimates submitted by many of the dissenting shareholders, Acceris has sought a judicial determination of the fair value of the common stock held by the dissenting stockholders. On June 24, 2004, Acceris filed suit against the dissenting shareholders seeking a declaratory judgment, appraisal and other relief in the Circuit Court for the 17th Judicial District in Broward County, Florida There is no assurance that this matter will be resolved in the Company's favor and an unfavorable outcome of this matter could have a material adverse impact on our business, results of operations, financial position or liquidity.
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The Company is involved in various other legal matters arising out of its operations in the normal course of business, none of which are expected, individually or in the aggregate, to have a material adverse effect on the Company

Item 2 - Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

During the three months and six months ending June 30, 2004, approximately 73,100 and 142,100 options, respectively, were issued to employees under the 2003 Employee Stock Option and Appreciation Rights Plan These options are issued with exercise prices that equal or exceed fair value on the date of the grant and vest over a 4-year period subject to the grantee's continued employment with the Company The Company relied on an exemption from registration under Section 4(2) of the Securities Act of 1933.

Additionally, during the three months and six months ended June 30, 2004, approximately 175,000 and 600,000 warrants, respectively, have been issued under the Acceris Communications Inc Platinum Agent Program at an exercise price of $3 50 per share. See Note 13 to the condensed consolidated financial statements included in Part I herein for a description of the vesting provisions of these warrants The Company relied on an exemption from registration under Regulation D under the Securities Act of 1933.

The Company did not acquire any stock of the Company in the three and six months ended June 30, 2004

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders.
None
Item 5 - Other Information
None
Item 6 - Exhibits and Report on Form 8-K
(a) Exhibits
3 1 Amended and Restated Articles of Incorporation (1)

3.2 Bylaws, as amended (2)

31 1 Certification pursuant to Rule 13a-14(a) and 15d-14(a) required under Section 302 of the Sarbanes-Oxley Act of 2002 (3)

31 2 Certification pursuant to Rule 13a-14(a) and 15d-14(a) required under Section 302 of the Sarbanes-Oxley Act of 2002 (3)

32.1 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)

32.2 Certification pursuant to 18 U.S C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (3)

(1) Incorporated by reference to our quarterly report on Form 10-QSB for the quarter ended June 30, 1996, file number 000-17973.

(2) Incorporated by reference to our quarterly report on Form 10-Q for the quarter ended September 30, 1998, file number 000-17973.

(3) Filed herewith
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(b) - Report on Form 8-K
(i) On May 11, 2004, the Company filed a Current Report on Form 8-K, under Items 4 and 7

(ii) On May 14, 2004, the Company filed a Current Report on Form 8-K, under Item 12.

(iii) On May 19, 2004, the Company filed a Current Report on Form 8-K, under Item 4

(iv) On May 25, 2004, the Company filed a Current Report on Form 8-K, under Item 5

(v) On July 19, 2004, the Company filed a Current Report on Form 8-K, under Item 5

(vi) On August 11, 2004, the Company filed a Current Report on Form 8-K, under Item 5

(vii) On September 29, 2004, the Company filed a Current Report on Form 8-K, under Item 404 and 901.

No financial statements were filed in connection with any of the foregoing Current Reports on Form 8-K.
SIGNATURES
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized

Acceris Communications Inc

(Registrant)

Date. September 30, 2004 By /s/ Allan C. Silber

Allan C Silber
Chairman of the Board of Directors and
Chief Executive Officer

By /s/ Gary M. Clifford

Gary M. Clifford
Chief Financial Officer and Vice President of Finance

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EXHIBIT "D"
BIOGRAPHY INFORMATION

Leadership Team

Acceris Communications has a wealth of leadership and expertise from which it can draw to grow its business The Leadership Team has a long track record for successfully developing and conducting business in the communications industry

The team is comprised of industry veterans with a range of backgrounds in the areas of communications, mergers and acquisitions, and business strategy Its seasoned Sales and Marketing and Operations leaders are responsible for driving internal growth to leverage existing infrastructure, while seamlessly integrating new products and acquisitions

Allan C. Silber, Chairman & CEO
Mr Silber is the Chairman and CEO of Acceris Communications Inc Mr Silber plays a critical and decisive role in the areas of mergers and acquisitions, finance and capital market activities for Acceris Mr Silber is actively involved in a number of cultural, charitable and community organizations He is the Co-Chair of the United Jewish Appeal for 2004 He has been Chairman of the State of Israel Bonds and participates on a number of community boards, including the Mount Sinai Hospital Executive Committee, the Weizmann Institute of Science, the Jewish National Fund and was Chairman of numerous fundraising events for community-based international organizations In 1998, Mr Silber was recognized as an Honoree of the Jewish National Fund in recognition of community leadership and dedicated public service Mr Silber attended McMaster University and received a BSc from the University of Toronto

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Kelly D. Murumets, President
Ms Murumets joined Counsel Corporation as Executive Vice President in February 2002 and was named Executive Vice President of Acceris Communications in December 2002 The Acceris Board of Directors appointed Ms Murumets as a Class III director in February 2003 and appointed her President in November 2003 Prior to joining Counsel and Acceris, Ms Murumets was a Vice President with Managerial Design, where during her tenure, she was a valued advisor to clients throughout North America giving leaders the insight and guidance required to implement change, achieve results and improve profitability Ms Murumets received her BA from Bishop's University, her MBA from the University of Western Ontario's Ivey School of Business and her MSW from Wilfrid Laurier University, where she was the recipient of the Gold Medal and Governor General's Award

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Gary M. Clifford, CFO
Gary Clifford joined Counsel Corporation as Chief Financial Officer in November 2002 and was appointed Vice President of Finance of Acceris Communications in December 2002 and Chief Financial Officer in February 2003 Prior to joining Counsel and Acceris, Mr Clifford held

various senior roles at Leitch Technology in the Finance, Operations and Corporate Development areas Mr Clifford has also worked for NetStar Communications Inc and has lectured at Ryerson Polytechnic University in Toronto, Canada Mr Clifford is a Chartered Accountant, who articled with Coopers & Lybrand He is a graduate of the University of Toronto, with a Bachelor degree in Management

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James Ducay, EVP, Chief Operating Officer
Jim Ducay joined Accenis in December 2002 Previously, Mr Ducay was Executive Vice President and Chief Operating Officer of RSL COM USA with responsibility for marketing, sales, account services, engineering, operations and information technology Before joining RSL COM USA, Mr Ducay was Vice President of Marketing and Sales for Ameritech Interactive Media Services where he was responsible for managing Ameritech's Internet products and related sales channels He also served as a Managing Director and Vice President for Bell Atlantic/NYNEX Mr Ducay has a Master's degree in Engineering from the University of Illinois and a Master of Business Administration degree from the University of Chicago

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Kenneth L. Hilton, EVP, Sales and Marketing
Ken Hilton joined Accenis in May 2002 Previously, Mr Hilton served as the CEO of Handtech com, an Internet based start-up in Austin, Texas that provided customized E-Commerce storefronts, supply chain management and back office services to value-added resellers Prior to Handtech, Mr Hilton was the Executive Vice President of North American Consumer Sales for Excel Communications, where he also served as the Chairman of the Board for Excel Canada At Excel, Mr Hilton managed a field organization of 250,000+ independent agents and $1+ billion in annual revenue Before joining Excel, Mr Hilton worked for PageMart wireless where he ran the North American business, launched the Canadian business and served as Chairman of the Canadian Board Mr Hilton also had a 14-year career with IBM, holding positions in sales, sales management, branch management and regional management

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David Silverman, Senior Vice President and General Counsel
David Silverman joined Accenis in April 2004 Previously, Mr Silverman served as Corporate Counsel of XO Communications, a national telecommunications provider At XO, he was responsible for corporate transactions, technology and licensing as well as general commercial transactions Mr Silverman also practiced law with Wiley, Rein and Fielding in Washington D C, where he focused on a wide range of regulatory matters affecting the communications industry and participated in FCC and state public utility proceedings related to mergers, licensing and interconnections matters Mr Silverman graduated from the University of Kansas with a B S in Journalism and was a Reporter for the Chicago Tribune from 1988-1994 He received his J D from Northwestern University School of Law and is a member of The American Bar Association, District of Columbia Bar Association, Federal Communications Bar Association, Illinois State Bar Association and American Corporate Counsel Association

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Stephen Weintraub, SVP and Corporate Secretary
Mr Weintraub joined Counsel Corporation in June 1983 as Vice President, Finance and Chief Financial Officer He has been and is an officer and director of various Counsel Corporation subsidiaries Mr Weintraub serves as Senior Vice President and Secretary of Accens Communications He has been Secretary of Counsel Corporation since 1987 and Senior Vice President since 1989 From 1980 to 1983, he was Secretary-Treasurer of Pinetree Development Co Limited, a private real estate developer and investor From 1975 to 1980 he was Treasurer and CFO of Unicorp Financial Corporation, a public financial management and holding company Mr Weintraub received a B Comm from the University of Toronto, qualified as a Chartered Accountant with Clarkson, Gordon (now Ernst & Young) and received an LLB from Osgoode Hall Law School, York University

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EXHIBIT "E"
CORPORATE ORGANIZATION CHART

EXHIBIT “F”
INTRALATA PRESUBSCRIPTION IMPLEMENTATION PLAN

ACCERIS COMMUNICATIONS CORP. (Acceris)
IntraLATA Presubscription Implementation Plan

I Purpose

The intent of this Plan is to provide a proposal that, upon implementation, would provide customers the ability to select the telecommunications carrier of their choice for routing their intraLATA toll calls Acceris proposes to implement intraLATA toll dialing parity from the date it receives authority to provide local exchange services in Tennessee and has entered into interconnection arrangements with the ILECs Acceris proposes to provide toll dialing parity to the Chattanooga, Knoxville, Memphis and Nashville LATAs Attached hereto are the exchange areas that Acceris proposes to provide intraLATA toll dialing parity

II Carrier Selection Procedures

Acceris will implement the full 2-PIC (Primary Local Exchange Carrier) carrier selection methodology With the full 2-PIC methodology, customers will be able to presubscribe to one telecommunications carrier for interLATA toll calls and presubscribe to the same or a different participating telecommunications carrier, including their existing local exchange company, for all intraLATA toll calls Orders for changes will be accepted and processed beginning on the implementation date

Acceris employees who communicate with the public, accept customer orders, and serve in customer service capacities will be trained to explain the process to customers for making PIC changes for intraLATA toll calls Business Office personnel will be prepared to make changes in customer records based upon requests from customers or carriers and direct customers to their chosen intraLATA carriers Processes will be in place to provide new customers with an opportunity to choose their intraLATA toll carrier from a list of available carriers Acceris will implement a PIC change charge waiver period of 90 days

New Customers

Customers who contact Acceris requesting new telephone exchange service will be provided a list of telecommunications carriers available to provide interLATA toll service Upon implementation of intraLATA toll presubscription, the customer will be provided a second list of carriers, including Acceris, that provides intraLATA toll service in their exchange The list of intraLATA toll carriers will be presented in a competitively neutral manner Customers who do not make a positive choice for an intraLATA toll carrier will be identified within Acceris's system as a "no-PIC" and will not be automatically defaulted to a carrier Customers identified as "no-PIC" within Acceris's systems will be required to dial 101XXXX to place intraLATA toll calls until they make an affirmative choice for an intraLATA toll carrier

III Customer Education/Notification

Customers will receive information explaining their opportunity to select an intraLATA carrier a minimum of 30 days in advance of the offering of intraLATA toll dialing parity via a bill message In addition, during the 30 days following implementation of intraLATA Dialing Party, customers will receive a bill insert also explaining their opportunity to select an intraLATA carrier Acceris anticipates that promotional strategies by carriers will contribute to customer awareness of intraLATA toll dialing parity Customer telephone directories will be updated as new editions are published to reflect the opportunity for customers to choose an intraLATA toll carrier

IV Carrier Notification

Current interexchange carriers will be notified of Acceris's intraLATA toll dialing parity implementation via letter approximately 90 days in advance of the proposed implementation date Carriers should provide a list of exchanges in which they plan to offer intraLATA toll service at least 60 days in advance of Acceris's implementation date Acceris needs notification in advance to include the carrier on the list of participating carriers in each Acceris exchange Certified carriers who enter the market after implementation will be added to the list of participating carriers within 30 days of notifying Acceris

Acceris will provide subscriber listing information to carriers in "readily accessible" tape or electronic formats in at timely manner as requested through the processes that currently exist for the interLATA market The process includes subscriber listing updates to carriers for new customers who choose that carrier or of existing customers of a carrier who revise their subscriber listing information In addition, carriers can obtain complete subscriber listings in several formats The provision of this information is in compliance with FCC Order No 96-333, Paragraph 389

Acceris will comply with Part 51, Sections, 305, 307, 325, 327, 329, 331, 333 and 335 of the FCC Order in providing the required information and notice to the public of network changes Acceris plans to file a public notice with the FCC, with possible migration of the notice to the Internet process as described in Section 329 The notice will include network information as outlined in Section 327 The notice will be provided within the timeframes described in Sections 331-333 Acceris will comply with all rules of the FCC and the TRA

V Non-Discriminatory Access

Acceris will provide

- non-discriminatory access to emergency services and services for the hearing and speech impaired,
- non-discriminatory access to local and long distance directory assistance and provision of local telephone directories to end users,
- non-discriminatory access to operator services,
- non-discriminatory access using standard dialing patterns to all interLATA and intraLATA long distance carriers, including 1+ and 0+ access to the customer's carrier of choice for interLATA calls, and
- non-discriminatory access to telephone numbers and number portability where technically and economically feasible

VI Slamming Policy

<u>Verification of orders</u>

Acceris will not submit a change order for local exchange or intrastate toll service until the change order is confirmed in accordance with one of the following procedures

(a) Acceris has obtained the customer's written authorization to submit the order which includes the following information from the customer

(1) The customer billing name, billing telephone number and billing address and each telephone number to be covered by the change order,

(2) The decision to change, and

(3) The customer's understanding of the change fee

(b) Acceris has obtained the customer's authorization, as described in (a) of this subsection, electronically

Calls to the number(s) shall connect a customer to a voice response unit, or similar, that records the required information regarding the change, including automatically recording the originating automatic number identification (ANI)

(c) An appropriately qualified and independent third party operating in a location physically separate from the telemarketing representative has obtained the customer's oral authorization to submit the change order that confirms and includes appropriate verification data in (a) of this subsection

<u>Implementing order changes</u>

(a) Telemarketing orders Within three business days of any telemarketing order for a change, Acceris will send each new customer an information package by first class mail containing at least the following information concerning the requested change

(1) The information is being sent to confirm a telemarketing order placed by the customer

(2) The name of the customer's current telecommunications company

(3) A description of any terms, conditions or charges that will be incurred

(4) The name of the newly requested telecommunications company
(5) The name of the person ordering the change
(6) The name, address and telephone number of both the customer and Acceris
(7) A postpaid postcard which the customer can use to deny, cancel or confirm a service order
(8) A clear statement that if the customer does not return the postcard, the customer's service will be switched fourteen days after the date the information package was mailed If customers have cancelled their orders during the waiting period, Acceris cannot submit the customer's order
(9) The name, address and telephone number of a contact point for consumer complaints
(b) The documentation of the order shall be retained by Acceris, at a minimum, for twelve months to serve as verification of the customer's authorization to change its telecommunications company The documentation will be made available to the customer upon request
(c) Customer initiated orders Acceris when receiving the customer initiated request for a change of local exchange and/or intrastate toll shall keep an internal memorandum or record generated at the time of the request Such internal record shall be maintained by Acceris for a minimum of twelve months to serve as verification of the customer's authorization to change telecommunications companies The internal record will be made available to the customer upon request Within three business days of the order, Acceris will send each new customer an information package by first class mail containing at least the following information concerning the request to change

List of Exchanges

Adams-Cedar Hill	Arlington	Ashland City	Athens
Bean Station	Bells	Bent Creek	Benton
Bethel Springs	Big Sandy	Blanche	Bolivar
Brownsville	Bulls Gap	Camden	Carthage
Cedar Grove	Centerville	Charleston	Charlotte
Chattanooga	Chestnut Hill	Clarksville	Cleveland
Clinton	Collierville	Columbia	Copper Basin
Covington	Cross Plains	Culleoka	Cumberland City
Cumberland Gap	Cunningham	Dandridge	Dayton
Decatur	Dickson	Dover	Dyer
Dyersburg	Eagleville	East Sango	Elkton
Etowah	Fairview	Fayetteville	Flintville
Franklin	Fredonia	Gallatin	Gatlinburg
Georgetown	Gibson	Gleason	Goodlettsville
Grand Junction	Greenback	Greenbrier	Greenfield
Halls	Hampshire	Harriman	Hartsville
Henderson	Hendersonville	Henning	Hohenwald
Hornbeak	Humboldt	Huntington	Huntland
Jackson	Jasper	Jefferson City	Jellico
Kenton	Kingston	Kingston Springs	Knoxville
LaFollette	LaGrange	Lake City	Lawrenceburg
Lebanon	Lenoir City	Lewisburg	Lexington
Loudon	Lyles	Lynchburg	Lynnville
Madisonville	Manchester	Maryville	Mascot
Maynardville	McEwen	McKenzie	Medina
Memphis	Middleton	Milan	Morristown
Moscow	Mt Pleasant	Murfreesboro	Nashville
Newbern	Newport	Normandy	Norris
N Spring Hill	Oak Ridge	Old Hickory	Oliver Springs
Palmyra	Paris	Petersburg	Pleasant View
Portland	Pulaski	Ridgely	Ripley
Rockwood	Rogersville	Sango	Santa Fe
Savannah	Selmer	Sevierville	Sewanee
Shelbyville	Smyrna	Sneedville	Soddy-Daisy
Solway	Somerville	S Cunningham	S Fredonia
S Pittsburgh	Spencer Mill	Spring City	Springfield
Spring Hill	Summertown	Surgoinsville	Sweetwater
Tiptonville	Trenton	Triune	Troy
Tullahoma	Union City	Vanleer	Wartrace
Watertown	Waverly	W Sweetwater	W Whiteville
White Bluff	White House	White Pine	Whiteville
Whitewell	Williamsport	Winchester	

EXHIBIT "G"
SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN

ACCERIS COMMUNICATIONS CORP.

SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN

Pursuant to T C A §65-5-212, as amended, Acceris Communications Corp ("Acceris") submits this small and minority-owned Telecommunications business participation plan (the "Plan") along with its Application for a Certificate of Public Convenience and Necessity to provide competing intrastate and local exchange services in Tennessee

I PURPOSE

The purpose of §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers Acceris is committed to the goals of §65-5-212 and to taking steps to support the participation of small and minority-owned Telecommunications businesses in the Telecommunications industry Acceris will endeavor to provide opportunities for small and minority-owned Telecommunications businesses to compete for contracts and subcontracts for goods and services As part of its procurement process, Acceris will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to Acceris of such opportunities Acceris's representatives have already contacted the Department of Economic and Community Development, the administrator of the small and minority-owned Telecommunications assistance program, to obtain a list of qualified vendors Moreover, Acceris will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process

II. DEFINITIONS

As defined in §65-5-212

Minority-Owned Business Minority-owned business shall mean a business which is solely owned, or at lease fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars ($4,000,000)

Small Business Small Business shall mean a business with annual gross receipts of less than four million dollars ($4,000,000)

III. ADMINISTRATION

Acceris's Plan will be overseen and administered by the individual named below, hereinafter referred to as the Administrator, who will be responsible for carrying out and promoting Acceris's full efforts to provide equal opportunities for small and minority-owned businesses The Administrator of the Plan will be

David Silverman, General Counsel
Acceris Communications Corp
9775 Businesspark Avenue
San Diego, California 92131
Telephone (800) 576-7775
Facsimile (858) 566-6523

The Administrator's responsibilities will include

(1) Maintaining an updated Plan in full compliance with §65-5-212 and the rules and orders of the Tennessee Regulatory Authority

(2) Establishing and developing policies and procedures necessary for the successful implementation of the Plan

(3) Preparing and submitting such forms as may be required by the Tennessee Regulatory Authority, including the filing of required annual updates

(4) Serving as the primary liaison to and cooperate with the Tennessee Regulatory Authority, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in §65-5-212

(5) Searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts

(6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Regulatory Authority

(7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses

(8) Providing information and educational activities to persons within Acceris and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses

In performance of these duties, the Administrator will utilize a number of resources, including

Chambers of Commerce
The Tennessee Department of Economic and Community Development
The United States Department of Commerce
Small Business Administration
Office of Minority Business
The National Minority Supplier Development Counsel
The National Association of Women Business Owners

The National Association of Minority Contractors
Historically Black Colleges, Universities, and Minority Institutions

The efforts to promote and ensure equal opportunities for small and minority-owned businesses are primarily spelled out in the Administrator's duties above Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where appropriate and feasible, small and minority-owned businesses assistance with technical, insurance, bonding, licensing, production, and deadline requirements

IV. RECORDS AND COMPLIANCE REPORTS

Acceris will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses In addition, Acceris will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan

Acceris will submit records and reports required by the Tennessee Regulatory Authority concerning the Plan Moreover, Acceris will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority

Acceris Communications Corp.

By ______________________
David Silverman
General Counsel

Dated 12/18/04

EXHIBIT "H"
PRE-FILED TESTIMONY

PRE-FILED TESTIMONY
OF
DAVID SILVERMAN

I Introduction

1 Q Please state your name and business address

A My name is David Silverman My business address is 9775 Businesspark Avenue, San Diego, California 92131

2 Q By whom are you employed and in what capacity?

A I am General Counsel for Acceris Communications Corp ("Acceris")

3 Q Please give a brief description of your background and experience in business and telecommunications

A My background and experience, as well as other members of the management team of Acceris, are set forth in Exhibit D to our application

4 Q What is the purpose of your testimony?

A The purpose of my testimony is to describe the nature of Acceris's proposed service offering within the State of Tennessee, and to demonstrate its financial, managerial, and technical ability to provide the telecommunications services for which authority is sought herein

5 Q Do you wish to incorporate by reference any documents into your testimony?

A Yes. I wish to incorporate by reference the underlying Application filed in this proceeding and its associated attachments

II <u>The Business of Acceris</u>

6 Q Has Acceris registered to do business in Tennessee?

A Yes Acceris is a Delaware Corporation that has received authorization to transact business within the State of Tennessee A copy of Acceris's Certificate of Incorporation, as amended, and bylaws, are attached to the Application as Exhibit A and a copy of the document of authorization from the State of Tennessee is attached to that Application as Exhibit B

7 Q Please describe the services Acceris intends to provide within the State of Tennessee

A Acceris expects to offer a full array of local exchange services to both business and residential customers, including the following

Local Exchange

A Local Exchange Services for business and residence customers that will enable customers to originate and terminate local calls in the local calling area served by other LECs, including custom calling features

B Switched local exchange services, including basic service, trunks, carrier access, and any other switched local services that currently exist or will exist in the future

C Non-switched local services (e g , private line) that currently exist or will exist in the future

D Centrex and/or Centrex-like services that currently exist or will exist in the future

E Digital subscriber line, ISDN, and other high capacity services

In addition to the services listed above, Acceris, through interconnection with other carriers, will offer dual-party relay services, 9-1-1 Emergency Services, directory assistance and operator assisted calls, lifeline, and toll-free calling

8 Q How does Acceris intend to provide service in the State of Tennessee?

A Acceris will initially resell services and use unbundled network elements and services purchased from BellSouth and other incumbent local exchange providers Acceris has no plans at this time to install facilities to provide local exchange services in Tennessee If Acceris installs facilities in Tennessee, it may use the following or a similar configuration of equipment Acceris will provide voice, high speed data and internet access services through a combination of the latest technology switching and transport media comprised of the Lucent Technology 5 ESS Generic 13 switch module, ADSL/SDSL transport and Internet service equipment and the latest Optical multiplexer DAC's configurations The switching system consists of a central processing and control complex capable of interconnection as a peer to the incumbent as well as competitive local exchange companies The hub portion of the switch will interconnect with the public switched network on Signaling System 7 ("SS7") or Feature Group D ("FGD") facilities The system's remote module capability will allow properties to be served in a manner that provides the exchange of appropriate signaling, control and calling/caller information to the network in accordance with network standards and specifications Additionally, these services will be delivered over a combination of delivery mechanisms through incumbent local carriers' unbundled loop network, both copper and fiber and transport networks, as well as via Acceris constructed facilities

9 Q Does Acceris have authorization to provide intrastate telecommunications services in any other state?

A Yes Applicant is authorized to provide, and is providing, long distance service throughout the United States Applicant is authorized to provide local exchange service in Alabama, Arkansas, California, Colorado, Delaware, Florida, Idaho, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Washington, and West Virginia, and is providing such services in Massachusetts, New Jersey, New York and Pennsylvania Applicant is in the process of applying for authorization to provide competitive local exchange services throughout the United States Applicant has not been denied authority for any of the services for which it seeks authority in this Application

10 Q Has Acceris ever had an application for a certificate of public convenience and necessity denied?

A No

11 Q Does Accerιs ιntend to file a tarιff wιth the Commιssιon?

A Yes Accerιs wιll file ιts tarιff subsequent to certιficatιon and prιor to commencιng operatιons as requιred by Commιssιon rules

12 Q Is Applιcant ιs wιllιng and able to adhere to all applιcable TRA polιcιes, rules and orders?

A Yes Applιcant ιs wιllιng and able to adhere to all applιcable TRA polιcιes, rules and orders In addιtιon, Accerιs at all tιmes wιll provιde ιnterstate servιces ιn complιance wιth all FCC rules and regulatιons Accerιs wιll at all tιmes provιde and market servιces ιn accordance wιth current Commιssιon polιcιes and wιll attempt to comply wιth the terms of that order ιn every respect possιble

13 Q Has Acceris provided any intrastate telecommunications services within the State of Tennessee?

A Yes, Acceris is currently providing long distance services in Tennessee per authority granted in Docket No 00-00559

14 Q What rates will Acceris charge upon receipt of certification?

A Acceris will charge the tariffed rates approved by the Commission

15 Q How will Acceris market services in Tennessee?

A Acceris intends to market its services via direct sales by Acceris's employees

III <u>Managerial, Technical and Financial Qualifications</u>

16 Q Does Acceris have sufficient managerial, technical, and financial resources and ability to provide the telecommunications services proposed in its Application?

A Yes Acceris has sufficient technical, financial, and managerial resources and ability to provide the telecommunications services for which authority is sought herein Acceris 's personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience

My qualifications and experience, as well as members of Acceris's current management team, are discussed on Exhibit D that is attached to our Application in support of Applicant's managerial and technical ability to provide the services for which authority is sought herein See also Exhibit C

17 Q How does Acceris handle customer service requests?

A Registrant's customer service department may be contacted nationwide via a local or toll-free number The Company will maintain a Customer Service Department exclusively for Customer's questions, requests for service, complaints and trouble handling The Company's Customer Service address and applicable local or toll free number(s) will be printed on the Customer's bill The Customer Service Department will be located at 9775 Businesspark Avenue, San Diego, California 92131 The Company also intends to have a locally staffed office at one or more hub site locations and will provide its customers with a local Customer Service number which will be available 24 hours per day, 7 days per week

Office Hours- Excluding holidays, Customer Service Representatives will be available 8 00 AM to 5 00 PM standard time Monday through Friday After hours, Sundays and on holidays, Customers will automatically forwarded to an answering service for messaging and paging

Complaint Procedures- The Customer shall pose any inquiries or disputes directly to the Company for resolution Written communications should be directed to the Company's Customer Service department All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is pending The Company will investigate a Customer inquiry or dispute and report the findings to the Customer If the Company finds its actions to be consistent with its Tariff, the Company will inform the Customer of its no fault finding and require full payment of any outstanding balance due If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Commission for final determination

18 Q Please describe the financial condition of Acceris

A In support of Acceris's financial ability to provide the services sought herein, copies of Acceris Communications, Inc 's Form 10-Q for the quarterly period ended September 30, 2004, were submitted as Exhibit C to its Application

IV Public Interest

19 Q How will residents of Tennessee benefit from Acceris's services and presence in Tennessee?

The Commission's grant of this certificate is in the public interest because residential and business consumers of telecommunications services within Acceris's service territory will receive increased choice, improved quality of service, and heightened opportunities to obtain improved technology in the homes and businesses Market incentives for new and old telecommunications providers in Tennessee will be improved greatly through an increase in the diversity of suppliers and competition within the local exchange telecommunications market Consistent with the Commission's intent to aid in the development of a competitive telecommunications environment in Tennessee, the granting of a certificate of authority to provide local exchange service will offer increased efficiency to the State's telecommunications infrastructure through greater reliability of services and an increase in competitive choices

20 Q Does this conclude your testimony?

A Yes I would like to thank the Commission for this opportunity to provide information relevant to Acceris's Application and am ready to provide any additional information that the Commission may need in making its decision

VERIFICATION OF APPLICANT

I, David Silverman, General Counsel of Acceris Communications Corp , a Delaware Corporation, the applicant for a Certificate of Public Convenience and Necessity from the Public Service Commission of the State of Tennessee, verify that based on information and belief, I have knowledge of the statements in the foregoing Pre- Filed Testimony, and I declare that they are true and correct

David Silverman
General Counsel
Acceris Communications Corp.

Sworn to me, the undersigned
Notary Public on this
15th **day of,** December**, 2004.**

State of Georiga
County of Forsyth

Charlotte E. Lacey
Notary Public
My Commission expires January 29, 2008

EXHIBIT "I"
NUMBERING ISSUES & TENNESSEE SPECIFIC OPERATION ISSUES

Numbering Issues

1 Applicant's expected demand for NXXs within a year of approval of our application is 60 to 80 NXXs per NPA

2 Applicant estimates it will request 60 NXXs from NANPA when we establish our service footprint

3 We expect to establish our initial service footprint in the 615 and 931 NPAs within 6 months of certification

4 The company will sequentially assign numbers within NXXs if it is required by Commission rules and regulations In other jurisdictions customer requirements have dictated the non-sequential assignment of telephone numbers

5 The company will follow NANPA guidelines and Commission regulations and assign numbers accordingly

6 When ordering NXXs for growth, we follow the forecasting guidelines set by NANPA and the state regulatory body We intend to apply a 6 or 12 month forecast, depending on the jeopardy situation in a given NXX

Tennessee Specific Operation Issues

1 Our current billing system will allow us to bill the calling plan in compliance with TCA Section 65-21-114

2 At this time, the company is not aware of the Tennessee County Wide Calling database maintained by BellSouth and the procedures to enter your telephone numbers on the database The company intends to address all interconnection requirements and procedures with Bell South during the negotiation process and prior to the provision of local exchange service

3 The company initially intends to provide service in Chattanooga, Knoxville, Memphis, and Nashville It is the Company's usual practice to mirror the calling pattern on the incumbent LEC, therefore this is how the company will provide metro area toll-free calling around Memphis, Nashville, Knoxville & Chattanooga

4 At this time, the company is not aware of the MAC database maintained by BellSouth and the procedures to enter your telephone number on the database The company intends to address all interconnection requirements and procedures with Bell South during the negotiation process and prior to the provision of local exchange service

5 Employee responsible to work with the TRA on resolving customer complaints
Regulatory contact David Silverman
(800) 576-7775

Customer Service contact Walker Burl
(800) 569-8700

6 The company intends to use telesales by its own employees The company is aware of the telemarketing statutes and limitations found in TCA Section 65-4-401 and Chapter 1220-4-11 and will make every effort to comply with these regulations

EXHIBIT "J"
BOND OR LETTER OF CREDIT

The company has already filed a $20,000 letter of credit in connection with its long distance authority.

EXHIBIT “K”
PROPOSED TARIFF

RULES, REGULATIONS, AND
SCHEDULE OF RATES AND CHARGES
APPLICABLE TO END USERS

LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

FURNISHED BY
ACCERIS COMMUNICATIONS CORP.
WITHIN THE STATE OF TENNESSEE

TABLE OF CONTENTS

Description

CHECK SHEET

The Title Page and pages listed below are inclusive and effective as of the date shown Original and revised pages as named below contain all changes from the original tariff that are in effect on the date shown on each page

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EXPLANATION OF SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below

(C) To signify changed regulation

(D) To signify discontinued rate and regulation

(I) To signify increased rate

(M) To signify a move in the location of text

(N) To signify new rate or regulation

(R) To signify reduced rate

(S) To signify reissued matter

(T) To signify a change in text but no change in rate or regulation

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the local exchange telecommunications services provided by Acceris Communications Corp , to customers within the state of Tennessee

SECTION 1.0 - DEFINITIONS

For the purpose of this tariff, the following definitions will apply

Access Line - An arrangement which connects the Customer's location to a switching center or point of presence

Account Codes - Optional, Customer-defined digits that allow the Customer to identify the individual user, department or client associated with a call Account Codes appear on the Customer bill

Advance Payment - Part or all of a payment required before the start of service

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Company's service

Business - A class of service provided to individuals engaged in business, firms, partnerships, corporations, agencies, shops, works, tenants of office buildings, and individuals practicing a profession or operating a business who have no offices other than their residences and where the use of the service is primarily or substantially of a business, professional or occupational nature

Commission - Tennessee Regulatory Authority

Company or Carrier - Acceris Communications Corp , unless otherwise clearly indicated by the context

Customer - The person, firm, corporation or other entity which orders, cancels, amends or uses service and is responsible for payment of charges and compliance with the Company's tariff

Deposit - Refers to a cash or equivalent of cash security held as a guarantee for payment of the charges

DID Trunk - A form of local switched access that provides the ability for an outside party to call an internal extension directly without the intervention of the Company operator

Dial Pulse (or "DP") - The pulse type employed by rotary dial station sets

Dual Tone Multi-Frequency (or "DTMF") - The pulse type employed by tone dial station sets

End User - Any person, firm, corporation, partnership or other entity which uses the services of the Company under the provisions and regulations of this tariff The End User is responsible for payment unless the charges for the services utilized are accepted and paid for by another Customer

End Office - With respect to each NPA-NXX code prefix assigned to the Company, the location of the Company's "end office" for purposes of this tariff shall be the point of interconnection associated with that NPA-NXX code in the Local Exchange Routing Guide ("LERG"), issued by Bellcore

Hearing Impaired - Those persons with communication impairments, including those hearing impaired, deaf, deaf/blind, and speech impaired persons who have an impairment that prevents them from communicating over the telephone without the aid of a telecommunications device for the deaf

Hunting - Routes a call to an idle station line in a prearranged group when the called station line is busy

In-Only - A service attribute that restricts outward dial access and routes incoming calls to a designated answer point

IXC or Interexchange Carrier - A long distance telecommunications services provider

LATA - A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No 82-0192, or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc Tariff F C C No 4

LEC - Local Exchange Company

Minimum Point of Presence ("MPOP") - The main telephone closet in the Customer's building

Monthly Recurring Charges - The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service

Multi-Frequency or ("MF") - An inter-machine pulse type used for signaling between telephone switches, or between telephone switches and PBX/key systems

Non-Recurring Charge ("NRC") - The initial charge, usually assessed on a one-time basis, to initiate and establish service

Other Telephone Company - An Exchange Telephone Company, other than the Company

PBX - Private Branch Exchange

Premises - A building or buildings on contiguous property

Recurring Charges - The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service

Residence or Residential - A class of service furnished to a Customer at a place of dwelling where the actual or obvious use is for domestic purposes

Service Commencement Date - The first day following the date on which the Company notifies the Customer that the requested service is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order and this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance The Company and Customer may mutually agree on a substitute Service Commencement Date

Service Order - The written request for services executed by the Customer and the Company in the format devised by the Company The signing of an Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date

Telephone Company - Used throughout this tariff to mean Acceris Communications Corp , unless clearly indicated otherwise by the text

Two Way - A service attribute that includes outward dial capabilities for outbound calls and can also be used to carry inbound calls to a central point for further processing

Usage Based Charges - Charges for minutes or messages traversing over local exchange facilities

User or End User - A Customer, Joint User, or any other person authorized by a Customer to use service provider under this tariff

SECTION 2.0 - RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission originating from points within the State of Tennessee, and terminating within a local calling area as defined herein

The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own Customers

2.1.2 Shortage of Equipment or Facilities

(A) The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control

(B) The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions

(A) Service is provided on the basis of a minimum period of at least one month, 24 hours per day For the purpose of computing charges in this tariff, a month is considered to have thirty (30) days

(B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff Customers will also be required to execute any other documents as may be reasonably requested by the Company

(C) Except as otherwise stated in the tariff, at the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon thirty (30) days written notice Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination The rights and obligations which by their nature extend beyond the termination of the term of the service order shall survive such termination

(D) Service may be terminated upon written notice to the Customer if

(1) the Customer is using the service in violation of this tariff, or

(2) the Customer is using the service in violation of the law

(E) This tariff shall be interpreted and governed by the laws of the State of Tennessee without regard for its choice of laws provision

SECTION 2 0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions, (cont'd)

(F) Any Other Telephone Company may not interfere with the right of any person or entity to obtain service directly from the Company No person or entity shall be required to make any payment, incur any penalty, monetary or otherwise, or purchase any services in order to have the right to obtain service directly from the Company

(G) To the extent that either the Company or any Other Telephone Company exercises control over available cable pairs, conduit, duct space, raceways, or other facilities needed by the other to reach a person or entity, the party exercising such control shall make them available to the other on terms equivalent to those under which the Company makes similar facilities under its control available to its Customers At the reasonable request of either party, the Company and the Other Telephone Company shall jointly attempt to obtain from the owner of the property access for the other party to serve a person or entity

(H) The Company hereby reserves its rights to establish service packages specific to a particular Customer These contracts may or may not be associated with volume and/or term discounts

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability

(A) Except as otherwise stated in this section, the liability of the Company for damages arising out of either (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in Section 2 7

(B) Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2 7, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service

(C) The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed

SECTION 2 0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(D) The Company shall be indemnified and saved harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to

(1) Any act or omission of (a) the Customer, (b) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company, or (c) common carriers or warehousemen, except as contracted by the Company,

(2) Any delay or failure of performance or equipment due to causes beyond the Company's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes, national emergencies, insurrections, riots, wars or other civil commotions, strikes, lockouts, work stoppages or other labor difficulties, criminal actions taken against the Company, unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties, and any law, order, regulation or other action of any governing authority or agency thereof,

(3) Any unlawful or unauthorized use of the Company's facilities and services,

(4) Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the material transmitted by means of Company-provided facilities or services, or by means of the combination of company-provided facilities or services,

(5) Breach in the privacy or security of communications transmitted over the Company's facilities,

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(D) (cont'd)

(6) Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in paragraph (A) of this Subsection 2 1 4

(7) Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof,

(8) Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities,

(9) Any non-completion of calls due to network busy conditions,

(10) Any calls not actually attempted to be completed during any period that service is unavailable,

(11) And any other claim resulting from any act or omission of the Customer or patron(s) of the Customer relating to the use of the Company's services or facilities

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd)

(E) The Company does not guarantee nor make any warranty with respect to installations provided for use in an explosive atmosphere

(F) The Company makes no warranties or representations, EXPRESS OR IMPLIED, either in fact or by operation of law, statutory or otherwise, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein

(G) Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions

2.1.5 Notification of Service-Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance Generally, such activities are not specific to an individual Customer but affect may Customers' services No specific advance notification period is applicable to all service activities The Company will work cooperatively with the Customer to determine the reasonable notification requirements With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the Customer may not be possible

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2 1.6 Provision of Equipment and Facilities

(A) The Company shall use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer The Customer may not nor may the Customer permit others to rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company

(B) The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided by the Customer

(C) Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the equipment is provided

(D) Except as otherwise indicated, Customer provided station equipment at the Customer's premises for use in connection with the service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company

(E) The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities Subject to this responsibility, the Company shall not be responsible for

(1) the through transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission, or

(2) the reception of signals by Customer-provided equipment, or

(3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment

SECTION 2 0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.7 Non-Routine Installation

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply

2 1 8 Special Construction

Subject to the agreement of the Company and to all of the regulations contained in this tariff, special construction or facilities may be undertaken on a reasonable efforts basis at the request of the Customer Special construction is construction undertaken

(A) where facilities are not presently available, and there is no other requirement for the facilities so constructed,

(B) of a type other than that which the Company would normally utilize in the furnishing of its services,

(C) over a route other than that which the Company would normally utilize in the furnishing of its services,

(D) in a quantity greater than that which the company would normally construct,

(E) on an expedited basis,

(F) on a temporary basis until permanent facilities are available,

(G) involving abnormal costs, or

(H) in advance of its normal construction

SECTION 2 0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.9 Ownership of Facilities

Title to all facilities provided in accordance with this tariff remains in the Company, its partners, agents, contractors or suppliers

2.2 Prohibited Uses

2.2.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits

2 2 2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and the Tennessee Regulatory Authority's regulations, policies, orders, and decisions

2.2.3 The Company may block any signals being transmitted over its Network by Customers which cause interference to the Company or other users Customer shall be relieved of all obligations to make payments for charges relating to any blocked Service and shall indemnify the Company for any claim, judgment or liability resulting from such blockage

2.2.4 A Customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated communications services Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this tariff will apply

SECTION 2 0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer

2.3.1 General

The Customer shall be responsible for

(A) the payment of all applicable charges pursuant to this tariff,

(B) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer, or the noncompliance by the Customer, with these regulations, or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company,

(C) providing at no charge, as specified from time to time by the Company, any needed equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises,

(D) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide Communications Services to the Customer from the cable building entrance or property line to the location of the equipment space described in Section 2 3 1(C) Any and all costs associated with the obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company provided facilities, shall be borne entirely by, or may be charged by the Company, to the Customer The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer

2.3.1 General (cont'd.)

(E) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company employees or property might result from installation or maintenance by the Company The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e g , friable asbestos) prior to any construction or installation work,

(F) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in an Customer premises or the rights-of-way for which Customer is responsible under Section 2 3 1(D), and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company,

(G) not creating or allowing to be placed any liens or other encumbrances on the Company's equipment or facilities, and

(H) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer No allowance will be made for the period during which service is interrupted for such purposes

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer (Cont'd.)

2.3.2 Liability of the Customer

(A) The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invites, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct

(B) To the extent caused by any negligent or intentional act of the Customer as described in (A), preceding, the Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction or damage to property of any third party, and (2) any liability incurred by the Company to any third party pursuant to this or any other tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party

(C) The Customer shall not assert any claim against any other Customer or user of the Company's services for damages resulting in whole or in party from or arising in connection with the furnishing of service under this tariff including but not limited to mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations, whether or not such other Customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent to intentional act or omission of the other Customer or user and not by any act or omission of the Company Nothing in this tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels

2.4.1 General

A user may transmit or receive information or signals via the facilities of the Company. The Company's services are designated primarily for the transmission of voice-grade telephonic signals, except as otherwise stated in this tariff. A user may transmit any form of signal that is compatible with the Company's equipment, but the Company does not guarantee that its services will be suitable for purposes other than voice-grade telephonic communication except as specifically stated in this tariff.

2.4.2 Station Equipment

(A) Terminal equipment of the user's premises and the electric power consumed by such equipment shall be provided by and maintained at the expense of the user. The user is responsible for the provision of wiring or cable to connect its terminal equipment to the Company MPOP.

(B) The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense, subject to prior Customer approval of the equipment expense.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2 4.3 Interconnection of Facilities

(A) Local Traffic Exchange provides the ability for another local exchange provider to terminate local traffic on the Company's network In order to qualify for Local Traffic Exchange the call must: (a) be originated by an end user of a company that is authorized by the Tennessee Regulatory Authority to provide local exchange service, (b) originate and terminate within a local calling area of the Company

(B) Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Communications Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense

(C) Communications Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections

(D) Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff All such terminal equipment shall be registered by the Federal Communications Commission pursuant to Part 68 of Title 47, Code of Federal Regulations, and all user-provided wiring shall be installed and maintained in compliance with those regulations

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.4 Inspections

(A) Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2(B) for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.

(B) If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.

(C) If harm to the Company's network, personnel or services is imminent, the Company reserves the right to shut down Customer's service immediately, with no prior notice required.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments

2.5.1 Advance Payments

To safeguard its interests, the Company may require a Customer to make an advance payment before services and facilities are furnished, where special construction is involved The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one (1) month's charges for the service or facilities In addition, the advance payment may also include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) for a period to be set between the Company and the Customer The advance payment will be credited to the Customer's initial bill Advance payments do not accrue interest An advance payment may be required in addition to a deposit.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments (Cont'd.)

2.5.2 Deposits

(A) To safeguard its interests, the Company may require the Customer to make a deposit to be held as a guarantee for the payment of charges in accordance with Tennessee Regulatory Authority Rules A deposit may be required if the Customer's financial condition is not acceptable to the Company or is not a matter of general knowledge A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation The deposit will not exceed an amount equal to two and one-half twelfths of the estimated charge for the service for the ensuing twelve months A deposit may be required in addition to an advance payment.

(B) Upon discontinuance of service, the Company shall promptly and automatically refund the Customer's deposit plus accrued interest, or the balance, if any, in excess of the unpaid bills including any penalties assessed for service furnished by the Company

(C) Deposits will accrue interest annually at the rate per annum in accordance with Tennessee Regulatory Authority Rules Upon request of the Customer, accrued interest shall be annually credited to the Customer by deducting such interest from the amount of the next bill for service following the accrual date

(D) The Company shall annually and automatically refund the deposits of Customers who have paid bills for twelve consecutive months without having had service discontinued for nonpayment or had more than one occasion on which a bill was not paid within the period prescribed and are not then delinquent in payment

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements

2.6.1 Payment for Services

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer

The Customer is responsible for the payment of federal excise taxes, state and local sales and use taxes and similar taxes imposed by governmental jurisdictions, all of which shall be separately designated on the Company's invoices The Company will not separately charge for the Tennessee gross receipts tax on the Company's invoice for local services Any taxes imposed by a local jurisdiction (e g , county and municipal) will only be recovered from those Customers residing in the affected jurisdictions

Certain telecommunications services, as defined in the Tennessee Revised Code, are subject to state sales tax at the prevailing tax rates, if the services originate, or terminate in Tennessee, or both, and are charged to a subscriber's telephone number or account in Tennessee

2.6.2 Billing and Collection of Charges

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company

(A) Non-recurring charges are due and payable within thirty (30) days after the date the invoice is mailed to the Customer by the Company

(B) The Company shall present invoices for recurring charges monthly to the Customer, in advance of the month in which service is provided, and recurring charges shall be due and payable within thirty (30) days after the date the invoice is mailed to the Customer by the Company When billing is based upon Customer usage, usage charges will be billed monthly for the preceding billing period

(C) When service does not begin on the first day of the month, or end of the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis For this purpose, every month is considered to have thirty (30) days

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.2 Billing and Collection of Charges (Cont'd.)

(D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued

(E) If any portion of the payment is not received by the Company within 30 days of receipt of this bill, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment charge of 1 5% per month shall be due to the Company A late payment charge is not applicable to subsequent rebilling of any amount to which a late payment charge has already been applied Late payment charges are to be applied without discrimination

(F) the Customer should notify the Company of any disputed items on an invoice within thirty (30) days of receipt of the invoice If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Tennessee Regulatory Authority in accordance with the Commission's rules and procedure The address of the Commission is as follows

Tennessee Regulatory Authority
460 Robertson Parkway
Nashville, Tennessee 37243

(G) If service is disconnected by the Company (in accordance with Section 2 6 3 following) and later re-installed, re-installation of service will be subject to all applicable installation charges If service is suspended by the Company (in accordance with Section 2 6 3 following) and later restored, restoration of service will be subject to the rates in Section 4 3

SECTION 2 0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6 3 Discontinuance of Service for Cause

The Company may discontinue service for the following reasons provided in this Section 2 6 3 Customers will be provided five (5) days written notice prior to discontinuance unless otherwise indicated

Upon the Company's discontinuance of service to the Customer under Section 2 6 3(A) or 2 6 3(B), the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent)

(A) Upon nonpayment of any amounts owing to the Company, the Company may discontinue or suspend service without incurring any liability No basic residential service shall be disconnected for nonpayment until at lease 29 days from the date of the bill and only following proper written notification

(B) Upon violation of any of the other material terms or conditions for furnishing service the Company may, discontinue or suspend service without incurring any liability if such violation continues during that period

(C) Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability

(D) Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability

(E) Upon any governmental prohibition or governmental required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability

SECTION 2 0 - RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6.3 Discontinuance of Service for Cause

(F) Without notice in the event of fraudulent use of the Company's network The Customer will be liable for all related costs The Customer will also be responsible for payment of any reconnection charges

(G) Without notice in the event of Customer use of equipment or services in such a manner as to adversely affect the Company's service to others

(H) Without notice in the event of tampering with the equipment or services furnished by the Company

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6 4 Notice to Company for Cancellation of Service

Customers desiring to terminate service shall provide the Company thirty (30) days notice of desire to terminate service If special construction is involved, the required notice shall be written

2 6.5 Cancellation of Application for Service

(A) Where the Company permits the Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below

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

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

(D) The special charges described in 2 6 5(A) through 2 6 5(C) will be calculated and applied on a case-by-case basis

SECTION 2 0 - RULES AND REGULATIONS, (CONTINUED)

2.6 Payment Arrangements, (Continued)

2.6 6 Changes in Services Requested

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly

2.6.7 Bad Check Charge

A service charge equal to $20 00 will be assessed for all checks returned by a bank or other financial institution for Insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank or other financial institution

2.7 Allowances for Interruptions in Service

2.7 1 General

(A) A credit allowance will be given when service is interrupted, except as specified in Section 2 7 2 following A service is interrupted when it becomes inoperative to the Customer, e g , the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff

(B) An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and, if necessary, releases it for testing and repair An interruption period ends when the service, facility or circuit is operative

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruptions in Service, (Continued)

2.7.1 General (Continued)

(C) If the Customer reports a service, facility or circuit to be interrupted but declines to release it for testing and repair, or refuses access to its premises for test and repair by the Company, the service, facility or circuit is considered to be impaired but not interrupted No credit allowances will be made for a service, facility or circuit considered by the Company to be impaired

(D) The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer

2 7.2 Limitations of Allowances

No credit allowance will be made for any interruption in service

(A) Due to the negligence of or noncompliance with the provisions of this tariff by any person or entity other than the Company, including but not limited to the Customer,

(B) Due to the failure of power, equipment, systems, connections or services not provided by the Company,

(C) Due to circumstances or causes beyond the reasonable control of the Company,

(D) During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions,

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruptions in Service, (Continued)

2.7.2 Limitations of Allowances

(E) A service will not be deemed to be interrupted if a Customer continues voluntarily make use of the service If the service is interrupted, the Customer can get a service credit, use another means of communications provided by the Company (pursuant to Section 2 7 3), or utilize another service provider

(F) During any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements,

(G) That occurs or continues due to the Customer's failure to authorize replacement of any element of special construction, and

(H) That was not reported to the Company within thirty (30) days of the date that service was affected

2.7.3 Use of Another Means of Communications

If the Customer elects to use another means of communications during the period of interruption, the Customer must pay the charges for the alternative service used

SECTION 2 0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2 7.4 Application of Credits for Interruptions in Service

(A) Credits for interruptions in service that is provided and billed on a flat rate basis for a minimum period of at least one month, beginning on the date that billing becomes effective, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which the event that gave rise to the claim for a credit occurred A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption Only those facilities on the interrupted portion of the circuit will receive a credit

(B) For calculating credit allowances, every month is considered to have thirty (30) days

(C) A credit allowance will be given for interruption of thirty (30) minutes or more Two or more interruptions of fifteen (15) minutes or more during any one 24-hour period shall be combined into one cumulative interruption

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.4 Application of Credits for Interruptions in Service, (Continued)

(D) Interruptions of 24 Hours or Less

Length of Interruption	Amount of Service to be Credited
Less than 30 minutes	None
30 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

(E) Interruptions Over 24 Hours and Less Than 72 Hours

Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof No more than one full day's credit will be allowed for any period of 24 hours

(F) Interruptions Over 72 Hours

Interruptions over 72 hours will be credited 2 days for each full 24-hour period No more than thirty (30) days credit will be allowed for any one-month period

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.5 Limitations on Allowances

No credit allowance will be made for

(A) interruptions due to the negligence of or noncompliance with the provisions of this tariff by the Customer, authorized user or joint user,

(B) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer,

(C) interruptions of service during any period in which the Company is not given full access to its facilities and equipment for the purpose of investigating and correcting interruptions,

(D) interruptions of service during a period in which the Customer continues to use the service on an impaired basis,

(E) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements,

(F) interruption of service due to circumstances or causes beyond the reasonable control of Company, and

(G) that occur or continue due to the Customer's failure to authorize replacement of any element of special construction

2.7 6 Cancellation For Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of eight (8) hours or more or cumulative service credits equaling sixteen(16) hours in a continuous twelve (12) month period The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits

SECTION 2 0 - RULES AND REGULATIONS, (CONTINUED)

2.8 Cancellation of Service/Termination Liability

If a Customer cancels a service order or terminates services before the completion of the term for any reason other than a service interruption (as defined in Section 2 7 1) or where the Company breaches the terms in the service contract, Customer may be requested by the Company to pay to Company termination liability charges, which are defined below These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Section 2 6 2

2.8.1 Termination Liability

Customer's termination liability for cancellation of service shall be equal to

(A) all unpaid non-recurring charges reasonably expended by Company to establish service to Customer, plus,

(B) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus,

(C) all recurring charges specified in the applicable Service Order for the balance of the then current term discounted at the prime rate announced in the *Wall Street Journal* on the third business day following the date of cancellation,

(D) minus a reasonable allowance for costs avoided by the Company as a direct result of Customer's cancellation

SECTION 2 0 - RULES AND REGULATIONS, (CONTINUED)

2 9 **Reserved for Future Use**

2.10 **Transfers and Assignments**

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights an duties to a) any subsidiary, parent company or affiliate of the Company, b) pursuant to any sale or transfer of substantially all the assets of the Company, or c) pursuant to any financing, merger or reorganization of the Company

SECTION 2 0 - RULES AND REGULATIONS, (CONTINUED)

2.12 Notices and Communications

2.12.2 The Customer shall designate on the service order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed

2.12.3 The Company shall designate on the service order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill

2.12 4 Except as otherwise stated in this tariff, all notices or other communications required to be given pursuant to this tariff will be in writing Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U S Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first

2 12 5 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein

SECTION 3.0 - SERVICE AREAS

3 1 **Exchange Service Areas**

Local exchange services are provided, subject to availability of facilities and equipment, in areas currently served by the following Incumbent LECs 1) BellSouth

3.2 **Rate Classes**

Charges for local services provided by the Company may be based, in part, on the Rate Class associated with the Customers End Office The Rate Class is determined by the total access lines and PBX trunks in the local calling area which can be reached from each End Office

In the event that an Incumbent LEC or the Tennessee Regulatory Authority reclassifies an exchange from one Rate Class to another, the reclassification will also apply to customers who purchase services under this tariff Local calling areas and Rate Class assignments are equivalent to those areas and groups specified in BellSouth's Tennessee General Local Exchange Service Tariff

3 3 **Reserved for Future Use**

SECTION 4 0 - SERVICE CHARGES AND SURCHARGES

4.1 Service Order and Change Charges

Non-recurring charges apply to processing Service Orders for new service, for changes in service, and for changes in the Customer's primary interexchange carrier (PIC) code

	Residence	Business
Line Connection Charge		
First Line	$41 50	$58 50
Each Additional Line	$18 00	$31 00
Line Change Charge		
First Line	$28 00	$47 00
Each Additional Line	$15 00	$15 00

4.2 Maintenance Visit Charges

Maintenance Visit Charges apply when the Company dispatches personnel to a Customer's premises to perform work necessary for installing new service, effecting changes in service or resolving troubles reported by the Customer when the trouble is found to be caused by the Customer's facilities

Maintenance Visit Charges will be credited to the Customer's account in the event trouble is not found in the Company facilities, but the trouble is later determined to be in those facilities

The time period for which the Maintenance Visit Charges is applied will commence when Company personnel are dispatched at the Customer premises and end when work is completed The rates for Maintenance of Service vary by time per Customer request

Duration of time, per technician	Residential	Business
Initial 15 minute increment	$28 00	$28 00
Each Additional 15 minute increment	$11 00	$11 00

4.3 Restoration of Service

A restoration charge applies to the restoration of suspended service and facilities because of nonpayment of bills and is payable at the time that the restoration of the suspended service and facilities is arranged The restoration charge does not apply when, after disconnection of service, service is later re-installed

	Residence	Business
Per occasion	$15 00	$35 00

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS

5.1 General

5.1 1 Services Offered

The following Network Services are available to residence/business Customers and for resale by other carriers certificated by the Tennessee Regulatory Authority

Standard Residence Line Service
Standard Business Line Service
PBX Trunk Service
Direct Inward Dial (DID) Service
Optional Calling Features

The following services are available to residence/business Customers and are not offered on a resale basis as of the effective date of this page

Listing Services (including Non Published and Non Listed Services)
Directory Assistance
Miscellaneous Services (including Vanity Numbers and Number Portability)

5 1 2 Application of Rates and Charges

All services offered in this tariff are subject to service order and change charges where the Customer requests new services or changes in existing services, as well as indicated Non-Recurring and Monthly Recurring Charges Charges for local calling services may be assessed on a measured rate basis and are additional to monthly recurring charges shown for Business or Residence lines, PBX Trunks, DID Trunks and Digital/DS1 service

SECTION 5 0 - NETWORK SERVICES DESCRIPTIONS, (CONT'D)

5.1 General (Continued)

5.1.3 Emergency Services Calling Plan

Access (at no additional charge) to the local operator or emergency services bureau by dialing 0- or 9-1-1 is offered at no charge to the Customer

Message toll telephone calls, to governmental emergency service agencies as set forth in (A) following, having primary or principal responsibility with respect to the provision of emergency services to persons and property in the area from which the call is made, meeting the definition and criteria of an emergency call as set forth in (B) following are offered at no charge to Customers

Governmental fire fighting, Tennessee State Highway Patrol, police, and emergency squad service (as designated by the appropriate governmental agency) qualify as governmental emergency service agencies provided they answer emergency service calls on a personally attended (live) twenty-four (24) hour basis, three hundred sixty-five (365) days a year, including holidays

An emergency is an occurrence or set of circumstances in which conditions pose immediate threat to human life, property, or both and necessitate that prompt action be taken An emergency call is an originated call of short duration to a governmental emergency services agency in order to seek assistance for such an emergency

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.2 Call Timing for Usage Sensitive Services

Where charges for a service are specified based on the duration of use, such as the duration of a telephone call, the following rules apply

5.2.1 Calls are measured in durational increments identified for each service All calls, which are fractions of a measurement increment, are rounded-up to the next whole unit.

5.2.2 Timing on completed calls begins when the call is answered by the called party Answering is determined by hardware answer supervision in all cases where this signaling is provided by the terminating local carrier and any intermediate carrier(s)

5.2.3 Timing terminates on all calls when the calling party hangs up or the Company's network receives an off-hook signal from the terminating carrier

5.2.4 Calls originating in one time period and terminating in another will be billed in proportion to the rates in effect during different segments of the call

5.2.5 All times refer to local time

SECTION 5. 0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.3 Distance Calculations

Where charges for a service are specified based upon distance, the following rules apply

5.3.1 Distance between two points is measured as airline distance between the rate centers of the originating and terminating telephone lines The rate center is a set of geographic coordinates, as referenced in Local Exchange Routing Guide issued by Bellcore, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number) Where there is not telephone number associated with an access line on the Company's network (such as a dedicated 800 or WATS access line), the Company will apply the rate center of the Customer's main billing telephone number

5.3.2 The airline distance between any two rate centers is determined as follows

Step 1 Obtain the "V" (vertical) and "H" (horizontal) coordinates for each Rate Center from the above-referenced Bellcore document

Step 2 Computer the difference between he "V" coordinate of the two rate centers, and the difference between the two "H" coordinates

Step 3 Square each difference obtained in step (b) above

Step 4 Add the square of the "V" difference and the square of the "H" difference obtained in step C) above

Step 5 Divide the sum of the squares by 10 Round to the next higher whole number if any fraction is obtained

Step 6 Obtain the square root of the whole number result obtained above Round to the next higher whole number if any fraction is obtained This is the airline mileage

5.3.3 The formula for distance calculations is

$$(V_1 - V_2)^2 + (H_1 - H_2)^2 \qquad 10$$

SECTION 5 0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5 4 Rate Periods for Time of Day Sensitive Services

5.4 1 For time of day, usage sensitive services, the following rate periods apply unless otherwise specified in this tariff

	MON	TUES	WED	THUR	FRI	SAT	SUN
8 00 AM TO 5 00 PM*	DAYTIME RATE PERIOD						
5 00 PM TO 11 00 PM*	EVENING RATE PERIOD						EVE
11 00 PM TO 8 00 AM*	NIGHT/WEEKEND RATE PERIOD						

*Up to but not including

5 4.2 Calls are billed based on the rate in effect for the actual time period(s) during which the call occurs Calls that cross rate period boundaries are billed the rates in effect in that boundary for each portion of the call, based on the time of day at the Customer location

5.4 3 For services subject to holiday discounts, the following are Company recognized national holidays, determined at the location of the calling station The evening rate is used on national holidays, unless a lower rate normally would apply

New Year's Day	January 1
Memorial Day	As Federally Observed
Independence Day	July 4
Thanksgiving Day	As Federally Observed
Christmas Day	December 25

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5 5 Standard Residence Line

A Standard Residence Line provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time Standard Residence Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy

5.6 Standard Business Line

The Standard Business Line provides a Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time Standard Business Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy

5 7 PBX Trunk Service

Basic PBX Trunk Service provides a Customer with a single, voice-grade telephonic communications channel, which can be used to place or receive one call at a time Basic Trunks are provided for connection of Customer-provided private branch exchanges (PBX) to the public switched telecommunications network Each Basic PBX Trunk is provided with touch-tone signaling and may be configured into a hunt group at no additional charge with other Company-provided Basic PBX Trunks The signal is an analog signal at the DS0 level

5.8 Direct Inward Dialing (DID) Service

Direct Inward Dialing ("DID") permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant DID calls are routed directly to the station associated with the called number DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enables DID service at a Customer's location DID service requires special PBX software and hardware not provided by the Company Such hardware and software is the responsibility of the Customer

5 9 Reserved for Future Use

SECTION 5 0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.10 Reserved for Future Use

5.11 Optional Calling Features

The features listed in Section 5 11 1 are offered by the Company to Residential and Business Customers Refer to Price Lists in Sections 6 and 7 of this tariff for specific features offered with each type of local exchange service

5.11.1 Features Descriptions

(A) **Flexible Call Forwarding**: Provides end-user control for call forwarding capabilities via dial-accessed voice prompt menus Customers may forward calls to a primary local or long distance The end-user may specify a secondary location for routing of go unanswered at the forward-to location or reach a busy signal This secondary location may be another telephone number, pager or voice messaging service Other capabilities included with this feature include

Speed Forwarding,
Priority Screening,
Ring Control, and
Timed Forwarding

It is the responsibility of the Customer to subscribe to the telephone number, pager or voice messaging service used as the secondary location

(B) **Flexible Call Forwarding with Audio Calling Name:** Provides all of the functionality of Enhanced Call Forwarding Also permits the end-user to receive the Directory Name of the party's whose call was forwarded to primary number In some situations, the end-user may hear the calling party's city and state or telephone number, depending on available call data

(C) **Flexible Call Forwarding Plus.** Provides all of the functionality of Enhanced Call Forwarding Also includes an additional telephone number with directory listing and distinctive ringing for calls placed to the additional number Enhanced Call Forwarding Plus allows parties to reach the end-user's location when FCF is active and all calls to the end-users main telephone number would normally forward Calls to the additional number do not forward even when Enhanced Call Forwarding is active

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 **Optional Calling Features, (continued)**

5.11 1 **Feature Descriptions, (continued)**

(D) **Flexible Call Forwarding Plus with Audio Calling Name.** Provides all of the functionality of Enhanced Call Forwarding Plus including the additional telephone number with listing and distinctive ringing Also permits the end-user to receive the Directory Name of the party's whose call was forwarded to primary number In some situations, the end-user may hear the calling party's city and state or telephone number, depending on available call data

(E) **Call Forwarding Variable:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion The end-user must dial an activation code from his/her exchange line along with the forward-to number in order to turn the feature on A separate code is dialed by the end-user to deactivate the feature

(F) **Call Forwarding Variable, Remote Access·** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion The end-user must dial an activation code along with the forward-to number in order to turn the feature on A separate code is dialed by the end-user to deactivate the feature Feature activation may be performed from the end-user's exchange line or remotely from some other line Remote access requires the end-user to (1) dial a special access number 2) enter their seven-digit telephone number and 3) enter a personal identification number prior to forwarding their calls

(G) **Call Forwarding Don't Answer, Basic:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval The ringing interval before forwarding and the forward-to number are fixed by the service order

(H) **Call Forwarding Don't Answer w/Ring Control:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval The forward-to number is fixed by the service order However, the end-user has the ability to change the time interval before forwarding occurs at his/her discretion

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 **Optional Calling Features, (continued)**

5.11 1 **Feature Descriptions, (continued)**

(I) **Call Forwarding Don't Answer w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval The ringing interval before forwarding and the forward-to number are fixed by the service order However, the end-user has the ability to turn the feature on or off at his/her discretion

(J) **Call Forwarding Busy Line, Basic·** Permits the forwarding of incoming calls when the end-user's line is busy The forwarded number is fixed by the end-user service order

(K) **Call Forwarding Busy Line w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line is busy The forwarded number is fixed by the end-user service order However, the end-user has the ability to turn the feature on or off at his/her discretion

(L) **Call Waiting - Basic:** Call Waiting provides a tone signal to indicate to a Customer already engaged in a telephone call that a second caller is attempting to dial in It permits the Customer to place the first call on hold, answer the second call and then alternate between both callers Cancel Call Waiting is provided with the feature and allows a Call Waiting end-user to disable the Call Waiting feature for the duration of a single outgoing telephone call Cancel Call Waiting is activate by dialing a special code prior to placing a call, and is automatically deactivated when the Customer disconnects from the call

SECTION 5 0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 **Optional Calling Features, (continued)**

5.11 1 **Feature Descriptions, (continued)**

(M) **Call Waiting – Deluxe:** Allows the end-user to control the treatment applied to incoming calls while the Customer is off-hook on an existing call This feature includes the capabilities of Call Waiting Basic plus additional call treatment options Treatment options offered with Call Waiting Deluxe include

Answer the waiting call and placing the first party on hold,
Answer the waiting call and disconnecting from the first party,
Direct the waiting caller to hold via a recording
Forward the waiting caller to another location (e g, voice mailbox or telephone answering service)

Full utilization of Call Waiting Deluxe requires specialized CPE not provided by the Company It is the responsibility of the Customer to provide the necessary CPE The end-user must have Caller ID Basic or Deluxe for display of calling party identification information for waiting calls The end-user must have a Call Forwarding don't Answer feature active in order to forward a waiting call to another location

(N) **Call Waiting - Deluxe with Conferencing:** Provides all of the functionality of Call Waiting Deluxe Also permits the end-user to conference a waiting call with an existing call (first party) and, if desired, subsequently drop either leg of the conferenced call

(O) **Caller ID - Basic.** Permits the end-user to view a Directory Number of the calling party on incoming telephone calls Information is displayed on a specialized CPE not provided by the Company The feature also provides the date and time of each incoming call It is the responsibility of the Customer to provide the necessary CPE

SECTION 5 0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 **Optional Calling Features, (continued)**

5.11.1 **Feature Descriptions, (continued)**

(P) **Caller ID - Deluxe**· Permits the end-user to view a Directory Name and Directory Number of the calling party on incoming telephone calls Information is displayed on a specialized CPE not provided by the Company The feature also provides the date and time of each incoming call It is the responsibility of the Customer to provide the necessary CPE In some situations, the calling party's city and state may be displayed rather than a Directory Name, depending on available call data

(Q) **Anonymous Call Rejection**· Permits the end-user to automatically reject incoming calls when the call originates from a telephone number which has blocked delivery of its calling number (see Calling Number Delivery Blocking) When active, calls from private numbers will be routed to a special announcement then terminated The feature may be turned on or off by the end-user by dialing the appropriate feature control code Anonymous Call Rejection is offered as a stand-alone feature or as an add-on to Caller ID Deluxe

(R) **Call Block:** Allows the end-user to automatically block incoming calls from up to six end-user pre-selected telephone numbers programmed into the feature's screening list. Callers whose numbers have been blocked will hear a recorded message stating that their call has been blocked The end-user controls when the feature is active, and can add or remove calling numbers from the feature's screening list.

(S) **Call Return:** Allows the Customer to return a call to the last incoming call whether answered or not. Upon activation, it will redial the number automatically and continue to check the number every 45 seconds for up to 30 minutes if the number is busy The Customer is alerted with a distinctive ringing pattern when the busy number is free When the Customer answers the ring, the call is then completed The calling party's number will not be delivered or announced to the call recipient under any circumstances

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5 11.1 Feature Descriptions, (continued)

(T) **Call Selector:** Allows a Customer to assign a maximum of 15 telephone numbers to a special list The Customer will hear a distinctive ring when calls are received from telephone numbers on that list

(U) **Call Tracing:** Allows the tracing of nuisance calls to a specified telephone number suspected of originating from a given local office The tracing is activated upon entering the specified dial code The originating telephone number, outgoing trunk number or terminating number, and the time and date are generated for every call to the specified telephone number can then be identified

(V) **Calling Number Delivery Blocking:** Prevents the delivery, display and announcement of the end-user's Directory Number and Directory Name on all calls dialed from an exchange service equipped with this option When active, the end-user's telephone name and number will not appear on the called party's Caller ID CPE or be disclosed in another way The feature is available on a per call or per line basis With per call Calling Number Delivery Blocking, it is necessary for the end-user to dial an activation code prior to placing the call With the per line version of the feature, all calls are placed with the end-user's number blocked Per line end-users must dial an activation code prior to utilization

(W) **Message Waiting Indication:** Provides the end-user with an audible (stutter dial tone) or visual (lamp or other CPE display) indication that messages are waiting to be retrieved Message Waiting Indication can only be activated/deactivated by a voice mailbox or other voice messaging service provided by the Company or third party It is the responsibility of the Customer to subscribe to a compatible voice messaging service Visual Message Waiting Indication requires specialized CPE not provided by the Company It is the responsibility of the Customer to provide the necessary CPE

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5 11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

(X) **Multiple Directory Number Distinctive Ringing:** This feature allows an end user to determine the source of an incoming call from a distinctive ring The end user may have up to two additional numbers assigned to a single line (i e Distinctive Ringing - First Number and Distinctive Ringing - Second Number) The designated primary number will receive a normal ringing pattern, other numbers will receive distinctive ringing patterns The pattern is based on the telephone number that the calling party dials

(Y) **Preferred Call Forwarding:** Permits the end-user to automatically forward to another number calls received from up to six end-user pre-selected telephone numbers programmed into the features screening list. The end-user controls when the feature is active, the forward-to-number and can add or remove calling numbers from the feature's screening list

(Z) **Repeat Dialing:** Permits the end-user to have calls automatically redialed when the first attempt reaches a busy number The line is checked every 45 seconds for up to 30 minutes and alerts the Customer with a distinctive ringing pattern when the busy number and the Customer's line are free The Customer can continue to make and receive calls while the feature is activated The following types of calls cannot be reached using Repeat Dialing

Calls to 800 Service numbers
Calls to 900 Service numbers
Calls preceded by an interexchange carrier access code
International Direct Distance Dialed calls
Calls to Directory Assistance
Calls to 911

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

(AA) **Speed Calling:** Permits the Customer to place calls to other telephone numbers by dialing a one or two digit code rather than the complete telephone number The feature is available as either an eight (8) code list or a thirty (30) code list Code lists may include local and/or toll telephone numbers The Customer has the ability to add or remove telephone numbers and codes to/from the speed calling list without assistance from the Company

(AB) **Three Way Calling:** Permits the end-user to add a third party to an established connection When the third party answers, a two-way conversation can be held before adding the original party for a three-way conference The end-user initiating the conference controls the call and may disconnect the third party to reestablish the original connection or establish a connection to a different third party The feature may be used on both outgoing and incoming

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5 12 Listing Services

For each Customer of Company-provided Exchange Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number in the directory(ies) published by the dominant Local Exchange Carrier in the area at no additional charge At a Customer's option, the Company will arrange for additional listings for an additional charge

5 12.1 Non-Published Service

This optional service provides for suppression of printed and recorded directory listings A Customer's name and number do not appear in printed directories or Directory Assistance Bureau records

5.12.2 Non-Listed Service

This optional service provides for suppression of printed directory listings only Parties may still obtain the Customer's number by calling the Directory Assistance Bureau

5 13 Directory Assistance

Provides for identification of telephone directory numbers, via an operator or automated platform Customers are provided with a maximum of 2 listings per each call to Directory Assistance

5.14 Miscellaneous Services

5 14.1 Pay Per Call Blocking/Unblocking

This service provides the option of blocking, or subsequent unblocking, all 900 and 976 calls on a per line basis The Company will provide for per-line blocking where the Company's switching facilities permit

5.14.2 Presubscription Services

This service provides for the Presubscription of local exchange lines provided by the Company to the intraLATA and interLATA long distance carrier(s) selected by the Customer

SECTION 6.0 - RESERVED FOR FUTURE USE

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST

7.1 General

Services provided in this tariff section are available on a Resale Service basis Local Resale Services are provided through the use of resold switching and transport facilities obtained from Other Telephone Companies

The rates, terms and conditions set forth in the section are applicable where the Company provides specified local exchange services to Customers through resale of local exchange services

All rates set forth in this Section are subject to change and may be changed by the Company pursuant to notice requirements established by the Tennessee Regulatory Authority The rates, terms and conditions set forth in this Section are applicable as of the effective date hereof and will not apply to any Customer whose services may have been provisioned through resale of 's local exchange services, in whole or in part, prior to the effective date hereof

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST, (CONTINUED)

7.2 Standard Residence Local Exchange Service

Standard Residence Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time Standard Residence Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers, which routes a call to the next idle line in a prearranged group when the called line is busy

Local exchange service lines and trunks are provided on a single party (individual) basis only No multi-party lines are provided Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer Not all service plans will be available in all areas

Recurring charges for Standard Residence Local Exchange Service are billed monthly in advance Usage charges if applicable are billed in arrears Usage charges may apply for calls placed from the Customer's line No usage charges will apply to calls received by the Customer Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company

SECTION 7 0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.1 Monthly Recurring Charges

The following charges apply to Standard Residence Local Exchange Service lines per month Rates and charges do not include Touch-tone Service The rates and charges below apply to service provided on a month-to-month basis

BellSouth Area RATE CLASS	SERVICE TYPE		
	Flat Rate	Measured Rate	RegionServ
Rate Class 1	$7 55	$5 30	$4 50
Rate Class 2	$8 50	$5 95	$4 50
Rate Class 3	$9 05	$6 35	$4 50
Rate Class 4	$11 85	$8 30	$5 50
Rate Class 5	$12 15	$8 50	$5 50
Rate Class 1C	$10 30	$7 20	N/A
Rate Class 2B	$9 00	$6 30	N/A
Rate Class 2C	$9 95	$6 95	N/A
Rate Class 2D	$9 05	$6 35	N/A
Rate Class 3B	$9 35	$6 55	N/A

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.2 Usage Sensitive Charges and Allowances

(A) Flat Rate Service

No measured or message charges apply to calls placed or received from Flat Rate service lines Customers receive unlimited calling within their local calling area

(B) Measured Service

Customers subscribing to Measured Service will be charged a monthly recurring charge and will be charged a per minute rate for all local outgoing calls Local usage is billed in arrears

BellSouth Area

	First Minute	Add'l Minute
Day Period	$0 04	$0 02
Evening Period	$0 026	$0 013
Night Period	$0 016	$0 008

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.2 Usage Sensitive Charges and Allowances, (Continued)

(C) RegionServ Service

RegionServ is an enhanced form of measured service for measured calling to the standard local calling area and all wire centers within 40 miles Customers subscribing to RegionServ Service will be charged a monthly recurring charge and a per minute charge is applied to local calls placed from the Customer's line Local usage will be billed in arrears Peak time is Monday to Friday from 7 00am to 6 59pm Off-Peak time is all day Saturday and Sunday and Monday to Friday 7 00pm to 6 59am

BellSouth Area

BAND	PEAK MINUTE	OFF-PEAK MINUTE
Band A (Local Calling)	$0 02	$0 01
Band B (17-30 miles)	$0 05	$0 025
Band C (31-40 miles)	$0 10	$0 05

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.3 Non-Recurring Charges

Non-recurring charges apply to each line installed for the Customer Non-recurring charges are in addition to applicable service order charges contained in Section 4 of this tariff All such charges will appear on the next bill following installation of the service

Non-recurring charges for installation of Residential lines are

BellSouth Area	
First Line	$41 50
Each Additional Line	$18 00

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service

Standard Business Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time Standard Business Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment An optional per line Hunting feature is available for multi-line Customers which routes a call to the next idle line in a prearranged group when the called line is busy

Local exchange service lines and trunks are provided on a single party (individual) basis only No multi-party lines are provided Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer Not all service plans will be available in all areas

Recurring charges for Standard Business Local Exchange Service are billed monthly in advance Usage charges, if applicable are billed in arrears Usage charges may apply for calls placed from the Customer's line No usage charges will apply to calls received by the Customer Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.1 Monthly Recurring Charges

The following charges apply to Standard Business Local Exchange Service lines per month Rates and charges do not include Touchtone Service The rates and charges below apply to service provided on a month-to-month basis

BellSouth Area

RATE CLASS	SERVICE TYPE		
	Flat Rate	Measured Rate	RegionServ
Rate Class 1	$27 05	$20 29	$24 50
Rate Class 2	$30 80	$23 10	$24 50
Rate Class 3	$32 75	$24 56	$24 50
Rate Class 4	$39 05	$29 29	$27 50
Rate Class 5	$39 70	$29 78	$27 50
Rate Class 1C	$29 80	$22 35	N/A
Rate Class 2B	$32 70	$24 53	N/A
Rate Class 2C	$31 75	$23 81	N/A
Rate Class 2D	$32 75	$22 35	N/A
Rate Class 3B	$33 75	$25 31	N/A

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7 3 Standard Business Local Exchange Service, (Continued)

7.3.2 Other Monthly Recurring Charges

Hunting (a/k/a Rotary or Grouping)

The following charges apply to Standard Business Local Exchange lines equipped with Hunting Rates vary based on Rate Group

Rate Class	Hunting Per Line
Rate Class 1	$20 29
Rate Class 2	$23 10
Rate Class 3	$24 56
Rate Class 4	$29 29
Rate Class 5	$29 78
Rate Class 1C	$22 35
Rate Class 2B	$24 53
Rate Class 2C	$23 81
Rate Class 2D	$22 35
Rate Class 3B	$25 31

SECTION 7 0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3 3 Usage Sensitive Charges and Allowances

(A) Flat Rate Service

No measured or message charges apply to calls placed or received from Flat Rate service lines Customers receive unlimited calling within their local calling area

(B) Measured Service

Customers subscribing to Measured Service will be charged a monthly recurring charge and will be charged a per minute rate for all local outgoing calls Local usage is billed in arrears

BellSouth Area

	First Minute	Add'l Minute
Day Period	$0 04	$0 02
Evening Period	$0 026	$0 013
Night Period	$0 016	$0 008

(C) RegionServ Service

RegionServ is an enhanced form of measured service for measured calling to the standard local calling area and all wire centers within 40 miles Customers subscribing to RegionServ Service will be charged a monthly recurring charge and a per minute charge is applied to local calls placed from the Customer's line Local usage will be billed in arrears Peak time is Monday to Friday from 7 00am to 6 59pm Off-Peak time is all day Saturday and Sunday and Monday to Friday 7 00pm to 6 59am

BellSouth Area

BAND	PEAK MINUTE	OFF-PEAK MINUTE
Band A (Local Calling)	$0 02	$0 01
Band B (17-30 miles)	$0 05	$0 025
Band C (31-40 miles)	$0 10	$0 05

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.4 Non-Recurring Charges

Non-recurring charges apply to each line installed for the Customer Non-recurring charges are in addition to applicable service order charges contained in Section 4 of this tariff All such charges will appear on the next bill following installation of the service

Non-recurring charges for installation of Business lines are

BellSouth Area	
First Line	$58 50
Each Additional Line	$31 00

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.5 Business PBX Trunk Service

PBX Trunk service provides a Customer with a single, voice-grade telephonic communications channel which can be used to place one call at a time Trunks are provided for connection of Customer-provided private branch exchanges (PBX) or other station equipment to the public switched telecommunications network

PBX Trunks are available to Business Customers as Inward, Outward or Two-Way combination trunks where services and facilities permit.

An optional per trunk Hunting feature is available for Customers which routes a call to the next idle trunk in a prearranged group (see Sections 7 2 and 7 3) Rates are in Section 7 3 1

PBX Trunks may also be equipped with Direct Inward Dialing (DID) capability and DID number blocks for additional charges (see Section 7 6)

BellSouth Area RATE CLASS	SERVICE TYPE		
	Flat Rate	RegionServ	Measured Rate
Class 1	$27 05	$24 50	$20 29
Class 2	$30 80	$24 50	$23 10
Class 3	$32 75	$24 50	$24 56
Class 4	$39 05	$27 50	$29 29
Class 5	$39 70	$27 50	$29 78
Class 1C	$29 80	N/A	$22 35
Class 2B	$32 70	N/A	$24 53
Class 2C	$31 75	N/A	$23 81
Class 2D	$32 75	N/A	$22 35
Class 3B	$33 75	N/A	$25 31

SECTION 7 0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.6 Direct Inward Dialing (DID) Service

Direct Inward Dialing ("DID") permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are route directly to the station associated with the called number DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enable DID service at a Customer's location DID service requires special PBX software and hardware not provided by the Company Such hardware and software is the responsibility of the Customer

The following charges apply to Customers subscribing to DID service provided by the Company These charges are in addition to recurring and non-recurring charges for PBX Trunks as shown in Section 7 5 of this tariff The Customer will be charged for the number of DID numbers utilized out of the available 20 numbers

	Installation Charge	Monthly Recurring
Establish Trunk Group and Provide 1st Block of 20 DID Numbers	$480 00	$3 40
Each Additional Block of 20 DID Numbers	$0 00	$3 40
DID Trunk Termination Per Inward Only Trunk	$50 00	$26 00
Dual Tone Multifrequency Pulsing Option, Per Trunk	N/A	$7 50

SECTION 7 0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.7 Reserved For Future Use

7.8 Optional Calling Features

The features in this section are made available on an individual basis or as part of multiple feature packages All features are provided subject to availability Certain features may not be available with all classes of service Transmission levels for calls forwarded or calls placed or received using optional calling features may not be acceptable for all some uses in some cases

7.8.1 Features Offered on a Usage Sensitive Basis

The following features are available to all local exchange Business and Residence line Customers where facilities and services permit. Customers may utilize each feature by dialing the appropriate access code The Customer will be billed the Per Feature Activation Charge shown in the following table each time a feature is used by the Customer Customers may subscribe to these features on a monthly basis at their option to obtain unlimited use of these features for a fixed monthly charge

Optional Calling Features	Residence	Business
Three-Way Calling	$0 75	$0 75
Call Return	$0 75	$0 75
Repeat Dialing	$0 75	$0 75
Calling Number Delivery Blocking, Per Call	$0 75	$0 75

Denial of per call activation for Three-Way Calling, Call Return and Repeat Dialing from any line or trunk is available to Customers upon request at no additional charge

SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.8 Optional Calling Features, (Contınued)

7.8.2 Features Offered on a Monthly Basis

The followıng optıonal callıng features are offered to Customers on a monthly basıs Customers are allowed unlımıted use of each feature No usage sensıtıve charges apply Multılıne Customers must order the appropriate number of features based on the number of lınes which will have access to the feature

Optional Calling Feature	Residence	Business
Call Forwarding Variable	$3 50	$4 75
Call Forwarding Variable with Remote Access	$5 75	$9 00
Call Forwarding Don't Answer - Basic	$1 00	$4 25
Call Forwarding Don't Answer w/Ring Control	$1 00	$4 25
Call Forwarding Don't Answer - Variable	$3 00	$6 25
Call Forwarding Busy Line - Basic	$1 00	$4 25
Call Forwarding Busy Line - Variable	$3 00	$6 25
Call Waiting - Basic	$3 00	$3 90
Caller ID - Basic	$7 00	$7 00
Caller ID - Deluxe with ACR	$7 50	$7 50
Caller ID - Deluxe without ACR	$7 50	$7 50
Caller ID - Enhanced with ACR	N/A	$15 99
Caller ID - Enhanced with ACR & Call Manage	N/A	$16 95
Caller ID - Enhanced with all features	N/A	$16 95
Caller ID - Deluxe without ACR	N/A	$11 00
Anonymous Call Rejection	$3 00	$3 00
Call Block	$4 00	$4 00
Call Return	$4 50	$4 50
Call Selector	$3 00	$3 00
Call Tracing	$4 00	$4 00
Distinctive Ring - Two Numbers	$6 00	$10 00
Distinctive Ring - One Number	$4 00	$7 00
Repeat Dialing	$4 00	$4 00
Speed Calling (30 codes)	$4 00	$5 50
Speed Calling (8 codes)	$3 75	$4 50
Three Way Calling	$4 95	$6 00
Touch Tone (per line)	$1 00	$3 00

SECTION 8 0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings

8 1.1 General

The following rules apply to standard listings in light face type in the white pages (alphabetical section) of the telephone directory and to the Directory Assistance records of the Company

Only information necessary to identify the Customer is included in these listings The Company use abbreviations in listings The Company may reject a residence listing, which is judged to be advertising It may also reject a listing it judges to be objectionable A name made up by adding a term such as Company, Shop, Agency, Works, etc to the name of a commodity or service willing to be accepted as a listing unless the subscriber is legally doing business under that name

A name may be repeated in the white pages only when a different address or telephone number is used

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8.1.2 Composition of Listings

(A) Names

The following names may be included in business service listings

(1) The name of subscriber or joint user
(2) The name of each business enterprise which the subscriber or joint user conducts
(3) The name by which the business of a subscriber or joint user is known to the public. Only one such name representing the same general line of business will be accepted
(4) The name of any person associated with the subscriber or joint user in the same business
(5) The name of any person, firm or organization which subscriber or joint user is authorized to represent, or the name of an authorized representative of the subscriber or joint user
(6) Alternative spelling of an individual name or alternative arrangement of a business name, provided the listing in the judgment of the Company, is not for advertising purposes. The name of a publication issued periodically by the subscriber or joint user
(7) The name of an inactive business organization in a cross-reference listing when authorized by such business or organization
(8) The name of a member of subscriber's domestic establishment when business service is furnished in the subscriber's residence
(9) The name of a corporation which is the parent or a subsidiary of the subscriber
(10) The name of a resident of a hotel, apartment house, boarding house or club which is furnished PBX service, may be included in a residence type listing with the telephone number of the PBX service
(11) The name of the subscriber to a sharing arrangement

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8.1.2 Composition of Listings, (Continued)

(B) Designation

The purpose of a business designation is to identify the listed party and not to advertise the business No designation of the nature of the business is included if this is sufficiently indicated by the name Where a listed party is engaged in more than one general line of business, one additional business designation may be included in the listing when necessary to identify the listed party When a listed party has two or more listed telephone number or two or more business addresses, designations indicating the branches of the organization may be included where necessary to assist the public in calling

A designation may include a title to indicate a listed party's official position, but not the name of the firm or corporation with which the individual is connected Individual names or titles are not shown following the name of a firm or corporation A term such as "renting agent" may be included in a listing indented under the name of a building, provided the agent maintains a renting office in such a building

A designation is not ordinarily provided in a residence type listing except for residential service as permitted under the terms of this tariff A professional designation is permitted on residence service in the case of a physician, surgeon, dentist, osteopath, chiropodist, podiatrist, optometrist, chiropractor, physiotherapist, Christian Science practitioner, veterinary surgeon, registered nurse or licensed practical nurse, provided that the same name and designation is also listed on business service of that subscriber or another subscriber in the same or different directory

The listing of service in the residence of a clergyman may include the designation "parsonage," "rectory," "parish house," or "manse," and any such listing may be indented under a listing in the name of the church Where residence service is furnished in a church study, the listing may include the designation "study"

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8.1.2 Composition of Listings, (Continued)

(C) Address

Each residence or non-profit listing may, but does not have to, include the house number and street name of the residence where the telephone service is provided Other information, such as a building name or a locality designation, may be included to help identify the Customer

(D) Telephone Number

Each listing may include only one telephone number, except in an alternate telephone number listing where each number listed is considered a line for rate purposes

A listing may include only the telephone number of the first line of a PBX system or incoming service group, except that a trunk not included in the incoming service group of a PBX system, or the first trunk of a separate incoming service group of a PBX system may be listed to meet special conditions where a corporation and its subsidiaries use the same PBX system

SECTION 8 0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8.1.3 Types of Listings

(A) Standard Listing

A standard listing includes a name, designation, address and telephone number of the Customer It appears in the White Pages of the telephone directory and in the Company's Directory Assistance records The designation in the listing will be provided according to the rules in paragraph 5 13 2 2 above

(B) Indented Listing

An indented listing appears under a standard listing and may include only a designation, address and telephone number An indented listing is allowed only when a Customer is entitled to two or more listings of the same name with different addresses or different telephone numbers For example

Smith, John MD	
Office 125 Portland	555-4180
Residence 9 Glenway	555-8345

Such listing may be furnished as an indented listing or as a sub-caption The telephone number in such a listing may be that of another service furnished the same subscriber or one of the subscriber's PBX trunks not included in the incoming service group, or the service furnished a different subscriber

SECTION 8 0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8 1.3 Types of Listings, (Continued)

(C) Alternate Telephone Number Listing and Night Listing

Any listed party who has made the necessary arrangements for receiving telephone calls during his or her absence may have an alternate telephone number listing or a night listing, such as the following

If no answer call (telephone number)
Night calls (telephone number)
Night calls after ___PM (telephone number)
Nights, Sundays and holidays (telephone number)
5PM to 9AM weekdays, Saturday until 9AM, Monday and holidays (telephone number)

Such listing may be furnished as an indented listing or as a sub-caption The telephone number in such a listing may be that of another service furnished the same subscriber or one of the subscriber's PBX trunks not included in the incoming service group, or the service furnished a different subscriber

(D) Duplicate Listing

Any listing may be duplicated in a different directory or under a separate geographical heading in the same directory Such listing may be duplicated in indented form

(E) Reference Listing

A subscriber having exchange services listed under different geographical headings may have an indented listing in reference form in lieu of a duplicate listing

(F) Cross Reference Listing

A cross reference listing may be furnished in the same alphabetical group with the related listing when required for identification of the listed party and not designated for advertising purposes

SECTION 8 0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Cont'd)

8 1.4 Free Listings

The followıng lıstıngs are provıded at no addıtıonal charge to the Customer one lıstıng for each ındıvıdual lıne servıce, auxılıary lıne or PBX system

8.1.5 Rates for Additional Listings - Busıness Customers

The followıng rates and charges apply to addıtıonal lıstıngs requested by the Customer over and above those free lıstıngs provıded for ın Sectıon 8 1 4

Type of Lıstıng	Resıdentıal Charge	Busıness Charge
Reference/Cross Reference		
- Each Lıstıng	$1 00	$1 50
Alternate Telephone Number/Nıght Lıstıng		
- Nıght, Sundays & Holıdays	$1 25	$1 50
- Fırst Lıne	$1 25	$1 50
Addıtıonal Lıstıng	$1 00	$1 50
Foreıgn Lıstıng	$1 00	$1 50
Dual Name Lıkıng - Non Recurrıng	$5 50	$5 50

SECTION 8 0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8 2 Non-Published Service

8.2.1 General

Non-publıshed servıce means that the Customer's telephone number ıs not lısted ın the dırectory, not does ıt appear ın the Company's Dırectory Assıstance Records

8.2.2 Regulations

Thıs service ıs subject to the rules and regulatıons for E911 servıce, where applıcable

The Company wıll complete calls to a non-publıshed number only when the caller dıals dırect or gıves the operator number No exceptıons wıll be made, even ıf the caller says ıt ıs an emergency

When the Company agrees to keep a number unlısted, ıt does so wıthout any oblıgatıon Except for cases of gross neglıgence or wıllful mısconduct, the Company ıs not lıable for any damages that mıght arıse from publıshıng a non-publıshed number ın the dırectory or dısclosıng ıt to some If, ın error, the telephone number ıs publıshed ın the dırectory, the Company's only oblıgatıon ıs to credıt or refund any monthly charges the Customer paıd for non-publıshed servıce

The subscrıber ındemnıfıes (ı e , promıses to reımburse the Company for any amount the Company must pay as a result of) and save the Company harmless agaınst any and all claıms for damages caused or claımed to have been caused, dırectly or ındırectly, by the publıcatıon of a non-publıshed servıce or the dısclosıng of saıd number to any person

8.2.3 Rates and Charges

There ıs a monthly charge for each non-publıshed servıce Thıs charge does not apply ıs the Customer has other lısted servıce at the same locatıon, ıf the Customer lıves ın a hotel, boardıng house or club wıth lısted servıce, or ıf the servıce ıs ınstalled for a temporary perıod

Non-publıshed servıce charge, per month	$2 61

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.3 Non-Listed Service

8.3.1 General

Non-listed service means that the Customer's telephone number is not listed in the directory, but does it appear in the Company's Directory Assistance Records

8.3.2 Regulations

This service is subject to the rules and regulations for E911 service, where applicable

The Company will complete calls to a non-listed number

When the Company agrees to keep a number unlisted, it does so without any obligation Except for cases of gross negligence or willful misconduct, the Company is not liable for any damages that might arise from publishing a non-listed number in the directory or disclosing it to someone If, in error, the telephone number is listed in the directory, the Company's only obligation is to credit or refund any monthly charges the Customer paid for non-listed service

The subscriber indemnifies (i e , promises to reimburse the Company for any amount the Company must pay as a result of) and save the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the publication of a non-listed service or the disclosing of said number to any person

8.3 3 Rates and Charges

There is a monthly charge for each non-listed service This charge applies if the Customer has other listed service at the same location, if the Customer lives in a hotel, boarding house or club with listed service, or in the service is installed for a temporary period

Non-listed service charge, per month	$1 42

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.4 Directory Assistance Services

8 4.1 Directory Assistance

A Directory Assistance charge applies per local directory assistance call The Customer may make two (2) requests for a telephone number per call The Directory Assistance Charge applies regardless of whether the Directory Assistance operator is able to supply the requested number No charge applies for the first call per month per residence line

Each Local Directory Assistance Call	$0 50

SECTION 9.0 - RESERVED FOR FUTURE USE

9.1 Reserved For Future Use

SECTION 10 0 - RESERVED FOR FUTURE USE

10.1 Exchange Areas

EXCHANGE	RC	EXCHANGE	RC	EXCHANGE	RC	EXCHANGE	RC
Adams-Cdr Hl	5	Arlington	5	Ashland City	5	Athens	2
Bean Station	4	Bells	1	Bent Creek	4	Benton	3
BethelSprings	1	Big Sandy	2C	Blanche	2	Bolivar	1
Brownsville	1	Bulls Gap	3B	Camden	1	Carthage	1
Cedar Grove	1C	Centerville	1	Charleston	4	Charlotte	5
Chattanooga	4	Chestnut Hill	4	Clarksville	3	Cleveland	4
Clinton	4	Collierville	5	Columbia	2	Copper Basin	1
Covington	5	Cross Plains	5	Culleoka	2	Cumberld City	1
Cumberld Gap	2	Cunningham	3	Dandridge	4	Dayton	4
Decatur	4	Dickson	5	Dover	1	Dyer	2
Dyersburg	2	Eagleville	5	East Sango	5	Elkton	1
Etowah	2	Fairview	5	Fayetteville	1	Flintville	1
Franklin	5	Fredonia	3	Gallatin	5	Gatlinburg	4
Georgetown	4	Gibson	2	Gleason	1	Goodlettsville	5
GrandJunction	1	Greenback	4	Greenbrier	5	Greenfield	1
Halls	1	Hampshire	2	Harriman	4	Hartsville	1
Henderson	1	Hendersonvl	5	Henning	1	Hohenwald	1
Hornbeak	1	Humboldt	2	Huntington	1	Huntland	1
Jackson	3	Jasper	4	JeffersonCity	4	Jellico	3
Kenton	2	Kingston	4	Kingston Spgs	5	Knoxville	4
LaFollette	2	LaGrange	5	Lake City	4	Lawrenceburg	2
Lebanon	5	Lenoir City	4	Lewisburg	1	Lexington	1
Loudon	4	Lyles	2B	Lynchburg	1	Lynnville	1
Madisonville	1	Manchester	2	Maryville	4	Mascot	4
Maynardville	4	McEwen	1	McKenzie	1	Medina	2
Memphis*	5	Middleton	1	Milan	2	Morristown	2
Moscow	5	Mt. Pleasant	2	Murfreesboro	5	Nashville	5
Newbern	2	Newport	1	Normandy	2	Norris	4
N Spring Hill	5	Oak Ridge	4	Old Hickory	5	OliverSprings	4
Palmyra	3	Paris	2	Petersburg	1	Pleasant View	5
Portland	5	Pulaski	1	Ridgely	1	Ripley	1
Rockwood	4	Rogersville	1	Sango	3	Santa Fe	2
Savannah	1	Selmer	1	Sevierville	4	Sewanee	1
Shelbyville	1	Smyrna	5	Sneedville	1	Soddy-Daisy	4
Solway	4	Somerville	5	S Cunningham	5	S Fredonia	5
S Pittsburg	4	Spencer Mill	5	Spring City	4	Springfield	5
Spring Hill	2	Summertown	2D	Surgoinsville	1	Sweetwater	1
Tiptonville	1	Trenton	2	Triune	5	Troy	1
Tullahoma	2	Union City	1	Vanleer	5	Wartrace	1
Watertown	5	Waverly	1	W. Sweetwater	4	W Whiteville	5
White Bluff	5	White House	5	White Pine	4	Whiteville	1
Whitwell	4	Williamsport	2	Winchester	1		

SECTION 11.0 - MISCELLANEOUS SERVICES

11.1 Carrier Presubscription

11 1.1 General

Carrier Presubscription is a procedure whereby a Customer designates to the Company the carrier which the Customer wishes to be the carrier of choice for intraLATA and interLATA toll calls, Such calls are automatically directed to the designated carrier, without the need to use carrier access codes or additional dialing to direct the call to the designated carrier Presubscription does not prevent a Customer who has presubscribed to an IntraLATA or InterLATA toll carrier from using carrier access codes or additional dialing to direct calls to an alternative long distance carrier on a per call basis

11.1.2 **Presubscription Options** - Customers may select the same carrier or separate carriers for intraLATA and interLATA long distance The following options for long distance Presubscription are available

Option A: Customer select the Company as the presubscribed carrier for IntraLATA and InterLATA toll calls subject to presubscription

Option B: Customer may select the Company as the presubscribed carrier for IntraLATA calls subject to presubscription and some other carrier as the presubscribed carrier for interLATA toll calls subject to presubscription

Option C: Customer may select a carrier other than the Company for intraLATA toll calls subject to presubscription and the Company for interLATA toll calls subject to presubscription

Option D· Customer may select the carrier other than the Company for both intraLATA and interLATA toll calls subject to presubscription

Option E: Customer may select two different carriers, neither being the Company for intraLATA and interLATA toll calls One carrier to be the Customers' primary intraLATA interexchange carrier The other carrier to be the Customer's primary interLATA interexchange carrier

Option F: Customer may select a carrier other than the Company for no presubscribed carrier for intraLATA toll calls subject to presubscription which will require the Customer to dial a carrier access code to route all intraLATA toll calls to the carrier of choice for each call

SECTION 11.0 - MISCELLANEOUS SERVICES (CONTINUED)

11.1 Carrier Presubscription, (Continued)

11.1.3 Rules and Regulations

Customers of record will retain their primary interexchange carrier(s) until they request that their dialing arrangements be changed

Customers of record or new Customers may select either Options A, B, C, D, E or F for intraLATA Presubscription

Customers may change their selected Option and/or presubscribed toll carrier at any time subject to charges specified in 11 4 5 below

11.1 4 Presubscription Procedures

A new Customer will be asked to select intraLATA and interLATA toll carriers at the time the Customer places an order to establish local exchange service with the Company The Company will process the Customer's order for service All new Customers initial requests for intraLATA toll service presubscription shall be provided free of charge

If a new Customer is unable to make selection at the time the new Customer places an order to establish local exchange service, the Company will read a random listing of all available intraLATA and interLATA carriers to aid the Customer in selection If selection is still not possible, the Company will inform the Customer that he/she will be given 90 calendar days in which to inform the Company of his/her choice for primary toll carrier(s) free of charge Until the Customer informs the Company of his/her choice of primary toll carrier, the Customer will not have access to long distance services on a presubscribed basis, but rather will be required to dial a carrier access code to route all toll calls to the carrier(s) of choice Customers who inform the Company of a choice for toll carrier presubscription within the 90-day period will not be assessed a service charge for the initial Customer request

Customers of record may initiate an intraLATA or interLATA presubscription change at any time, subject to the charges specified in 11 4 5 below If a Customer of record inquires of the Company of the carriers available for toll presubscription, the Company will read a random listing of all available intraLATA carriers to aid the Customer in selection

SECTION 11 0 - MISCELLANEOUS SERVICES (CONTINUED)

11.1 Carrier Presubscription, (Continued)

11.1.5 Presubscription Charges

(A) Application of Charges

After a Customer's initial selection for a presubscribed toll carrier and as detailed in Paragraph 11 4 4 above, for any change thereafter, a Presubscription Change Charge, as set forth below will apply Customers who request a change in intraLATA and interLATA carriers with the same order will be assessed a single charge per line

(B) Nonrecurring Charges

Per business or residence line, trunk, or port

Initial Line, or Trunk or Port	$1 49
Additional Line, Trunk or Port	$1 49

SECTION 12.0 - PROMOTIONAL OFFERINGS

12.1 Special Promotions

The Company may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Carrier's tariff as an addendum to the Carrier's price lists

12.2 Discounts

The Company may, from time to time as reflected in the price list, offer discounts based on monthly volume (or, when appropriate, "monthly revenue commitment" and/or "time of day" may also be included)

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached APPLICATION OF ACCERIS COMMUNICATIONS CORP. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY was served upon the following parties of record by depositing a copy of same in the United States Mail, First Class, Postage Prepaid, to their last known address as follows:

Ardmore Telephone Company, Inc. P O Box 549 517 Ardmore Avenue Ardmore, TN 38449 (205) 423-2131 (205) 423-2208 (Fax)	**BellSouth** 333 Commerce Street Nashville, TN 37201-3300 (615) 214-3800 (615) 214-8820 (Fax)	**Century Telephone of Adamsville** P O Box 405 116 N Oak Street Adamsville, TN 38310 (901) 632-3311 (901) 632-0232 (Fax)
Century Telephone of Claiborne P O Box 100 507 Main Street New Tazewell, TN 37825 (423) 626-4242 (423) 626-5224 (Fax)	**Century Telephone of Ooltewah-Collegedale, Inc.** P O Box 782 5616 Main Street Ooltewah, TN 37363 (423) 238-4102 (423) 238-5699 (Fax)	**Citizens Communications Company of Tennessee** P O Box 770 300 Bland Street Bluefield, WV 24701
Citizens Communications Company Of The Volunteer State P O Box 770 300 Bland Street Bluefield, WV 24701	**Loretto Telephone Company, Inc.** P O Box 130 Loretto, TN 38469 (931) 853-4351 (931) 853-4329 (Fax)	**Millington Telephone Company, Inc.** 4880 Navy Road Millington, TN 38053 (901) 872-3311 (901) 873-0022 (Fax)

Sprint-United 112 Sixth Street Bristol, TN 37620 (423) 968-8161 (423) 968-3148 (Fax)	**TDS Telecom-Concord Telephone Exchange, Inc.** P O Box 22610 701 Concord Road Knoxville, TN 37933-0610 (423) 966-5828 (423) 966-9000 (Fax)	**TDS Telecom-Humphreys County Telephone Company** P O Box 552 203 Long Street New Johnsonville, TN 37134-0552 (931) 535-2200 (931) 535-3309 (Fax)
TDS Telecom-Tellico Telephone Company, Inc. P O Box 9 102 Spence Street Tellico Plains, TN 37385-0009 (423) 671-4600 (423) 253-7080 (Fax	**TDS Telecom-Tennessee Telephone Company** P O Box 18139 Knoxville, TN 37928-2139 (423) 922-3535 (423) 922-9515 (Fax)	**TEC-Crockett Telephone Company, Inc.** P O Box 7 Friendship, TN 38034 (901) 677-8181
TEC-People's Telephone Company, Inc. P O Box 310 Erin, TN 37061 (931) 289-4221 (931) 289-4220 (Fax)	**TEC-West Tennessee Telephone Company, Inc.** P O Box 10 244 E Main Street Bradford, TN 38316 (901) 742-2211 (901) 742-2212 (Fax)	**United Telephone Company** P O Box 38 120 Taylor Street Chapel Hill, TN 37034 (931) 364-2289 (931) 364-7202 (Fax)

This the 15 day of Dec, 2004

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