

TC00-111

DOCKET NO.

In the Matter of — IN THE MATTER OF THE
APPLICATION OF IPVOICE
COMMUNICATIONS, INC. FOR A
CERTIFICATE OF AUTHORITY TO
PROVIDE TELECOMMUNICATIONS
SERVICES, INCLUDING LOCAL
EXCHANGE SERVICES, IN SOUTH
DAKOTA

Public Utilities Commission of the State of South Dakota

[illegible]

TC00-111

RECEIVED

JUL 11 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Telephone: (770) 232-9200

Facsimile: (770) 232-9268

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

Also Admitted in New York
and Maryland

July 10, 2000

VIA FEDERAL EXPRESS

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

Re: IPVoice Communications, Inc.

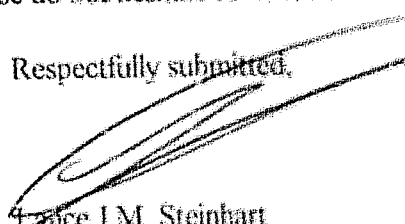
Dear Mr. Bullard:

Enclosed please find one original and ten (10) copies of IPVoice Communications, Inc.'s Application for Registration of a Telecommunications Company to Provide Local Exchange and Interexchange Service.

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

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,


Lance J.M. Steinhart
Attorney for IPVoice Communications, Inc.

Enclosures

cc: Julie Bahavar (w/enc)

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

IN THE MATTER OF THE
 APPLICATION OF
 IPVOICE COMMUNICATIONS, INC.

FOR AN ORDER
 AUTHORIZING THE REGISTRATION
 OF APPLICANT AS A
 TELECOMMUNICATIONS COMPANY
 TO PROVIDE INTEREXCHANGE
 AND LOCAL EXCHANGE SERVICE

Docket No.

RECEIVED

JUL 11 1990

SOUTH DAKOTA PUBLIC
 UTILITIES COMMISSION

APPLICATION

Application is hereby made to the South Dakota Public Utilities Commission for an Order authorizing IPVoice Communications, Inc. ("IPVoice" or "Applicant") to register as a telecommunications company to provide resold and facilities-based local exchange and interexchange service within the State of South Dakota. The following information is furnished in support thereof:

1. Name, Address, Telephone Number, and e-mail of Applicant

IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015
(602) 335-1231 (Phone)
(602) 246-0903 (Fax)
barb@ipvoice.net (e-mail)

Applicant has no local office in South Dakota at this time.

All inquiries regarding customer complaints and other regulatory matters should be addressed to:

Mike Scott
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015
(602) 335-1231 (Phone)
(602) 246-0903 (Fax)
barb@ipvoice.net (e-mail)

2. Registered Agent

The name and address of the Applicant's registered agent are:

National Corporate Research, Ltd.
c/o Marilyn Pearson
819 West Third
Pierre, South Dakota 57501

3. Description of the Applicant

Applicant is incorporated in the State of Delaware and is in good standing under the laws of that state. The Company was incorporated on December 10, 1997 as IPVoice Communications, Inc.. A copy of the Company's Certificate of Incorporation, as amended is attached to this Application as Exhibit A. In addition, the Company is authorized to do business as a foreign corporation in the State of South Dakota. Attached as Exhibit B to this Application is a copy of the Company's certificate of qualification to transact business issued by the South Dakota

Secretary of State. Applicant is a wholly-owned operating subsidiary of IPVoice.com, Inc. a publicly held Nevada corporation.

Applicant is currently authorized to provide local exchange and/or long distance services in Iowa, Michigan, Montana, New Jersey, Texas, Utah, Virginia and Wyoming, and is in good standing with the appropriate regulatory agency in each such state.

Applicant is in the process of applying for authorization to provide competitive local exchange and interexchange services in the 48 contiguous states, Alaska and Hawaii. Applicant has not been denied authority for any of the services for which it seeks authority in this Application.

The senior management of IPVoice has great depth in the telecommunications industry and offers extensive telecommunications business technical and managerial expertise to IPVoice. Since IPVoice will be providing resold and facilities-based service, IPVoice will also rely upon the managerial and technical expertise of the incumbent local exchange carriers and facilities-based interexchange carriers which have been certified and deemed technically and managerially able to provide exchange service by the Commission. The relevant operational experience of Applicant's key management employees is set forth in Exhibit C which is attached hereto.

The Applicant's customers will primarily be small and medium-sized businesses that need local exchange, access, private line, long distance, data, and other telecommunication services.

4. Facilities

When IPVoice installs facilities, it will probably use the following or a similar configuration of equipment: IPVoice will provide voice and high speed data services through a combination of the latest technology switching and transport media comprised of the Lucent Technology 5 ESS Generic 11 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 IPVoice constructed facilities. All of Applicant's equipment is capable of providing local number portability, and is compliant and compatible with existing TDM systems. At the time of the filing of this application, none of this equipment has been installed in the State of South Dakota.

5. Stockholders

The names and address of the each stockholder of Applicant owning 20% or more of the interest in the business are as follows:

Name and Address	Shares Owned	Percentage of all Shares Issued and Outstanding and Voting Control
IPVoice.com, Inc. 5050 No. 19th Ave., Ste. 416 Phoenix, Arizona 85015	1,000	100%

6. Officers and Directors

The names and addresses of the officers and directors of
IPVoice Communications, Inc. are:

Officers:

Barbara S. Will, President & COO
Anthony Welch, Sr. Vice President of Research & Development
Harry R. Bowman, Executive Vice President
Julie J. Bahavar, Controller
James K. Howson, Chief Executive Officer

Directors:

Barbara S. Will
Anthony Welch
Russell Watson

All of the above-named individuals can be reached at:

IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

7. Corporate Ownership

The name and address of any corporation, association or similar organization holding a five percent (5%) or greater ownership in the Applicant is as follows:

IPVoice.com, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

8. Subsidiaries owned or controlled by Applicant

None

9. Description of Services

When Applicant constructs facilities in this state, Applicant will provide services through a combination of its own facilities and unbundled network elements purchased from incumbent local exchange providers. IPVoice will rely upon the incumbent local exchange companies (LECs) and other carriers for the provision and access to emergency services (911 or 911x), operator services, interexchange services, directory assistance, and telecommunications relay services. IPVoice seeks authority to resell and provide facilities-based local exchange services throughout the State of South Dakota in the areas served by any LECs in South Dakota that are not eligible for a small or rural carrier exemption pursuant to Section 281(f)(1) of the Federal Act. IPVoice does not seek to provide resold or facilities-based

services to customer in those small or rural territories at this time. Such services will be provided by utilizing its own facilities as well as the facilities of incumbent local exchange carriers ("LECs") and facilities-based interexchange carriers, such as Qwest, MCI WorldCom, and Frontier/Global Crossing. IPVoice intends to provide all forms of interstate interexchange and local exchange telecommunications services including:

Interexchange (switched and dedicated services):

- A. 1+ and 101XXXX outbound dialing;
- B. 800/888 toll-free inbound dialing;
- C. Calling cards; and
- D. Data Services.

Local Exchange:

- A. Local Exchange Services for business and residential telecommuter customers that will enable customers to originate and terminate local calls in the local calling area served by other LECs.
- B. Switched local exchange services, including local 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 lines) 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 line services.

10. Financial Qualifications

Applicant is financially qualified to provide intrastate local exchange telecommunications services within South Dakota. In particular, Applicant has adequate access to the capital necessary to fulfill any obligations it may undertake with respect to the provision of intrastate local exchange telecommunications services in the State of South Dakota. See the Audited Financial Statements for the years ended December 31, 1999 & 1998, and from February 19, 1997 (inception) through December 31, 1999 for IPVoice.com, Inc., Exhibit D.

11. Service Area Map

IPVoice respectfully requests a waiver of ARSD 20:10:32:01(8). Service Area Map. IPVoice will concur in the exchange area boundaries established by the incumbent LECs.

12. Tariff

Attached hereto as Exhibit E is a copy of IPVoice's proposed interexchange tariff. Also attached as Exhibit E is a copy of IPVoice's local exchange tariff which is being filed for informational purposes only since Applicant intends to serve less than 50,000 local exchange subscribers in South Dakota.

13. Billing

Applicant will direct bill interexchange and local exchange customers utilizing completed call detail information from its underlying carriers.

14. Solicitation of Customers

IPVoice will not submit a change order for local exchange or intrastate toll service until IPVoice 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, if any.

15. Description of Marketing

Applicant intends to market its services to primarily small to mid-sized businesses and residential telecommuters. Applicant will market through direct sales by employees and agents. Applicant does not intend to engage in multilevel marketing. Applicant's marketing materials for South Dakota have not yet been developed and are not available at this time.

16. Cost Support:

Applicant intends to provide services at a price above its cost. Applicant intends to serve less than 50,000 local exchange subscribers in South Dakota, therefore, is not required to file cost support information.

17. Federal Tax Identification Number:

84-1453281

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

None

19. Customer Service

Applicant's customer service department may be contacted nationwide via a toll-free number, (800) 556-2810. The Company will maintain a Customer Service Department in Arizona exclusively for Customers' questions, requests for service, complaints and trouble handling. The Company's Customer Service address and local or toll free number(s) will be printed on the Customer's bill. The Customer Service Department will be located at 5050 No. 19th Ave., Ste. 416, Phoenix, Arizona 85018. The Company also intends to have a locally staffed office at one or more hub site locations in each state 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 be forwarded to an answering service or operations center.

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 Tariffs, 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 South Dakota Public Utilities Commission for final determination.

When Applicant installs facilities in the State of South Dakota, facility and equipment maintenance will be performed by the company, either directly or through contract, in order to ensure compliance with any commission quality of service requirements.

20. Interconnection

Applicant initially intends to interconnect with US WEST. Negotiations for interconnection will start at an as yet determined time following certification. Interconnection service is likely to be initiated within 180 days of completion of interconnection negotiations. Applicant has not requested interconnection with any local exchange carrier in South Dakota at this time.

WHEREFORE, the undersigned Applicant requests that the South Dakota Public Utilities Commission enter an order granting this Application for a Certificate of Authority authorizing Applicant to provide resold and facilities-based interexchange and local exchange services.

DATED this 15 day of May, 2000.

IPVoice Communications, Inc.

By: 

Lance J.M. Steinhart
Its Attorney

State of Arizona

County of Maricopa

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

Barbara S. Will
Barbara S. Will
President

Subscribed and sworn to before this 22 day of June, 2000.

Lillian M. Vadez
Notary Public

My Commission expires: 12-14-2003



LIST OF EXHIBITS

- A - CERTIFICATE OF AUTHORITY
- B - CERTIFICATE OF INCORPORATION, AS AMENDED
- C - BIOGRAPHIES OF THE MANAGEMENT TEAM
- D - FINANCIAL STATEMENTS
- E - PROPOSED TARIFFS

EXHIBIT A - CERTIFICATE OF AUTHORITY

State of South Dakota



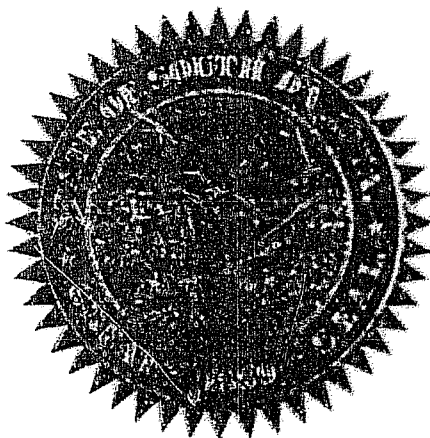
OFFICE OF THE SECRETARY OF STATE

Certificate of Authority

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

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this May 25, 2000.



A handwritten signature in cursive script, reading "Joyce Hazeltine".

Joyce Hazeltine
Secretary of State

EXHIBIT B - CERTIFICATE OF INCORPORATION, AS AMENDED

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "IP VOICE COMMUNICATIONS, INC." CHANGING ITS NAME FROM "IP VOICE COMMUNICATIONS, INC." TO "IPVOICE COMMUNICATIONS, INC.", FILED IN THIS OFFICE ON THE FIFTH DAY OF MAY, A.D. 2000, AT 1 O'CLOCK P.M.

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




Edward J. Freel, Secretary of State

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 01:00 PM 05/05/2000
001230210 - 2831712

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
IP VOICE COMMUNICATIONS, INC.

IP VOICE COMMUNICATIONS, INC., a corporation organized and existing under and by virtue of the General organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation at a meeting duly convened and held, adopted the following resolution:

RESOLVED that the Board of Directors hereby declares it advisable and in the best interest of the Company that Article First of the Certificate of Incorporation be amended to read as follows:

FIRST: The name of this corporation shall be:

IPVoice Communications, Inc.

SECOND: That the said amendment has been consented to and authorized by the holders of a majority of the issued and outstanding stock entitled to vote by written consent given in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by Barbara S. Will this 5th day of May A.D. 2000.

/s/ Barbara S. Will
Authorized Officer
Barbara S. Will, President

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "IP VOICE COMMUNICATIONS, INC." FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF APRIL, A.D. 2000, AT 5:30 O'CLOCK P.M.

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



Edward J. Freel
Edward J. Freel, Secretary of State

2831712 8100

AUTHENTICATION: 0398066

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
IP VOICE COMMUNICATIONS, INC.

IP VOICE COMMUNICATIONS, INC., a corporation organized and existing under and by virtue of the General organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation at a meeting duly convened and held, adopted the following resolution:

RESOLVED that the Board of Directors hereby declares it advisable and in the best interest of the Company that Article Fourth of the Certificate of Incorporation be amended to read as follows:

FOURTH: The total number of shares of stock which this corporation is authorized to issue is:

Ten Thousand (10,000) shares with a par value of One Tenth of One Cent (.001) per share, amounting to Ten Dollars (\$10.00).

SECOND: That the said amendment has been consented to and authorized by the holders of a majority of the issued and outstanding stock entitled to vote by written consent given in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by Barbara S. Will this 24th day of April A.D. 2000.

/s/ Barbara S. Will
Authorized Officer
Barbara S. Will, President

State of Delaware

PAGE 1

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "IP VOICE COMMUNICATIONS, INC.", FILED IN THIS OFFICE ON THE ELEVENTH DAY OF MARCH, A.D. 1998, AT 9 0'CLOCK A.M.

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



Edward J. Freel

Edward J. Freel, Secretary of State

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
IP VOICE COMMUNICATIONS, INC.

IP VOICE COMMUNICATIONS, INC. , a corporation
organized and existing under and by virtue of the General
Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of said corporation at a
meeting duly convened and held, adopted the following resolution:

RESOLVED that the Board of Directors hereby declares it
advisable and in the best interest of the Company that Article
Fourth of the Certificate of Incorporation be amended to read as
follows:

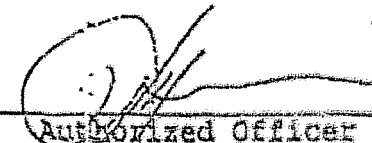
FOURTH: The total number of shares of stock which this
corporation is authorized to issue is:

Fifty Million (50,000,000) shares with a par value of One Tenth
of One Cent (.001) per share, amounting to Fifty Thousand
Dollars (\$50,000.00).

SECOND: That the said amendment has been consented to and
authorized by the holders of a majority of the issued and
outstanding stock entitled to vote by written consent given in
accordance with the provisions of Section 228 of the General
Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in
accordance with the applicable provisions of Sections 242 and 228 of
the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this
Certificate to be signed by James Howson,
this tenth day of March A.D. 1998.



Authorized Officer
James Howson

CERTIFICATE OF INCORPORATION

OF

IP VOICE COMMUNICATIONS, INC.

FIRST. The name of this corporation shall be:

IP VOICE COMMUNICATIONS, INC.

SECOND. Its registered office in the State of Delaware is to be located at 1013 Centre Road, in the City of Wilmington, County of New Castle, 19805, and its registered agent at such address is CORPORATE AGENTS, INC.

THIRD. The purpose or purposes of the corporation shall be:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of stock which this corporation is authorized to issue is:

One Thousand Five Hundred (1,500) shares without par value.

FIFTH. The name and mailing address of the incorporator is as follows:

Kathleen Crowley
Corporate Agents, Inc.
1013 Centre Road
Wilmington, DE 19805

SIXTH. The Board of Directors shall have the power to adopt, amend or repeal the by-laws.

IN WITNESS WHEREOF, The undersigned, being the incorporator hereinbefore named, has executed, signed and acknowledged this certificate of incorporation this tenth day of December, A.D. 1997.


Kathleen Crowley
Incorporator

EXHIBIT C - BIOGRAPHIES OF THE MANAGEMENT TEAM

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

(a) Set forth below are the names, ages, positions, with the Company and business experiences of the executive officers and directors of the Company.

<u>Name</u>	<u>Age</u>	<u>Position(s) with Company</u>
Barbara S. Will	47	Director, President and Chief Operating Officer
Anthony Welch	31	Director, Senior Vice President of Research and Development
Harry R. Bowman	56	Executive Vice President
Julie J. Bahavar	54	Controller [Chief Accounting Officer]
James K. Howson	57	Chairman, Chief Executive Officer
Russell Watson	50	Director

All directors hold office until the next annual meeting of the Company's shareholders and until their successors have been elected and qualify. Officers serve at the pleasure of the Board of Directors. The officers and directors will devote such time and effort to the business and affairs of the Company as may be necessary to perform their responsibilities as executive officers and/or directors of the Company.

Family Relationships

There are no family relationships between or among the executive officers and directors of the Company.

Business Experience

Barbara S. Will, age 47, currently serves as Director, President and COO. She has served as a Director, President and COO since March 1998. She previously served as Chairman between March 1998 to June 1999. Ms. Will has over twenty (20) years of experience in all areas of telecommunications, both domestic and international. Prior to joining IPVC, from 1984

to 1997, Ms. Will was in a senior capacity with MCI and was responsible for signing some of the largest contracts with a carrier/reseller in MCI's history. Her vast industry experience includes international and international private line; International 800; data; DSO, DSI, DSC, OCI; dedicated in and outbound; One-Plus; calling and debit cards; Operator Assistance; Internet; Enhanced Services; and Enhanced Network. During her time at MCI, she received numerous awards for her outstanding performance. Ms. Will attended Colorado State University for two years.

Anthony K. Welch, age 31, current serves as a Director and the Senior Vice-President. He has served as a Director and Senior Vice President since March, 1998 and as Senior Vice President of Research and Development since August 1999. Anthony Welch is the original designer of the MultiCom, AuditRite, and TrueConnect platforms and has served as Special Consultant to various telecommunications organizations. From 1997 to 1998, Mr. Welch was involved in the formation of the Company and the development of the MultiCom Business Management Software. From 1991 to 1997, Mr. Welch served as Special Consultant and Project Design Leader for such organizations as Nation's Bank CS Headquarters, Frito-Lay Worldwide Headquarters, NEC America Mobile Radio/Cellular/Pager Division Headquarters, and Southwestern Bell Mobile (Cellular/Pager) Systems Headquarters. Mr. Welch has received numerous awards and recognition for his work in Artificial Intelligence - both in Military and Academic circles - and has applied this experience to creating technology solutions that are both intelligent and flexible. The technology behind the MultiCom system has received recognition from several telecom trade magazines ("Computer Telephony" and "Telephony" magazines). Mr. Welch obtained first place in the International Science competition for Artificial Intelligence at the age of 17. Mr. Welch attended the University of Mississippi and was the first freshman in the history of the college to be admitted into the artificial intelligence Ph.D. Program.

Harry R. Bowman, age 56, currently serves as Executive Vice President. He has served as Executive Vice President since November 1999. Mr. Bowman is an experienced telecommunications operations professional who was employed by AT&T from 1961 until 1993, when he retired. During his time with AT&T, Mr. Bowman held various managerial positions, last serving as Manager for Creative Software, where he was responsible for sales, contracts, personnel and financials. Previously he had served as Manager of Technical Services, Data Center Operations and in other management positions. After spending four years in retirement, Mr. Bowman was provided with the opportunity to join the Company as its Executive Vice President, which he accepted. Mr. Bowman holds a BS Degree in Accounting from St. Joseph's University, Philadelphia, Pennsylvania.

Julie J. Bahavar, age 54, currently serves as Controller [Chief Accounting Officer]. She has served in this capacity since March 1, 2000. During 1999, Ms. Bahavar served as Chief Financial Officer/Controller for the Arizona Industries for the blind, which is a manufacturing, distribution and retail sales operation. During 1998, Ms. Bahavar was a Senior Financial Analyst for Apollo Group Inc. From 1994 through 1997, Ms. Bahavar was an independent consultant, representing such companies as Carborandum Micro Electronics and Wells Fargo Bank. From 1985 to 1994, Ms. Bahavar was employed as a Budget Manager and Audit Manager with the State of Arizona. Ms. Bahavar received a BS Degree in Accounting from the University of Denver in 1979 and an MBA from the University of Denver in 1981. She is a Certified Public Accountant certified in the States of Arizona and Colorado.

James K. Howson, age 57, currently serves as Chairman and Chief Executive Officer. He has served as Chairman since June 1999 and as Chief Executive Officer since September 1999. Mr. Howson is an entrepreneur and has been an investor for thirty (30) years in small businesses and start-up companies in Europe, Latin American and the United States. From 1991 to 1996, Mr. Howson was an investor in and consultant to Mid-America Venture Capital Partners, Inc., a privately held company that provided seed capital to promising young businesses. Mr. Howson was also an investor in Environmental Systems, Inc. located in Lancaster, Pennsylvania. Mr. Howson attended Roan College in London England in 1959.

Russell Watson, age 50, currently serves as a Director. He has served as a Director since September, 1999. Currently, Mr. Watson is the Business Manager for Behrwood Capital Service, Inc., an investment management company which he joined in 1998. Also, he is the Vice President of Operations for Venison America, Inc., a meat processor and distributor which he joined in 1998. From 1994 to 1998, Mr. Watson was Operations Manager for Mid-Atlantic Snack, Inc., a snack food distributor. Mr. Watson owned and operated a snack food marketing business from 1993 to 1994. From 1974 to 1993, Mr. Watson was CFO and Operations Manager for Weyerhaeuser Company, Hardwood Division. Mr. Watson received a B.S. degree from Indiana University of Pennsylvania in 1971.

(b) *Section 16(a) Beneficial Ownership Reporting Compliance*

No Director, Officer, Beneficial Owner of more than ten percent (10%) of any class of equity securities of the Company failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year or prior fiscal years.

Item 10. Executive Compensation

Name and Post	Year	Annual Comp Salary	Annual Comp Bonus (\$)	Annual Comp Other	LT Comp Ret Stock	LT Comp Options	LTIP Payouts	All Other (\$)
Barbara S. Will, Director, President and COO (2)	1997	\$ -0-	\$ -0-					\$-0-
	1998	\$ 42,000	\$ -0-					\$-0-
	1999	\$106,956	\$ -0-					\$-0-
James K. Howson, Chairman and Chief Executive Officer	1997			\$ -0-				\$-0-
	1998			\$ 35,000				\$-0-
	1999			\$106,500 (2)(3)				\$-0-

EXHIBIT D - FINANCIAL STATEMENTS

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-KSB

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

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

For the transition period from _____ to _____

Commission file no. 0-27917

IPVoice.com, Inc.

(Name of small business issuer in its charter)

Nevada

65-0729900

(State or other jurisdiction of
incorporation or organization)

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

5050 No. 19th Avenue, Suite 416/417, Phoenix, Arizona

85015

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number (602) 335-1231

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

Name of each exchange on
which registered

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value

(Title of class)

Copies of Communications Sent to:

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TABLE OF CONTENTS

	PAGE NO.
PART I	
Item 1. Description of Business	1
Item 2. Description of Property	38
Item 3. Legal Proceedings	39
Item 4. Submission of Matters to a Vote of Security Holders	40
PART II	
Item 5. Market for Common Equity and Related Shareholder Matters	40
Item 6. Plan of Operation	41
Item 7. Financial Statements - Commencing on	47
Item 8. Changes and Disagreements with Accountants on Accounting And Financial Disclosure	48
PART III	
Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act	49
Item 10. Executive Compensation	51
Item 11. Security Ownership of Certain Beneficial Owners and Management	55
Item 12. Certain Relationships and Related Transactions	58
Item 13. Exhibits and Reports on Form 8K	59

PART I

Item 1. Description of Business.

(a) *Business Development*

IPVoice.com, Inc. (the "Company" or "IPVC") is incorporated in the State of Nevada. The Company was originally incorporated as Nova Enterprises, Inc. on February 19, 1997 ("Nova"). In March 1998, Nova acquired 100% of IPVoice Communications, Inc., a Delaware corporation formed in December 1997 ("IPVCDE"). The Company subsequently changed its name to IPVC in May 1999. The Company is quoted on the OTC Bulletin Board under the symbol "IPVC". Its executive offices are presently located at 5050 No. 19th Avenue Suite 416/417, Phoenix, Arizona 85015. Its telephone number is (602) 335-1231 and its facsimile number is (602) 335-1577.

-- The Company is filing this Form 10-KSB in compliance with the effectiveness of its filing on Form 10-SB. The Company will file periodic reports in the event its obligation to file such reports is suspended under the Securities and Exchange Act of 1934 (the "Exchange Act").

Since inception the Company has been engaged in the business of developing its MultiCom Business Management Software ("MultiCom") for use in Internet telephony applications (telephone, fax, data, images and video over the Internet). MultiCom is the business management system behind the Company's TrueConnect Gateway product ("Gateway"), for which trademark protection is being sought. Gateway provides a mechanism for bridging the public telephone system with the Internet. IPVC was founded on the premise that traditional telephone systems wasted precious resources by assigning each call a "rattled down" circuit. IPVC's Gateway allows a packet of information (voice, video, e-mail, data, images, etc.) to cross multiple networks on its way to its final destination. Thus, instead of having one dedicated circuit for a call, the entire network is shared. The Company continues to research the availability of additional innovative products in the Internet telephony and related industries for development, distribution or acquisition. See Part I, Item 1. "Description of the Business - (b) Business of Issuer - Patents, Copyrights and Trademarks."

It is the Company's intention to (i) continue to market its network and Gateway product, (ii) to conduct research to further develop its Gateway product and (iii) to develop further "add-ons" which will enhance and expand the Gateway product. See Part I, Item 1. "Description of the Business - (b) Business of Issuer."

In February 1997, prior to its acquisition of IPVCDE, the Company sold 1,400,000 shares of its unrestricted Common Stock to sixty-nine (69) individuals for \$14,000. For such offering, the Company relied upon Section 3(b) of the Securities Act of 1933, as amended (the "Act") and Rule 504 promulgated under Regulation D of the Act ("Rule 104") and Section 317.061(1) of the Florida Code, Section 4[5/4](G) of the Illinois Code, Section 90.230(1) of the Nevada Code,

Section 78 A-17(9) of the North Carolina Code, Section 48-2-103(b)(4) of the Tennessee Code and Section 5[581-5]I(c) of the Texas Code. No state exemption was necessary for the sales made to Bahamian, Canadian or French investors. See Part III, Item 12. "Certain Relationships and Related Transactions".

In November 1997, prior to its acquisition by the Company, IPVCDE entered into a consulting agreement with Condor Worldwide, Ltd., a Bahamian corporation ("Condor"), whereby Condor agreed to provide certain sales, marketing and public relations services in exchange for 600,000 shares of IPVCDE's unrestricted Common Stock to be issued upon listing of IPVCDE's stock on the OTC Bulletin Board. Such shares were never issued and the agreement was amended in July 1998 deleting the issuance of such shares. The consulting agreement was modified in July 1998 to revoke all interest in the shares. The term of the Agreement was for a period of six (6) years and is still in effect. James K. Howson, the Company's Chairman and CEO, serves as the Chairman and CEO of Condor and he is the beneficial owner of Condor. Effective September 1999, Condor agreed to reduce its consulting fees to \$90,000 per year. This agreed reduction will shall continue until the Company is profitable and there are no accruals of any unpaid amounts under the Condor contract. Further, none Condor has no expectations regarding the amount foregone at any future date. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; Part III, Item 11 "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In March 1998, the Company's predecessor, Nova, entered into a share exchange agreement with IPVCDE and its shareholders whereby Nova issued 9,000,000 shares of its restricted Common Stock valued at \$9,000 to IPVCDE's shareholders for all of the outstanding capital stock of IPVCDE, which then became a wholly-owned subsidiary of Nova. In connection with the agreement, the Company entered into employment agreements with Barbara Will, its current Director, Chief Operating Officer and President and with Anthony Welch, designer of the Company's proprietary software, who currently serves as the Senior Vice-President of Research and Development. As part of the exchange, Ms. Will, Mr. Welch and Condor each received 3,000,000 shares of the Company's restricted common stock. Mr. Howson, the Company's Chairman and Chief Executive Officer, is the beneficial owner of Condor. For such offering, the Company relied upon Section 4(2) of the Act, Rule 506, Section 11-51-308(1)(j) of the Colorado Code, Section 7309(b)(9) of the Delaware Code and Section 90.530(17) of the Nevada code. The Company relied on no state exemption for the issuance to Condor, which is a Bahamian corporation. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; Part III, Item 10. "Executive Compensation - Employee Contracts and Agreements"; Part III, Item 11. "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1998, the Company sold 154,000 shares of its unrestricted Common Stock to five (5) investors for \$154,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code and Section 337(0)(2)(d) of the New

York Code. No state exemption was necessary for the shares sold to a United Kingdom corporation. See Part III, Item 12. "Certain Relationships and Related Transactions".

In July 1998, the Company sold 53,333 shares of its unrestricted Common Stock to one (1) investor for \$40,000.75. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In July 1998, the Company entered into a consulting agreement with Calpe, Ltd., a Bahamian corporation ("Calpe"), to provide public relations consulting services valued at \$35,000 to the Company in exchange for 850,000 shares of the Company's unrestricted Common Stock, of which 200,000 shares were given to The Investor Communications Group, Inc., a Georgia corporation ("ICG") pursuant to its consulting contract (as more fully described herein) and 23,000 shares were given to Neil Rand d/b/a Corporate Imaging ("CI") pursuant to its consulting contract (as more fully described herein). In consideration of its 627,000 shares, Calpe agreed to forego commissions equal to \$62,700 from IPVC product sales. The term of the Agreement was for a period of three (3) years and is still in effect. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. No state exemption was necessary for the Calpe shares, as Calpe is a Bahamian corporation. However, the Company relied upon Section 10-5-9(13) of the Georgia Code for the ICG shares and Section 14-4-140 of the Arizona Code for the CI shares. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In July, 1998, the Company entered into a consulting agreement with ICG to provide financial public relations and direct marketing advertising and consulting services to the Company. For such services, the Company agreed to pay ICG \$75,000 over the term of the Agreement and to issue 200,000 shares of the unrestricted Common Stock of the Company, and to grant warrants to purchase 100,000 shares of the restricted Common Stock of the Company exercisable for a period of two (2) years at an exercise price of \$2.00 per share. Such warrants have piggy-back registration rights. Such issuance of shares were valued at \$20,000, while the warrants were valued at \$0. IPVC has a right of first refusal to buy back any shares proposed to be sold by ICG to any third party. Of the 850,000 shares of its unrestricted Common Stock issued to Calpe, 200,000 shares were given to ICG pursuant to its contract. The contract term was for a period of six (6) months and has since terminated. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. The Company relied upon Section 10-5-9(13) of the Georgia Code for the issuance of ICG shares. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In July 1998, the Company entered into a consulting agreement with CI to provide public and investor relations consulting services to the Company in exchange for 23,000 shares of the Company's unrestricted Common Stock. The Agreement was for a term of three (3) months and terminated automatically in November 1998. Of the 850,000 shares of its unrestricted Common

Stock issued to Calpe, 23,000 shares were given to CI pursuant to its contract. The Company relied upon Section 3(b) of the Act and Rule 504. The Company relied upon Section 14-4-140 of the Arizona Code for the issuance of CI shares. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In July 1998, the Company entered into an agreement with The Armstrong International Group, Inc. ("Armstrong") wherein the Company granted Armstrong the non-exclusive right to market, advertise and sell the Company's domestic and international calling services. As payment for these services, IPVC issued Armstrong warrants to purchase 30,000 shares of the Company's Common Stock exercisable at a price of \$0.75 per share or, at the option of IPVC, for a total sum of \$37,500 as well as commissions on all sales of the Company's products and services. The term of the agreement is for a period of three (3) years. For such offering, the Company relied upon Section 4(2) of Act and Rule 506 and Section 517.061(11) of the Florida Code. See Part I, Item 1. "Description of Business - Business of Issuer - Internet Telephony"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1998, the Company entered into a consulting agreement for a term of six (6) months with First Capital Partners, Inc. ("First Capital"), to provide financial consulting services to the Company. In the event that First Capital was successful in securing debt or equity financing for the Company, First Capital would be granted warrants to purchase 125,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. Such warrants would have piggy-back registration rights. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1998, the Company sold 20,000 shares of its unrestricted Common Stock to one (1) investor for \$10,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1998, the Company sold 100,000 shares of its unrestricted Common Stock to one (1) investor for \$25,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 49:3-50(b)(9) of the New Jersey Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1998, the Company sold 80,000 shares of its unrestricted Common Stock to one (1) investor for \$15,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1998, the Company issued 100,000 shares of its unrestricted common stock in exchange for legal services valued at \$10,000. For such offering, the Company relied upon

Section 3(b) of the Act, Rule 504 and Section 517.061(11) of the Florida Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In October 1998, the Company entered into a consulting agreement with International Investment Partners, Ltd., an Irish corporation ("IIP"), memorializing an oral agreement made in July 1998, to provide financial, consulting and advisory services valued at \$35,000 in exchange for the issuance of 350,000 shares, of which 243,760 are unrestricted Common Stock of the Company and 106,240 are restricted Common Stock of the Company, the grant of warrants to purchase an additional 1,600,000 shares of the unrestricted Common Stock of the Company exercisable without time limitation at an exercise price of \$0.06 per share, the grant of warrants to purchase an additional 350,000 shares of the restricted Common Stock of the Company exercisable without time limitation at an exercise price of \$3.90 per share and in consideration of \$100 the grant of warrants to purchase an 5% of the restricted Common Stock of the Company on a fully-diluted basis at a price of \$1.00 per share. In January 1999, IIP received 93,760 shares of Common Stock in lieu of payment for services which was due in the amount of \$14,064. IIP exercised its warrant to purchase 1,600,000 shares in April 1999 at an exercise price of \$96,000. As to the warrant that entitles IIP to purchase 5% of the restricted Common Stock of the Company, in February 2000, IIP purchased 136,000 shares at an exercise price of \$136,000 and in March 2000, IIP purchased 50,000 shares at an exercise price of \$50,000. Such shares represent 1.22% of the 5% interest that IIP is entitled to acquire, thereby entitling IIP to purchase additional shares representing 3.88%. The Agreement is for a period of three (3) years and is still in effect. The Company must also pay a monthly fee of \$4,000 the first year, \$6,000 the second year and \$8,000 the third year. For the unrestricted shares and warrants to purchase unrestricted shares, the Company relied upon Section 3(b) of the Act and Rule 504. For the restricted shares and warrants to purchase restricted shares, the Company relied upon Section 4(2) of the Act and Rule 506. No state exemption was necessary, as IIP is an Irish corporation. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In October, 1998, the Company entered into a consulting agreement with InsideStock.com, Inc., a Florida corporation ("Inside.com") to provide media relations services and consulting advice to the Company valued at \$41,250 in exchange for the issuance of 275,000 shares of the unrestricted Common Stock of the Company and the grant of warrants to purchase an additional 155,000 shares of the unrestricted Common Stock of the Company exercisable for a period of one (1) year at a price of \$0.645 per share. Inside.com exercised its warrant to purchase 155,000 shares in April 1999 at an exercise price of \$100,000. The Agreement is for a term of one (1) year and is still in effect. For such issuance, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

From December 1998 through January 1999, the Company sold 895,665 shares of its unrestricted Common Stock to eight (8) investors for \$134,500. For such offering, the Company

relied upon Section 3(b) of the Act and Rule 504 and Section 11-51-308(1)(i) of the Colorado Code, Section 517.061(11) of the Florida Code and Section 49:3-50(b)(9) of the New Jersey Code. No state exemption was required for two (2) Bahamian investors. See Part III, Item 12. "Certain Relationships and Related Transactions".

From February 1999 through May 1999, the Company sold forty-six (46) units to twenty-four (24) investors for \$1,150,000. Each unit consisted of: (i) a note payable in two (2) years with an option for the Company to extend it for an additional two (2) years in the principal amount of \$24,900 bearing interest at 9% per annum payable quarterly in cash or, at the option of the Company, in unrestricted shares of the Company's Common Stock; (ii) a warrant to purchase 18,750 shares of the Company's restricted Common Stock exercisable during the period in which the note is outstanding at an exercise price equal to 125% of the average closing price of the stock for the thirty (30) trading days immediately prior to February 1, 1999, which warrants contain piggy-back registration rights; and (iii) twenty-five (25) of the Company's Senior Convertible Preferred shares. In the event of a default in repayment of the notes, all outstanding Senior Convertible Preferred shares shall be converted into Common Stock of the Company in an amount which will equal 51% of the issued and outstanding shares, warrants and options of the Company. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 14-4-126(f) of the Arizona Code, Section 25102(f) of the California Code, Section 517.061(11) of the Florida Code, Section 130.293 of the Illinois Code, Section 191-50.14(302) of the Iowa Code, Section 451.803.7 of the Michigan Code, Section 359(f)(2)(d) of the New York Code and Section 70P.S.1-211 of the Pennsylvania Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In March and April 1999, the Company sold 875,000 shares of its unrestricted Common Stock to one (1) investor for \$350,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. No state exemption was required, as the investor was a Bahamian corporation. See Part III, Item 12. "Certain Relationships and Related Transactions".

In March 1999, the Company entered into a consulting agreement with Buying Power Network ("BPN") to provide financial public relations consulting services to the Company for which the Company agreed to pay \$40,000 for the first month, and \$30,000 for the second and third months, with subsequent months to be agreed upon, each of which is payable in unrestricted shares of the Company's Common Stock the number of which is determined by dividing the monthly payment by \$1.00. The contract term was through September 1999 and has expired without renewal. In exchange for services rendered by BPN, the Company issued 100,000 shares of its unrestricted Common Stock valued at \$106,200 to Joyce Research Group, of which BPN is a division. For the fourth, fifth and sixth months of the contract, the Company granted Joyce Research Group options to purchase 150,000 shares of the Company's restricted Common Stock at an exercise price equal to 60%, 65% and 70% of the market price respectively. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Florida Code Section 517.061(11). See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employers and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1999, the Company entered into a share exchange agreement with SATLINK 3000, Inc. d/b/a Independent Network Services, a Nevada corporation formed in April, 1998, ("INS") whereby the Company exchanged 250,000 shares of its Redeemable Convertible Preferred stock valued at \$500,000 for all of the outstanding capital stock of INS. Such Redeemable Convertible Preferred stock contains 1 for 1 conversion rights after one (1) year and is redeemable at \$2.00 per share. The President of INS, Peter M. Stazzone, remained with the Company as the President of the subsidiary. At the time of the exchange Mr. Stazzone became Secretary, Treasurer and Chief Financial Officer of the Company under an employment agreement. Also at the time of the exchange, Mr. Stazzone received 50,000 shares of the Redeemable Convertible Preferred Stock of the Company. Pursuant to the Employment Agreement, Mr. Stazzone received 200,000 shares of the Company's Restricted Common Stock, a stock bonus of 100,000 shares of the Restricted Common Stock deemed earned on the date of the Share Exchange Agreement, but to be delivered on the earlier of (i) the first anniversary date or (ii) Mr. Stazzone's termination and options to purchase an additional 200,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. It was represented that INS had acquired certain assets, including the rights to INS' name, from the Bankruptcy Court in the Chapter 11 filing on behalf of Telsave Corporation ("Telsave"). Mr. Stazzone was the Chief Financial Officer of Telsave at the time the bankruptcy was filed and the Bankruptcy Court was provided with disclosure of his involvement with INS prior to the Court's approval of the sale of certain Telsave assets to INS. In June 1998, Mr. Stazzone was loaned \$100,000 by INS, which loan bears no interest and has no stated repayment terms. At the time of the acquisition of INS, the Company believed that it was acquiring the rights to the carrier identification code 10-10-460 ("CIC Code"). The purchase price was based in part upon an appraisal of the value of the CIC Code which is loaded in approximately 60% of the domestic market. However, during the course of the audit, it was discovered that clear title may not have passed to INS and subsequently the Company as the owner of INS. Therefore, the Board resolved that, in the event clear title had not passed to the Company, it would be in the best interest of the shareholders to unwind the transaction. The Company sought a legal opinion on the status of such title and just prior to filing its Form 1089 discovered that there was no clear link between the ownership of the CIC Code and INS. Therefore the Company voted to unwind the transaction ab initio, to rescind the issuances made under the acquisition and the employment agreements and to terminate Mr. Stazzone's employment. Mr. Stazzone and INS have instituted suit against the Company. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506, Section 14-4-126(f) of the Arizona Code and Section 90.530(11) of the Nevada Code. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; Part I, Item 3. "Legal Proceedings"; Part I, Item 4. "Security Ownership of Certain Beneficial Owners and Management"; Part I, Item 6. "Executive Compensation - Employee Contracts and Agreements"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1999, the Company entered into a marketing agreement with Benae International, Inc., a Nevada Corporation ("Benae") to market the Company's telephony services and to register a minimum of one hundred (100) customers in the thirty (30) cities in which IPVC plans to offer

telephony services within twelve(12) months in exchange for 200,000 shares of the unrestricted Common Stock of the Company valued at \$206,200. The shares are to be returned to the Company if the minimum is not met. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 90.530(11) of the Nevada Code. See Part I, Item 1. "Description of Business - Business of Issuer - Internet Telephony"; Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In April, 1999, the Company entered into a marketing and advertising agreement with Netgenie.com, Inc., an Arizona corporation ("NG") to provide marketing services to a minimum of 75,000 customers in thirty (30) cities designated by IPVC within a twelve (12) month period in exchange for 100,000 shares of the restricted Common Stock of the Company valued at \$103,100, which shares must be returned if NG fails to deliver a minimum of eight (8) cities with a total of 75,000 customers before December 31, 1999. In addition, NG may earn performance bonuses of 50,000 restricted shares if eight (8) cities are delivered within ninety (90) days of execution; 50,000 restricted shares if fifteen (15) cities are delivered within one hundred fifty (150) days; and 10,000 restricted shares for each additional city thereafter before December 31, 1999 up to 30 cities. Further, NG will be granted warrants to purchase 30,000 shares of the Company's restricted Common Stock exercisable for a period of two (2) years at an exercise price of \$2.50 per share for every block of 5,000 pre-registered customers up to 75,000 pre-registered customers in a twelve (12) month period. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 14-4-126(F) of the Arizona Code. See Part I, Item 1. "Description of Business - Business of Issuer - Internet Telephony"; Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1999, the Company issued 10,000 shares of its unrestricted Common Stock in exchange for legal services valued at \$10,000. The shares were issued pursuant to an obligation incurred in 1998. The Company relied upon Section 3(b) of the Act, Rule 504 and Florida Code Section 517.061(11). See Part III, Item 12. "Certain Relationships and Related Transactions".

On November 11, 1999, the Company executed a letter employment agreement dated November 10, 1999 with Harry R. Bowman. Under the terms of the agreement, Mr. Bowman is to serve as an Executive Vice President of the Company for a term of two (2) years at a base salary of \$78,000 per year. In addition, Mr. Bowman, a resident of Pennsylvania, receives health insurance, a paid vacation, travel twelve (12) times a year to his residence and living, automobile and subsistence allowances. Mr. Bowman is required to spend at least three (3) weeks a month at the Company's offices in Phoenix and one (1) week a month at a location to be decided in Pennsylvania. The agreement included a sixty (60) day probationary period. Under the terms of the agreement, Mr. Bowman was granted four (4) years options to purchase 50,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one

half when the stock trades at or above \$12.00 in the same manner. Any shares acquired under the option must be held for the two-year period in which Mr. Bowman has committed to work for the Company, and, in the event the commitment is not met or Mr. Bowman is discharged due to poor performance or cause, unexercised options expire and shares acquired are forfeited. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201 [70 P.S. 1.201] of the Pennsylvania Code. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; Part III, Item 10. "Executive Compensation - Employee Contracts and Agreements"; Part III, Item 11. "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

At a meeting of the Board in November 1999, the Company granted to Russell Watson, a Director of the Company, four (4) years options to purchase 20,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201 [70 P.S. 1.201] of the Pennsylvania Code. See Part I, Item 4. "Security Ownership of Certain Beneficial Owners and Management"; Part III, Item 12. "Certain Relationships and Related Transactions".

On November 17, 1999, the Company executed a memorandum of understanding with Telic.net whereby the parties entered a strategic alliance under which Telic.net will provide enhanced services to the Company and the Company will acquire from Telic.net gateways at Telic.net's cost for use by the Company's customers. Although a non-binding agreement, the parties have expressed the wish to maintain the alliance as long as it is beneficial to each of them. The Company maintains the right to purchase hardware elsewhere. In addition, the Company can license certain of Telic.net's software, acquire certain source codes and Telic.net will modify the Company's gateways to accommodate the Company's billing system and call flow. It is intended that Telic.net will provide full network support for the Company thereby advancing the Company's timetable for full integration of its network. See Part I, Item 1. "Description of Business - Business of Issuer - Internet Telephony

Effective November 29, 1999, the Company executed an engagement letter with McGinn, Smith & Co., Inc. ("McGinn") to act as a broker and financial advisor to the Company in the private placement of up to \$5 million of the Company's securities. Under the agreement McGinn is to use its best efforts with regard to such placement. The agreement is effective through March 24, 2000. From the date of the engagement letter through March 24, 2000, McGinn has the exclusive right to offer the Company's securities. In the event McGinn is successful, it will receive a fee equal to ten percent (10%) of the first \$5 million and eight percent (8%) of any amount in excess of \$5 million and will receive three year warrants equal to 2% of the proceeds with a strike price of 125% of the bid price on the date of closing. Such warrants are to have piggy-back registration rights. Upon execution of the engagement letter, the Company was required to issue 10,000 shares of its restricted Common Stock as a non-refundable Retainer/Investment Banking fee and the Company is obligated to reimburse McGinn for pre-approved expenses. The Company has not accepted the terms of any private placements under

this Agreement. For such issuance, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 359(f)(2)(d) of the New York Code. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants"; and Part III, Item 12. "Certain Relationships and Related Transactions".

On December 9, 1999, the shareholders adopted an executive incentive stock award plan under which 1,000,000 are reserved for grants under the plan. The plan takes effect on January 1, 2000 and terminates on December 31, 2005. Under the plan, options can be granted to select employees, officers, executives, directors and consultant and advisors to the Company. It is intended that all options be granted at fair market value on a particular date determined by the Compensation and Option Committee which is made up of James Howson, Director and Chief Executive Officer and Russell Watson, Director; however, a lesser price may be set by such Committee. The exercise period for the options is determined by the Committee but cannot exceed six (6) years. Pursuant to the terms of the approved plan, the Board of Directors is authorized to alter, amend or modify the plan under certain conditions. The Board of Directors approved a modified plan on February 28, 2000 that maintains the key features of the approved plan as required. Part III, Item 10. "Executive Compensation - Employee and Consultants Stock Option Plans"; and Part III, Item 12. "Certain Relationships and Related Transactions".

Effective February 16, 2000, the Company executed an engagement letter with Delano Group Securities LLP ("Delano") to act as a placement agent and financial advisor to the Company in the private placement of up to \$2.5 million of the Company's securities. Under the agreement Delano is to use its best efforts with regard to such placement. Delano was listed with McGinn as a broker with whom they were working prior to the McGinn engagement letter. In the event Delano is successful, it will receive a fee equal to seven percent (7%) of the proceeds, a non-accountable expense allowance equal to three percent (3%) of the proceeds and five year warrants to purchase 100,000 shares of the Company's Common Stock at a strike price equal to 120% of the lowest closing bid price during the five (5) trading days prior to the closing. Such warrants are to have piggy-back registration rights. The Company has not accepted the terms of any private placements under this Agreement. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Employees and Consultants".

See (b) "Business of Issuer" immediately below for a description of the Company's business.

(b) Business of Issuer.

Background of the Industry

The \$88.6 billion U.S. long distance industry is dominated by the nation's three largest long distance providers, AT&T, MCI/WorldCom and Sprint, which together generated approximately 80.3% of the aggregate revenue of all U.S. long distance interexchange carriers in 1997. Other long distance companies, some with national capabilities, accounted for the

remainder of the market.

As published on the Federal Communications Commission ("FCC") Website located at www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/soc97/soc97.pdf, toll service revenues of U.S. long distance interexchange carriers have grown from \$38.8 billion in 1984 to \$88.6 billion in 1997. While industry revenues have grown at a compounded annual rate of 6.6% since 1984, the revenues of carriers other than AT&T, MCI/WorldCom and Sprint have grown at a compounded rate of 33.7% during the same period. As a result, the aggregate market share of all interexchange carriers other than AT&T, MCI/WorldCom and Sprint has grown from 2.6% in 1984 to 19.8% in 1997. During the same period, the market share of AT&T declined from 90.1% to 44.5%.

Prior to the Telecommunications Act (the "TC Act"), signed by President Clinton on February 8, 1996, the long distance telecommunications industry had been principally shaped by a court decree between AT&T and the United States Department of Justice, known as the Modification of Final Judgment (the "Consent Decree") that in 1984 required the divestiture by AT&T of its twenty-two (22) Bell operating companies and divided the country into some two hundred (200) Local Access and Transport Areas, or "LATAs." The twenty-two (22) operating companies, which were combined into seven (7) Regional Bell Operating Companies, or "RBOCs", were given the right to provide local telephone service, local access service to long distance carriers and intraLATA toll service (service within LATAs), but were prohibited from providing interLATA service (service between LATAs). The right to provide interLATA service was maintained by AT&T and the other carriers.

To encourage the development of competition in the long distance market, the Consent Decree and the Federal Communications Commission ("FCC") require most Local Exchange Carriers ("LECs") to provide all carriers with access to local exchange services that is equal in type, quality and price to that provided to AT&T and with the opportunity to be selected by customers as their preferred long distance carrier. These so-called equal access and related provisions are intended to prevent preferential treatment to AT&T.

On February 8, 1996, the President signed the TC Act, which is intended to introduce more competition to the U.S. telecommunications markets. In addition to codifying the provisions of the Consent Decree, the TC Act codifies LECs equal access and non-discrimination obligations with respect to the local services market by requiring LECs to permit interconnection to their networks (i.e. customer's telephone or modem which connects to the service provider's equipment) and establishing among other things, LECs obligations with respect to access, resale, number portability (the capability of individuals, businesses, and organizations to retain their existing telephone number(s) and the same quality of service when switching to a new local service provider), dialing parity (the duty to provide dialing parity to competing providers of telephone exchange service and telephone toll service and the duty to permit all such providers to have non-discriminatory access to telephone numbers, operator services, directory assistance and directory listing, with no unreasonable dialing delays), access to rights-of-way (the duty to afford

access to the poles, ducts, conduits and rights-of-way of a LECs to competing providers of telecommunications services at the same rates and on the same terms afforded by the LECs, and mutual compensation. In essence, the TC Act codifies the LECs duty to provide to independent service providers (such as the Company) access to the LECs network under the same terms and restrictions to which the LEC is subject. The TC Act allows the Company to compete with previously established long distance and local telephone providers under the same terms and conditions as those to which the providers are subject.

Regulatory, judicial and technological factors have helped to create the foundation for smaller companies to emerge as competitive alternatives to AT&T, MCI/WorldCom and Sprint for long distance telecommunications services. The FCC requires that AT&T not restrict the resale of its services, and the Consent Decree and regulatory proceedings have ensured that access to LECs networks are in most cases, available to all long distance carriers.

General

The Company was formed in February 1997 and had little or no operations until March 1998, when it acquired IPVCDE. At the time of the acquisition, IPVCDE principally was involved in developing its MultiCom Business Management Software. Such software was developed by Anthony Welch, the Senior Vice President of the Company.

With the acquisition of INS in April 1999, the Company intended to gain licenses to provide telecommunications services. INS currently is licensed in thirty-one (31) states and the District of Columbia and is pending tariff licensing in one other state. INS is a switchless reseller of long distance telephone services. At the time of the acquisition of INS, the Company believed that it was acquiring the CIC Code designated 10-10-460. As result of the audit, there appeared to be a question of whether INS gained title to the CIC Code and, in the event that it did not, the Company resolved to unwind the acquisition. Just prior to filing its Form 10SB in November 1999, it was determined that there was no clear link between the ownership of the CIC Code and INS. Therefore the Company voted to unwind the transaction ab initio and to rescind the issuances made under the acquisition and the employment agreements. While such CIC Code is not operational at this time, if such title issue had been resolved and if the Company elected to make such service operational, it would have allowed the Company to diversify into distinct segments of the long distance market not currently provided by the Company. INS has instituted suit against the Company. See Part I, Item 1. "Description of the Business - (b) Business of the Issuer - Government Regulation - State; and Part I, Item 3. "Legal Proceedings."

Today, the Company focuses its attention on Internet telephony. In the fast moving world of communications, especially Internet telephony, the companies with systems in the market are currently establishing both open and closed systems. IPVC has developed an open system which it believes will have an edge on closed systems. In a closed system, the provider is limited to receiving calls only. In an open system, the provider can both send and receive calls from any other telephone carrier in the market.

With the meteoric rise of the Internet (which is predicted to continue at a staggering rate), the Company believes that Internet telephony can provide cost savings to the consumer when such telephony services are provided by a small Internet telephone company providing this service. Smaller companies are able to compete with large established telecommunications companies in this market because it is easier for them to assimilate new technology and to adapt and make changes as they are developed. The Company believes that its billing, management network and marketing programs give it a competitive edge. AT&T and MCI currently are not utilizing Internet telephony.

As the Internet telephony market continues to grow, which many industry analysts predict it will, it is an area that the large traditional telephone companies will certainly look to enter, probably through acquisitions. The Company believes that with its ever-growing installed client base, a network of customers, its developing international presence and the software which it has developed, tested and implemented, IPVoice could be viewed as a potentially attractive buyout candidate.

Internet Telephony

Traditional telephone networks give every call a nailed-down circuit. This means that a dedicated circuit must be utilized for the full time that the call is connected. Such circuitry wastes expensive resources because only one person can talk at a time and also because there are breaks in the conversation. In a normal conversation, one person speaks while the other listens, using half of the capacity of the dedicated circuit. At best, a traditional telephone network uses 25% of capacity for each call. This significantly inflates the costs of making telephone calls.

Internet Protocol ("IP") is the most significant of the communication methods on which the Internet (and thus the World Wide Web) is based. It allows a packet of information (voice, video, e-mail, data, images, etc.) to cross multiple networks on its way to its final destination. Thus, instead of having one dedicated circuit for a call, the entire network is shared. The "conversation" (voice, data, images, video, etc.) is split into many small packets and each packet is sent down whichever path is open at that time. Packets are reassembled at the destination. Until recently, packet switching was very slow. New technology can zip packets around networks at lightning speed. Fast packet networks will make voice sound as good (and possibly better) than the circuit-switched voice networks used currently.

Since its inception, the Company's MultiCom system has been installed and run in a carrier-grade switching environment to interact with voice over the Internet applications. It is marketed under the product name of TrueConnect Gateways ("Gateway"). By introducing carrier-grade business management into the marketplace, IPVoice is poised to take advantage of the explosive potential in Internet telephony. IPVoice is in the final stages of developing products which allow companies and individuals to route their phone calls, faxes, and other data across the Internet at substantial cost savings with limited sacrifice of voice transmission quality.

IPVoice has proprietary rights in state-of-the-art software and hardware solutions which it believes will bridge the gap between the telephone and the Internet. The Company's technology includes billing, management network and marketing programs.

The hardware technology to route calls over the Internet (Internet Telephony) has existed since August 1998. It avoids traditional telephone networks, and is faster, more direct and efficient. These factors ultimately result in cheaper call cost than traditional telephone networks.

Competition in the industry has been focused on the software applications necessary to switch an Internet call.

The business of telephone companies is to sell minutes. Blocks of minutes represent the commodity of the industry. The more minutes you can switch through your network switches, the more money you make. Under traditional phone networks, a call from a home to New York City will pass through switches belonging to a local provider near the home, a regional provider, a national provider, a second regional provider and the local provider on the other end. Each provider benefits from the "per minute charge".

Internet Telephony provides the ability to leapfrog the middle men, thereby creating a huge dollar savings to the customer, as well as allowing immediate monitoring of telephone services which were not available prior to the new technology.

The deregulation of the telephone industry which resulted from the Consent Decree and the TC Act allowed independent companies access to the lucrative telephone market. The Company's technology can achieve savings of 30% to 70% over circuit-switched voice for both domestic and international calls.

The potential market for Internet telephony appears to be without limit. Industry analysts have speculated that revenues could grow as much as sixteen-fold from 1993 to the turn of the century and International Data Corporation ("IDC") predicted that the IP Telephony market could be worth \$560 million in 1999 and have a cumulative annual growth rate of over 382%.

Products

The Company's products are being designed at its facilities located in Phoenix, Arizona and Denver, Colorado. Its products are made from company-designed software and company-configured hardware, as well as materials purchased from a few major suppliers. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Sources and Availability of Raw Materials." In the first quarter of 1999, the Company commenced operation of its first Gateway in Hong Kong. Its Gateways now are installed in London, New York and Los Angeles.

The launch of its Gateway product, follows three years of extensive research and development, field-testing and trials of the MultiCom system, which is the business management

software behind the Gateway. The Gateway bridges the public telephone system with the Internet and is able to conduct real-time, full duplex, high quality two-way voice communications over the Internet. It is anticipated that this method will produce substantial savings compared to standard long distance services. The Company currently is completing the development of its next generation of IP Telephony Gateways which it has called SuperConnect. SuperConnect will provide the ability for fax and "softphone" capabilities. "Softphone" is software within a computer that allows the placement of calls without a telephone through the use of a microphone and speaker.

To support its Gateway product, the Company has developed several proprietary products that allow the Company and its distributors to offer a full solution in Internet Telephony. These products include: (i) MultiCom, which offers a complete order entry, billing, customer service, agent management and switching network management system for telecommunication businesses worldwide; and (ii) AuditRite, a software module add-on for the MultiCom system, which allows MultiCom to read and interpret carrier-supplied data-tapes. The AuditRite system provides a powerful tool for analyzing call patterns and finding possible errors in a vendor's billing.

The Company also has developed TrueWeb, a Web-browser interface to MultiCom, which the Company believes will change the way businesses function, when introduced to the world of IP Telephony. TrueWeb is a complete business management system available over the Internet and is scheduled for release in the first half of 2000. In addition, the Company plans to develop PCTruePhone, a software package for softphoning and Click 'N Call, a software package that will allow a business have visitors to its website connect immediately to the business simply by clicking a display button via telephone or PC at no cost to the visitor.

The Company has applied for trademark protection for several of its product names. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Patents, Trademarks and Copyrights."

With the new technology, software applications control everything from routing to billing. Many companies entering the industry have concentrated on software which simply switches the minutes across the network, without any concern as to how they will manage the network, conduct billing and implement feature functionality. The Company's MultiCom, AuditRite, TrueConnect and SuperConnect platforms were designed to handle the expansion of the manageability, billing, design upgrades and service options as future technology develops. The Company protects itself against pirating by randomly changing its source code on its software, up to four times daily.

The company believes that it has a twelve (12) month advance on competing companies. Lucent Technologies Inc. ("Lucent") has begun buying up companies which it will use to develop Internet Telephony capabilities. Through the efforts of its President, Barbara S. Will, a former MCI marketing executive, the Company has established its network and has begun providing newer and better services which it believes can compete even with major players such as Lucent in the field.

IPVC software includes:

Real-Time Billing - Not currently offered by other telephone companies, real-time billing provides a customer with the ability to secure reports on the volume of calls, locations called, exact amount owed and it provides a host of other features.

Full Feature Functionality - IPVC can add services to its software at will, as a customer online or when requested. Traditional phone companies are saddled with huge costs and implementation time, as they update each switch individually across their network. IPVC can update its entire international network from its home base.

Unrivaled Agent Control - A single agent can sit in front of a Gateway terminal and control the entire operation. Moreover, IPVC can directly control the entire network from its main office in the U.S. This has the capability to add and service customers from its home base without the need of onsite installation.

IPVC's software can switch through multiple networks, both Internet and traditional, giving it a universal application. To the best of the Company's knowledge, no other stand-alone switch can do this. The Company's Gateways employ an open system, which means that the Gateways can both send and receive calls from any other telephone carrier in the market. Other telephone companies are limited to receiving calls only.

IPVC's Gateway switches cost a partner from \$55,000 for a domestic installation and \$65,000 for an international installation and up to \$135,000 installed (with volume discounts for multiple units). In addition, cost to the partner can be even less if it installs its unit or units itself. A single, similar traditional switch, with all the attendant hardware and support for services and billing functions, would cost anywhere from \$500,000 to \$5 million.

The MultiCom software allows for the use of prepaid debit card and travel calling card functions which are already built into the system. The software modules have been designed to work seamlessly and efficiently with each other, to provide the most extensive and well thought out approach to the business end of the technology.

Given its technology, IPVC's business plan is simple and flexible. It can set up its own switches, or partner with a local switching business and take a percentage of the minutes. Its Gateways can route calls over the Internet in areas where its network is established, or use traditional phone lines when desired or necessary and the Company can also procure bulk minutes at a lower rate.

Contractual Relationships

In order to manufacture a Gateway, the Company currently relies upon arrangements with Natural Microsystems Corporation ("NMS") and Telic.net.

The arrangement with NMS commenced in February 1998 and is on a purchase order basis. For each shipment ordered under an invoice, the Company is granted a sixty (60) day evaluation period from the date it receives from NMS both hardware and the operating software for the Gateways. After such sixty (60) day period, the Company may purchase the product, or ship it back to NMS with no further obligation.

On November 17, 1999, the Company executed a memorandum of understanding with Telic.net whereby the parties entered a strategic alliance under which Telic.net will provide enhanced services to the Company and the Company will acquire from Telic.net gateways at Telic.net's cost for use by the Company's customers. Although a non-binding agreement, the parties have expressed the wish to maintain the alliance as long as it is beneficial to each of them. The Company maintains the right to purchase hardware elsewhere. In addition, the Company can license certain of Telic.net's software, acquire certain source codes and Telic.net will modify the Company's gateways to accommodate the Company's billing system and call flow. It is intended that Telic.net will provide full network support for the Company thereby advancing the Company's timetable for full integration of its network.

Each of the Company's Gateways operates as a transporter between the incoming carrier (access) and the outgoing termination (egress). The Gateways can be installed in customer locations or under co-location agreements. The Company may construct some of its own locations in the future.

Access/Egress Carriers (Local Providers): Carriers provide IPVC the ability to originate and terminate calls across their traditional telephone networks. In addition, the Company purchases wholesale minutes from them. The Company can acquire such services from a Local Bell Company or from an independent.

In June 1999, the Company entered into an agreement with ICG Telecom Group, Inc. ("ITG") for local exchange service. The term of the contract is a period of three (3) years, although it is terminable by IPVC earlier in the event that ITG raises its prices twenty (20%) above the amounts stated in the contract. In addition, in the event IPVC wishes to purchase telecommunications services from a third party in ITG's areas of service, IPVC must first offer to purchase like services from ITG.

In July 1999, the Company entered into an agreement with RSL Com U.S.A., Inc. ("RSL") for the purchase of wholesale long distance minutes for domestic and international calls. The term is for a period of twelve (12) months and may be terminated by either party upon thirty (30) days written notice. The Company is required to purchase a minimum of 100,000 minutes per month.

In August 1999, the Company entered into an agreement with Star Telecommunications, Inc. for telephone communications between its locations in New York and Los Angeles and the outbound to termination points around the world. The initial term is for six (6) months and it is automatically renewable on a month to month basis.

In August 1999, the Company entered into an agreement with ILD Communications, Inc. ("ILD") for switching services and long distance wholesale minutes. The agreement is for a term of one (1) year and is automatically renewable.

Internet (Bandwidth): Internet bandwidth provides the Company with the ability to transmit and receive information utilizing IP technology.

In June 1999, the Company entered into an agreement with Level 3 Communications, LLC ("Level 3") for wholesale bandwidths. The contract is for no defined period of time and the terms of each order are governed by both a separate Customer Order Form which is filled out for each individual order as well as by the original agreement signed in June 1999.

In August, 1999, the Company entered into an agreement with MCI WorldCom Technologies, Inc. for use of its UUNET network for wholesale bandwidths. The contract is for a term of three (3) years. In December 1999, the Company entered into an agreement with UUNET to provide hosting for the Company's website and e-mail facilities. The Company is billed monthly for these services and this arrangement replaces the one previously established on behalf of the Company by INS.

Gateway Locations.

The Company has entered into a series of agreements for customer locations of its Gateways.

In March 1999, the Company entered into a TruePartner Agreement with Teleco Service International, Inc. ("Teleco"), wherein the Company granted Teleco the exclusive to market, advertise and sell the Company's products and services in China, Nicaragua, El Salvador, Guatemala, Honduras and Panama. Teleco and IPVC will share all revenues resulting from the proceeds of sales in the Teleco territory. The term of the agreement is for a period of two (2) years. Due to non-performance, Teleco lost the rights to China and Panama.

In March 1999, the Company entered into a TruePartner Agreement with Billion Telecommunication Services, Ltd. ("Billion"), wherein the Company granted Billion the exclusive right to market, advertise and sell the Company's products and services in Hong Kong and Taiwan. As payment for these services, IPVC must pay Billion commissions on all sales of the Company's products and services. The term of the agreement is for a period of three (3) years. Under the agreement, Billion can acquire the rights to China as well. The first Gateway was delivered to Billion and is in the demonstration stage.

In May 1999, the Company entered into an agreement with FirstNet Telephony Ltd. ("FirstNet"), wherein the Company granted FirstNet the exclusive right to market, advertise and sell the Company's products and services in London and Manchester, with a right of first refusal in the remainder of the United Kingdom. As consideration for these services by FirstNet to the

Company, FirstNet is entitled to purchase Company products and services at a wholesale rate. The term of the agreement is for a period of two (2) years. The FirstNet Gateway was delivered in October 1999 and this installation currently is completed.

In July 1999, the Company entered into an agreement with MetroPlus Communication Technology, Inc. ("MetroPlus"), wherein the Company granted MetroPlus the exclusive right to market, advertise and sell the Company's products and services in certain cities in Canada, Washington and Oregon. As consideration for these services by MetroPlus to the Company, MetroPlus is entitled to purchase Company products and service at a wholesale rate. The term of the agreement is for a period of three (3) years. No date has been scheduled for this installation.

IPVC is retaining the rights for New York and Los Angeles, where it has installed two (2) Gateways in each city. These sites are to be used as demonstration sites for sale of the Company's network. In January 2000, the Company entered into a three (3) year equipment lease with IIP. IIP purchased three (3) Gateways from Telic.net for installation in New York and Los Angeles. The Company pays \$3,342.26 per month under the lease. The Company has an option to renew the lease for an addition term on similar terms and conditions and has the option to purchase the equipment at the end of the initial term for \$66,946.77 or at any time during the lease for \$66,946.77 plus all outstanding lease payments. IIP provides financial and consulting services for the Company and has purchased a number of the Company's shares under warrants granted as part of its consulting agreement. The Company believes that the lease arrangement with IIP is at least as favorable as it could have secured from an outside third party in an arms length transaction.

The Company previously had entered one agreement for co-location of its Gateways.

In February 1999, the Company entered into an agreement with BluegrassNet ("Bluegrass"), wherein the Company located one of its Gateways. The agreement was for a term of one (1) year. The Company paid \$250 per month for each server at the location. This site is no longer operational and was used for research and development purposes.

The Company secures Gateway sales and sales of other products and services, as well as assistance in the acquisition of wholesale minutes, co-locations and carriers through a series of agency agreements.

In July 1998, the Company entered into an agreement with Armstrong wherein the Company granted Armstrong the non-exclusive right to market, advertise and sell the Company's domestic and international calling services. As payment for these services, IPVC issued Armstrong warrants to purchase 50,000 shares of the Company's Common Stock exercisable at a price of \$0.75 per share or, at the option of IPVC, for a total sum of \$37,500 as well as commissions on sales of the Company's products and services. The term of the agreement is for a period of three (3) years. See Part III, Item 12. "Certain Relationships and Related Transactions".

In February 1999, the Company entered into an agreement with IIP wherein the Company granted IIP the non-exclusive right to market, advertise and sell the Company's domestic and international calling services. As payment for these services, IPVC must pay IIP commissions on sales of the Company's products and services. The term of the agreement is for a period of three (3) years.

In March 1999, the Company entered into an agreement with Kenneth M. Brown ("Brown"), wherein the Company granted Brown the non-exclusive right to market, advertise and sell the Company's domestic and international calling services. As payment for these services, IPVC must pay Brown commissions on sales of the Company's products and services. The term of the agreement is for a period of three (3) years.

In April, 1999, the Company entered into a marketing and advertising agreement with NG to provide marketing services to a minimum of 75,000 customers in thirty (30) cities designated by IPVC within a twelve (12) month period in exchange for 100,000 shares of the restricted Common Stock of the Company valued at \$103,100, which shares must be returned if NG fails to deliver a minimum of eight (8) cities each for a total of 75,000 customers before December 31, 1999. In addition, NG may earn performance bonuses of: 50,000 restricted shares if eight (8) cities are delivered within ninety (90) days of execution; 50,000 restricted shares if fifteen (15) cities are delivered within one hundred fifty (150) days; and 10,000 restricted shares for each additional city thereafter before December 31, 1999 up to 30 cities. Further, NG will be granted warrants to purchase 30,000 shares of the Company's restricted Common Stock exercisable for a period of two (2) years at an exercise price of \$2.50 per share for every block of 5,000 pre-registered customers up to 75,000 pre-registered customers in a twelve (12) month period. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 14-4-126(F) of the Arizona Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1999, the Company entered into a marketing agreement with Benac to market the Company's telephony services and to register a minimum of one hundred (100) customers in the thirty (30) cities in which IPVC plans to offer telephony services within twelve (12) months in exchange for 200,000 shares of the unrestricted Common Stock of the Company valued at \$206,200. The shares are to be returned to the Company if the minimum is not met. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 90.530(11) of the Nevada Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

Planned Additional Services

In addition to the sale of the Gateways and the licensing of its software, the Company plans to derive its revenues from the sale of the following pre-paid services:

- flat-rate calling plans
- wholesale long distance services for other international carriers

- prepaid long distance calling card services
- corporate long distance, fax and data networking services
- e-commerce communications services for businesses selling products and services over the Internet
- other telecommunications applications and services

Flat-Rate Calling Plans

The Company is in the process of establishing a flat-rate calling plan option to be marketed under the name Flat25 which will allow unlimited calling between cities in which the Company's Gateways are installed for a single rate per month of \$25.

In addition, the Company has designed a pre-paid, flat-rate long distance plan for calls originating from any of its Gateways to be marketed under the name Flat5 which will allow calls from the Gateway to anywhere in the mainland United States and Canada for \$.05 per minute. The customer will receive a number to access the nearest Company Gateway. There will be a one time registration fee of \$25 and the customer may elect from three monthly pre-payment plans.

Further, the Company has designed a pre-paid flat-rate long distance plan for calls originating from any of its Gateways to be marketed under the name 4+4 which will allow calls from the Gateway to anywhere in the mainland United States and Canada for \$.04 per minute plus calls to up to four (4) international countries at a 10% discounted rate. The customer will receive a number to access the nearest Company Gateway. There will be a one time registration fee of \$25 and the customer may elect from three monthly pre-payment plans.

Wholesale Long Distance Services

The Company plans to market its Internet telephony services to other international long distance carriers and wholesale customers which have a need for large blocks of long distance telephone time between selected locations. Although margins at the wholesale level are lower than retail margins, the sale of blocks of long distance time to other carriers will enable the Company to generate revenues with only a limited number of gateways installed. The Company is in the process of pre-marketing its services and has identified several potential wholesale sellers of block minutes.

Prepaid Calling Cards

The Company plans to market prepaid calling cards to persons traveling to destinations such as Mexico, Central, and South America, Asia, Europe and other countries where long distance telephone calls are substantially more expensive than domestic long distance telephone calls. In September 1999, the Company shipped cards for which it received \$50,000 in revenue and has received a total of \$261,279 in revenues through December 31, 1999. Based upon

expressions of interest by the current buyer and others, the Company believes that this market can produce between \$10,000 and \$50,000 per month in revenues.

A typical long distance telephone call from Mexico to Vancouver, British Columbia, made from a public payphone in Mexico can cost more than \$2.00 per minute, and frequently surcharges are levied by third party credit card call processing companies located outside of Mexico. However, due to competition in North America, rates for calls from North America to Central and South America are significantly less expensive than calls made from this area to North America.

The pre-paid calling cards will be sold through travel agents, tourist agencies, airline ticketing offices, tourist agencies, tour companies, car rental agencies and hotel personnel in denominations of \$10, \$20, \$30 and \$50 and an automated voice response system is planned to enable card holders to add time to their calling cards by charging their credit card while on the phone.

The Company's calling card will provide instructions for the use of the Company's system. To place a long distance call to North America, the cardholder dials a local access number (or an 800 number if an originating gateway does not exist in the local calling area) and is then prompted to dial the destination number as well as the cardholder's calling card number. The call is then routed to the nearest originating gateway. After reaching the originating gateway the call is transmitted over the Company's network to a terminating gateway or the least cost route to the destination number. Once the call reaches the terminating gateway the call is then switched to the local telephone network and is routed to the destination number.

Travelers making long distance calls from a local calling areas which do not have originating gateways will nevertheless be able to use the Company's calling cards. However, the Company's operating margin will be less since these calls must be routed via an 800 number to a distant originating gateway.

By establishing gateways in North America and select foreign countries, the Company believes it can service a large and identifiable market of travelers with cost-effective prepaid calling cards to use in placing calls to North America.

Corporate Services

The Company also plans to market its services on a selective basis to small-to-mid sized corporate customers who need a cost-effective means of combining long distance voice, fax and video communications between their international offices. The Company plans to begin marketing its corporate Internet Telephony services to medium sized US and Canadian corporations who operate branch offices or subsidiaries in the foreign countries in which the Company operates its Gateways.

E- Commerce Services

The Company's software also will support "web-to-phone" and "call-me" services.

"Click 'N Call" connections enable the users of multimedia PCs to establish a voice conversation with the owner of the website or their designated customer service representative. The Company will introduce this new capability to website owners and developers in those markets in which the Company has gateways and demand for e-commerce services is increasing. The Company believes that this service will contribute to the development of sales made through the Internet. "Click 'N Call" provides new capabilities for customers to speak directly with sales people and reservation agents while they are online and reviewing the content of a particular website. "Click 'N Call" personalizes the experience of shopping over the Internet and provides a new level of customer service.

PCTruePhone is the Company's planned software for softphoning. This software will allow users to place telephone calls to any telephone in the world using their computer and a connection to the Internet.

In addition to developing and marketing these communications applications, the Company will also evaluate investing in or acquiring companies engaged in the development of innovative IP software and network applications.

Business Strategy

The Company intends to attempt to corner the market with its products since many are the first of their kind and competitors will be required to spend years in research to develop similar products. IPVC's technology is capable of transforming competitors into customers, as IPVC's billing and management software can communicate with other platforms due to its own open platform design. Current competitors lack a critical component to their solutions: effective data management and billing. IPVC is capable of providing the following unique features:

1. IP Telephony solutions and a mature, real-time billing system for ease of use, affordability and quality.
2. Real-time remote access and manageability of information.
3. IP telephony technology, Internet remote-access technology and a comprehensive order-entry and invoicing system which can instantly address and secure new marketplaces and opportunities.

The Company has targeted international markets and supports its sales efforts by participating in trade shows targeting the telecommunication industry and large businesses. The

Company also utilizes professional articles, peer-reviewed studies, direct calls and a comprehensive marketing campaign in its sales.

The Company has already executed TruePartner agreements for Gateway installations in the following locations:

Billion: Hong Kong and Taiwan (China was originally granted to Telecom, but Billion now has the option to for it). The Billion Gateway is operational and in the demonstration stage.

FirstNet: London and Manchester, England. This Gateway was shipped and installed and is currently operational.

MetroPlus: certain major Canadian cities, Oregon and Washington. This Gateway has not been scheduled for shipment.

IPVC is retaining the rights for New York and Los Angeles, where it has installed two (2) Gateways in each city. These sites are to be used as demonstration sites for sale of the Company's network.

In addition, the Company has entered into a series of agency agreements for the sale of its Gateways and other products and for assistance in the acquisition of wholesale minutes, co-locations and carriers. The Company intends to seek associations with professional agents who will help promote their products and services.

Marketing and Distribution

Marketing

According to industry sources, the global telecommunications market could generate revenues in excess of \$250 billion annually. According to IDC, international switched telecommunications traffic grew from 28 billion minutes of use in 1989 to \$1.8 billion minutes in 1997 and is projected to reach between approximately 128.7 and 138.5 billion minutes by 2001. Also according to IDC, in the United States, residential long distance calls represent a \$67 billion dollar market. In its infancy today, the IP telephony services market is estimated to increase to \$1.8 billion by the year 2001. Due to deregulation, competition has reduced rates for both business and residential calls placed within North America. However this is not the case for international calls to certain countries where higher per minute rates are common. The international telecommunications industry is growing rapidly due to:

- deregulation
- privatization
- expansion of telecommunications infrastructure
- technological improvements

- globalization of the world's economies; and
- free trade

In addition to the growth in the telecommunications industry, significant improvements have occurred in the compression and transmission of voice over the Internet over the last several years. The quality of service of Internet Telephony is now capable of being equivalent to that of a digital cellular phone or a quality analog cell phone connection. Internet Telephony technology is evolving continuously and it is expected that further improvements will allow it to rival conventional telephony networks. The Gateway equipment being deployed by the Company utilizes the newest digital signal processing and error correction technologies for improved voice sampling and compression and reduced latency. Latency is the time spent waiting for a signal to travel from one Gateway to another and it is affected network conditions between the Gateways as well as the processing time required to create the signal for transmission. These technologies enable the Company to provide high quality, commercial voice services with carrier class reliability (99.999% availability of service). Carrier class reliability is determined by how often the system is operational. It is the Company's goal to have at least the same if not better reliability as those systems commonly used by the large telecommunications companies such as AT&T and MCI.

The Company plans to market its products and services using four methods. The first of those methods is to rely upon its agreements for marketing in the agent direct True Partner Master Distributorship program, such as the agreements it has with NG, Armstrong, IIP and Brown. There can be no assurances that the current agreements will continue, that the efforts of such parties will be successful or that the Company will be able to develop additional agreements in the future. The second method of marketing the Company's products and services is through outside telemarketing agencies. These firms are paid on a commission only basis. The Company has not engaged any such firm to date and there can be no assurance that they will engage one, or that if engaged, that such firm would be successful. The third method of marketing the Company's products and services utilizes its own sales force. The Company's sales effort currently is headed by Ms. Will who has extensive experience in the telecommunications business. There can be no assurance that these endeavors will be successful. The fourth method of marketing the Company's products and services utilizes the Internet. The Company currently markets and distributes its products and services through the Internet utilizing its IPVoice.com web page. There can be no assurances that such web page will generate sufficient interest as a marketing tool.

The Company believes these four marketing methods will be adequate to sustain the Company now and for the foreseeable future.

Distribution

The Company distributes its products through agreements for its Gateway locations with Teleco, Billion, FirstNet and MetroPlus and through agency agreements with Armstrong, IIP, Brown, NG and Benae. The Company also believes that its strategic alliance with Telnet will

enhance the market potential for its products. See Part I, Item 1. "Description of Business - (b) Business of Issuer - Internet Telephony - Contractual Relationships."

The Company intends to seek other professional agents who wish to promote its products.

Status of Publicly Announced New Products and Services

TrueConnect Gateways are the Company's in-house-produced telephony gateways for the delivery of IP Telephony services. This system is based on Natural MicroSystems hardware and is controlled by the Company's in-house developed software that controls the hardware as well as interfaces to MultiCom. TrueConnect Gateways are being deployed now. Enhancements are made on an "as needed" basis. The Company is completely development of its next generation of Gateway designated SuperConnect.

MultiCom is a complete telecommunications and network management system addressing every aspect of operating and managing a telecommunications network and operations which provides a complete "backoffice" solution. MultiCom provides a low barrier of entry for partners and alliances of the Company as it does not require special computers for access. The Company, as well as its partners, can access MultiCom and manage their business operations from any location at any time of day. The MultiCom Data Management platform is fully functional and complete. Enhancements are made on an "as needed" basis.

AuditRite is a software module add-in for MultiCom that allows MultiCom to read and interpret carrier-supplied data-tapes. AuditRite provides a tool for analyzing call patterns and finding possible errors in a vendor's billing. AuditRite system is fully active.

TrueWeb is a soon-to-be-released web-browser interface to MultiCom. Included within the functions of this interface is its ability to display and interact with the user in his or her native language, including the native alphabet. The Company believes the TrueWeb multi-lingual capability to be unique to the Company. TrueWeb is currently in alpha production. The Company expects to release the initial version by the second quarter 2000.

PCTruePhone and **Click 'N Call** are in development. The Company expects to release the initial versions in the third or fourth quarter of 2000.

Competition

Two significant barriers to entry in the traditional long distance telephone market are size (minimum efficient scale of operations) and regulatory constraints which preclude smaller companies from gaining significant market share. Internet telephony effectively eliminates or reduces these barriers since it is presently unregulated and enjoys economies of scope and scale by using the Internet and private IP networks as a common voice video and data network. Internet telephony will decrease barriers to entry and increase competition in the long distance

industry.

The Company believes that its ability to compete in the Internet Telephony Industry successfully will depend upon a number of factors, including the pricing policies of competitors and suppliers; the capacity, reliability, availability and security of the Internet telephony infrastructure; marketing; the timing of introductions of new products and services into the industry; the Company's ability to support existing and emerging industry standards; the Company's ability to balance network demand with the fixed expenses associated with network capacity; and industry and general economic trends.

The market for telecommunications services is extremely competitive and there are a growing number of competitors in the Internet Telephony Industry. There are many companies that offer business communications services and which will compete with the Company at some level. These include large telecommunications companies and carriers such as AT&T, MCI, and Sprint; smaller, regional resellers of telephone line access; and other existing Internet telephony companies. These companies, as well as others, including manufacturers of hardware and software used in the business communications industry such as Lucent, could in the future develop products and services that could compete with those of the Company on a direct basis. Many of these entities have far greater financial and organizational resources than the Company and control significant market share in their respective industry segments. There is no assurance that the Company will be able to successfully compete in the Internet telephony Industry.

Certain large public telephone companies are positioning themselves to enter the Internet telephony market to protect their dominant domestic market from competition. Many of these companies are testing existing Internet telephony gateway technology which at the present time has limited call volume capabilities. A number of companies are waiting for gateway manufacturers to introduce advanced gateways that will be able to handle larger call volumes and provide better quality and service.

In North America considerable discounting has been experienced in recent years as competition has increased. While in many countries outside of North America local telephone companies have begun offering discounts to very large business and government customers with high call volumes, there are few discounts available for individuals or small and medium sized companies. It is expected that competition in the United States will be led by carriers providing low cost but high quality Internet telephony services at rates of \$0.05 to \$0.09 per minute. Smaller Internet service providers and new carriers are expected to focus primarily on international or niche markets.

International markets are attractive to smaller carriers and new entrants while large carriers are still evaluating the technology and marketplace and contending with competition and deregulation in their domestic markets. With international long distance rates in many countries costing well in excess of \$0.50 per minute, the Company believes that it can earn attractive gross profit margins while offering service at substantial discounts to currently available long distance

rates.

Although the Company anticipates that its primary competitors will be other Internet telephony companies which offer phone-to-phone services, none have as of yet addressed the international market which the Company plans to continue to pursue with Gateway installations and its pre-paid calling cards, nor has any competitor introduced a full billing system or an integrated product offering containing corporate and e-commerce communications services.

Sources and Availability of Raw Materials

IPVoice products are made from company-designed software and company-configured hardware as well as materials purchased from a few major suppliers. They include the following:

In February 1998, the Company entered into an agreement with NMS. Under the terms of the contract, the Company acquires both hardware and software for its Gateways. With regard to both hardware and software, the Company takes advantage of free shipping and a no-risk sixty (60) day trial period, after which the Company may purchase the product, or ship it back to NMS with no further obligation.

On November 17, 1999, the Company executed a memorandum of understanding with Telic.net whereby the parties entered a strategic alliance under which Telic.net will provide enhanced services to the Company and the Company will acquire from Telic.net gateways at Telic.net's cost for use by the Company's customers. Although a non-binding agreement, the parties have expressed the wish to maintain the alliance as long as it is beneficial to each of them. The Company maintains the right to purchase hardware elsewhere. In addition, the Company can license certain of Telic.net's software, acquire certain source codes and Telic.net will modify the Company's gateways to accommodate the Company's billing system and call flow. It is intended that Telic.net will provide full network support for the Company thereby advancing the Company's timetable for full integration of its network.

Dependence on Major Customers

In March 1999, the Company entered into an agreement with Teleco for installation of Gateways in China, Nicaragua, El Salvador, Guatemala, Honduras and Panama. Teleco lost the rights to China and Panama due to non-performance.

In March 1999, the Company entered into an agreement with Billion for the installation of a Gateway in Hong Kong. This unit is installed and in the demonstration stage.

In May 1999, the Company entered into an agreement with FirstNet, wherein the Company granted FirstNet the exclusive right to market, advertise and sell the Company's products and services in London and Manchester, with a right of first refusal in the remainder of the United Kingdom. This installation was completed in October 1999 and currently is

operational.

In July 1999, the Company entered into an agreement with MetroPlus, wherein the Company granted MetroPlus the exclusive right to market, advertise and sell the Company's products and services in certain cities in Canada, Washington and Oregon. The installation date has not been scheduled.

Patents, Trademarks and Copyrights

The Company neither holds nor has applied for any patents.

On August 18, 1998, the Company filed for service mark protection with the United States Patent and Trademark Office ("USPTO") for IPVoice, MultiCom, AuditRite, 4Com, ICB Connect, TrueConnect and IPJack Design.

In March 30, 1999, the USPTO issued Office Actions on MultiCom, 4Com and TrueConnect, finding that MultiCom could be confused with an existing trademark; finding that 4Com's identification of goods was unacceptable as indefinite; and finding that TrueConnect could be confused with an existing trademark. The Company's trademark attorney filed responses to each of these.

On April 7 and 8, 1999, the USPTO issued Office Actions on AuditRite, TruePartner and ICB Connect finding that AuditRite's identification of goods was unacceptable as indefinite finding that TruePartner could be confused with an existing trademark; and finding that ICB Connect's identification of goods was unacceptable as indefinite. The Company's trademark attorney has been authorized to file responses to each of these. Responses for AuditRite and TruePartner were filed October 7, 1999 and a response for ICB Connect was filed October 8, 1999.

On April 23, 1999, the USPTO issued Office Actions on IPVOICE stylized and design finding that IPVOICE design's recitation of services was unacceptable as indefinite; and finding that IPVOICE stylized was an inappropriate mark since it merely describes the applicant's services. The response was due October 14, 1999. As to the response filed on the IPVOICE stylized and design finding, on December 6, 1999, the USPTO notified the Company that it did not find the response acceptable and required the Company to amend its filing. A response is due by June 6, 2000. As to the response filed on the IPVOICE stylized, the USPTO has advised the Company that it is maintaining its position that the mark is inappropriate since it merely describes the applicant's services.

On September 4, 1998, the Company filed for service mark protection with the USPTO for IPJack. On June 7, 1999, the USPTO issued an Office Action on IPJACK finding the drawing unacceptable because the mark is not typed entirely in capital letters. The Company's trademark attorney filed a response on December 7, 1999.

On October 16, 1998, the Company filed for service mark protection with the USPTO for COMMUNICATIONS OUT OF THE BOX and COMMUNICATIONS OUT OF THE BOX stylized. On April 30, 1999, the USPTO issued an Office Action finding the mark unacceptable as indefinite. A response was filed on November 1, 1999.

The Company is in the process of filing for service mark protection with the USPTO for IPVOICE.NET, IPVOICE.COM and FLAT25.

As to IPVOICE.NET, on November 8, 1999, the USPTO issued an Office Action finding the proposed mark was merely a descriptive term combined with an address. A response is due by May 8, 2000.

As to IPVOICE.COM, on November 8, 1999, the USPTO issued an Office Action refusing the filing stating that the specimen did not show the proposed mark. A response is due by May 8, 2000.

As to FLAT25, on November 8, 1999, the USPTO issued an Office Action stating that the Company must amend to specify the common commercial name or indicate the nature of the service. A response is due by May 8, 2000.

Government Regulation

Federal

The Company has a current license with the FCC. The Company uses the Internet for transmission of long distance telephone calls. Presently, the FCC does not regulate companies that provide Internet Telephony services as common carriers or telecommunications service providers. Notwithstanding the current state of the rules, the FCC's potential jurisdiction over the Internet is broad because the Internet relies on wire and radio communications facilities and services over which these regulatory authorities have long-standing authority.

In Canada, the Canadian Radio-Television and Telecommunication Commission ("CRTC") determined in 1998 that Internet Telephony services providers must pay local contribution charges for calls terminating on local telephone networks, while those calls that originate and terminate on computers are not subject to these charges. The possibility exists that regulatory authorities may one day make a determination to apply international call termination fees or otherwise tariff Internet telephony.

The Company also will be required to comply with the regulations regarding the operation of its business in several foreign jurisdictions and will be subject to compliance with the requirements of the authorities of these locales regarding the establishment and operation of its business.

Access charges are assessed by local telephone companies to long distance companies for the use of the local telephone network to originate and terminate long distance calls generally on a per minute basis. Access charges have long been a source of dispute; with long distance companies arguing that the access rates are substantially in excess of cost and local telephone companies arguing that access rates are needed to subsidize lower local rates for end user and other purposes. The FCC currently is considering whether subscriber calls to Internet service providers should be classified as "local" or "interstate" calls. Although the FCC to date has determined that Internet service providers should not be required to pay interstate access charges to local telephone companies, this decision may be reconsidered in the future if the FCC finds these calls to be "interstate." The Company's costs for doing business would increase if the Company were required to pay interstate access charges.

State

The Company is subject to varying levels of regulation in the states in which it currently anticipates providing intrastate telecommunications services. The vast majority of the states require the Company to apply for certification to provide intrastate telecommunications services, or at least to register or to be found exempt from regulation, before commencing intrastate service. The vast majority of states also require the Company to file and maintain detailed tariffs listing its rates for intrastate service.

Many states also impose various reporting requirements and/or require prior approval for transfers of control of certified carriers, corporate reorganizations, acquisitions of telecommunications operations, assignments of carrier assets, including subscriber bases, carrier stock offerings and incurrence by carriers of significant debt obligations. Certificates of authority can generally be conditioned, modified, canceled, terminated or revoked by state regulatory authorities for failure to comply with state law and the rules, regulations and policies of the state regulatory authorities. Fines and other penalties, including the return of all monies received for intrastate traffic from residents of a state, may be imposed for such violations. In certain states, prior regulatory approval may be required for acquisitions of telecommunications operations.

As the Company expands its efforts to resell long distance services, the Company will have to remain attentive to relevant federal and state regulations. FCC rules prohibit switching a customer from one long distance carrier to another without the customer's consent and specify how that consent can be obtained. Most states have consumer protection laws that further define the framework within which the Company's marketing activities must be conducted. The Company intends to comply fully with all laws and regulations, and the constraints of federal and state restrictions could impact the success of direct marketing efforts.

The Company is not currently subject to any State regulation with respect to its Internet related services. However, there can be no assurances that the Company will not be subject to such regulations in the future. Additionally, the Company is not aware of any pending legislation that would have a material adverse effect on the Company's operations.

Effect of Existing or Probable Governmental Regulation on the Business

As the Company's services are available over the Internet in multiple states and foreign countries, these jurisdictions may claim that the Company is required to qualify to do business as a foreign corporation in each such state and foreign country. New legislation or the application of laws and regulations from jurisdictions in this area could have a detrimental effect upon the Company's business.

In a report to Congress, the FCC has stated its intention to consider whether to regulate voice and fax telephony services provided over the Internet as "telecommunications" even though Internet access itself would not be regulated. The FCC is also considering whether such Internet-based telephone service should be subject to universal service support obligations, or pay earlier access charges on the same basis as traditional telecommunications companies.

A governmental body could impose sales and other taxes on the provision of the Company's services, which could increase the costs of doing business. A number of state and local government officials have asserted the right or indicated a willingness to impose taxes on Internet-related services and commerce, including sales, use and access taxes; however, no such laws have become effective to date. The Company cannot accurately predict whether the imposition of any such taxes would materially increase its costs of doing business or limit the services which it provides, since it may be possible to pass on some of these costs to the consumer and continue to remain competitive.

If, as the law in this area develops, the Company becomes liable for information carried on, stored on, or disseminated through its Gateways, it may be necessary for the Company to take steps to reduce its exposure to this type of liability through alterations in its equipment, insurance or other methods. This may require the Company to spend significant amounts of money for new equipment or premiums and may also require it to discontinue offering certain of its products or services.

Due to the increasing popularity and use of the Internet, it is possible that additional laws and regulations may be adopted with respect to the Internet, covering issues such as content, privacy, access to adult content by minors, pricing, bulk e-mail (spam), encryption standards, consumer protection, electronic commerce, taxation, copyright infringement and other intellectual property issues. IPVC cannot predict the impact, if any, that future regulatory changes or developments may have on the Company's business, financial condition, or results of operation. Changes in the regulatory environment relating to the Internet access industry, including regulatory changes that directly or indirectly affect telecommunication costs or increase the likelihood or scope of competition from regional telephone companies or others, could increase the Company's operating costs, limit its ability to offer services and reduce the demand for its services.

Local telephone companies assess access charges to long distance companies for the use of the local telephone network to originate and terminate long distance calls, generally on a per-minute basis. Access charges have been a matter of continuing dispute, with long distance companies complaining that the rates are substantially in excess of cost, and local telephone companies arguing that access rates are justified to subsidize lower local rates for end users and other purposes. Both local and long distance companies, however, contend that Internet-based telephony should be subject to these charges. Since the Company has current plans to install its Gateways and to offer telephony, it would be directly affected by these developments. However, IPVC cannot predict whether these debates will cause the FCC to reconsider its current policy of not regulating Internet service providers.

Cost of Research and Development

All research and development was completed prior to the formation of IPVCDE and its acquisition by the Company. However, the Company paid a third party for additional testing in fiscal 1999 at a cost of \$97,403.

At the current time, there are no costs associated with research and development, and accordingly, none will be borne directly or indirectly by the customer; however there is no guarantee that such costs will not be borne by customers in the future and, at the current time, the Company does not know the extent to which such costs will be borne by the customer, if at all.

Cost and Effects of Compliance with Environmental Laws

The Company's business is not subject to regulation under the state and Federal laws regarding environmental protection and hazardous substances control, including the Occupational Safety and Health Act, the Environmental Protection Act, and Toxic Substance Control Act. The Company is unaware of any bills currently pending in Congress which could change the application of such laws so that they would affect the Company.

Employees and Consultants

At December 31, 1999, the Company employed seven (7) persons all of whom are employed on a full-time basis. None of these employees are represented by a labor union for purposes of collective bargaining. The Company considers its relations with its employees to be excellent.

The Company has employment agreements with Barbara Will, Anthony Welch, and Harry Bowman, who respectively act as the President, Senior Vice President, and Executive Vice President. Ms. Will and Mr. Welch have agreed effective September 1999 voluntarily to reduce

each of the salaries to \$90,000 per year. Both of these agreed reductions shall continue until the Company is profitable and there are no accruals of any unpaid amounts under their respective contracts. Further, neither of these parties has any expectations regarding the amount foregone at any future date. The Company previously had an employment agreement with Peter Stazzone when he was acting as the Secretary/Treasurer of the Company. When the Board voted to unwind the IBC acquisition ab initio, it rescinded the issuances under the acquisition and employment agreement and terminated Mr. Stazzone's employment. Mr. Stazzone has instituted suit against the Company. See Part I, Item 3. "Legal Proceedings"; and Part III, Item 10. "Executive Compensation - Employee Contracts and Agreements."

In November 1997, prior to its acquisition by the Company, IPVCDE entered into a consulting agreement with Condor, whereby Condor agreed to provide certain sales, marketing and public relations services in exchange for 600,000 shares of IPVCDE's unrestricted Common Stock to be issued upon listing of IPVCDE's stock on the OTC Bulletin Board. Such shares were never issued and the agreement was amended in July 1998 deleting the issuance of such shares. The consulting agreement was modified in July 1998 to revoke all interest in the shares. The term of the Agreement was for a period of six (6) years and is still in effect. James K. Howson, the Company's Chairman and CEO, serves as the Chairman and CEO of Condor and he is the beneficial owner of Condor. Effective September 1999, Condor agreed to reduce its consulting fees to \$90,000 per year. This agreed reduction will shall continue until the Company is profitable and there are no accruals of any unpaid amounts under the Condor contract. Further, none Condor has no expectations regarding the amount foregone at any future date. See Part III, Item 11. "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In March 1998, the Company's predecessor, Nova, entered into a share exchange agreement with IPVCDE and its shareholders whereby Nova issued 9,000,000 shares of its restricted Common Stock valued at \$9,000 to IPVCDE's shareholders for all of the outstanding capital stock of IPVCDE, which then became a wholly-owned subsidiary of Nova. In connection with the agreement, the Company entered into employment agreements with Barbara Will, its current Director, Chief Operating Officer and President and with Anthony Welch, designer of the Company's proprietary software, who currently serves as the Senior Vice-President of Research and Development. As part of the exchange, Ms. Will, Mr. Welch and Condor each received 1,000,000 shares of the Company's restricted common stock. Mr. Howson, the Company's Chairman and Chief Executive Officer, is the beneficial owner of Condor. For such offering, the Company relied upon Section 4(2) of the Act, Rule 506, Section 11-51-308(1)(j) of the Colorado Code, Section 7309(b)(9) of the Delaware Code and Section 90.530(17) of the Nevada code. The Company relied on no state exemption for the issuance to Condor, which is a Bahamian corporation. See Part III, Item 10. "Executive Compensation - Employee Contracts and Agreements"; Part III, Item 11. "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In July 1998, the Company entered into a consulting agreement with Calpe, to provide

public relations consulting services valued at \$85,000 to the Company in exchange for 850,000 shares of the Company's unrestricted Common Stock, of which 200,000 shares were given to ICG pursuant to its consulting contract (as more fully described herein) and 23,000 shares were given to CI pursuant to its consulting contract (as more fully described herein). In consideration of its \$85,000, Calpe agreed to forego commissions equal to \$62,700 from IPVC product sales. The term of the Agreement was for a period of three (3) years and is still in effect. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. No state exemption was necessary for the Calpe shares, as Calpe is a Bahamian corporation. However, the Company relied upon Section 10-5-9(13) of the Georgia Code for the ICG shares and Section 14-4-140 of the Arizona Code for the CI shares. See Part III, Item 12. "Certain Relationships and Related Transactions".

In July, 1998, the Company entered into a consulting agreement with ICG to provide financial public relations and direct marketing advertising and consulting services to the Company. For such services, the Company agreed to pay ICG \$75,000 over the term of the Agreement and to issue 200,000 shares of the unrestricted Common Stock of the Company, and to grant warrants to purchase 100,000 shares of the restricted Common Stock of the Company exercisable for a period of two (2) years at an exercise price of \$2.00 per share. Such warrants have piggy-back registration rights. Such issuance of shares were valued at \$20,000, while the warrants were valued at \$0. IPVC has a right of first refusal to buy back any shares proposed to be sold by ICG to any third party. Of the 850,000 shares of its unrestricted Common Stock issued to Calpe, 200,000 shares were given to ICG pursuant to its contract. The contract term was for a period of six (6) months and has since terminated. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. The Company relied upon Section 10-5-9(13) of the Georgia Code for the issuance of ICG shares. See Part III, Item 12. "Certain Relationships and Related Transactions".

In July 1998, the Company entered into a consulting agreement with CI to provide public and investor relations consulting services to the Company in exchange for 23,000 shares of the Company's unrestricted Common Stock. The Agreement was for a term of three (3) months and terminated automatically in November 1998. Of the 850,000 shares of its unrestricted Common Stock issued to Calpe, 23,000 shares were given to CI pursuant to its contract. The Company relied upon Section 3(b) of the Act and Rule 504. The Company relied upon Section 14-4-140 of the Arizona Code for the issuance of CI shares. See Part III, Item 12. "Certain Relationships and Related Transactions".

In September 1998, the Company entered into a consulting agreement for a term of six (6) months with First Capital, to provide financial consulting services to the Company. In the event that First Capital was successful in securing debt or equity financing for the Company, First Capital would be granted warrants to purchase 125,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. Such warrants would have piggy-back registration rights. See Part III, Item 12. "Certain Relationships and Related Transactions".

In October 1998, the Company entered into a consulting agreement with IIP, memorializing an oral agreement made in July 1998, to provide financial, consulting and advisory services valued at \$35,000 in exchange for the issuance of 350,000 shares, of which 243,760 are unrestricted Common Stock of the Company and 106,240 are restricted Common Stock of the Company, the grant of warrants to purchase an additional 1,600,000 shares of the unrestricted Common Stock of the Company exercisable without time limitation at an exercise price of \$0.06 per share, the grant of warrants to purchase an additional 350,000 shares of the restricted Common Stock of the Company exercisable without time limitation at an exercise price of \$3.90 per share and in consideration of \$100 the grant of warrants to purchase an 5% of the restricted Common Stock of the Company on a fully-diluted basis at a price of \$1.00 per share. In January 1999, IIP received 93,760 shares of Common Stock in lieu of payment for services which was due in the amount of \$14,064. IIP exercised its warrant to purchase 1,600,000 shares in April 1999 at an exercise price of \$96,000. As to the warrant that entitles IIP to purchase 5% of the restricted Common Stock of the Company, in February 2000, IIP purchased 136,000 shares at an exercise price of \$136,000 and in March 2000, IIP purchased 50,000 shares at an exercise price of \$50,000. Such shares represent 1.22% of the 5% interest that IIP is entitled to acquire, thereby entitling IIP to purchase additional shares representing 3.88%. The Agreement is for a period of three (3) years and is still in effect. The Company must also pay a monthly fee of \$4,000 the first year, \$6,000 the second year and \$8,000 the third year. For the unrestricted shares and warrants to purchase unrestricted shares, the Company relied upon Section 3(b) of the Act and Rule 504. For the restricted shares and warrants to purchase restricted shares, the Company relied upon Section 4(2) of the Act and Rule 506. No state exemption was necessary, as IIP is an Irish corporation. See Part III, Item 12. "Certain Relationships and Related Transactions".

In October, 1998, the Company entered into a consulting agreement with Inside.com to provide media relations services and consulting advice to the Company valued at \$41,250 in exchange for the issuance of 275,000 shares of the unrestricted Common Stock of the Company and the grant of warrants to purchase an additional 155,000 shares of the unrestricted Common Stock of the Company exercisable for a period of one (1) year at a price of \$0.645 per share. Inside.com exercised its warrant to purchase 155,000 shares in April 1999 at an exercise price of \$100,000. The Agreement is for a term of one (1) year and is still in effect. For such issuance, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In March 1999, the Company entered into a consulting agreement with BPN to provide financial public relations consulting services to the Company for which the Company agreed to pay \$40,000 for the first month, and \$30,000 for the second and third months, with subsequent months to be agreed upon, each of which is payable in unrestricted shares of the Company's Common Stock the number of which is determined by dividing the monthly payment by \$1.00. The contract term was through September 1999 and has expired without renewal. In exchange for services rendered by BPN, the Company issued 100,000 shares of its unrestricted Common Stock valued at \$106,200 to Joyce Research Group, of which BPN is a division. For the fourth, fifth and sixth months of the contract, the Company granted Joyce Research Group options to purchase

150,000 shares of the Company's restricted Common Stock at an exercise price equal to 60%, 65% and 70% of the market price respectively. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Florida Code Section 517.061(11). See Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1999, the Company entered into a share exchange agreement with INS whereby the Company exchanged 250,000 shares of its Redeemable Convertible Preferred stock valued at \$500,000 for all of the outstanding capital stock of INS. Such Redeemable Convertible Preferred stock contains 1 for 1 conversion rights after one (1) year and is redeemable at \$2.00 per share. The President of INS, Peter M. Stazzone, remained with the Company as the President of the subsidiary. At the time of the exchange Mr. Stazzone became Secretary, Treasurer and Chief Financial Officer of the Company under an employment agreement. Also at the time of the exchange, Mr. Stazzone received 50,000 shares of the Redeemable Convertible Preferred Stock of the Company. Pursuant to the Employment Agreement, Mr. Stazzone received 200,000 shares of the Company's Restricted Common Stock, a stock bonus of 100,000 shares of the Restricted Common Stock deemed earned on the date of the Share Exchange Agreement, but to be delivered on the earlier of (i) the first anniversary date or (ii) Mr. Stazzone's termination and options to purchase an additional 200,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. It was represented that INS had acquired certain assets, including the rights to INS' name, from the Bankruptcy Court in the Chapter 11 filing of Telsave. Mr. Stazzone was the Chief Financial Officer of Telsave at the time the bankruptcy was filed and the Bankruptcy Court was provided with disclosure of his involvement with INS prior to the Court's approval of the sale of certain Telsave assets to INS. In June 1998, Mr. Stazzone was loaned \$100,000 by INS, which loan bears no interest and has no stated repayment terms. At the time of the acquisition of INS, the Company believed that it was acquiring the rights to the CIC Code. The purchase price was based in part upon an appraisal of the value of the CIC Code which is loaded in approximately 60% of the domestic market. However, during the course of the audit, it was discovered that clear title may not have passed to INS and subsequently the Company. Therefore, the Board resolved that, in the event clear title had not passed to the Company, it would be in the best interest of the shareholders to unwind the transaction. The Company sought a legal opinion on the status of such title and just prior to filing its Form 10SB in November 1999 discovered that there was no clear link between the ownership of the CIC Code and INS. Therefore the Company voted to unwind the transaction ab initio, to rescind the issuances made under the acquisition and the employment agreements and to terminate Mr. Stazzone's employment. Mr. Stazzone and INS have instituted suit against the Company. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506, Section 14-4-126(f) of the Arizona Code and Section 90.530(11) of the Nevada Code. See Part I, Item 3. "Legal Proceedings"; Part III, Item 10. "Executive Compensation - Employee Contracts and Agreements"; Part III, Item 11. "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1999, the Company entered into a marketing agreement with Benae to market the

Company's telephony services and to register a minimum of one hundred (100) customers in the thirty (30) cities in which IPVC plans to offer telephony services within twelve (12) months in exchange for 200,000 shares of the unrestricted Common Stock of the Company valued at \$206,200. The shares are to be returned to the Company if the minimum is not met. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 90.530(11) of the Nevada Code. See Part III, Item 127. "Certain Relationships and Related Transactions".

In April, 1999, the Company entered into a marketing and advertising agreement with NG to provide marketing services to a minimum of 75,000 customers in thirty (30) cities designated by IPVC within a twelve (12) month period in exchange for 100,000 shares of the restricted Common Stock of the Company valued at \$103,100, which shares must be returned if NG fails to deliver a minimum of eight (8) cities with a total of 75,000 customers before December 31, 1999. In addition, NG may earn performance bonuses of: 50,000 restricted shares if eight (8) cities are delivered within ninety (90) days of execution; 50,000 restricted shares if fifteen (15) cities are delivered within one hundred fifty (150) days; and 10,000 restricted shares for each additional city thereafter before December 31, 1999 up to 30 cities. Further, NG will be granted warrants to purchase 30,000 shares of the Company's restricted Common Stock exercisable for a period of two (2) years at an exercise price of \$2.50 per share for every block of 5,000 pre-registered customers up to 75,000 pre-registered customers in a twelve (12) month period. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 14-4-126(F) of the Arizona Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

On November 11, 1999, the Company executed a letter employment agreement dated November 10, 1999 with Harry R. Bowman. Under the terms of the agreement, Mr. Bowman is to serve as an Executive Vice President of the Company for a term of two (2) years at a base salary of \$78,000 per year. In addition, Mr. Bowman, a resident of Pennsylvania, receives health insurance, a paid vacation, travel twelve (12) times a year to his residence and living, automobile and subsistence allowances. Mr. Bowman is required to spend at least three (3) weeks a month at the Company's offices in Phoenix and one (1) week a month at a location to be decided in Pennsylvania. The agreement included a sixty (60) day probationary period. Under the terms of the agreement, Mr. Bowman was granted four (4) years options to purchase 50,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. Any shares acquired under the option must be held for the two-year period in which Mr. Bowman has committed to work for the Company, and, in the event the commitment is not met or Mr. Bowman is discharged due to poor performance or cause, unexercised options expire and shares acquired are forfeited. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201.[70 P.S. 1.201] of the Pennsylvania Code. See Part III, Item 10. "Executive Compensation - Employee Contracts and Agreements"; Part III, Item 11. "Security Ownership of Certain Beneficial Owners and Management"; and Part III, Item 12. "Certain Relationships and Related Transactions".

Effective November 29, 1999, the Company executed an engagement letter with McGinn,

to act as a broker and financial advisor to the Company in the private placement of up to \$5 million of the Company's securities. Under the agreement McGinn is to use its best efforts with regard to such placement. The agreement is effective through March 24, 2000. From the date of the engagement letter through March 24, 2000, McGinn has the exclusive right to offer the Company's securities. In the event McGinn is successful, it will receive a fee equal to ten percent (10%) of the first \$5 million and eight percent (8%) of any amount in excess of \$5 million and will receive three year warrants equal to 2% of the proceeds with a strike price of 125% of the bid price on the date of closing. Such warrants are to have piggy-back registration rights. Upon execution of the engagement letter, the Company was required to issue 10,000 shares of its restricted Common Stock as a non-refundable Retainer/Investment Banking fee and the Company is obligated to reimburse McGinn for pre-approved expenses. The Company has not accepted the terms of any private placements under this Agreement. For such issuance, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 359(f)(2)(d) of the New York Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

Effective February 16, 2000, the Company executed an engagement letter with Delano to act as a placement agent and financial advisor to the Company in the private placement of up to \$2.5 million of the Company's securities. Under the agreement Delano is to use its best efforts with regard to such placement. Delano was listed with McGinn as a broker with whom they were working prior to the McGinn engagement letter. In the event Delano is successful, it will receive a fee equal to seven percent (7%) of the proceeds, a non-accountable expense allowance equal to three percent (3%) of the proceeds and five year warrants to purchase 100,000 shares of the Company's Common Stock at a strike price equal to 120% of the lowest closing bid price during the five (5) trading days prior to the closing. Such warrants are to have piggy-back registration rights. The Company has not accepted the terms of any private placements under this Agreement.

Item 2. Description of Property

The Company maintains its executive offices at 5050 No. 19th Avenue, Suite 416/417, Phoenix, Arizona 85015. Its telephone number is (602) 335-1231 and its facsimile number is (602) 335-1577.

The Company leases approximately three thousand five hundred sixty-five (3,565) square feet of office space in Phoenix, Arizona which now serve as its executive offices. This space was occupied by INS, and this lease replaced INS' previous lease at the same location. The lease is for a term of one (1) year commencing August 1, 1999 and ending July 31, 2000. The Company pays monthly rent in the amount of \$3,862.08 plus a ratable cost adjustment and taxes.

The Company leases a corporate apartment in Phoenix, AZ which is used by Mr. Bowman when he is in Phoenix and by other corporate personnel when he is not. The lease is for a term of one year commencing November 1, 1999 and terminating October 31, 2000. The Company pays monthly rent in the amount of \$866.12 plus a ratable adjustment for taxes. The lease has an automatic month to month renewal at the end of the term that extends until the landlord receives

30-day notice that the tenant intends to vacate.

The Company owns no real property and its personal property consists of hardware, inventory, software, furniture, fixtures and equipment, prototype molds and leasehold improvements with an original cost of \$41,968 on December 31, 1998.

In December 1999, the Company executed an agreement effective January 2000 replaced the phone system equipment previously installed by INS with a new system under a finance lease purchase arrangement. The arrangement is for a term of four (4) years and the Company makes monthly payments in the amount of \$374.52.

The Company currently employs its capital reserves in a sweep account. Activity is monitored on a daily basis.

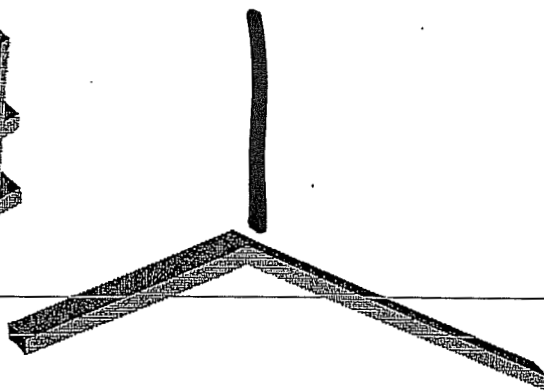
Item 3. Legal Proceedings

On December 9, 1999, the Company was advised that Peter Stazzone intended to bring a lawsuit against the Company and certain of its advisors relative to his termination as an Officer and Director of the Company in which he will allege breach of his employment contract, breach of fiduciary duty by certain advisors, tortious interference by certain advisors, intentional misrepresentation by the Company and negligent misrepresentation by the Company. Although the suit had not been filed at that time, the Company's attorneys were provided with a draft copy of the suit which they intended to file in Maricopa County, Arizona. On December 22, 1999, Mr. Stazzone filed a suit against the Company [Peter M. Stazzone v. IPVoice.com, Inc, a Nevada Corporation, Superior Court of the State of Arizona, County of Maricopa, No. CV 99-22828] (the "Stazzone Action"). The Stazzone Action contains a one count breach of contract claim in which Mr. Stazzone seeks his salary, liquidated damages, the award of stock and options, interest and attorneys fees. The Company intends vigorously to defend such action and believes it has meritorious defenses. The Company filed an answer on January 18, 2000.

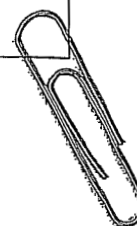
Also on December 9, 1999, the Company was advised that INS [Satlink 3000, Inc.] intended to bring a lawsuit against the Company for breach of contract as a result of the Company's decision to rescind the merger transaction. Although the suit had not been filed at that time, the Company's attorneys were provided with a draft copy of the suit which they intended to file in Maricopa County, Arizona. On December 17, 1999, INS filed a suit against the Company [Satlink 3000, Inc., a Nevada Corporation v. IPVoice.com, Inc, a Nevada Corporation, Superior Court of the State of Arizona, County of Maricopa, No. CV 99-22560] (the "INS Action"). The INS Action is seeking actual and punitive damages as a result of the rescission. The Company intends vigorously to defend such action and believes it has meritorious defenses and counterclaims against INS. The Company made a Motion to Dismiss on the basis that the injury claimed was that of the INS shareholders and that the suit had to be in their names, not the Company name. INS conceded this point and filed an Amended Complaint in February 2000 listing all but one of its shareholders. The Company intends to file a reply stating that all of the

continuation

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of pages



shareholders are not named.

Prior to the vote by the Shareholders and the Board of Directors of the Company to rescind the transactions with INS and Mr. Stazzone, advice of counsel was sought as to the appropriateness of such actions. It was determined that affirmative legal action instigated by the Company was not the best use of the Company's assets which would be better spent pursuing the Company's business. However, it was determined that, in the event Mr. Stazzone and/or INS took action, that the Company would defend and pursue all of its remedies at law and in equity.

The Company knows of no other legal proceedings to which it is a party or to which any of its property is the subject, which are pending, threatened or contemplated or any unsatisfied judgments against the Company.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter 1999, the following matters were voted upon by the Shareholders.

On October 29, 1999, Shareholders representing a majority of shares entitled to vote, at an emergency meeting called in accordance with the Company's Bylaws, by a vote of 11,253,666 shares to 0 voted to rescind the Share Exchange Agreement dated April 7, 1999 with Satlink ab initio and to remove Mr. Stazzone as a Director for cause. At a meeting of the Board called immediately thereafter, by unanimous vote, Mr. Stazzone was removed as an Officer for Cause.

The Company held its annual meeting on December 9, 1999 in Phoenix, Arizona at which time the shareholders, by a vote of 9,823,189 shares to 0 voted (1) to have Barbara Will, Anthony Welch, James Howson and Russell Watson serve on the Board of Directors for another one (1) year term, (2) ratified the appointment of Durland & Company, CPAs, P.A. as its auditors for the year ending December 31, 1999 and (3) adopted a stock award plan which allows for up to 1,000,000 shares to be reserved for grants under the plan.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

(a) Market Information.

The Common Stock of the Company currently is quoted on the OTC Bulletin Board under the symbol "IPVC" and has been since July 1998. The high, low and average bid information for each quarter since July 1998 to the present are as follows:

<u>Quarter</u>	<u>High Bid</u>	<u>Low Bid</u>	<u>Average Bid</u>
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Third Quarter 1998	1.17	.55	.86
Fourth Quarter 1998	.56	.10	.24
First Quarter 1999	1.38	.19	.95
Second Quarter 1999	7.50	.75	3.13
Third Quarter 1999	3.06	1.50	2.17
Fourth Quarter 1999	4.06	1.44	2.01

The quotations may reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not reflect actual transactions.

(b) Holders.

As of December 31, 1999 the Company had 87 shareholders of record of its 16,422,758 outstanding shares of Common Stock, 9,239,429 of which are restricted Rule 144 shares and 7,183,349 of which are free-trading. As of the date hereof, the Company has outstanding options to purchase 2,583,879 shares of Common Stock. Of the Rule 144 shares, 5,856,523 shares have been held by affiliates of the Company for more than one (1) year. The Company voted to unwind the DNS transaction ab initio, to rescind the issuances made under the acquisition and the employment agreements and to terminate Mr. Stazzone's employment. The 300,000 shares issued to Mr. Stazzone were rescinded and all of the Redeemable Convertible Preferred Shares were canceled. The Company has 1,150 shares of Senior Convertible Preferred outstanding.

(c) Dividends.

The Company has never paid or declared any dividends on its Common Stock and does not anticipate paying cash dividends in the foreseeable future.

Item 6. Plan of Operation

The following discussion contains certain forward-looking statements that are subject to business and economic risks and uncertainties, and the Company's actual results could differ materially from those forward-looking statements. The following discussion regarding the financial statements of the Company should be read in conjunction with the financial statements and notes thereto.

Discussion and Analysis

The Company, IPVoice Communications, Inc. is a Nevada chartered development stage corporation which conducted business from its headquarters in Denver, Colorado until August 1999 when it relocated to Phoenix, Arizona. The Company was incorporated on February 19, 1997, as Nova Enterprises, Inc. and changed its name to IPVoice Communications in March, 1998. On May 24, 1999 the Company formally changed its name to IPVoice.com, Inc.

The Company is principally involved in the Internet telephony industry. Current activities

include software and hardware development, raising additional equity, and negotiating with key personnel and facilities.

Inventory consists mainly of computer parts to be used in the assembly of units to be sold to customers, or utilized by the Company in its operations. Once the assembly is complete, the respective computer part costs are charged to operations or reclassified to property and equipment based on the nature of the transaction. Inventory is valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

In March 1998, IPVoice Communications, Inc., a Nevada corporation, acquired 100% of the issued and outstanding shares of the common stock of IPVoice Communications, Inc., a Delaware corporation, in a reverse merger, which was accounted for as a reorganization of the Delaware company.

The Company is in the development stage, it is acquiring the necessary operating assets and it is beginning its proposed business. While the Company is developing tools necessary to enter the Internet telephony market, there is no assurance that any benefit will result from such activities. The Company will receive limited operating revenues and will continue to incur expenses during its development, possibly in excess of revenue.

The ability of the Company to continue as a going concern is dependent upon increasing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is currently seeking financing to allow it to begin its planned operations.

On April 7, 1999, the Company acquired all of the issued and outstanding common stock of INS. The Company issued 250,000 shares of redeemable convertible preferred shares, each convertible on or after one (1) year after Closing into one share of the Company's common stock or, at the sellers' option, redeemable by the Company at a redemption price of \$2.00 per share. The Company rescinded this transaction ab initio just prior to filing its Form 10SB in November 1999 after finding that there was no clear link between the ownership of the CIC Code and INS. INS has instituted suit against the Company.

The purchase was done to acquire FCC tariffs, corporate certification in over 30 states in the United States, and the INS name. At the time of the acquisition, the Company believed that it was acquiring the CIC. The Company also obtained all cash, furniture and equipment, staff and office space in Arizona. An independent business valuation solely of the intangible assets, which are comprised of the CIC code and state certifications and tariffs, concluded a fair market value at the date of acquisition of \$460,000. During the course of the audit, it was discovered that clear title may not have passed to INS and subsequently the Company. The Company believed that the acquisition of INS would provide the Company with an operational and marketing advantage in the United States, by being tariffed and, provided clear title had passed to the Company, by having the CIC.

The acquisition was subject to IPVC entering into agreements with the Company's President and Chief Executive Officer, including but not limited to, an employment agreement, consulting agreement, compensation agreement, stock option agreement, and stock grant agreement. The Employment/Compensation Agreement provides compensation for services performed in the capacity of Director and Chief Financial Officer of the Company. In addition, certain stock incentives were provided. The Board voted to unwind the transaction ab initio, to rescind the issuances made under the acquisition and employment agreements and to terminate Mr. Stazzone's employment. Mr. Stazzone has instituted suit against the Company.

During the second quarter of 1999, the Company raised \$1,150,000 through the issuance of forty-six (46) investment units in the amount of \$25,000. Each unit consisted of a two-year note in the principal amount of \$24,900 including interest payable quarterly in cash at 9% per annum; a warrant for the purchase of 18,750 shares of restricted stock of the Company; and twenty-five (25) Senior Convertible Preferred shares. Management anticipated that the net proceeds, less initial expenses payable, would provide sufficient working capital to meet the Company's capital needs through the first quarter of 2000 and anticipated that it would generate sufficient revenue and/or be required to raise additional capital in order to meet its needs through calendar year 2000. However, there can be no assurance that sufficient revenues will be generated or that additional capital can be raised, if needed.

The Company recently installed Gateways in New York, Los Angeles and London and began receiving revenues from the sale of prepaid calling cards.

Results of Operations - Full Fiscal Years - December 31, 1999 and December 31, 1998

Revenues

Revenues for the twelve month period ended December 31, 1999 was \$321,279 and for the twelve month period ended December 31, 1998 was \$41,254. The Company engaged in the sale of prepaid calling cards which resulted in revenues for the twelve months ended December 31, 1999.

Operating Expenses

Operating Expenses for the twelve months of calendar year 1999 were \$1,897,084 versus \$1,443,919 in the comparable period in calendar year 1998. Net loss was \$1,973,834 and \$1,402,665 for the twelve months ended December 31, 1999 and 1998, respectively.

During 1999, consulting fees of \$136,500 were paid to two officers and \$131,064 a shareholder. There was \$40,896 outstanding in respect to fees to shareholders as of December 31, 1999.

Assets and Liabilities

Assets were \$633,903 as of December 31, 1999, and \$191,513 as of December 31, 1998. As of December 31, 1998, assets consisted primarily of inventory of \$152,980 and equipment with a net book value of \$37,625. As of December 31, 1999, assets consisted primarily of cash of \$44,392, accounts receivable of \$108,100 and property and equipment of \$377,555 net of depreciation. Liabilities were \$1,551,739 and \$307,129 as of December 31, 1999 and December 31, 1998 respectively. As of December 31, 1999, liabilities consisted primarily of trade accounts payable of \$126,524 and long-term notes payable of \$1,145,400.

At December 31, 1998 and 1999, the Company owed two of its officers \$34,268 and \$17,403 respectively for reimbursement of expenses paid on behalf of the Company.

At December 31, 1998 and 1999, the Company owed two of its shareholders \$20,564 and \$40,196 respectively for consulting services performed on behalf of the Company. Total consulting fees incurred to shareholders during the year ended December 31, 1998 and 1999 amounted to \$31,096 and \$131,064 respectively. During the year ended December 31, 1999, total consulting fees of \$136,300 were paid to two officers of the Company, one of whom was paid \$30,000 in consulting fees prior to his election as an officer.

During the year ended December 31, 1998, one of the Company's shareholders advanced funds totaling \$24,750 for payment of general operating expenses. This amount was repaid in 1999.

During 1999, the Company purchased for cash approximately \$14,000 of furniture and fixtures from an officer of the Company at fair market value.

Stockholders' Equity

Stockholders' equity was (\$917,836) as of December 31, 1999 and (\$115,616) as of December 31, 1998. The Company had 16,422,758 and 12,578,999 shares of common stock issued and outstanding at December 31, 1999 and 1998, respectively.

In February 1997, the Company issued 9,000,000 shares to its founders for services rendered to the Company valued at par value, or \$9,000. In March 1997, the Company completed a Regulation D Rule 504 Placement for 1,400,000 shares in exchange for \$14,000 cash.

In March 1998, a majority shareholder donated 9,000,000 shares of common stock to the Company. These shares were simultaneously issued for the acquisition of IPVoice Communications, Inc., a Delaware corporation. During the second quarter of 1998, the Company issued 144,000 shares of common stock for \$144,000 in cash. The Company issued 473,000 shares of common stock for services rendered, valued at the current market rate of \$47,300, during the third quarter of 1998. Also during the third quarter, the Company issued 183,333 shares of common stock for \$85,000 in cash, and 627,000 shares of common stock for a

subscription receivable of \$62,700. In the fourth quarter of 1998, the Company issued 275,000 shares of common stock for services rendered, valued at the current market rate of \$41,250. In the same quarter, 476,666 shares of common stock were issued for \$121,800 in cash.

In January 1999, the Company issued 93,760 shares of common stock in exchange for services, valued at \$14,064. In January and February 1999, the Company issued 499,999 shares of common stock in exchange for \$75,000 in cash. In March 1999, the Company issued 187,500 shares of common stock for \$75,000 in cash. These issuances were to then current stockholders. In March 1999, the Company issued 400,000 shares of common stock for services, valued at the current market rate of \$415,500, to three previously unrelated entities.

In April 1999, the Company issued 250,000 shares of common stock to an existing stockholder for \$100,000 cash. In April 1999, an existing stockholder exercised a warrant for 155,000 shares of common stock by tendering \$100,000 cash. In April 1999, an existing stockholder exercised a warrant for 1,600,000 shares of common stock by tendering \$96,000 in cash. In the second quarter, the Company completed a Regulation D Rule 506 Private Placement for units, which included the issuance of 1,150 shares of senior convertible preferred stock in exchange for \$4,600 in cash. These senior convertible preferred shares, as a group, are convertible into common shares equaling 51% of the issued and outstanding common shares after conversion, in the event of an uncured default of the notes payable.

In July 1999, the Company discovered that it had failed to issue and record 10,000 shares of common stock in exchange for legal services, valued at \$10,000 in 1997, as originally contracted. These shares were recorded in July 1999. In August 1999, the Company issued 437,500 shares of common stock for \$175,000 cash. All common stock shares issued in exchange for cash, except the two warrant exercises, were subscribed for in January 1999. In November 1999, the Company issued 10,000 shares of common stock in exchange for services valued at \$23,750. In December 1999, the Company discovered that it had failed to issue and record 200,000 shares of common stock for services valued at \$20,000, which had been contracted for in October 1998, and were recorded in December 1999.

Financial Condition, Liquidity and Capital Resources

At December 31, 1999 the Company had cash of \$98,592 as compared to \$908 at December 31, 1998.

During the second quarter of 1999, the Company raised \$1,150,000 through the issuance of forty-six (46) investment units in the amount of \$25,000. Each unit consisted of a two-year note in the principal amount of \$24,900 including interest payable quarterly in cash at 9% per annum; a warrant for the purchase of 18,750 shares of restricted stock of the Company; and twenty five (25) Senior Convertible Preferred shares. Management anticipates the net proceeds, less initial expenses payable, will provide working capital for the Company through the first quarter of 2000.

The Company is seeking to raise additional capital through private and/or public sales of securities in the future and has retained the services of a registered broker/dealer. Under this engagement, the Company is negotiating with an investment group introduced by the broker/dealer for an investment of up to \$5 million in two tranches of \$2.5 million within the next twelve (12) months. There can be no guarantee that the Company and the investment group will come to agreeable terms.

Impact of the Year 2000 Issue

The Year 2000 Issue was the result of potential problems with computer systems or any equipment with computer chips that use dates where the date has been stored as just two digits (e.g. 99 for 1999). On January 1, 2000, any clock or date recording mechanism including date sensitive software which used only two digits to represent the year, might have recognized the date using 00 as the year 1900 rather than the year 2000. This could have resulted in a system failure or miscalculations causing disruption of operations, including among other things, a temporary inability to process transactions, send invoices, or engage in similar activities.

The Company was aware of the issues associated with the programming code in existing computer systems as the millennium (Year 2000) approached. All software used for the Company's systems has been supplied by software vendors or outside service providers. The Company had confirmed with such providers that its present software was Year 2000 Compliant.

The Company believes, after investigation, that all software and hardware products that it is currently in the process of developing (directly or through vendors) are Year 2000 compliant. The Company believes, after investigation, that its own software operating systems are Year 2000 compliant and in fact, has experienced no Year 2000 problems since January 1, 2000. Further the Company has experienced no difficulties or adverse effects due to untimely conversion or failure to convert by any other company upon which it relies.

The Company believes that it has disclosed all required information relative to Year 2000 issues relating to its business and operations.

Forward-Looking Statements

This Form 10-KSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-KSB which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), demand for the Company's products and services, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made

by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results or developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, general economic market and business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulation; and other factors, most of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Form 10-KSB are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations.

Item 7. Financial Statements

IPVoice.com, Inc.

(A Development Stage Enterprise)

Audited Financial Statements

**For the Years Ended December 31, 1999 and 1998
and from February 19, 1997 (Inception) through December 31, 1999**

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders' Deficiency	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
IPVoice.com, Inc.
(A Development Stage Enterprise)
Phoenix, Arizona

We have audited the accompanying consolidated balance sheets of IPVoice.com, Inc., a development stage enterprise, (the "Company") as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' deficiency and cash flows for the years ended December 31, 1999 and 1998 and from February 19, 1997 (Inception) through December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1999 and 1998 and the results of their operations and their cash flows for the years ended December 31, 1999 and 1998 and from February 19, 1997 (Inception) through December 31, 1999, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4 to the consolidated financial statements, the Company has experienced a net loss since inception, and reflects negative working capital and stockholders' deficiency as of December 31, 1999. The Company's financial position and operating results raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Durland & Company, CPAs, P.A.

Tam Beach, Florida
March 7, 2000

IPVoice.com, Inc.
(A Development Stage Enterprise)
Consolidated Statements of Stockholders' Deficiency

	Number of Shares		Par Value		Additional	Stock	Deficit	Total
	Preferred	Common	Preferred	Common	Paid-in	Subscription	Accumulated	Stockholders'
			Stock	Stock	Capital	Receivable	During the	Deficiency
							Development	
							Stage	
STARTING BALANCE, February 12, 1997 (Inception)	0	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1997 - Founder's serv. (\$0.001/sh.)	0	9,000,000	0	9,000	0	0	0	9,000
1997 - cash (\$0.01/sh.)	0	1,400,000	0	1,400	12,600	(12,274)	0	1,726
Total	0	0	0	0	0	0	(22,981)	
BALANCE, December 31, 1997	0	10,400,000	\$ 0	\$ 10,400	\$ 12,600	\$ (12,274)	\$ (22,981)	\$ (12,255)
1998 - Founder's rel. party (\$0.001/sh.)	0	(9,000,000)	0	(9,000)	9,000	0	0	
1998 - acquisition (\$0.001)	0	9,000,000	0	9,000	(9,000)	0	0	
1998 - cash received	0	0	0	0	0	12,274	0	12,274
1998 - cash (\$1.00/sh.)	0	144,000	0	144	143,856	0	0	144,000
1998 - cash (\$1.00/sh.)	0	10,000	0	10	9,990	0	0	10,000
1998 - cash (\$0.75/sh.)	0	53,333	0	53	39,947	0	0	40,000
1998 - cash (\$0.50/sh.)	0	20,000	0	20	9,980	0	0	10,000
1998 - cash (\$0.25/sh.)	0	100,000	0	100	24,900	0	0	25,000
1998 - cash \$0.10/sh.)	0	627,000	0	627	62,073	(62,700)	0	
1998 - services (\$0.10/sh.)	0	473,000	0	473	46,827	0	0	47,300
1998 - cash (\$0.15/sh.)	0	396,666	0	397	56,103	0	0	56,500
1998 - services (\$0.15/sh.)	0	275,000	0	275	40,975	0	0	41,250
1998 - cash (\$0.10/sh.)	0	80,000	0	80	14,920	0	0	15,000
Total	0	0	0	0	0	0	(507,685)	(507,685)
BALANCE, December 31, 1998	0	12,578,999	0	12,579	465,171	(62,700)	(530,666)	(115,616)
1999 - cash (\$0.32/sh.)	0	687,499	0	687	149,313	0	0	150,000
1999 - services (\$0.37/sh.)	0	493,760	0	494	429,070	0	0	429,558
1999 - cash received	0	0	0	0	0	60,000	0	60,000
1999 - cash (\$1.00/sh.)	1,150	0	1	0	4,599	0	0	4,600
1999 - cash (\$0.15/sh.)	0	2,005,000	0	2,005	293,995	0	0	296,000
1999 - cash (\$0.40/sh.)	0	437,500	0	438	174,562	0	0	175,000
1999 - cash received	0	0	0	0	0	2,700	0	2,700
1999 - services (\$1.00)	0	10,000	0	10	9,990	0	0	10,000
1999 - services (\$0.21)	0	210,000	0	210	43,540	0	0	43,750
Total	0	0	0	0	0	0	(1,973,834)	(1,973,834)
BALANCE, December 31, 1999	1,150	16,422,758	\$ 1	\$ 16,423	\$ 1,570,240	\$ 0	\$ (2,504,500)	\$ (917,831)

The accompanying notes are an integral part of the financial statements

IPVoice.com, Inc.
(A Development Stage Enterprise)
Consolidated Balance Sheet

December 31,

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash	\$ 98,592	\$ 908
Certificate of deposit - restricted	25,205	0
Accounts receivable	108,100	0
Inventory	7,586	152,980
Prepaid expenses	16,865	0
Total current assets	<u>256,348</u>	<u>153,888</u>
PROPERTY AND EQUIPMENT		
Computer equipment	369,619	30,953
Office equipment	19,019	11,015
Furniture and fixtures	29,445	0
Subtotal property and equipment	418,083	41,968
Less accumulated depreciation	(40,528)	(4,343)
Total property and equipment	<u>377,555</u>	<u>37,625</u>
Total Assets	<u>\$ 633,903</u>	<u>\$ 191,513</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 326,524	\$ 191,817
Trade	17,403	34,268
Other	40,896	20,564
Related party	1,005	35,730
Accrued payroll taxes	12,690	0
Accrued interest - stockholders	7,821	0
Deferred revenue	0	24,750
Advances from stockholder	406,339	307,129
Total current liabilities	<u>1,145,400</u>	<u>0</u>
LONG-TERM LIABILITIES		
Notes payable	1,145,400	0
Total long-term liabilities	<u>1,551,739</u>	<u>307,129</u>
Total Liabilities	<u>2,697,139</u>	<u>307,129</u>
STOCKHOLDERS' DEFICIENCY		
Senior Convertible Preferred stock, \$0.001 par value, authorized	1	0
10,000,000 shares; 1,150 and 0 issued and outstanding shares	16,423	12,579
Common stock, \$0.001 par value, authorized 50,000,000 shares;	1,570,240	465,171
16,422,758 and 12,578,999 issued and outstanding shares	0	(62,700)
Additional paid-in capital	(2,504,500)	(530,666)
Stock subscription receivable	(917,836)	(115,616)
Deficit accumulated during the development stage	\$ 633,903	\$ 191,513
Total stockholders' deficiency	<u>633,903</u>	<u>191,513</u>
Total Liabilities and Stockholders' Deficiency	<u>\$ 633,903</u>	<u>\$ 191,513</u>

The accompanying notes are an integral part of the financial statements

IPVoice.com, Inc.
(A Development Stage Enterprise)
Consolidated Statements of Operations

	Year Ended December 31,		Period from February 19, 1997 (Inception) through December 31, 1999
	1999	1998	
NET SALES	\$ 321,279	\$ 41,254	\$ 362,533
COST OF SALES	305,434	0	305,434
Gross profit	15,845	41,254	57,099
OPERATING EXPENSES			
Compensation			
Officers	340,896	140,076	480,972
Other	78,522	37,715	116,237
Consulting	470,765	0	470,765
Consulting - related party	267,564	91,096	322,291
General and administrative	605,749	275,709	881,458
Research and development	97,403	0	97,403
Organization expense - related party	0	0	14,000
Depreciation and amortization	36,185	4,343	40,528
Total operating expenses	1,897,084	548,939	2,423,654
Loss from operations	(1,881,239)	(507,685)	(2,366,555)
OTHER INCOME (EXPENSE)			
Interest expense	(64,387)	0	(64,387)
Interest income	20,324	0	20,324
Write-off of receivable	(48,532)	0	(48,532)
Total other income (expense)	(92,595)	0	(92,595)
Net loss	\$ (1,788,644)	\$ (507,685)	\$ (2,273,960)
Loss per common share	\$ (0.13)	\$ (0.04)	
Number of weighted average common shares outstanding	15,413,751	11,620,451	

The accompanying notes are an integral part of the financial statements

IPVoice.com, Inc.
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows

	Year Ended December 31,		Period from February 19, 1997 (Inception) through December 31, 1999
	1999	1998	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (1,973,834)	\$ (507,685)	\$ (2,504,500)
Adjustments to reconcile net loss to net cash used by operating activities:			
Stock issued for services - related party	34,064	88,550	131,614
Stock issued for services - other	449,250	0	449,250
Depreciation	36,185	4,343	40,528
Interest credited to certificate of deposit	(205)	0	(205)
Changes in operating assets and liabilities			
(Increase) decrease in inventory	(7,586)	(152,980)	(7,586)
(Increase) decrease in accounts receivable	(108,100)	0	(108,100)
(Increase) decrease in prepaid expenses	(16,865)	0	(16,865)
Increase (decrease) in accounts payable - trade	134,707	191,817	326,524
Increase (decrease) in accounts payable - officer	(16,865)	34,268	17,403
Increase (decrease) in accounts payable - related party	20,332	6,564	40,896
Increase (decrease) in deferred revenue	7,821	0	7,821
Increase (decrease) in accrued payroll taxes	(34,725)	35,730	1,005
Increase (decrease) in accrued interest	12,690	0	12,690
Net cash used by operating activities	(1,463,131)	(299,393)	(1,609,525)
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase certificate of deposit	(25,000)	0	(25,000)
Purchase of property and equipment	(223,135)	(41,968)	(418,083)
Net cash used by investing activities	(248,135)	(41,986)	(443,083)
CASH FLOW FROM FINANCING ACTIVITIES :			
Increase (decrease) in advance from shareholder	(24,750)	24,750	0
Proceeds from notes payable	1,145,400	0	1,145,400
Common stock issued for cash	621,000	303,500	926,226
Preferred stock issued for cash	4,600	0	4,600
Proceeds from stock subscription receivable	62,700	12,274	74,974
Net cash provided by financing activities	1,808,950	340,524	2,151,200
Net increase (decrease) in cash	97,684	(837)	98,592
CASH, beginning of period	908	1,745	0
CASH, end of period	\$ 98,592	\$ 908	\$ 98,592
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid in cash	\$ 51,697	\$ 0	\$ 51,697
Non-Cash Financing Activities:			
Stock subscription receivable	\$ 0	\$ (62,700)	\$ 0
Donated capital - related party	\$ 0	\$ 9,000	\$ 9,000
Inventory transferred to property and equipment	\$ 152,980	\$ 0	\$ 152,980

IPVoice.com, Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Principles

The Company IPVoice.com, Inc., (the "Company"), is a Nevada chartered development stage corporation which conducts business from its headquarters in Phoenix, Arizona. The Company was incorporated on February 19, 1997 as Nova Enterprises, Inc., and changed its name to IPVoice Communications, Inc. in March 1998, and to IPVoice.com, Inc. in April 1999. The company is principally involved in the internet telephone industry. The Company is in the development stage. Although the Company has received revenue, it is not yet considered material to its intended operations. Company has received limited operating revenues and will continue to incur expenses during its development, possibly in excess of revenue.

The following summarize the more significant accounting and reporting policies and practices of the Company:

a) **Use of estimates** The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the year then ended. Actual results may differ from those estimates.

b) **Significant acquisition** In March 1998, IPVoice.com, Inc., a Nevada corporation, acquired 100% of the issued and outstanding shares of the common stock of IPVoice Communications, Inc., a Delaware corporation, in a reverse merger, which was accounted for as a reorganization of the Delaware company.

c) **Principles of consolidation** The consolidated financial statements include the accounts of IPVoice.com, Inc. and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated.

d) **Net loss per share** Basic net loss per weighted average common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period.

e) **Stock compensation for services rendered** The Company issues shares of common stock in exchange for services rendered. The costs of the services are valued according to generally accepted accounting principles and have been charged to operations.

f) **Inventory** Inventory consists of unused telephone time related to the prepaid calling cards sold. The Company receives transaction reports by activated PIN codes from the long distance provider.

g) **Property and equipment** All property and equipment is recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges which do not increase the useful lives of the assets are charged to operations as incurred.

h) **Revenue recognition** The Company currently has two revenue streams: 1) prepaid telephone calling cards and 2) the sale of its "Gateways". The Company recognizes revenue on the prepaid telephone cards based upon actual usage as provided by the service provider in reports detailing usage by activated PIN codes. Since

IPVoice.com, Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Principles (Continued)

h) Revenue recognition (continued) the Company requires payment in full by the wholesaler upon PIN code activation, in blocks, the amount received by the Company in excess of that reported by the provider is classified as deferred revenue. Revenue from the sale of the Company's "Gateways" is recognized upon acceptance of the equipment by the purchaser. Although the accounting for the two revenue streams is different, they are both part of the Company's single line of business.

i) Research and development Research and development costs are expensed in the period incurred.

(3) Stockholders' Equity The Company has authorized 50,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Rights and privileges of the preferred stock are to be determined by the Board of Directors prior to issuance. The Company had 16,422,758 and 12,578,999 shares of common stock issued and outstanding at December 31, 1999 and 1998, respectively. The Company has 1,150 and 0 shares of senior convertible preferred stock issued and outstanding at December 31, 1999 and 1998, respectively. In February 1997, the Company issued 9,000,000 shares to its founder for services rendered to the Company valued at par value, or \$9,000. In March 1997, the Company completed a Regulation D Rule 504 Placement for 1,400,000 shares in exchange for \$14,000 cash.

In March 1998, a majority shareholder donated 9,000,000 shares of common stock to the Company. 9,000,000 shares were simultaneously issued for the acquisition of IPVoice Communications, Inc., a Delaware corporation (Note (1)(b)). During the second quarter of 1998, the Company issued 144,000 shares of common stock for \$144,000 in cash. The Company issued 473,000 shares of common stock for services rendered, valued at the current market rate of \$47,300, during the third quarter of 1998. Also during the third quarter, the Company issued 183,333 shares of common stock for \$85,000 in cash, and 627,000 shares of common stock for a subscription receivable of \$62,700. In the fourth quarter of 1998, the Company issued 275,000 shares of common stock for services rendered, valued at the current market rate of \$41,250. In the same quarter, 476,666 shares of common stock were issued for \$121,800 in cash.

In January 1999, the Company issued 93,760 shares of common stock in exchange for services, valued at \$14,064. In January and February 1999, the Company issued 499,999 shares of common stock in exchange for \$75,000 in cash. In March 1999, the Company issued 187,500 shares of common stock for \$75,000 in cash. These issuances were to then current stockholders. In March 1999, the Company issued 400,000 shares of common stock for services, valued at the current market rate of \$415,500, to three previously unrelated entities.

In April 1999, the Company issued 250,000 shares of common stock to an existing stockholder for \$100,000 cash. In April 1999, an existing stockholder exercised a warrant for 155,000 shares of common stock by tendering \$100,000 cash. In April 1999, an existing stockholder exercised a warrant for 1,600,000 shares of common stock by tendering \$96,000 in cash. In the second quarter, the Company completed a Regulation D Rule 506 Private Placement for units, which included the issuance of 1,150 shares of senior convertible preferred stock in exchange for \$4,600 in cash. These senior convertible preferred shares, as a group, are convertible into common shares equaling 51% of the issued and outstanding common shares after conversion, in the event of an uncured default of the notes payable.

IPVoice.com, Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

(2) **Stockholders' Equity (Continued)** In July 1999, the Company discovered that it had failed to issue and record 10,000 shares of common stock in exchange for legal services, valued at \$10,000 in 1997, as originally contracted. These shares were recorded in July 1999. In August 1999, the Company issued 437,500 shares of common stock for \$175,000 cash. All common stock shares issued in exchange for cash, except the two warrant exercises, were subscribed for in January 1999. In November 1999, the Company issued 10,000 shares of common stock in exchange for services valued at \$23,750. In December 1999, the Company discovered that it had failed to issue and record 200,000 shares of common stock for services valued at \$20,000, which had been contracted for in October 1998, and were recorded in December 1999.

(3) **Income Taxes** Deferred income taxes (benefits) are provided for certain income and expenses which are recognized in different periods for tax and financial reporting purposes. The Company had net operating loss carry-forwards for income tax purposes of approximately \$2,504,500, which expire beginning December 31, 2117. There may be certain limitations on the Company's ability to utilize the loss carry-forwards in the event of a change of control resulting from the conversion of the senior convertible preferred stock, should that occur.

The amount recorded as a deferred tax asset, cumulative as of December 31, 1999, is \$1,002,000, which represents the amount of tax benefits of the loss carry-forwards. The Company has established a valuation allowance for this deferred tax asset of \$1,002,000, as the Company has no history of profitable operations.

The significant components of the net deferred tax asset as of December 31, 1999 are:

Net operating losses	\$ 1,002,000
Valuation allowance	(1,002,000)
Net deferred tax asset	<u>\$ 0</u>

(4) **Going Concern** As shown in the accompanying consolidated financial statements, the Company has incurred a net loss of \$2,504,500 since inception. At December 31, 1999, the Company reflects negative working capital of approximately \$150,000 and stockholders' deficiency of approximately \$918,000. These conditions raise substantial doubt as to the ability of the Company to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon increasing sales and obtaining additional capital and financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company has retained the services of a registered broker/dealer and is in negotiations with an investment group, introduced by the broker/dealer, for an investment of up to \$2,000,000 in two tranches of \$2.5 million within the next 12 months.

(5) **Related Parties** At December 31, 1999, the Company owed two of its officers \$17,403 for reimbursement of expenses paid on behalf of the Company. This amount is represented in Accounts payable - officer. At December 31, 1999, the Company owed two of its shareholders \$40,896 for consulting services performed on behalf of the Company. This amount is represented in Accounts payable - related party. Total consulting fees incurred to a shareholder during the year amounted to \$131,064. Consulting fees in the amount of \$136,500 were paid to two officers, \$30,000 of which was paid to one officer prior to his election.

IPVoice.com, Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

(9) Commitments and Contingencies (Continued)

a) **Consulting agreements - related parties (continued)** In October 1998, the Company entered into a consulting agreement with a previously unrelated party. This agreement called for the issuance of 350,000 shares of common stock valued at \$35,000, an option for 1,600,000 shares of common stock at an exercise price of \$0.06 per share, an option for 350,000 shares of common stock at an exercise price of \$3.90 per share, a five-year warrant for common stock shares equal to five per cent of the then issued and outstanding common stock at exercise with a strike price of \$1.00 per share and consulting fees for a 30 month period, beginning in September 1998, in the amounts of: \$4,000 per month for the first 6 months, \$6,000 per month for the next 12 months, and \$8,000 for the last 12 months. At December 31, 1999, fifteen months remain under this agreement. The Company is obligated for payments totaling \$90,000 in 2000, and \$24,000 in 2001.

At the end of the first quarter of 1999, the Company entered into three marketing agreements with three previously unrelated companies. Those agreements called for the issuance of 100,000, 200,000 and 100,000 shares of common stock. One agreement also called for the performance based issuance of up to 150,000 shares of common stock and the performance based issuance of warrants for up to 450,000 shares of common stock, with an exercise price of \$2.50 per share.

b) **Consulting agreements - other** In June 1999, the Company entered into a one-year consulting agreement with an unrelated individual which called for payment of \$100,000. In 1999, the Company paid \$45,800 of this fee, and is obligated to pay the \$54,200 balance during 2000.

c) **Leases** The Company entered into a one-year lease for its office space beginning in August 1999. The Company is obligated to rental payments amounting to \$27,000 in 2000. In 1999, the Company paid \$35,000 in office rent. In November 1999, the Company entered into a one-year lease for an apartment for the Company's use. In 1999, the Company paid \$1,700 in rent, and is obligated to pay \$8,700 in 2000.

d) **Pending Litigation** In December 1999, SatLink filed a lawsuit alleging breach of contract as a result of the rescission of the acquisition in October 1999, as discussed in Note 6 above. In December 1999, the former CFO of the Company filed a lawsuit alleging breach of contract as a result of the rescission of the employment agreement in October 1999, as discussed in Note 6 above. The Company believes these suits have no merit and intends to vigorously defend them.

e) **Employment agreements** In April 1998, the Company entered into three-year employment agreements with the President and the Senior Vice President. These agreements call for salaries in the amount of \$150,000 per year for each of those officers. In September 1999, those officers agreed to reduce this compensation to \$90,000 per year until such time as the Company is profitable. The reduction agreements do not call for an accrual and payment of the difference. In November 1999, the Company entered into a two-year employment agreement with its Executive Vice President, (EVP), which calls for a salary of \$78,000 per year and granted the EVP four-year options for 50,000 shares of common stock, with an exercise price of \$1.75. These options are not exercisable until the stock trades above \$7.50 and \$12.00 per share for ten days out of thirty consecutive days, one-half and one-half, respectively. The Company is obligated to pay a total of \$258,000 in 2000 and \$110,000 in 2001, under these employment agreements.

IPVoice.com, Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

(10) Subsequent Events

a) **Leases** In January 2000, the Company entered into a financing lease for a telephone system valued at \$13,000, which calls for the Company to make payments totaling \$4,500 per year for four years.

In January 2000, the Company entered into a three-year operating lease with a stockholder of the Company. This lease calls for a fair market value purchase at lease end. The lease is for the Company's "Gateway" equipment located in New York City and Los Angeles. The Company is obligated to the following payments: \$36,500 in 2000; \$40,000 in 2001; \$40,000 in 2002 and \$3,300 in 2003.

b) **Stock option plan** In December 1999, the stockholders approved for the Board of Directors to adopt an employee stock option plan. This plan reserves up to 1,000,000 shares to be issued upon the exercise of such granted options. The plan, which was not finalized until early 2000, allows for the grant of qualified and non-qualified options, as defined by Section 422 of the Internal Revenue Code of 1986, as amended. To be eligible, a grantee must have been employed by the Company for a minimum of 60 days, or be a Director of the Company. The plan contains various exercise price calculation formats. No options have been granted pursuant to this plan.

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

(a) Set forth below are the names, ages, positions, with the Company and business experiences of the executive officers and directors of the Company.

<u>Name</u>	<u>Age</u>	<u>Position(s) with Company</u>
Barbara S. Will	47	Director, President and Chief Operating Officer
Anthony Welch	31	Director, Senior Vice President of Research and Development
Harry R. Bowman	56	Executive Vice President
Julie J. Bahavar	54	Controller [Chief Accounting Officer]
James K. Howson	57	Chairman, Chief Executive Officer
Russell Watson	50	Director

All directors hold office until the next annual meeting of the Company's shareholders and until their successors have been elected and qualify. Officers serve at the pleasure of the Board of Directors. The officers and directors will devote such time and effort to the business and affairs of the Company as may be necessary to perform their responsibilities as executive officers and/or directors of the Company.

Family Relationships

There are no family relationships between or among the executive officers and directors of the Company.

Business Experience

Barbara S. Will, age 47, currently serves as Director, President and COO. She has served as a Director, President and COO since March 1998. She previously served as Chairman between March 1998 to June 1999. Ms. Will has over twenty (20) years of experience in all areas of telecommunications, both domestic and international. Prior to joining IPVC, from 1984

in 1997, Ms. Will was in a senior capacity with MCI and was responsible for signing some of the largest contracts with a carrier/reseller in MCI's history. Her vast industry experience includes International and international private line; International 800; data; DSO, DSI, DSC, OC3; collected in and outbound; One-Plus; calling and debit cards; Operator Assistance; Internet; Enhanced Services; and Enhanced Network. During her time at MCI, she received numerous awards for her outstanding performance. Ms. Will attended Colorado State University for two years.

Anthony K. Welch, age 31, currently serves as a Director and the Senior Vice-President. He has served as a Director and Senior Vice President since March, 1998 and as Senior Vice President of Research and Development since August 1999. Anthony Welch is the original designer of the MultiCom, AuditRite, and TrueConnect platforms and has served as Special Consultant to various telecommunications organizations. From 1997 to 1998, Mr. Welch was involved in the formation of the Company and the development of the MultiCom Business Management Software. From 1991 to 1997, Mr. Welch served as Special Consultant and Project Design Leader for such organizations as Nation's Bank CS Headquarters, Frito-Lay Worldwide Headquarters, NEC America Mobile Radio/Cellular/Pager Division Headquarters, and Southwestern Bell Mobile (Cellular/Pager) Systems Headquarters. Mr. Welch has received numerous awards and recognition for his work in Artificial Intelligence - both in Military and Academic circles - and has applied this experience to creating technology solutions that are both intelligent and flexible. The technology behind the MultiCom system has received recognition from several telecom trade magazines ("Computer Telephony" and "Telephony" magazines). Mr. Welch obtained first place in the International Science competition for Artificial Intelligence at the age of 17. Mr. Welch attended the University of Mississippi and was the first freshman in the history of the college to be admitted into the artificial intelligence Ph.D. Program.

Harry R. Bowman, age 56, currently serves as Executive Vice President. He has served as Executive Vice President since November 1999. Mr. Bowman is an experienced telecommunications operations professional who was employed by AT&T from 1961 until 1995, when he retired. During his time with AT&T, Mr. Bowman held various managerial positions, last serving as Manager for Creative Software, where he was responsible for sales, contracts, personnel and financials. Previously he had served as Manager of Technical Services, Data Center Operations and in other management positions. After spending four years in retirement, Mr. Bowman was provided with the opportunity to join the Company as its Executive Vice President, which he accepted. Mr. Bowman holds a BS Degree in Accounting from St. Joseph's University, Philadelphia, Pennsylvania.

Julie J. Bahavar, age 54, currently serves as Controller [Chief Accounting Officer]. She has served in this capacity since March 1, 2000. During 1999, Ms. Bahavar served as Chief Financial Officer/Controller for the Arizona Industries for the blind, which is a manufacturing, distribution and retail sales operation. During 1998, Ms. Bahavar was a Senior Financial Analyst for Apollo Group Inc. From 1994 through 1997, Ms. Bahavar was an independent consultant, representing such companies as Carborandum Micro Electronics and Wells Fargo Bank. From 1985 to 1994, Ms. Bahavar was employed as a Budget Manager and Audit Manager with the State of Arizona. Ms. Bahavar received a BS Degree in Accounting from the University of Denver in 1979 and an MBA from the University of Denver in 1981. She is a Certified Public Accountant certified in the States of Arizona and Colorado.

James K. Howson, age 57, currently serves as Chairman and Chief Executive Officer. He has served as Chairman since June 1999 and as Chief Executive Officer since September 1999. Mr. Howson is an entrepreneur and has been an investor for thirty (30) years in small businesses and start-up companies in Europe, Latin American and the United States. From 1991 to 1996, Mr. Howson was an investor in and consultant to Mid-America Venture Capital Partners, Inc., a privately held company that provided seed capital to promising young businesses. Mr. Howson was also an investor in Environmental Systems, Inc. located in Lancaster, Pennsylvania. Mr. Howson attended Roan College in London England in 1959.

Russell Watson, age 50, currently serves as a Director. He has served as a Director since September, 1999. Currently, Mr. Watson is the Business Manager for Behrwood Capital Service, Inc., an investment management company which he joined in 1998. Also, he is the Vice President of Operations for Venison America, Inc., a meat processor and distributor which he joined in 1998. From 1994 to 1998, Mr. Watson was Operations Manager for Mid-Atlantic Snack, Inc., a snack food distributor. Mr. Watson owned and operated a snack food marketing business from 1993 to 1994. From 1974 to 1993, Mr. Watson was CFO and Operations Manager for Weyerhaeuser Company, Hardwood Division. Mr. Watson received a B.S. degree from Indiana University of Pennsylvania in 1971.

(b) Section 16(a) Beneficial Ownership Reporting Compliance

No Director, Officer, Beneficial Owner of more than ten percent (10%) of any class of equity securities of the Company failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year or prior fiscal years.

Item 10. Executive Compensation

Name and Post	Year	Annual Comp Salary	Annual Comp Bonus (\$)	Annual Comp Other	LT Comp Rest Stock	LT Comp Options	LTIP Payouts	All Other (1)
Barbara S. Will, Director, President and COO (2)	1997	\$ -0-	\$ -0-					\$-0-
	1998	\$ 48,000	\$ -0-					\$-0-
	1999	\$106,956	\$ -0-					\$-0-
James K. Howson, Chairman and Chief Executive Officer	1997			\$ -0-				\$-0-
	1998			\$ 35,000				\$-0-
	1999			\$106,500 (2)(3)				\$-0-

Anthony K. Welch, Director and Senior Vice- President of Research and Development (3)	1997	\$ -0-	\$ -0-					\$-0-
	1998	\$ 48,000	\$ -0-					\$-0-
	1999	\$106,956	\$ -0-					\$-0-
Harry R. Bowman, Executive Vice President	1999	\$10,734 (4)		\$30,000 (4)		50,000		\$-0-
Peter M. Stazzone, Director, Secretary, Treasurer and Chief Financial Officer and President of BKS (5)	1997	\$ -0-	\$ -0-					\$-0-
	1998	\$ -0-	\$ -0-					\$-0-
	1999	\$ 52,500	\$ -0-					\$-0-
Michael McKim, Vice President of Research and Development (6)	1997	\$ -0-						\$-0-
	1998	\$44,076						\$-0-
	1999	\$63,750						\$-0-

(2) All other compensation includes certain health and life insurance benefits paid by the Company on behalf of its employee.

(3) Ms. Will and Mr. Welch have agreed effective September 1999 voluntarily to reduce each of the salaries to \$90,000 per year and Condor has agreed effective September 1999 to reduce its consulting fees to \$90,000 per year. Each of these agreed reductions shall continue until the Company is profitable and there are no accruals of any unpaid amounts under their respective contracts. Further, none of the parties has any expectations regarding the amount foregone at any future date.

(4) Mr. Bowman was a consultant to the Company prior to becoming the Chief Executive Officer in June 1999 and continues to be paid under the consulting agreement the Company has with Condor which had a six (6) year term commencing November 1997.

(5) Mr. Bowman joined the Company in November, 1999 and the salary reflects payments made from that date. Prior to joining the Company, Mr. Bowman provided consulting services which are reflected as other compensation for 1999. In addition to health insurance, Mr. Bowman receives travel, living, automobile and subsistence allowances and has use of the corporate apartment when he is in Phoenix.

(6) Mr. Stazzone was terminated on October 29, 1999. Mr. McKim resigned in September 1999.

Year End Option Values Executive Officers

Name (1)	Exercised	Value Realized	No. of Unexercised Exercisable/Unexercisable	Value of Unexercised Exercisable/Unexercisable
Barbara S. Will	-0-	-0-	-0-/-0-	-0-/-0-
Anthony K. Welch	-0-	-0-	-0-/-0-	-0-/-0-
Harry R. Rowman	-0-	-0-	50,000/-0-	\$-0-/-0- (2)
James K. Houston	-0-	-0-	-0-/-0-	-0-/-0-

(1) Neither Mr. Stazzone nor Mr. McKim were included in this table because they were not executive officers at the year end 1999 and neither had any unexercised exercisable/unexercised options.

(2) No value has been placed on their options because only one half may be exercised when the Company's stock has traded for a designated period at \$7 and the other half may be exercised when the Company's stock has traded for a designated period at \$12. At the time the options were granted, the Company's Common Stock was trading at \$1.75.

The Company has adopted an Employee Stock Option Plan and a Consultant Stock Option Plan.

Employee Contracts and Agreement

The Company has entered into employment agreements with Ms. Will, Mr. Welch and Mr. Rowman. In addition, the Company had an agreement with Mr. Stazzone which was rescinded at the same time as the INS transaction was rescinded ab initio.

In April 1998, the Company entered into an employment agreement with Barbara S. Will, the Company's President and COO for a term of three (3) years at a salary of \$150,000 per year. Ms. Will received 3,000,000 shares of the Company's Common Stock at the time of the share exchange agreement between the Company and IPVCDE. Ms. Will has agreed effective September 1999 voluntarily to reduce her salary to \$90,000 per year. This agreed reduction will continue until the Company is profitable and there are no accruals of any unpaid amounts under her contract. Further, Ms. Will has no expectations regarding the amount foregone at any future date.

In April 1998, the Company entered into an employment agreement with Anthony K. Welch, the Company's Senior Vice President of Research and Development for a term of three (3) years at a salary of \$150,000 per year. Mr. Welch received 3,000,000 shares of the Company's Common Stock at the time of the share exchange agreement between the Company and IPVCDE in consideration of all of his rights, title and interest in the Company's proprietary

software. Mr. Welch has agreed effective September 1999 voluntarily to reduce his salary to \$100,000 per year. This agreed reduction will continue until the Company is profitable and there are no arrears of any unpaid amounts under his contract. Further, Mr. Welch has no expectations regarding the amount foregone at any future date.

On November 11, 1999, the Company executed a letter employment agreement dated November 10, 1999 with Harry R. Bowman. Under the terms of the agreement, Mr. Bowman is to serve as an Executive Vice President of the Company for a term of two (2) years at a base salary of \$75,000 per year. In addition, Mr. Bowman, a resident of Pennsylvania, receives health insurance, a paid vacation, travel twelve (12) times a year to his residence and living, automobile and subsistence allowances. Mr. Bowman is required to spend at least three (3) weeks a month at the Company's offices in Phoenix and one (1) week a month at a location to be decided in Pennsylvania. Mr. Bowman has use of the corporate apartment when he is in Phoenix. The agreement included a sixty (60) day probationary period. Under the terms of the agreement, Mr. Bowman was granted four (4) years options to purchase 50,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. Any shares acquired under the option must be held for the two-year period in which Mr. Bowman has committed to work for the Company, and, in the event the commitment is not met or Mr. Bowman is discharged due to poor performance or cause, unexercised options expire and shares acquired are forfeited. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201.(70 P.S. 1.201) of the Pennsylvania Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

In April 1999, the Company entered into an employment/compensation agreement with Peter M. Stazzone, the President of INS and Chief Financial Officer, Treasurer and Secretary of the Company for term of three (3) years at a base annual salary of \$140,000 commencing August 1999. Pursuant to the Employment Agreement, Mr. Stazzone received 200,000 shares of the Company's Restricted Common Stock, a stock bonus of 100,000 shares of the Restricted Common Stock deemed earned on the date of the Share Exchange Agreement, but to be delivered on the earlier of (i) the first anniversary date or (ii) Mr. Stazzone's termination and options to purchase an additional 200,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. The Company voted to unwind the INS transaction ab initio, to rescind the issuances made under the acquisition and the employment agreements and to terminate Mr. Stazzone's employment. Mr. Stazzone has instituted suit against the Company. See Part III, Item 12. "Certain Relationships and Related Transactions".

Key Man Life Insurance

The Company does not have nor does it intend to apply for Key Man Life Insurance.

Employee and Consultants Stock Option Plans

On December 9, 1999, the shareholders adopted an executive incentive stock award plan under which 1,000,000 are reserved for grants under the plan. The plan takes effect on January 1, 2000 and terminates on December 31, 2005. Under the plan, options can be granted to select employees, officers, executives, directors and consultant and advisors to the Company. It is

intended that all options be granted at fair market value on a particular date determined by the Compensation and Option Committee which is made up of James Howson, Director and Chief Executive Officer and Russell Watson, Director; however, a lesser price may be set by such Committee. The exercise period for the options is determined by the Committee but cannot exceed six (6) years. Pursuant to the terms of the approved plan, the Board of Directors is authorized to alter, amend or modify the plan under certain conditions. The Board of Directors approved a modified plan on February 28, 2000 that maintains the key features of the approved plan as required. See Part III, Item 12. "Certain Relationships and Related Transactions."

Compensation of Directors

The Company has no standard arrangements for compensating the Directors of the Company for their attendance at meetings of the Board of Directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of December 31, 1999, regarding the ownership of the Company's Common Stock by each shareholder known by the Company to be the beneficial owner of more than five percent (5%) of its outstanding shares of Common Stock, each director and all executive officers and directors as a group. Except as otherwise indicated, each of the shareholders has sole voting and investment power with respect to the share of Common Stock beneficially owned.

Name and Address of <u>Beneficial Owner</u>	Title of of <u>Class</u>	Amount and Nature of <u>Beneficial Owner</u>	Percent <u>Class</u>
James Howson (2)(3) 7553 South Mount Zirkel Littleton, CO 80127	Common	0	0.0%
Barbara S. Will(3) 2627 East La Junta Road Scottsdale, AZ 85255	Common	3,000,000	18.267%
Anthony K. Welch(3) 6554 South Olympian Road Evergreen, CO 80439	Common	2,856,523	17.394%
Harry R. Bowman (4) 181 Woodland Drive York, PA 17403	Common	0	0.0%
Russell Watson 103 Leader Heights Road York, PA 17403 (5)	Common	0	0.0%
Cander Worldwide, Ltd. (2)(3) 325 Bay Street	Common	3,000,000	18.237%

Nova, The Bahamas

**All Executive Officers and
Directors as a Group
(Five (5) persons)**

8,856,523

53.928%

- (2) The percentages are based upon 16,422,758 shares of Common Stock outstanding as of December 31, 1999. In addition to the shares owned by the Executive Officers and Directors, said officers and directors own (including those beneficially held) options to purchase 70,000 shares of the Company's Common Stock. In the event all such options in purchase were exercised, this group would own a total of 8,926,523 shares of the Company's Common Stock which would represent 54.124% of the total shares of Common Stock outstanding. None of these options may be exercised within thirty (30) days, and then only in the event that the Company's stock trades for any ten (10) days out of that thirty (30) consecutive days period at or above \$7.00.
- (3) In November 1997, prior to its acquisition by the Company, IPVCDE entered into a consulting agreement with Condor, whereby Condor agreed to provide certain sales, marketing and public relations services in exchange for 600,000 shares of IPVCDE's unrestricted Common Stock to be issued upon listing of IPVCDE's stock on the OTC Bulletin Board. Such shares were never issued and the agreement was amended in July 1998 deleting the issuance of such shares. The consulting agreement was modified in July 1998 to revoke all interest in the shares. The term of the Agreement was for a period of six (6) years and is still in effect. James K. Howson, the Company's Chairman and CEO, serves as the Chairman and CEO of Condor and he is the beneficial owner of Condor. Effective September 1999, Condor agreed to reduce its consulting fees to \$90,000 per year. This agreed reduction will shall continue until the Company is profitable and there are no accruals of any unpaid amounts under the Condor contract. Further, none Condor has no expectations regarding the amount foregone at any future date. See Part III, Item 12. "Certain Relationships and Related Transactions".
- (3) In March 1998, the Company's predecessor, Nova, entered into a share exchange agreement with IPVCDE and its shareholders whereby Nova issued 9,000,000 shares of its restricted Common Stock valued at \$9,000 to IPVCDE's shareholders for all of the outstanding capital stock of IPVCDE, which then became a wholly-owned subsidiary of Nova. In connection with the agreement, the Company entered into employment agreements with Barbara Will, its current Director, Chief Operating Officer and President and with Anthony Welch, designer of the Company's proprietary software, who currently serves as the Senior Vice-President of Research and Development. As part of the exchange, Ms. Will, Mr. Welch and Condor each received 3,000,000 shares of the Company's restricted common stock. Mr. Howson, the Company's Chairman and Chief Executive Officer, is the beneficial owner of Condor. For such offering, the Company relied upon Section 4(2) of the Act, Rule 506, Section 11-51-308(1)(j) of the Colorado Code, Section 7309(b)(9) of the Delaware Code and Section 90.530(17) of the Nevada code. The Company relied on no state exemption for the issuance to Condor, which is a Bahamian corporation. See Part III, Item 12. "Certain Relationships and Related Transactions".

(4) On November 11, 1999, the Company executed a letter employment agreement dated November 10, 1999 with Harry R. Bowman. Under the terms of the agreement, Mr. Bowman is to serve as an Executive Vice President of the Company for a term of two (2) years at a base salary of \$78,000 per year. In addition, Mr. Bowman, a resident of Pennsylvania, receives health insurance, a paid vacation, travel twelve (12) times a year to his residence and living, automobile and subsistence allowances. Mr. Bowman is required to spend at least three (3) weeks a month at the Company's offices in Phoenix and one (1) week a month at a location to be decided in Pennsylvania. Mr. Bowman has the use of the Company apartment when he is in Phoenix. The agreement included a sixty (60) day probationary period. Under the terms of the agreement, Mr. Bowman was granted four (4) years options to purchase 50,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. Any shares acquired under the option must be held for the two-year period in which Mr. Bowman has committed to work for the Company, and, in the event the commitment is not met or Mr. Bowman is discharged due to poor performance or cause, unexercised options expire and shares acquired are forfeited. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201.[70 P.S. 1.201] of the Pennsylvania Code. See Part III, Item 12. "Certain Relationships and Related Transactions."

(5) At a meeting of the Board in November 1999, the Company granted to Russell Watson, a Director of the Company, four (4) years options to purchase 20,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201.[70 P.S. 1.201] of the Pennsylvania Code. See Part III, Item 12. "Certain Relationships and Related Transactions".

There are no arrangements which may result in the change of control of the Company by such certain beneficial owners and management.

Item 12. Certain Relationships and Related Transactions

In February 1997, prior to its acquisition of IPVCDE, the Company sold 1,400,000 shares of its unrestricted Common Stock to sixty-nine (69) individuals for \$14,000. For such offering, the Company relied upon Section 3(b) of the Securities Act of 1933, as amended (the "Act") and Rule 504 promulgated under Regulation D of the Act ("Rule 504") and Section 517.061(11) of the Florida Code, Section 4[5/4](G) of the Illinois Code, Section 90.530(11) of the Nevada Code, Section 75 A-17(9) of the North Carolina Code, Section 48-2-103(b)(4) of the Tennessee Code and Section 3[581-5](c) of the Texas Code. No state exemption was necessary for the sales made to Bahamian, Canadian or French investors.

In November 1997, prior to its acquisition by the Company, IPVCDE entered into a consulting agreement with Condor, whereby Condor agreed to provide certain sales, marketing and public relations services in exchange for 600,000 shares of IPVCDE's unrestricted Common Stock to be issued upon listing of IPVCDE's stock on the OTC Bulletin Board. Such shares

were never issued and the agreement was amended in July 1998 del g the issuance of such shares. The consulting agreement was modified in July 1998 to revoke all interest in the shares. The term of the Agreement was for a period of six (6) years and is still in effect. James K. Howson, the Company's Chairman and CEO, serves as the Chairman and CEO of Condor and he is the beneficial owner of Condor. Effective September 1999, Condor agreed to reduce its consulting fees to \$90,000 per year. This agreed reduction will shall continue until the Company is profitable and there are no accruals of any unpaid amounts under the Condor contract. Further, now Condor has no expectations regarding the amount foregone at any future date.

During 1997, the Company incurred certain organizational expenses totaling \$14,000 which were paid for by a company under common control. The balance owed to this related party at December 31, 1997 was paid in full during 1998.

In March 1998, the Company's predecessor, Nova, entered into a share exchange agreement with IPVCDE and its shareholders whereby Nova issued 9,000,000 shares of its restricted Common Stock valued at \$9,000 to IPVCDE's shareholders for all of the outstanding capital stock of IPVCDE, which then became a wholly-owned subsidiary of Nova. In connection with the agreement, the Company entered into employment agreements with Barbara Will, its current Director, Chief Operating Officer and President and with Anthony Welch, designer of the Company's proprietary software, who currently serves as the Senior Vice-President of Research and Development. As part of the exchange, Ms. Will, Mr. Welch and Condor each received 1,000,000 shares of the Company's restricted common stock. Mr. Howson, the Company's Chairman and Chief Executive Officer, is the beneficial owner of Condor. For such offering, the Company relied upon Section 4(2) of the Act, Rule 506, Section 11-51-308(1)(j) of the Colorado Code, Section 7309(b)(9) of the Delaware Code and Section 90.530(17) of the Nevada code. The Company relied on no state exemption for the issuance to Condor, which is a Bahamian corporation.

In April 1998, the Company sold 154,000 shares of its unrestricted Common Stock to five (5) investors for \$154,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code and Section 359(f)(2)(d) of the New York Code. No state exemption was necessary for the shares sold to a United Kingdom corporation.

In July 1998, the Company sold 53,333 shares of its unrestricted Common Stock to one (1) investor for \$40,000.75. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code.

In July 1998, the Company entered into a consulting agreement with Calpe, to provide public relations consulting services valued at \$85,000 to the Company in exchange for 850,000 shares of the Company's unrestricted Common Stock, of which 200,000 shares were given to ICG pursuant to its consulting contract (as more fully described herein) and 23,000 shares were given to CI pursuant to its consulting contract (as more fully described herein). In consideration of its 627,000 shares, Calpe agreed to forego commissions equal to \$62,700 from IPVC product sales. The term of the Agreement was for a period of three (3) years and is still in effect. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. No state exemption was necessary for the Calpe shares, as Calpe is a Bahamian corporation. However, the Company relied upon Section 10-5-9(13) of the Georgia Code for the ICG shares and Section 14-4-140 of the Arizona Code for the CI shares.

In July, 1998, the Company entered into a consulting agreement with ICG to provide financial public relations and direct marketing advertising and consulting services to the Company. For such services, the Company agreed to pay ICG \$75,000 over the term of the Agreement and to issue 200,000 shares of the unrestricted Common Stock of the Company, and to grant warrants to purchase 100,000 shares of the restricted Common Stock of the Company exercisable for a period of two (2) years at an exercise price of \$2.00 per share. Such warrants have piggy-back registration rights. Such issuance of shares were valued at \$20,000, while the warrants were valued at \$0. IPVC has a right of first refusal to buy back any shares proposed to be sold by ICG to any third party. Of the 850,000 shares of its unrestricted Common Stock issued to Calpe, 200,000 shares were given to ICG pursuant to its contract. The contract term was for a period of six (6) months and has since terminated. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. The Company relied upon Section 10-5-9(13) of the Georgia Code for the issuance of ICG shares.

In July 1998, the Company entered into a consulting agreement with CI to provide public and investor relations consulting services to the Company in exchange for 23,000 shares of the Company's unrestricted Common Stock. The Agreement was for a term of three (3) months and terminated automatically in November 1998. Of the 850,000 shares of its unrestricted Common Stock issued to Calpe, 23,000 shares were given to CI pursuant to its contract. The Company relied upon Section 3(b) of the Act and Rule 504. The Company relied upon Section 14-4-140 of the Arizona Code for the issuance of CI shares.

In July 1998, the Company entered into an agreement with Armstrong wherein the Company granted Armstrong the non-exclusive right to market, advertise and sell the Company's domestic and international calling services. As payment for these services, IPVC issued Armstrong warrants to purchase 50,000 shares of the Company's Common Stock exercisable at a price of \$0.75 per share or, at the option of IPVC, for a total sum of \$37,500 as well as commissions on sales of the Company's products and services. The term of the agreement is for a period of three (3) years.

In September 1998, the Company entered into a consulting agreement for a term of six (6) months with First Capital, to provide financial consulting services to the Company. In the event that First Capital was successful in securing debt or equity financing for the Company, First Capital would be granted warrants to purchase 125,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. Such warrants would have piggy-back registration rights.

In September 1998, the Company sold 20,000 shares of its unrestricted Common Stock to one (1) investor for \$10,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code.

In September 1998, the Company sold 100,000 shares of its unrestricted Common Stock to one (1) investor for \$25,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 49:3-50(b)(9) of the New Jersey Code.

In September 1998, the Company sold 80,000 shares of its unrestricted Common Stock to one (1) investor for \$15,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code.

In September 1998 the Company issued 100,000 shares of unrestricted common stock in exchange for legal services valued at \$10,000. For such offering, the Company relied upon Section 3(b) of the Act, Rule 504 and Section 517.061(11) of the Florida Code.

In October 1998, the Company entered into a consulting agreement with IIP, memorializing an oral agreement made in July 1998, to provide financial, consulting and advisory services valued at \$35,000 in exchange for the issuance of 350,000 shares, of which 243,760 are unrestricted Common Stock of the Company and 106,240 are restricted Common Stock of the Company, the grant of warrants to purchase an additional 1,600,000 shares of the unrestricted Common Stock of the Company exercisable without time limitation at an exercise price of \$0.06 per share, the grant of warrants to purchase an additional 350,000 shares of the restricted Common Stock of the Company exercisable without time limitation at an exercise price of \$1.90 per share and in consideration of \$100 the grant of warrants to purchase an 5% of the restricted Common Stock of the Company on a fully-diluted basis at a price of \$1.00 per share. In January 1999, IIP received 93,760 shares of Common Stock in lieu of payment for services which was due in the amount of \$14,064. IIP exercised its warrant to purchase 1,600,000 shares in April 1999 at an exercise price of \$96,000. As to the warrant that entitles IIP to purchase 5% of the restricted Common Stock of the Company, in February 2000, IIP purchased 136,000 shares at an exercise price of \$136,000 and in March 2000, IIP purchased 10,000 shares at an exercise price of \$50,000. Such shares represent 1.22% of the 5% interest that IIP is entitled to acquire, thereby entitling IIP to purchase additional shares representing 3.88%. The Agreement is for a period of three (3) years and is still in effect. The Company must also pay a monthly fee of \$4,000 the first year, \$6,000 the second year and \$8,000 the third year. For the unrestricted shares and warrants to purchase unrestricted shares, the Company relied upon Section 3(b) of the Act and Rule 504. For the restricted shares and warrants to purchase restricted shares, the Company relied upon Section 4(2) of the Act and Rule 506. No state exemption was necessary, as IIP is an Irish corporation.

In October, 1998, the Company entered into a consulting agreement with Inside.com to provide media relations services and consulting advice to the Company valued at \$41,250 in exchange for the issuance of 275,000 shares of the unrestricted Common Stock of the Company and the grant of warrants to purchase an additional 155,000 shares of the unrestricted Common Stock of the Company exercisable for a period of one (1) year at a price of \$0.645 per share. Inside.com exercised its warrant to purchase 155,000 shares in April 1999 at an exercise price of \$100,000. The Agreement is for a term of one (1) year and is still in effect. For such issuance, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 517.061(11) of the Florida Code.

At December 31, 1998, the Company owed Ms. Will \$34,268 for reimbursement of expenses paid on behalf of the Company. During the year ended December 31, 1998, the Company owed two of its shareholders, Condor and IIP, \$20,564 for consulting services performed on behalf of the Company. Total consulting fees incurred to these shareholders during the year ended December 31, 1998 amounted to \$31,096. During 1998, additional consulting fees of \$15,000 were paid to Mr. Howson and \$25,000 in professional fees were paid to ICC, a shareholder in the Company. There were no outstanding amounts owed respective to these fees as of December 31, 1998. During the year ended December 31, 1998, IIP advanced funds totaling \$24,750 for payment of general operating expenses which was repaid in fiscal 1999.

During the period ended December 31, 1998, one of the shareholder's who received a

portion of the Company's Redeemable Convertible Preferred Stock. The acquisition of INS paid consulting fees in the amount of \$3,000 on behalf of INS. This amount was outstanding at December 31, 1998 and was paid in March 1999.

From December 1998 through January 1999, the Company sold 896,665 shares of its unrestricted Common Stock to eight (8) investors for \$134,500. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 11-51-308(1)(j) of the Colorado Code, Section 517.061(11) of the Florida Code and Section 49:3-50(b)(9) of the New Jersey Code. No state exemption was required for two (2) Bahamian investors.

From February 1999 through May 1999, the Company sold forty-six (46) units to twenty-four (24) investors for \$1,150,000. Each unit consisted of: (i) a note payable in two (2) years with an option for the Company to extend it for an additional two (2) years in the principal amount of \$24,900 bearing interest at 9% per annum payable quarterly in cash or, at the option of the Company, in unrestricted shares of the Company's Common Stock; (ii) a warrant to purchase 14,750 shares of the Company's restricted Common Stock exercisable during the period in which the note is outstanding at an exercise price equal to 125% of the average closing price of the stock for the thirty (30) trading days immediately prior to February 1, 1999, which warrants contain piggy-back registration rights; and (iii) twenty-five (25) of the Company's Senior Convertible Preferred shares. In the event of a default in repayment of the notes, all outstanding Senior Convertible Preferred shares shall be converted into Common Stock of the Company in an amount which will equal 51% of the issued and outstanding shares, warrants and options of the Company. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Sections 14-4-126(f) of the Arizona Code, Section 25102(f) of the California Code, Section 517.061(11) of the Florida Code, Section 130.293 of the Illinois Code, Section 191-50.14(502) of the Iowa Code, Section 451.803.7 of the Michigan Code, Section 359(f)(2)(d) of the New York Code and Section 70P.S.1-211 of the Pennsylvania Code.

In March and April 1999, the Company sold 875,000 shares of its unrestricted Common Stock to one (1) investor for \$350,000. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504. No state exemption was required, as the investor was a Bahamian corporation.

In March 1999, the Company entered into a consulting agreement with BPN to provide financial public relations consulting services to the Company for which the Company agreed to pay \$40,000 for the first month, and \$30,000 for the second and third months, with subsequent months to be agreed upon, each of which is payable in unrestricted shares of the Company's Common Stock the number of which is determined by dividing the monthly payment by \$1.00. The contract term was through September 1999 and has expired without renewal. In exchange for services rendered by BPN, the Company issued 100,000 shares of its unrestricted Common Stock valued at \$100,200 to Joyce Research Group, of which BPN is a division. For the fourth, fifth and sixth months of the contract, the Company granted Joyce Research Group options to purchase 150,000 shares of the Company's restricted Common Stock at an exercise price equal to 60%, 65% and 70% of the market price respectively. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Florida Code Section 517.061(11).

In April 1999, the Company entered into a share exchange agreement with INS whereby the Company exchanged 250,000 shares of its Redeemable Convertible Preferred stock valued at \$250,000 for outstanding capital stock of INS. Such Redeemable Convertible Preferred

stock exchange 1 for 1 conversion rights after one (1) year and is redeemable at \$2.00 per share. The President of INS, Peter M. Stazzone, remained with the Company as the President of the subsidiary. At the time of the exchange Mr. Stazzone became Secretary, Treasurer and Chief Financial Officer of the Company under an employment agreement. Also at the time of the exchange, Mr. Stazzone received 50,000 shares of the Redeemable Convertible Preferred Stock of the Company. Pursuant to the Employment Agreement, Mr. Stazzone received 200,000 shares of the Company's Restricted Common Stock, a stock bonus of 100,000 shares of the Restricted Common Stock deemed earned on the date of the Share Exchange Agreement, but to be delivered on the earlier of (i) the first anniversary date or (ii) Mr. Stazzone's termination and options to purchase an additional 200,000 shares of the restricted Common Stock of the Company exercisable for a period of three (3) years at an exercise price of \$1.00 per share. It was represented that INS had acquired certain assets, including the rights to INS' name, from the Bankruptcy Court in the Chapter 11 filing of Telsave. Mr. Stazzone was the Chief Financial Officer of Telsave at the time the bankruptcy was filed and the Bankruptcy Court was provided with disclosure of his involvement with INS prior to the Court's approval of the sale of certain Telsave assets to INS. In June 1998, Mr. Stazzone was loaned \$100,000 by INS, which loan bears no interest and has no stated repayment terms. At the time of the acquisition of INS, the Company believed that it was acquiring the rights to the CIC Code. The purchase price was based in part upon an appraisal of the value of the CIC Code which is loaded in approximately 60% of the domestic market. However, during the course of the audit, it was discovered that clear title may not have passed to INS and subsequently the Company. Therefore, the Board resolved that, in the event clear title had not passed to the Company, it would be in the best interest of the shareholders to unwind the transaction. The Company sought a legal opinion on the status of such title and just prior to filing its Form 10SB in November 1999 discovered that there was no clear link between the ownership of the CIC Code and INS. Therefore the Company voted to unwind the transaction ab initio, to rescind the issuances made under the acquisition and the employment agreements and to terminate Mr. Stazzone's employment. Mr. Stazzone and INS have instituted suit against the Company. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506, Section 14-4-126(f) of the Arizona Code and Section 90.530(11) of the Nevada Code.

In April 1999, the Company entered into a marketing agreement with Benae to market the Company's telephony services and to register a minimum of one hundred (100) customers in the thirty (30) cities in which IPVC plans to offer telephony services within twelve (12) months in exchange for 200,000 shares of the unrestricted Common Stock of the Company valued at \$204,100. The shares are to be returned to the Company if the minimum is not met. For such offering, the Company relied upon Section 3(b) of the Act and Rule 504 and Section 90.530(11) of the Nevada Code.

In April, 1999, the Company entered into a marketing and advertising agreement with NG to provide marketing services to a minimum of 75,000 customers in thirty (30) cities designated by IPVC within a twelve (12) month period in exchange for 100,000 shares of the restricted Common Stock of the Company valued at \$103,100, which shares must be returned if NG fails to deliver a minimum of eight (8) cities for a total of 75,000 customers before December 31, 1999. In addition, NG may earn performance bonuses of: 50,000 restricted shares if eight (8) cities are delivered within ninety (90) days of execution; 50,000 restricted shares if fifteen (15) cities are delivered within one hundred fifty (150) days; and 10,000 restricted shares for each additional city thereafter before December 31, 1999 up to 30 cities. Further, NG will be granted warrants to purchase 30,000 shares of the Company's restricted Common Stock

exercisable for a period of (2) years at an exercise price of \$2.50 per share for every block of 5,000 pre-registered customers up to 75,000 pre-registered customers in a twelve (12) month period. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 14-4-126(F) of the Arizona Code.

In September 1999, the Company issued 10,000 shares of its unrestricted Common Stock in exchange for legal services valued at \$10,000. The shares were issued pursuant to an obligation incurred in 1998. The Company relied upon Section 3(b) of the Act, Rule 504 and Florida Code Section 517.061(11).

On November 11, 1999, the Company executed a letter employment agreement dated November 10, 1999 with Harry R. Bowman. Under the terms of the agreement, Mr. Bowman is to serve as an Executive Vice President of the Company for a term of two (2) years at a base salary of \$78,000 per year. In addition, Mr. Bowman, a resident of Pennsylvania, receives health insurance, a paid vacation, travel twelve (12) times a year to his residence and living, automobile and subsistence allowances. Mr. Bowman is required to spend at least three (3) weeks a month at the Company's offices in Phoenix and one (1) week a month at a location to be decided in Pennsylvania. Mr. Bowman has the use of the corporate apartment when he is in Phoenix. The agreement included a sixty (60) day probationary period. Under the terms of the agreement, Mr. Bowman was granted four (4) years options to purchase 50,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. Any shares acquired under the option must be held for the two-year period in which Mr. Bowman has committed to work for the Company, and, in the event the commitment is not met or Mr. Bowman is discharged due to poor performance or cause, unexercised options expire and shares acquired are forfeited. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201 [70 P.S. 1.201] of the Pennsylvania Code.

At a meeting of the Board in November 1999, the Company granted to Russell Watson, a Director of the Company, four (4) years options to purchase 20,000 shares of the Company's Common Stock at an exercise price of \$1.75 exercisable one half when the stock trades for any ten (10) days out of thirty (30) consecutive days at or above \$7.00 per share and one half when the stock trades at or above \$12.00 in the same manner. For such offering, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 201 [70 P.S. 1.201] of the Pennsylvania Code.

Effective November 29, 1999, the Company executed an engagement letter with McGinn, to act as a broker and financial advisor to the Company in the private placement of up to \$5 million of the Company's securities. Under the agreement McGinn is to use its best efforts with regard to such placement. The agreement is effective through March 24, 2000. From the date of the engagement letter through March 24, 2000, McGinn has the exclusive right to offer the Company's securities. In the event McGinn is successful, it will receive a fee equal to ten percent (10%) of the first \$5 million and eight percent (8%) of any amount in excess of \$5 million and will receive three year warrants equal to 2% of the proceeds with a strike price of 125% of the bid price on the date of closing. Such warrants are to have piggy-back registration rights. Upon execution of the engagement letter, the Company was required to issue 10,000 shares of its restricted Common Stock as a non-refundable Retainer/Investment Banking fee and the Company is obligated to reimburse McGinn for pre-approved expenses. The Company has

not accepted the terms of any private placements under this Agreement. For such issuance, the Company relied upon Section 4(2) of the Act and Rule 506 and Section 359(f)(2)(d) of the New York Code.

On December 9, 1999, the shareholders adopted an executive incentive stock award plan under which 1,000,000 are reserved for grants under the plan. The plan takes effect on January 1, 2000 and terminates on December 31, 2005. Under the plan, options can be granted to select employees, officers, executives, directors and consultant and advisors to the Company. It is intended that all options be granted at fair market value on a particular date determined by the Compensation and Option Committee which is made up of James Howson, Director and Chief Executive Officer and Russell Watson, Director; however, a lesser price may be set by such Committee. The exercise period for the options is determined by the Committee but cannot exceed six (6) years. Pursuant to the terms of the approved plan, the Board of Directors is authorized to alter, amend or modify the plan under certain conditions. The Board of Directors approved a modified plan on February 28, 2000 that maintains the key features of the approved plan as required.

At December 31, 1999, the Company owed Mr. Howson and Ms. Will \$17,363 and \$40 respectively. During the year ended December 31, 1999, the Company owed IIP and Behrwood Capital \$40,000 and \$896 respectively. Total consulting fees paid to IIP during the year amounted to \$131,0644. Total consulting fees paid to Condor and Mr. Bowman were \$106,500 and \$30,000 respectively. Mr. Bowman received consulting fees prior to becoming an officer of the Company. During 1999, the Company purchased for cash approximately \$14,000 of furniture and fixtures from Ms. Will at the fair market value.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibits

<u>Item No.</u>	<u>Description</u>
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3.0.1 (1)	Articles of Incorporation of Nova Enterprises, Inc. filed February 19, 1997.
3.0.2 (1)	Certificate of Amendment of Articles of Incorporation changing name to IPVoice Communications, Inc. filed March 24, 1998.
3.0.3 (1)	Certificate of Amendment of Articles of Incorporation changing name to IPVC.com, Inc.
3.0.4 (1)	Certificate of Amendment of Articles of Incorporation changing name to IPVoice.com, Inc.
3.0.1 (1)	Bylaws of Nova Enterprises, Inc.
4.1 (1)	Form of Private Placement Offering of 1,600,000 common shares at \$0.01 per share.

- 4.2 (i) Form of Private Placement Offering of 992,500 common shares at \$1.00 per share.
- 4.3 (i) Form of Private Placement Offering of 100,000 common shares at \$0.50 per share.
- 4.4 (i) Form of Private Placement Offering of 1,000,000 common shares at \$0.15 per share.
- 4.5 (i) Form of Private Placement Offering of 1,250,000 common shares at \$0.40 per share.
- 4.6 (i) Form of Private Placement Offering of 104 Units at \$25,000.00 per unit.
- 4.7 (i) Form of Promissory Note for Private Placement Offering of 104 Units at \$25,000 per unit.
- 4.8 (i) Form of Warrant for Private Placement Offering of 104 Units at \$25,000 per unit.
- 10.1 (i) Agreement dated March 1998 with Nova Enterprises, Inc.
- 10.2 (i) Agreement dated April 1999 with Independent Network Services.
- 10.3 (i) Agreement dated February 1998 with Natural MicroSystems Corporation.
- 10.4 (i) Agreement dated June 1999 with ICG Telecom Group, Inc.
- 10.5 (i) Agreement dated August 1999 with RSL Com U.S.A., Inc.
- 10.6 (i) Agreement dated July 1999 with Star Telecommunications, Inc.
- 10.7 (i) Agreement dated August 1999 with ILD Communications, Inc.
- 10.8 (i) Agreement dated June 1999 with Level 3 Communications LLC.
- 10.9 (i) Agreement dated August, 1999 with Worldcom Technologies, Inc.
- 10.10 (i) Agreement dated March 1999 with Teleco Service International, Inc.
- 10.11 (i) Agreement dated March 1999 with Billion Telecommunication Services, Ltd.
- 10.12 (i) Agreement dated May 1999 with Firstnet Telephany Ltd.
- 10.13 (i) Agreement dated July 1999 with MetroPlus Communication Technology, Inc.
- 10.14 (i) Agreement dated February 1999 with BlueGrass Net.

- 10.15 (1) Agreement dated July 1998 with The Armstrong International Group, Inc.
- 10.16 (1) Agreement dated February 1999 with International Investment Partners, Ltd.
- 10.17 (1) Agreement dated March 1999 with Kenneth M. Brown
- 10.18 (1) Agreement dated April 1999 with Netgenie.com LLC
- 10.19 (1) Agreement dated April 1999 with Benae International Inc.
- 10.20 (1) Consulting Agreement dated November 1997 with Condor Worldwide, Ltd.
- 10.21 (1) Consulting Agreement dated July 1998 with Calpe, Ltd.
- 10.22 (1) Consulting Agreement dated July 1998 with The Investor Communications Group, Inc.
- 10.23 (1) Consulting Agreement dated July 1998 with Corporate Imaging.
- 10.24 (1) Consulting Agreement dated September 1998 with First Capital Partners, Inc.
- 10.25 (1) Consulting Agreement dated October 1998 with International Investment Partners, Ltd.
- 10.26 (1) Consulting Agreement dated October 1998 with Insidestock.com, Inc.
- 10.27 (1) Consulting Agreement dated March 1999 with Buying Power Network.
- 10.28 (1) Employment Agreement dated April 1998 with Barbara S. Will.
- 10.29 (1) Employment Agreement dated April 1998 with Anthony K. Welch.
- 10.30 (1) Employment Agreement dated April 1999 with Peter M. Stazzone.
- 10.31 (1) Lease effective August 1, 1999 for Phoenix offices
- 10.32 (2) Employment Agreement dated November 10, 1999 with Harry R. Bowman
- 10.33 (2) Memorandum of Understanding between the Company and Telic.net dated November 17, 1999
- 10.34 (2) Executive Incentive Stock Awards Plan adopted by Shareholders on December 9, 1999
- 10.35 * Engagement Letter dated November 24, 1999 with McGinn, Smith & Co., Inc.

- 10.36 * Engagement Letter dated February 16, 2000 with Delano Group Securities
 - 10.37 * UUNET Agreement dated December 15, 1999
 - 10.38 * Equipment Lease dated January 20, 2000 with International Investment Partners
 - 10.39 * Professional Service Agreement dated October 8, 1999 with Natural Microsystems Corp.
 - 10.40 * Apartment Rental Agreement effective November 1, 1999
 - 10.41 * Telephone Equipment Lease/Purchase Agreements dated December 10, 1999
 - 10.42 * Amended 2000 Stock Plan
 - 27.1 * Financial Data Sheet.
-

- [1] Previously filed with the Company's Form 10SB filed November November 3, 1999
- [2] Previously filed with the Company's Form 10QSB for the Quarter ended September 30, 1999

(* Filed herewith)

(b) Reports on Form 8K

There were no reports of Form 8K for the last quarter covered by this report.

SIGNATURE

In accordance with Section 13 and 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IPVoice.com, Inc.
(Registrant)

Date: April 13, 2000

By: _____
Barbara S. Will, Director, President
and Chief Operating Officer

By: _____
James Howson, Chairman, Chief
Executive Officer

By: _____
Julie Bahavar, Controller and
Chief Accounting Officer

Pursuant to the requirements of the Exchange Act, this report has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ James K. Howson	Chairman of the Board and Chief Executive Officer	April 13, 2000
_____ Barbara S. Will	President and Chief Operating Officer and Director	April 13, 2000
_____ Anthony K. Welch	Senior Vice President of Research and Development and Director	April 13, 2000
_____ Russell Watson	Director	April 13, 2000

[SIGNATURE PAGE 10-KSB/A 12/31/99]

EXHIBIT E - PROPOSED TARIFF

IPVOICE COMMUNICATIONS, INC.

ORIGINAL SHEET 1

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

TITLE SHEET

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by IPVoice Communications, Inc. ("IPVoice"), with principal offices at 5050 No. 19th Ave.; Ste. 416, Phoenix, Arizona 85015. This tariff applies for services furnished within the State of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

ISSUED:	, 2000	EFFECTIVE:	, 2000
ISSUED BY:	Julie Bahavar, Controller 5050 No. 19th Ave.; Ste. 416 Phoenix, Arizona 85015		

IPVOICE COMMUNICATIONS, INC.

ORIGINAL SHEET 2

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

RESERVED FOR FUTURE USE

ISSUED: , 2000 EFFECTIVE: , 2000
ISSUED BY: Julie Bahavar, Controller
5050 No. 19th Ave.; Ste. 416
Phoenix, Arizona 85015

TELECOMMUNICATIONS SERVICES TARIFF

CHECK SHEET

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

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

* New or Revised Sheet

ISSUED:	, 2000	EFFECTIVE:	, 2000
ISSUED BY:	Julie Bahavar, Controller		
	5050 No. 19th Ave.; Ste. 416		
	Phoenix, Arizona 85015		

TELECOMMUNICATIONS SERVICES TARIFFTABLE OF CONTENTS

	Page
Title Sheet.....	1
Reserved for Future Use.....	2
Check Sheet.....	3
Table of Contents.....	4
Tariff Format.....	5
Symbols.....	6
Section 1 - Technical Terms and Abbreviations.....	7
Section 2 - Rules and Regulations.....	9
2.1 Undertaking of the Company.....	9
2.2 Use of Services.....	10
2.3 Liability of the Company.....	11
2.4 Responsibilities of the Customer.....	13
2.5 Cancellation or Interruption of Service.....	15
2.6 Credit Allowance.....	17
2.7 Restoration of Service.....	18
2.8 Deposit.....	18
2.9 Advance Payments.....	18
2.10 Payment and Billing.....	19
2.11 Collection Costs.....	20
2.12 Taxes.....	20
2.13 Late Charge.....	20
2.14 Returned Check Charge.....	20
Section 3 - Description of Service.....	21
3.1 Computation of Charges.....	21
3.2 Customer Complaints and/or Billing Disputes.....	22
3.3 Level of Service.....	23
3.4 Billing Entity Conditions.....	23
3.5 Service Offerings.....	24
Section 4 - Rates.....	29

ISSUED:

, 2000

EFFECTIVE:

, 2000

ISSUED BY:

Julie Bahavar, Controller
5050 No. 19th Ave.; Ste. 416
Phoenix, Arizona 85015

TELECOMMUNICATIONS SERVICES TARIFFTARIFF FORMAT

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

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

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

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

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

ISSUED:	, 2000	EFFECTIVE:	, 2000
ISSUED BY:	Julie Bahavar, Controller		
	5050 No. 19th Ave.; Ste. 416		
	Phoenix, Arizona 85015		

TELECOMMUNICATIONS SERVICES TARIFF

SYMBOLS

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

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

ISSUED: , 2000

EFFECTIVE: , 2000

ISSUED BY:

Julie Bahavar, Controller
5050 No. 19th Ave.; Ste. 416
Phoenix, Arizona 85015

TELECOMMUNICATIONS SERVICES TARIFFSECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

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

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

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

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

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

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

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

ISSUED:	, 2000	EFFECTIVE:	, 2000
ISSUED BY:	Julie Bahavar, Controller 5050 No. 19th Ave.; Ste. 416 Phoenix, Arizona 85015		

VOICE COMMUNICATIONS, INC.

ORIGINAL SHEET 8

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

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

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

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

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

ISSUED: , 2000 EFFECTIVE: , 2000
ISSUED BY: Julie Bahavar, Controller
5050 No. 19th Ave.; Ste. 416
Phoenix, Arizona 85015

TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

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

TELECOMMUNICATIONS SERVICES TARIFF

- 3.1.1 The services provided by the Company are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers which may be subject to the jurisdiction of this Commission.
- 3.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of the Company.
- 3.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

- 2.2.1 The Company's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

TERMINED:
ISSUED BY:

, 2000

Julie Bahavar, Controller
5050 No. 19th Ave.; Ste. 416
Phoenix, Arizona 85015

EFFECTIVE:

, 2000

TELECOMMUNICATIONS SERVICES TARIFF

- 2.2.3 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.4 The Company's services are available for use twenty-four hours per day, seven days per week.
- 2.2.5 The Company does not transmit messages, but the services may be used for that purpose.
- 2.2.6 The Company's services may be denied for nonpayment of charges or for other violations of this tariff.
- 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
- 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.
- 2.3.4 Reserved for Future Use
- 2.3.5 Reserved for Future Use
- 2.3.6 Reserved for Future Use

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TELECOMMUNICATIONS SERVICES TARIFF

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

2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.
- 2.4.3 If required for the provision of the Company's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of the Company's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of the Company's equipment to be maintained within the range normally provided for the operation of microcomputers.

TELECOMMUNICATIONS SERVICES TARIFF

- 2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with the Company's facilities or services, that the signals emitted into the Company's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, the Company will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Company equipment, personnel or the quality of service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, the Company may, upon written notice, terminate the Customer's service.
- 2.4.7 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any Company equipment installed at Customer's premises.
- 2.4.9 If the Company installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

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TELECOMMUNICATIONS SERVICES TARIFF

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

2.5 Cancellation or Interruption of Services

- 2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, the Company may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- 2.5.1.A For nonpayment of any sum due the Company for more than thirty (30) days after issuance of the bill for the amount due, unless the charge is in dispute;
 - 2.5.1.B For violation of any of the provisions of this tariff,
 - 2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over the Company's services, or
 - 2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting the Company from furnishing its services.

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TELECOMMUNICATIONS SERVICES TARIFF

- 2.3.2 Without incurring liability, the Company may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and the Company's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.
- 2.3.3 Service may be discontinued by the Company without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when the Company deems it necessary to take such action to prevent unlawful use of its service. The Company will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.3.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

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IPVOICE COMMUNICATIONS, INC.

ORIGINAL SHEET 17
SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

2.6 Credit Allowance

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

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2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 44, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Deposit

The Company does not require deposits.

2.9 Advance Payments

The Company does not require advance payments.

TELECOMMUNICATIONS SERVICES TARIFF2.10 Payment and Billing

- 2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt. A late fee will be assessed on unpaid amounts 30 days after rendition of bills.
- 2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.
- 2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 180 days after such bills are rendered. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 180 day period.

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TELECOMMUNICATIONS SERVICES TARIFF

2.11 Collection Costs

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

2.12 Taxes

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

2.13 Late Charge

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

2.14 Returned Check Charge

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

2.15 Reconnection Charge

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

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TELECOMMUNICATIONS SERVICES TARIFFSECTION 3 - DESCRIPTION OF SERVICE3.1 Computation of Charges

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

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

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

3.2 Customer Complaints and/or Billing Disputes

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

5050 No. 19th Ave.; Ste. 416
Phoenix, Arizona 85015
(800) 556-2538

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

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TELECOMMUNICATIONS SERVICES TARIFF

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

500 East Capitol
Pierre, SD 57501-5070
(605) 773-3201
(800) 332-1782
TTY through Relay Service South Dakota-
(800) 677-1113

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

3.3 Level of Service

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

3.4 Billing Entity Conditions

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

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TELECOMMUNICATIONS SERVICES TARIFF3.5 Service Offerings

3.5.1 1+ Dialing

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

3.5.2 Travel Cards

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

3.5.3 800 Service (Toll-Free)

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

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ORIGINAL SHEET 25

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

3.5.4 Reserved for Future

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INVOICE COMMUNICATIONS, INC.

ORIGINAL SHEET 26

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

Reserved for Future Use

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TELECOMMUNICATIONS SERVICES TARIFF

3.5.5 Directory Assistance.

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

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TELECOMMUNICATIONS SERVICES TARIFF

3.5.6 Specialized Pricing Arrangements.

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be filed with the Commission. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis. The Company will notify the Commission of such arrangements as required by Commission rules and regulations.

3.5.7 Emergency Call Handling Procedures

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

3.5.8 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

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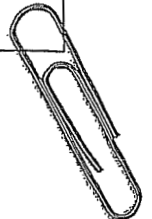
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Continuation

2

of pages



ORIGINAL SHEET 29

TELECOMMUNICATIONS SERVICES TARIFF

4.1 1+ Dialing

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

\$.199 per minute

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

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ORIGINAL SHEET 30

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

4.3 Toll Free

\$0.15 per minute

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

4.4 Reserved for Future

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IFVOICE COMMUNICATIONS, INC.

ORIGINAL SHEET 31

SOUTH DAKOTA PUC TARIFF NO. 1

TELECOMMUNICATIONS SERVICES TARIFF

4.5 Directory Assistance

\$.95

4.6 Returned Check Charge

\$20.00

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TELECOMMUNICATIONS SERVICES TARIFF

4.7 Rate Periods

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

* To, but not including

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

4.8 Payphone Dial Around Surcharge

A dial around surcharge of \$.35 per call will be added to any completed INTRASTATE toll access code and subscriber 800/868 type calls placed from a public or semi-public payphone.

4.9 Universal Service Fund Assessment & Presubscribed Interexchange Carrier Charge

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

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South Dakota Tariff Number 1
Original Page 1

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

LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

FURNISHED BY
IPVOICE COMMUNICATIONS, INC.
WITHIN THE STATE OF SOUTH DAKOTA

Issued:
Issued by:

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IPVoice Communications, Inc.
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Effective:

TABLE OF CONTENTS

Description

TABLE OF CONTENTS	1
CHECK SHEET	2
EXPLANATION OF SYMBOLS	4
APPLICATION OF TARIFF	5
1.0 - DEFINITIONS	6
2.0 - RULES AND REGULATIONS	10
3.0 - SERVICE AREAS	42
4.0 - SERVICE CHARGES	44
5.0 - NETWORK SERVICE DESCRIPTIONS	45
6.0 - RESERVED FOR FUTURE USE	62
7.0 - LOCAL SERVICE PRICES LIST	63
8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES	80
9.0 - RESERVED FOR FUTURE USE	90
10.0 - RESERVED FOR FUTURE USE	91
11.0 - MISCELLANEOUS SERVICES	92
12.0 - RESERVED FOR FUTURE USE	93
13.0 - RESERVED FOR FUTURE USE	94
14.0 - RESERVED FOR FUTURE USE	95
15.0 - SPECIAL PROMOTIONS	96

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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.

Page Number	Revision	Page Number	Revision	Page Number	Revision	Page Number	Revision	Page Number	Revision
1	Original	31	Original	61	Original	74	Original	87	Original
2	Original	32	Original	62	Original	75	Original	88	Original
3	Original	33	Original	63	Original	76	Original	89	Original
4	Original	34	Original	64	Original	77	Original	90	Original
5	Original	35	Original	65	Original	78	Original	91	Original
6	Original	36	Original	66	Original	79	Original	92	Original
7	Original	37	Original	67	Original	80	Original	93	Original
8	Original	38	Original	68	Original	81	Original	94	Original
9	Original	39	Original	69	Original	82	Original	95	Original
10	Original	40	Original	70	Original	83	Original	96	Original
11	Original	41	Original	71	Original	84	Original		
12	Original	42	Original	72	Original	85	Original		
13	Original	43	Original	73	Original	86	Original		

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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.

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IPVOICE COMMUNICATIONS, INC.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

South Dakota Tariff Number 1
Original Page 5

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the local exchange telecommunications services provided by IPVoice Communications, Inc. to customers within the state of South Dakota.

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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 - South Dakota Public Utilities Commission.

Company or Carrier - IPVoice Communications, Inc., 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.

Executed by:

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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.

Hotting - 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.

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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 P.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.

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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 of 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 a 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 IPVoice Communications, Inc. unless clearly indicated otherwise by the text.

TBD - To Be Determined.

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 provided under this tariff.

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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 South Dakota, 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.

Prepared by:
Reviewed by:

Julie Bahavar, Controller
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5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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 six months, 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 South Dakota without regard for its choice of laws provision.

Executed
and by:

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

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

2.1.1 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 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.

Executed
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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 Carrier for damage arising out of 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 shall be determined by South Dakota Statute Sections 49-13-1 and 49-13-1.1.
- (B) Except for the extension of allowances to the Customer for interruptions in service in Section 2.7, Carrier 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, including but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service of any failure in or breakdown of facilities associated with the service except as determined pursuant to SDCL 49-13-1 and 49-13-1.1.
- (C) The liability of Carrier 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.

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

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

2.1.1 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;

Approved:
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Effective:

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 Carrier's facilities;
- (9) Any noncompletion of calls due to network busy conditions;
- (10) Any calls not actually attempted to be completed during any period that service is unavailable;
- (11) Breach in the privacy or security of communications transmitted over Carrier's facilities;

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

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

2.1.1 Limitations on Liability (Cont'd.)

- (B) The Company does not guarantee nor make any warranty with respect to installations provided by its for use in an explosive atmosphere.
- (C) 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.
- (G) CARRIER 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.

2.1.2 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 many 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.

Accepted:
Signed by:

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Effective:

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.

Approved:
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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

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

2.1.5 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.

2.1.6 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.

Witnessed
and signed by

Julie Bahavar, Controller
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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

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

2.1.1 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 South Dakota Public Utilities Commission'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, judgement 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.

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Obligations of the Customer

2.1.1 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.

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Effective:

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.

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Obligations of the Customer (Cont'd.)

2.1.1 Liability of the Customer

- (A) Carrier shall be indemnified, defended and held harmless by the Customer or end user from and against any and all claims, loss, demands, suits, expense, or other action or any liability whatsoever, including attorney fees, whether suffered, made, instituted, or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any Carrier or Customer equipment or facilities or service provided by Carrier.
- (B) Carrier does not guarantee nor make any warranty with respect to installations provided by it for use in an explosive atmosphere. Carrier shall be indemnified, defended and held harmless by the Customer from and against any and all claims, loss, demands, suits, or other action, or any liability whatsoever, including attorney fees, whether suffered, made, instituted or asserted by the Customer or by any other party, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, including environmental contamination, whether owned by the Customer or by any other party, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, presence, condition, location, use or removal of any equipment or facilities or the service.
- (C) Notwithstanding any other provision of this tariff and pursuant to S.D. Codified Laws SS 49-13-1 and 49-13-1.1, any person claiming to be damaged by Carrier may either make complaint to the Commission or may bring suit on his own behalf for the recovery of damages in any court of competent jurisdiction in South Dakota, but no person may pursue both remedies at the same time.

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Effective:

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.

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Customer Equipment and Channels (Cont'd.)

2.1.3 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 South Dakota Public Utilities Commission 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.

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Issued By:

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.1 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.

Examined by:

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Effective:

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.

Prepared by:

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Effective:

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 South Dakota Public Utilities Commission 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 legal rate in accordance with South Dakota Public Utilities Commission Rules.

Approved:
Account by:

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Payment Arrangements

2.4.1 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 South Dakota 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 South Dakota Revised Code, are subject to state sales tax at the prevailing tax rates, if the services originate, or terminate in South Dakota, or both, and are charged to a subscriber's telephone number or account in South Dakota.

2.4.2 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.

Approved:
Signed by:

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Effective:

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 one hundred eighty (180) 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 South Dakota Public Utilities Commission in accordance with the Commission's rules and procedure. The address of the Company and the Commission is as follows:

IPVoice Communications, Inc.	South Dakota PUC
5050 No. 19th Ave., Ste. 416	State Capitol Building
Phoenix, Arizona 85015	500 East Capitol Ave.
(800) 536-2538	Pierre, South Dakota 57501
	800-332-1782

- (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 8.6.2.

Issued
Issued by:

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Phoenix, Arizona 85015

Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 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 least 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.

Issued
Signed by:

Julie Bahavar, Controller
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Phoenix, Arizona 85015

Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONTINUED)

2.1 Payment Arrangements, (Continued)

2.1.3 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.

Transmitted by:

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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.

Issued:
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Effective:

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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 of \$20.00 will be assessed in accordance with South Dakota law 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.

Record:
Signed by:

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Effective:

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.1 Allowances for Interruptions in Service, (Continued)

2.1.1 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.

2.1.2 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;

Revised:
Revised by:

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Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONTINUED)

2.1 Allowances for Interruptions in Service, (Continued)

2.1.1 Limitations of Allowances

- (1) 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;
- (2) 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;
- (3) That occurs or continues due to the Customer's failure to authorize replacement of any element of special construction.

2.1.2 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.

Approved:

General Mgr.

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Effective:

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.

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Effective:

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.2 Allowances for Interruption in Service, (Continued)

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

(B) 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

(C) 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.

(D) 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.

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Effective:

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.1 Allowances for Interruption in Service, (Continued)

2.1.1 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.

2.1.2 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.

Effective:

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.0 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.

2.6.1 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.

Accepted:
Witnessed by:

Effective:

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.1 Reserved for Future Use

2.2 Use of Customer's Service by Others

2.2.1 Resale and Sharing

There are no prohibitions or limitations on the resale of services. Prices for services appear in the price sheet attached to this tariff. Any service provided under this tariff may be resold to or shared with other persons at the option of Customer, subject to compliance with any applicable laws of the South Dakota Public Utilities Commission governing such resale or sharing. The Customer remains solely responsible for all use of services ordered by it or billed to its telephone number(s) pursuant to this tariff, for determining who is authorized to use its services, and for notifying the Company of any unauthorized use.

2.2.2 Joint Use Arrangements

Joint use arrangements will be permitted for all services provided under this tariff. From each joint use arrangement, one member will be designated as the Customer responsible for the manner in which the joint use of the service will be allocated. The Company will accept orders to start, rearrange, relocate, or discontinue service only from the Customer. Without affecting the Customer's ultimate responsibility for payment of all charges for the service, each joint user shall be responsible for the payment of the charges billed to it.

2.3 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 and 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.

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Effective:

SECTION 20 - RULES AND REGULATIONS, (CONTINUED)

200 Notice and Communications

200.1 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.

200.2 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.

200.3 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.

200.4 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 procedure for giving notice set forth herein.

Approved
Signed by

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Effective:

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) U S WEST.

3.2 Rate Groups

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

In the event that an incumbent LEC or the South Dakota Public Utilities Commission reclassifies an exchange from one Rate Group to another, the reclassification will also apply to customers who purchase services under this tariff. Local calling areas and Rate Group assignments are equivalent to those areas and groups specified in U S WEST's South Dakota General Subscriber Rate Tariff (GSR).

Document
Revised by

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Effective:

SECTION 3.0 - SERVICE AREAS (CONT'D)

3.1 Extended Area Service Additive

Certain exchanges within the Telecommunications Service Territory within South Dakota utilize an Extended Area Service additive to the rates provided in Sections 7.2, 7.3 and 7.5 of this tariff. The following chart identifies the additive rates that need to be added to the rates in those sections for the Extended Area Service rate.

3.1.1 Flat Rate Service Additive

To Be Determined

3.1.2 Message Rate Service Additive

To Be Determined

Printed
on 11/1/94

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Effective:

SECTION 40 - SERVICE CHARGES AND SURCHARGES

41 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	TBD	TBD
Each Additional Line	TBD	TBD
Line Change Charge		
First Line	TBD	TBD
Each Additional Line	TBD	TBD
Secondary Service Order Charge	TBD	TBD

42 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	TBD	TBD
Each Additional 15 minute increment	TBD	TBD

43 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	TBD	TBD

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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 South Dakota Public Utilities Commission:

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.

Approved
and by

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Effective:

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONT'D)

5.1 General (Continued)

5.1.1 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, South Dakota 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.

Revised
Issued by:

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Effective:

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.1 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:

- 5.1.1 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.
- 5.1.2 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).
- 5.1.3 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.
- 5.1.4 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.
- 5.1.5 All times refer to local time.

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Effective:

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.1 Distance Calculations

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

5.1.1 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.

5.1.2 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 the "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.

5.1.3 The formula for distance calculations is:

$$(V_1 - V_2)^2 + (H_1 - H_2)^2$$

10

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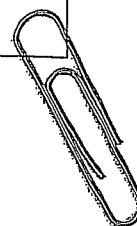
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Continuation

3

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TCOO-111



Rate Periods for Time of Day Sensitive Services

*Up to but not including.

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

Effective:

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.1 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.

5.2 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.

5.3 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.

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Effective:

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.1 Reserved for Future Use

5.2 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 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.

Account:
Account by:

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Effective:

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.

Issued:
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Effective:

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.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (J) 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.
- (I) 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.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.1 Optional Calling Features, (continued)

5.1.1 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.

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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.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.1 Optional Calling Features, (continued)

5.1.1 Feature Descriptions, (continued)

- (I) **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.
- (II) **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.
- (IV) **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.
- (V) **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.

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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

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Effective:

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.

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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.

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Effective:

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Reserved for Future Use

5.12 Reserved for Future Use

5.16 Miscellaneous Services

5.16.1 Main Number Retention

Main Number Retention is an optional feature by which a Customer, who was formally a customer of another certified local exchange carrier at the same premises location, may retain its main telephone numbers and main fax numbers for use with the Company-provided Exchange Services. Main Number Retention service is only available in areas where the Company maintains some form of number retention arrangement with the Customer's former local exchange carrier.

5.16.2 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.

5.16.3 Vanity Number Service

This service provides for the reservation of special or unique telephone number and fax number for use with the Company-provided exchange services.

5.16.4 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.

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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 South Dakota Public Utilities Commission. 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 local exchange services, in whole or in part, prior to the effective date hereof.

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Effective:

SECTION 2.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

2.1 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.

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Effective:

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.0 Standard Residence Local Exchange Service (Continued)

7.21 Monthly Recurring Charges

The following charges apply to Standard Residence Local Exchange Service lines per month. Rates and charges include Touch-tone Service for each line. The rates and charges below apply to service provided on a month-to-month basis.

TO BE DETERMINED

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SECTION 2.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

2.1 Standard Residence Local Exchange Service (Continued)

2.1.1 Other Monthly Recurring Charges

(A) End-User Common Line (EUCL) Recovery Charge

The following charge applies to recovery of End User Common Lines charges billed to the Company by the Incumbent LEC.

Single Line Customer, Per Line TBD

Multi-line Customer, Per Line TBD

(B) Hunting (a.k.a. Rotary or Grouping)

The following charges apply to Standard Residence Local Exchange lines equipped with Hunting. Rates vary based on Rate Group.

To Be Determined

2.1.2 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.

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.1 Usage Sensitive Charges and Allowances, (Continued)

(B) Message Service

Customers subscribing to Message Service will receive a monthly usage allowance of 30 outgoing calls. This allowance is applied to local calls placed from the Customer's line. Local usage in excess of the allowance will be billed in arrears. Local usage is billed on a per call basis.

Per Local Call	TBD
----------------	-----

(1) Calls to Expanded Service Areas

The following per minute rates apply to calls to points in the Expanded Service Areas as defined in the General Subscriber Service Tariff, Section A3, presently on file with the SD. PUC.

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.4 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.

A separate non-recurring per line charge will apply where the Customer currently has service from the Incumbent LEC and requests an "As-Is" changeover of all current service(s) and features from the Incumbent LEC to the Company without any changes in such service or features. This Change Over Charge applies in lieu of the nonrecurring charges listed in the table below.

Non-recurring charges for installation of Residential lines are:

First Line	TBD
Each Additional Line(1)	TBD
"As-Is" Change Over, Per Line	TBD

NOTES:

- (1) Additional Line installation charges apply only when 2 or more lines are installed at the same time and at the same Customer Premises.

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 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.

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 Standard Business Local Exchange Service, (Continued)

7.1.1 Monthly Recurring Charges

The following charges apply to Standard Business Local Exchange Service lines per month. Rates and charges include Touchtone Service for each line. The rates and charges below apply to service provided on a month-to-month basis.

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 Standard Business Local Exchange Service, (Continued)

7.1.2 Other Monthly Recurring Charges

(A) End-User Common Line (EUCL) Recovery Charge

The following charge applies to recovery of End User Common Line charges billed to the Company by the Incumbent LEC.

Single Line Customer, Per Line	TBD
Multiline Customer, Per Line	TBD

(B) Hunting (w/k/a Rotary or Grouping)

The following charges apply to Standard Business Local Exchange lines equipped with Hunting. Rates vary based on Rate Group.

TO BE DETERMINED

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SECTION 2.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

2.1 Standard Business Local Exchange Service, (Continued)

2.1.1 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) Message Service

Customers subscribing to Message Service will receive a monthly usage allowance of 75 outgoing calls. This allowance is applied to local calls placed from the Customer's line. Local usage in excess of the allowance will be billed in arrears. Local usage is billed on a per call basis.

Per Local Call

TBD

(C) Calls to Expanded Service Areas

The following per minute rates apply to calls to points in the Expanded Service Areas as defined in the U S WEST's General Subscriber Service Tariff presently on file with the SD PUC.

TO BE DETERMINED

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 Standard Business Local Exchange Service, (Continued)

7.1.1 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.

A separate non-recurring per line charge will apply where the Customer currently has service from the Incumbent LEC and requests an "As-Is" changeover of all current service(s) and features from the Incumbent LEC to the Company without any changes in such service or features. This Change Over Charge applies in lieu of the nonrecurring charges listed in the table below.

Non-recurring charges for installation of Residential lines are:

First Line	TBD
Each Additional Line(1)	TBD
"As-Is" Change Over, Per Line	TBD

NOTES:

- (1) Additional Line installation charges apply only when 2 or more lines are installed at the same time and at the same Customer Premises.

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Effective:

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 Residence and 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 and Residence Customers as Inward, Outward or Two-Way configuration trunks where services and facilities permit.

Each PBX Trunk is provided with Touchtone signaling at no additional charge. An optional per trunk Hunting feature is available for Customers which routes a call to the next idle trunk in a programmed group (see Sections 7.2 and 7.3).

PBX Trunks may also be equipped with Direct Inward Dialing (DID) capability and DID number blocks for additional charges (see Section 7.6).

7.1.1 Flat Rate Service

To Be Determined

7.1.2 Message Rate Service

To Be Determined

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Effective:

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 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 1 st Block of 20 DID Numbers	TBD	TBD
Each Additional Block of 20 DID Numbers	TBD	TBD
DID Trunk Termination:	TBD	TBD
Per Inward Only Trunk	TBD	TBD
Per Combination Trunk with Call Transfer		
Dual Tone Multifrequency Pulsing Option, Per Trunk	N/A	TBD
Automatic Intercept Service, Per Number Referred	TBD	N/A

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Effective:

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.2 Reserved For Future Use

7.3 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.

7.3.1 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		TBD	TBD
Call Return		TBD	TBD
Repeat Dialing		TBD	TBD
Calling Number Delivery Blocking, Per Call		TBD	TBD

Dialing 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.

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Effective:

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.8 Optional Calling Features, (Continued)

7.8.2 Features Offered on a Monthly Basis

The following optional calling features are offered to Customers on a monthly basis. Customers are allowed unlimited use of each feature. No usage sensitive charges apply. Multiline Customers must order the appropriate number of features based on the number of lines which will have access to the feature.

Optional Calling Feature	Residence	Business
Flexible Call Forwarding		
Flexible Call Forwarding with Audio Calling Name		
Flexible Call Forwarding Plus		
Flexible Call Forwarding Plus with Audio Calling Name		
Call Forwarding Variable		
Call Forwarding Variable with Remote Access		
Call Forwarding Don't Answer - Basic		
Call Forwarding Don't Answer w/Ring Control		
Call Forwarding Don't Answer w/Customer Control		
Call Forwarding Busy Line - Basic		
Call Forwarding Busy Line w/Customer Control		
Call Waiting - Basic		
Call Waiting - Deluxe		
Call Waiting - Deluxe with Conferencing		

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Effective:

SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST (CONTINUED)

7.1 Optional Calling Features, (Continued)

7.1.1 Features Offered on a Monthly Basis

Optional Calling Feature (cont'd)	Residence	Business
Caller ID - Basic		
Caller ID - Deluxe		
Caller ID - Deluxe		
W/Anonymous Call Rejection		
Anonymous Call Rejection		
Call Block		
Call Return		
Call Selector		
Call Tracing		
Calling Number Delivery Blocking (per line equipped)		
Message Waiting Indication - Audible		
Message Waiting Indication - Audible and Visual		
Multiple Directory Number Distinctive Ringing - First DN		
Multiple Directory Number Distinctive Ringing - Second DN		
Preferred Call Forwarding		
Repeat Dialing		
Speed Calling (30 codes)		
Speed Calling (8 codes)		
Three Way Calling		

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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.

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IPVoice Communications, Inc.
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Phoenix, Arizona 85015

Effective:

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.

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Issued by:

Julie Bahavar, Controller
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Phoenix, Arizona 85015

Effective:

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."

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Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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.

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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.

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IPVoice Communications, Inc.
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Effective:

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 following listings are provided at no additional charge to the Customer: one listing for each individual line service, auxiliary line or PBX system.

8.1.5 Rates for Additional Listings - Business Customers

The following rates and charges apply to additional listings requested by the Customer over and above those free listings provided for in Section 8.1.4.

Type of Listing	Residential Charge	Business Charge
Reference/Cross Reference:		
- Each Listing	TBD	TBD
Alternate Telephone Number/Night Listing:		
- Night, Sundays & Holidays	TBD	TBD
- First Line	TBD	TBD
Additional Listing	TBD	TBD
Foreign Listing	TBD	TBD
Dual Name Listing - Non Recurring	TBD	TBD

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.2 Non-Published Service

8.2.1 General

Non-published service means that the Customer's telephone number is not listed in the directory, nor does it appear in the Company's Directory Assistance Records.

8.2.2 Regulations

This service is subject to the rules and regulations for E911 service, where applicable.

The Company will complete calls to a non-published number only when the caller dials direct or gives the operator number. No exceptions will be made, even if the caller says it is an emergency.

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-published number in the directory or disclosing it to some. If, in error, the telephone number is published in the directory, the Company's only obligation is to credit or refund any monthly charges the Customer paid for non-published 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-published service or the disclosing of said number to any person.

8.2.3 Rates and Charges

There is a monthly charge for each non-published service. This charge does not apply 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 if the service is installed for a temporary period.

Non-published service charge, per month

TBD

Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.0 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 some. 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: TBD

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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

TBD

Reviewed by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 9.0 - RESERVED FOR FUTURE USE

9.1 Reserved For Future Use

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

IPVOICE COMMUNICATIONS, INC.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

South Dakota Tariff Number 1
Original Page 89

SECTION 10.0 - RESERVED FOR FUTURE USE

10.1 Reserved For Future Use

Approved by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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.

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Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 11.0 - MISCELLANEOUS SERVICES (CONTINUED)

11.1 Carrier Presubscription. (Continued)

11.1.1 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.

Revised:
Revised by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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	TBD
Additional Line, Trunk or Port	TBD

Issued:
Issued by:

Effective:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

IPVOICE COMMUNICATIONS, INC.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

South Dakota Tariff Number 1
Original Page 93

SECTION 12.0 - RESERVED FOR FUTURE USE

12.1 [Reserved for Future Use]

Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 13.0 - RESERVED FOR FUTURE USE

13.1 [Reserved for Future Use]

Witnessed by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 14.0 - RESERVED FOR FUTURE USE

14.1 [Reserved for Future Use]

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 15.0 - PROMOTIONAL OFFERINGS

15.1 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.

15.2 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).

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

IPVOICE.COM, INC.
5052 N 18TH AVE. STE 416/417
PHOENIX, AZ 85015
602-335-1231

6/20/2000

\$ **250.00

South Dakota Public Utilities Commission

DOLLAR

South Dakota Public Utilities Commission

John F. Daham

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IPVOICE.COM, INC.

6/20/2000

321

250.00

South Dakota Public Utilities Commission
⑆17⑆ Professional Fees 6275 · Organizational Ex

TC00-111

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of July 06, 2000 through July 12, 2000

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

CONSUMER COMPLAINTS

CT00-083 In the Matter of the Complaint filed by John and Brenda Forman, Pierre, South Dakota, against U S WEST Communications, Inc. and McLeodUSA Telecommunications Services, Inc. Regarding the Failure to Provide Telephone Service.

The complainants requested that phone line and service be moved to a new location on May 12, 2000. On this date, the complainants were informed by U S WEST that "no lines were available" at the new site and the project was in HELD order status. The complainants report they have not received any information on when the lines will be installed and service will be operational. The complainants request that U S WEST provide and follow a completion deadline date for the "facilities hold"; and McLeodUSA assist with the costs of the cellular phone bill.

Staff Analyst: Charlene Lund
Staff Attorney: Karen Cremer
Date Docketed: 07/11/00
Intervention Deadline: NA

CT00-084 In the Matter of the Complaint filed by WorldCom against U S WEST Communications, Inc. Regarding Unauthorized Switching of Services of Janette M. Ball.

WorldCom was named as the Respondent in CT00-068, Janette Ball vs. WorldCom. WorldCom has filed a complaint against U S WEST relating to issues within CT00-068.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Docketed: 07/11/00
Intervention Deadline: NA

TELECOMMUNICATIONS

TC00-110 In the Matter of the Filing for Approval of a Second Amendment to an Interconnection Agreement between U S WEST Communications, Inc. and Dakota Telecom, Inc.

A second amendment to an interconnection agreement between Dakota Telecom, Inc. and U S WEST Communications, Inc. was filed with the Commission. The Commission approved

the original interconnection agreement effective August 28, 1998. A first amendment was filed with the Commission on June 1, 2000, and is pending Commission action. The Second Amendment will add reciprocal compensation language to the original agreement.

Any party wishing to comment on the amendment may do so by filing written comments with the Commission and the parties to the amendment no later than July 31, 2000. Parties to the amendment may file written responses to the comments no later than twenty days after the service of the original comments.

Staff Attorney: Karen Cremer

Date Docketed: 07/10/00

Comments Due: 07/31/00

TC00-111 In the Matter of the Application of IPVoice Communications, Inc. for a Certificate of Authority to Provide Telecommunications Services, Including Local Exchange Services, in South Dakota.

IPVoice Communications, Inc. is seeking a Certificate of Authority to provide resort and facilities based local exchange and interexchange telecommunications services in South Dakota. The applicant intends to offer 1+ and 101XXXX outbound dialing; 800/465 toll free inbound dialing; calling cards; Centrex and/or Centrex-like services; and digital subscriber line, ISDN, and other high capacity line services.

Staff Analyst: Heather Forney

Date Docketed: 07/10/00

Intervention Deadline: 07/28/00

You may receive this listing and other PUC publications via our website or via internet e-mail. You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>

Lance J.M. Steinhart

Attorney At Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097

Also Admitted in New York
and Maryland

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

August 22, 2000

VIA FEDERAL EXPRESS

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

RECEIVED

AUG 23 2000

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: IPVoice Communications, Inc. - TC00-111

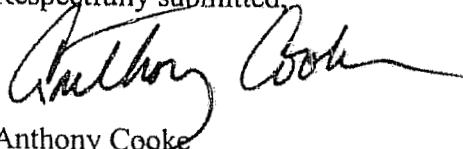
Dear Mr. Bullard:

Enclosed please find one original and ten (10) copies of supplemental information in response to Staff's request, to be filed in IPVoice Communications, Inc.'s Application for a Certificate of Authority to Provide Telecommunications Services in TC00-111.

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

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,



Anthony Cooke
Director of Government Affairs for
Lance J.M. Steinhart
Attorney for IPVoice Communications, Inc.

Enclosures

cc: Heather K. Forney (w/enc)
Lillian Vader (w/enc)

IPVoice Communications, Inc. (IPVoice)
Docket TC00-111
August 22, 2000

1. IPVoice will agree to the Commission placing restrictions in the Commission Order granting authority that will prohibit IPVoice from offering prepaid services and from collecting customer deposits or advance payments.
2. Attached hereto are revised Pages 26, 27 and 28 of IPVoice's proposed local exchange tariff that state IPVoice does not accept advance payments or require customer deposits.
3. Applicant intends to offer services under the name of IPVoice Communications, Inc.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Customer Deposits and Advance Payments

2.3.1 Advance Payments

The Company does not accept advance payments.

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

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

2.5.2 Deposits

The Company does not require customer deposits.

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

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 South Dakota 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 South Dakota Revised Code, are subject to state sales tax at the prevailing tax rates, if the services originate, or terminate in South Dakota, or both, and are charged to a subscriber's telephone number or account in South Dakota.

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 arrears for 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.

Issued:
Issued by:

Julie Bahavar, Controller
IPVoice Communications, Inc.
5050 No. 19th Ave., Ste. 416
Phoenix, Arizona 85015

Effective:

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING
IPVOICE COMMUNICATIONS, INC. FOR A)	CERTIFICATE OF
CERTIFICATE OF AUTHORITY TO PROVIDE)	AUTHORITY
TELECOMMUNICATIONS SERVICES,)	
INCLUDING LOCAL EXCHANGE SERVICES, IN)	TC00-111
SOUTH DAKOTA)	

On July 11, 2000, the Public Utilities Commission (Commission) received an application for a certificate of authority from IPVoice Communications, Inc. (IPVoice).

IPVoice proposes to offer 1+ and 101XXXX outbound dialing; 800/888 toll-free inbound dialing; calling cards; Centrex and/or Centrex-like services; and digital subscriber line, ISDN, and other high capacity line services. A proposed tariff was filed by IPVoice.

On July 13, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of July 28, 2000, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled September 13, 2000, meeting, the Commission considered IPVoice's request for a certificate of authority. Commission Staff recommended granting a certificate of authority, subject to rural safeguards, and subject to the condition that IPVoice not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-3 and 49-31-69 and ARSD 20:10:24:02, 20:10:24:03 and 20:10:32:03. The Commission finds that IPVoice has met the legal requirements established for the granting of a certificate of authority. IPVoice has, in accordance with SDCL 49-31-3 and 49-31-71, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota.

The Commission approves IPVoice's application for a certificate of authority, subject to rural safeguards, and subject to the condition that IPVoice not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission. The certificate of authority for IPVoice shall authorize it to offer local exchange services in South Dakota, except in those areas served by a rural telephone company. In the future, should IPVoice choose to provide local exchange services statewide, with respect to rural telephone companies, IPVoice will have to come before the Commission in another proceeding before being able to provide local service in that rural service area pursuant to 47 U.S.C. § 253(f) which allows the Commission to require a company that seeks to provide service in a rural service area to meet the requirements in 47 U.S.C. § 214(e)(1) for designation as an eligible telecommunications carrier. In addition, the granting of statewide certification will not affect the exemptions, suspensions, and modifications for rural telephone companies found in 47 U.S.C. § 251(f). It is therefore

ORDERED, that IPVoice's application for a certificate of authority to provide telecommunications services, including local exchange services, is granted, subject to the condition that IPVoice not offer a prepaid calling card or require deposits or advance payments without prior approval of the Commission; and it is

FURTHER ORDERED, that IPVoice shall file informational copies of tariff changes with the Commission as the changes occur; and it is

FURTHER ORDERED, that the Commission shall authorize IPVoice to offer its local exchange services in South Dakota, except in those areas served by a rural telephone company.

Dated at Pierre, South Dakota, this 19th day of September, 2000.

CERTIFICATE OF SERVICE

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

By: Heather Kalbo

Date: 9/20/00

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company,
Including Local Exchange Services,
Within The State of South Dakota

Authority was Granted September 13, 2000
Docket No. TC00-111

This is to certify that

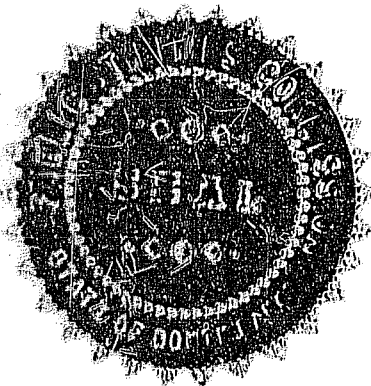
IPVOICE COMMUNICATIONS, INC.

*is authorized to provide telecommunications services, including local
exchange services, in South Dakota.*

This certificate is issued in accordance with SDCL 49-31-3 and 49-31-69
and ARSD 20:10:24:02 and 20:10:32:03, and is subject to all of the conditions
and limitations contained in the rules and statutes governing its conduct of
offering telecommunications services.

Dated at Pierre, South Dakota, this 19th day of September, 2000.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**



James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schönfelder
LASKA SCHÖNFELDER, Commissioner