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THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
TEL.(212) 973-0111
FAX (212) 891-9598

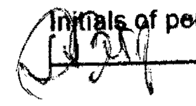
Jennifer Schneider
Direct Dial: (202) 424-7742
Fax: (202) 424-7645

ORIGINAL

July 11, 2001

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

Initials of person who forwarded check:



VIA OVERNIGHT MAIL

Blanca S. Bayo
Director, Division of Public Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

010960-TX

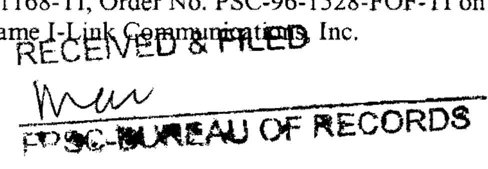
Re: I-Link Communications, Inc. Application for Authority to Provide Alternative Local Exchange Service in the State of Florida – **Expedited Treatment Requested**

Dear Ms. Bayo:

Enclosed for filing on behalf of I-Link Communications, Inc. ("I-Link" or "Applicant"), please find an original and six (6) copies of I-Link's application for authority to provide alternative local exchange telecommunications services within the State of Florida. Also enclosed is a check in the amount of $250.00 to cover the filing fee.

I-Link respectfully requests expedited treatment of this Application so that it may begin providing service in Florida immediately. Please note that I-Link currently holds a Certificate of Public Convenience and Necessity to provide interexchange telecommunications service, Certificate No. 4778, and requests that all information from that docket be associated with the instant Application as necessary.[1] Pursuant to Commission Rule No. 25-24.825, I-Link will file a Price List with the Commission prior to provide service.

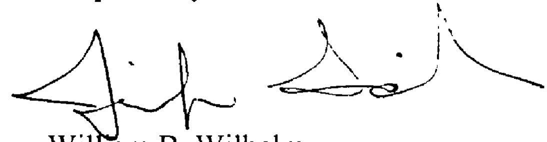
[1] The Commission granted interexchange authority to Family Telecommunications Incorporated ("FTI") in Docket No. 961168-TI, Order No. PSC-96-1528-FOF-TI on December 16, 1996. The certificate was later amended to reflect the name I-Link Communications, Inc.



DOCUMENT NUMBER-DATE
08504 JUL 12 5
FPSC-RECORDS/REPORTING

Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, stamped envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact Jennifer Schneider at (202) 424-7742.

Respectfully submitted,



William B. Wilhelm
Jennifer Schneider

Counsel for I-Link Communications, Inc.

Enclosures

cc: Mr. Tom Williams (PSC)
Mr. Jeffrie Hollingworth (I-Link)
Mr. Brian Jones (I-Link)

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

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

APPLICATION FORM
for
AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

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

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

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

APPLICATION

1. **This is an application for √ (check one):**

   (√) **Original certificate** (new company).

   ( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. **Name of company:**

   I-Link Communications, Inc. ("I-Link" or "Applicant")

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

   None

4. **Official mailing address (including street name & number, post office box, city, state, zip code):**

   13751 S. Wadsworth Park Drive, Draper, Utah 84020

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

I-Link does not currently have an office in Florida. If I-Link does establish a Florida office in the future, I-Link will provide this information to the Commission, if the Commission so requests.

6. **Structure of organization:**

( ) Individual
( ) Foreign Corporation
( ) General Partnership
( ) Other ____________
(√) Corporation
( ) Foreign Partnership
( ) Limited Partnership

7. **If individual, provide:**

Name: Not applicable.

Title:

Address:

City/State/Zip:

Telephone No.: Fax No.:

Internet E-Mail Address:

Internet Website Address:

8. **If incorporated in Florida, provide proof of authority to operate in Florida:**

(a) **The Florida Secretary of State corporate registration number:**

Not applicable.

9. **<u>If foreign corporation,</u> provide proof of authority to operate in Florida:**

    (a) The Florida Secretary of State corporate registration number:

    F96000004702

10. **<u>If using fictitious name-d/b/a,</u> provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:**

    (a) The Florida Secretary of State fictitious name registration number:

    Not applicable.

11. **<u>If a limited liability partnership</u>, provide proof of registration to operate in Florida:**

    (a) The Florida Secretary of State registration number:

    Not applicable.

12. **<u>If a partnership</u>, provide name, title and address of all partners and a copy of the partnership agreement.**

    Name: Not applicable.

    Title:

    Address:

    City/State/Zip:

    Telephone No.: Fax No.:

    Internet E-Mail Address:

    Internet Website Address:

13. **<u>If a foreign limited partnership,</u> provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.**

    (a) The Florida registration number: Not applicable.

14. Provide F.E.I. Number(if applicable): 86-0822141

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

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

None of I-Link's officers, directors, or ten largest stockholders of I-Link have previously been adjudged bankrupt, mentally incompetent or found guilty of any felony or of any crime, nor will any such actions result from pending proceedings.

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

I-Link is currently authorized to provide interexchange telecommunications services in the State of Florida under Certificate No. 4778 pursuant to Commission Order in Docket No. 961168-TI issued on December 16, 1996. No officer or director of I-Link has been an officer or director of any other Florida certificated telephone company.

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: William Wilhelm/Jennifer Schneider – Swidler Berlin Shereff Friedman, LLP
Title: Counsel to I-Link Communications, Inc.
Address: 3000 K Street NW, Suite 300
City/State/Zip: Washington, DC 200360
Telephone No.: (202) 424-7500 Fax No.: (202) 424-7645
Internet E-Mail Address: wbwilhelm@swidlaw.com jaschneider@swidlaw.com
Internet Website Address: www.swidlaw.com

(b) Official point of contact for the ongoing operations of the company:

Name: Jeffrie L. Hollingworth
Title: Assistant Secretary of I-Link Communications, Inc.
Address: 13751 S. Wadsworth Park Drive
City/State/Zip: Draper, Utah 84020
Telephone No.: (801) 238-0861 Fax No.: (801) 576-5083
Internet E-Mail Address: jeffh@I-link.net
Internet Website Address: http://www.i-link.net

(c) Complaints/Inquiries from customers:

Name: Jeffrie L. Hollingworth
Title: Assistant Secretary of I-Link Communications, Inc.
Address: 13751 S. Wadsworth Park Drive
City/State/Zip: Draper, Utah 84020
Telephone No.: (801) 238-0861 Fax No.: (801) 576-5083
Internet E-Mail Address: jeffh@I-link.net
Internet Website Address: http://www.i-link.net

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

None.

(b) has applications pending to be certificated as an alternative local exchange company.

I-Link is in the process of applying for authority to provide facilities-based and resold local exchange telecommunications services in Arizona, California, Georgia, Illinois, New York, Texas, Utah, and Washington.

(c) is certificated to operate as an alternative local exchange company.

None.

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

I-Link has not been denied authority to offer service in any state.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

No regulatory agency has imposed any penalties on I-Link for any violations of telecommunications statutes.

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

I-Link has not been involved in civil court proceeding with an IXC, LEC, or other telecommunications entity.

18. Submit the following:

A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

Please see Exhibit A.

B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

Please see Exhibit A.

C. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:

2. income statement: and

3. statement of retained earnings.

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

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

Please see Exhibit B.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

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

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

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

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Jeff L. Hollingsworth
Print Name

[signature]
Signature

Asst. Sec.
Title

7/10/2001
Date

(801) 238-0861
Telephone No.

(801) 576-5083
Fax No.

Address: 13751 S. Wadsworth Park Drive

Draper, Utah 84020

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

THIS PAGE MUST BE COMPLETED AND SIGNED

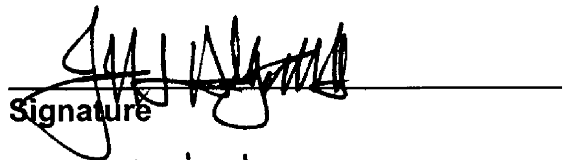
AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

JEFF L. HOLLINGWORTH
Print Name


Signature

ASST. SEC.
Title

7/10/2001
Date

(801) 238-0861
Telephone No.

(801) 576-5083
Fax No.

Address: 13751 S. Wadsworth Park Drive

Draper, Utah 84020

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

   1)Information not yet available. 2)____________

   ________________ ____________

   3)______________ 4)____________

   ________________ ____________

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1) Information not yet available. 2)____________

   ________________ ____________

   3)______________ 4)____________

   ________________ ____________

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1) Information not yet available.	____________
2)______________	____________
3)______________	____________
4)______________	____________

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

EXHIBITS

EXHIBIT 1	Financial Qualifications
EXHIBIT 2	Managerial and Technical Qualifications
EXHIBIT 3	Certificate of Authority to Transact Business

EXHIBIT A

Managerial and Technical Qualifications of Key Personnel for I-Link Communications, Inc.

Managerial and Technical Qualifications of
Key Personnel for I-Link Communications, Inc.

Gary J. Wasserson, President and CEO
In addition to his duties at I-Link, Mr. Wasserson serves as President and CEO of Counsel Communications LLC. Mr. Wasserson also served as President and CEO of Call Sciences™/Virtel™, of Edison, New Jersey and Slough, England, a major provider of enhanced telecommunications services deliverable over global intelligent networks. He is one of the founders of the Pre-Paid Calling Card Industry, having served as CEO of Global Link/GTS, a company instrumental in creating the calling card industry trade association and its regulatory initiatives within the industry. Mr. Wasserson has served on the board of the Kaiserman Jewish Community Center. Mr. Wasserson received his BS in Accounting and Finance from Babson College, Wellesley, Massachusetts.

David E. Hardy, Senior Vice President, Secretary and General Counsel.
Mr. Hardy has served as General Counsel since October 1996 and was appointed Secretary in December 1996. In November 1996, Mr. Hardy became an employee of I-Link and in January 2000 was named Senior Vice President. He is a founding partner of the law firm of Hardy & Allen, in Salt Lake City. From February 1993 to April 1995, Mr. Hardy served as Senior Vice President and General Counsel of Megahertz Corporation, a publicly held manufacturer of data communication products. Mr. Hardy holds a Bachelor of Arts degree from the University of Utah and Juris Doctor degree from the University of Utah School of Law.

James A. Giauque III, CPA, Vice President and Chief Accounting Officer
Mr. Giauque joined I-Link as Controller in January of 1997 and in May 2001, was appointed Chief Accounting Officer. During 1996, Mr. Giauque was controller for an oil and gas exploration company. For five years prior to 1996, he had his own accounting practice which he began after thirteen years with Coopers & Lybrand. He is a graduate of the University of Utah with a Bachelors Degree in Accounting and a Masters Degree in Business Administration.

Alex Radulovic, Chief Technology Officer
Alex Radulovic has considerable Internet and telecommunications development experience. Previously, he was a consultant to IBM for a wide range of AIX Communications projects and was also a development engineer for Novell's NetWare 386 network operating system. Radulovic is a co-developer of I-Link's patent-pending technology.

Frank Williams, Senior Vice President Operations
Mr. Williams is responsible for delivery operations of I-Link's products and services. He also oversees the development of relationships between I-Link and its customers. When he joined I-Link in 2000 as VP Network Operations, responsible for Network Operations, Network Engineering, Partner Operations, NOC and Field Services, Frank brought with him 19 years telecommunications and information systems management experience. Prior to joining I-Link, Frank was Chief Information Officer of Tellepsen Corporation, a Houston-based diversified construction services company. He worked at Splitrock Services, Inc. as VP Network Operations, Williams Communications Solutions as Executive Director of the National Technical Resource Center, and Centel Communications as Midwest Regional

Operations Manager and General Manager - Telecommunications Service Bureau. He holds a bachelor of business administration degree from Trinity University in San Antonio, Texas.

Frank is a past Trustee of GCCUS, Inc., charter member of Nortel's Meridian Distributor Advisory Council, a charter member of the Bay Networks Executive Service Forum, a member of NEC Partners in Excellence, and a member of the Customer Support Consortium.

EXHIBIT B

Financial Capability of I-Link Communications, Inc.

I-Link Communications, Inc. ("I-Link") is financially qualified to provide and maintain its telecommunications services throughout the State of Florida. In particular, Applicant has adequate access to financing and capital necessary to conduct its telecommunications operations as specified in this Application. I-Link will rely upon the financial resources of its parent company, I-Link, Inc., to provide capital investment and to fund any operating costs. I-Link, Inc. is a corporation organized under the laws of the State of Florida. I-Link, Inc. is publicly traded on Nasdaq under the symbol "ILNK." I-Link, Inc. will finance I-Link's initial operations and will continue to provide financial support to I-Link so long as I-Link requires additional capital and resources to complete its network and construct facilities.

In support of I-Link's application, I-Link attaches the SEC Form 10-Ks of its parent, I-Link, Inc., for the years 1998, 1999 and 2000. The exhibit is offered to demonstrate Applicant's financial ability to provide the proposed services. With the resources of I-Link, Inc., I-Link possesses the sound financial resources necessary to effectively procure, install, and operate the facilities and services requested in this Application.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

Commission File No. 0-17973

I-LINK INCORPORATED
(Name of registrant as specified in its charter)

FLORIDA	52-2291344
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

13751 S. WADSWORTH PARK DRIVE, SUITE 200, DRAPER, UT 84020 (801/576-5000)
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Exchange Act: None.

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, $.007 par value.

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or for such period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Common Stock held by non-affiliates based upon the closing bid price on March 14, 2001, as reported by The Nasdaq Stock Market, was approximately $17,566,000.

As of March 14, 2001, there were 95,111,785 shares of Common Stock, $.007 par value, outstanding.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

OVERVIEW

We are an integrated voice and data communications company focused on simplifying the delivery of "Unified Communication." Unified Communication is the integration of traditional telecommunications with new data IP (Internet Protocol) communications systems with the effect of simplifying communications, increasing communication capabilities and lowering overall communication costs. Unified Communication platforms integrate telecommunication, mobile communication, paging, voice-over-IP (VoIP) and Internet technologies. Through our wholly owned subsidiaries, I-Link Communications, Inc. and I-Link Systems, Inc., we provide enhanced telecommunications services on a wholesale and retail basis. Through our wholly-owned subsidiaries, MiBridge, Inc., and ViaNet Technologies Ltd., we undertake the research and development of new telecommunications services, products and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. We are a leader in the delivery of unified communications as a result of five core technology offerings: I-Link's Intranet, Softswitch Plus(TM), GateLink(TM), (TM)and Indavo(TM).

CORE TECHNOLOGIES

I-Link's Intranet

Our real-time IP communications network ("RTIP Network") consists of a nationwide, dedicated network of equipment and leased telecommunications lines augmented by our developed IP software. The RTIP Network is an IP-based network like the Internet; however, it is dedicated for use only by us and our customers - an INTRANET. The RTIP Network provides the platform for the enhanced service applications.developed by us and other third-party applications developers who partner with us. The RTIP Network is composed of an IP backbone that ties together local loop dial-up and broadband connections via major hubs strategically located in major metropolitan areas throughout the United States. Through proxies, the RTIP Network is able to integrate SS7, Wireless, Public Switch Telephone Networks (PSTN), the Internet, and next generation network protocols such as SIP, MGCP, and H323 into one interoperable platform. The architecture and technological approach used by the RTIP Network has resulted in cost and capability breakthroughs unattainable through traditional circuit switch telecommunications networks, while maintaining the high voice-quality and reliability associated with traditional circuit switch networks. A more detailed description of the RTIP Network is included below.

Softswitch Plus(TM)

Softswitch Plus(TM) is the operating system that ties together all of our core services that are available both to end users and third-party applications developers. Much like a PC's operating system integrates hardware elements such as disk drives, monitors, network interface cards, memory, and other computer elements, Softswitch Plus(TM) integrates communication elements such as connection services, voice recognition, interactive voice response (IVR) services, text-to-speech services, unified messaging, conference call services, operation support systems (OSS) and other application servers and communication elements created by us and/or other third-party applications developers. These software components are called "media servers" and the software layer that ties these together is called a "softswitch." Our Softswitch Plus(TM) greatly simplifies new application development as well as reduces infrastructure costs.

GateLink(TM)

GateLink(TM) is a powerful set of developer tools that serves as the mechanism for creating new applications, user services and solutions that can be hosted within our RTIP Network. Companies determined to build real time communication services are faced with many challenges, such as developing the solution, building the network in which the solution will operate, defining the OSS system to properly provision and bill for the new services. GateLink(TM) greatly simplifies this process by confining it to

developing the application. Once the application is developed it can be certified by us and then deployed within the RTIP Network.

GateLink(TM) is our mechanism to create new value and stimulate growth from other communications services providers. GateLink(TM) allows third-party developers to create applications that reside on our RTIP Network that deliver monthly reoccurring charge (MRC) revenues as well as minute-traffic revenues to us. With GateLink(TM), we are able to facilitate the creation of new communications applications that open new business opportunities, market segments, and distribution channels. Communications applications currently in development with GateLink(TM) partners include:

- ACD (automated call distribution) - an application in demand by the call center market;

- Auto Attendant - an application which functions as an electronic assistant allowing small businesses, home offices, and remote enterprise sites to coordinate in-coming communication;

- IP PBX which is an IP (internet protocol) PBX system developed with our Indavo(TM)and related software products;

- IP Centrix - Centrix is an industry standard application suite that puts the intelligence of communication coordination within the network. IP Centrix simply implements these features using an IP network and IP protocols as well as VoIP capabilities; and

- Web Conferencing which manages conferencing calls via a web interface.

V-Link(TM)

V-Link(TM), one of the applications hosted within our RTIP Network, is a powerful suite of basic and enhanced telecommunications services created by us to meet the communication needs of the residential, SOHO (small office/home office) and SME (small-to-medium enterprise) consumer. V-Link(TM) services include:

- ENHANCED LOCAL OR LONG DISTANCE SERVICE. Long distance calls can be made at significantly lower costs.

- SINGLE NUMBER SERVICE. Set up to ring a subscriber's office phone, home office phone, cellular phone (or any phone number the subscriber specifies) and pager simultaneously so that he may be reached wherever he is, and without the caller having to try multiple numbers or know his party's current location.

- CALL SCREENING/CALL WHISPER. The subscriber can hear the name of the person calling before deciding to accept the call or send it to voice mail. If the subscriber receives a new call while already engaged in a call, the name of the new caller is "whispered" to the subscriber in a manner that is inaudible to the other call participant.

- CALLER HOLD. The subscriber can put a caller on hold, with music on hold.

- CONFERENCE CALLING. Provides the ability to conference in up to 9 people at one time.

- PORTABLE FAX. The subscriber receives a fax to his Single Number Service, he is notified that there is a fax in his mailbox, and he can choose to route the fax to any fax machine, or to his e-mail through a fax-to-e-mail gateway.

- VOICE MAIL. Enables callers to leave recorded messages that can be retrieved, saved, forwarded, etc.

Subscribers access their V-Link(TM) service through an assigned local and/or toll-free (800) number (that also can become a single, convenient telephone number through which others call and fax the subscriber). Once inside the V-Link(TM) enhanced communications environment, all of the subscriber's communications functions are handled over our RTIP Network, with its associated benefits and capabilities - regardless of the call origination point. For example, long distance calls are routed primarily through the RTIP Network, and secondarily through the traditional public switched telephone network where needed to

ensure full geographic coverage. In addition to long distance calling capability, entering the V-Link(TM) communications environment affords the user a multitude of enhanced capabilities without the need for any special equipment. Once the communications session is established by logging-in to V-Link(TM) from any telephone, a subscriber has the ability to perform multiple operations within the session (multiple long distance calls, call screening, voice mail, fax, conference calling, etc.).

Indavo(TM) Line Capacity Expansion Device

We have developed Indavo(TM). From a single standard telephone line the Indavo(TM) device can simultaneously (1) create the capacity of multiple lines carrying simultaneous calls while performing other communications functions ("multiplexing"), (2) provide the inter-office/home functionality of a PBX, and (3) maintain a persistent Internet connection. In other words, through a single standard telephone wire and line, the customer and his or her family members or business associates can, from multiple phones, fax machines, and computers within the customer's home or business premises, simultaneously carry on multiple independent or conference telephone calls, receive or send faxes as if on one or more dedicated fax lines, and maintain a persistent Internet connection, without sacrificing quality or functionality. Indavo(TM) provides the capacity of up to 24 lines using the existing telephone wires connected to the customer's home or office. With the Indavo(TM) device connected to a single standard telephone line within the customer's home or business office, the customer obtains the following benefits:

MULTIPLEXING. Multiple independent telephone calls and fax send/receive calls can be simultaneously carried on from multiple phones and fax machines within the customer's home or business office, with no degradation of quality.

VIRTUAL PBX FUNCTIONALITY. The functionality of a PBX system, normally obtainable through the acquisition of a costly equipment and software system, is achieved over the existing telephones within the customer's home or office. These include inter-home/office call conferencing, call forwarding, etc.

PERSISTENT V-LINK(TM) CONNECTION. Through Indavo(TM), the customer is always connected to the V-Link(TM) enhanced services environment and can fully utilize all of the services provided by V-Link(TM) (and additional enhancements) without the need to dial into the V-Link(TM) service.

PERSISTENT INTERNET CONNECTION. Through Indavo(TM), the customer is able to maintain a persistent connection to the Internet, usually obtainable only through the purchase by the customer and on-site installation of specialized equipment (a router).

Indavo(TM) obviates the need for the customer to purchase multiple telephone lines, a PBX system, and routing equipment, as well as provides both substantial cost savings and increased functionality to the customer. We anticipated that a larger capacity version of the Indavo(TM) device will be marketed to traditional telecommunications carriers to provide a low-cost and more functional alternative to the costly and functionally-limited switches now required within their infrastructure.

I-LINK'S RTIP NETWORK

Our communications services, as well as applications and services developed by certified third-party developers, are carried over our RTIP Network. The RTIP Network is a packet-based network established by us and composed of an IP backbone that integrates local loop dial-up and broadband connections via multiple routing facilities or "Hubs" strategically established in large metropolitan areas nationwide. Each of these Hubs is comprised of off-the-shelf hardware elements and our proprietary software. Figure 1 shows an architectural view of a RTIP Hub.

[PICTURE]

[PICTURE]

Our technology enables the user to employ its existing telephone, fax machine, pager or modem to achieve high-quality communications with other conventional communications equipment, while exploiting the capabilities of IP technology. The RTIP Network is comprised of leased and dedicated lines carrying telecommunications transmissions converted into a data format (TCP/IP). Network access points ("gateways") comprised of sophisticated communications equipment and proprietary software, which we call Communication Engines(TM), are used to integrate our Intranet with the traditional telecommunications network. The Communication Engine, including the software and firmware, represents our patent-pending technology. Through the Communication Engines, the RTIP Network receives traffic from the public switched telephone network as a TDM stream (time division multiplexing) and converts it to IP data packets. The data is converted from the PCM (pulse code modulation) format standard, which is the traditional telephony standard, to our proprietary coding. Our proprietary coding can distinguish among and handle voice, fax and modem communications differently. Voice is compressed using a voice coder or codec, fax and modem traffic are demodulated/modulated. The data can then be stored (such as recording a message), altered (as in changing a fax call from 14400 BPS to 9600 BPS) or redistributed to multiple recipients (as in the case of conferencing). Our gateways are flexible such that the RTIP Network can readily integrate with other carriers' protocols and infrastructure. Accordingly, we are also capable of leveraging the access infrastructure of other carriers, resellers, and Internet service providers (ISPs) and wholesaling our enhanced services to these providers and their customers while avoiding the need to build additional access infrastructure.

Unlike the traditional telecommunication network, the RTIP Network uses TCP/IP as its communication protocol. This is the same protocol used by the Internet for computer-to-computer communication. We utilize TCP/IP because of the potential for interoperability between diverse technologies. This protocol provides the potential for the RTIP Network to integrate fax, voice, e-mail, websites, video conferencing, speech recognition servers, intelligent call processing servers, Internet Information servers, and other technologies in an efficient way. Not all of these technologies are currently implemented within the RTIP Network. However, because communication is being carried over a TCP/IP protocol these solutions can be integrated into our offerings at a fraction of the cost of traditional telecommunication implementations. The advantage of communication via the TCP/IP protocol is that it allows for efficient integration of many enhanced information services as noted above. We do not need to build all of the services that are presented to the user; it can easily integrate additional services because the communication protocol offers interoperability between all types of conventional communication equipment. The other advantage to TCP/IP is that the cost of integration is substantially less as a result of network design. New services, enhancements and updates can be enabled at a central location and linked automatically to a subscriber's packet of services, thus eliminating the costs and time restrictions of installing the enhancement at each physical facility. The result of these benefits is lower cost with greater capabilities.

Cost Advantages

The cost advantages realized from the creation and deployment of enhanced services over the RTIP Network are two-fold: (a) lower transmission costs, and (b) lower capital infrastructure costs. Lower transmission costs result from the inherent maximization of capacity in an IP-based "packet-switch" architecture (like the Internet and I-Link's RTIP Network) as opposed to traditional "circuit-switch" telecommunication architecture. A packet-switch network converts the information being carried (such as a voice call) into a series of data packets and is able to fill the entire capacity of the network with these data packets simultaneously during transmission, while a traditional circuit-switch network processes a single call at a time. Simply put, an IP-based packet-switch network makes more efficient use of its fixed-cost capacity than does a traditional circuit-switch network. The benefit to capital infrastructure costs can be seen by recognizing that a traditional enhanced service platform (a "platform" is the equipment and software required to provide a particular service to customers) - such as a conference calling platform for example - must be purchased and installed by the communications provider to work alongside a traditional telecommunications switch (a "switch" is a large, sophisticated piece of telecommunications equipment through which calls are routed, and that has a given capacity of calls that can simultaneously be handled). The traditional switch, which is unable to process anything but low-level signals, must pass an incoming call for conferencing (in our example) to a special conference call switch for processing. These types of

special switches are highly expensive, costing providers hundreds of thousands of dollars each. Because the transmission within the RTIP Network has been converted to an IP signal, the given enhanced service (conference calling in our example) occurs within a software-defined network handled through standard personal computers, rather than a hardware - or equipment - defined network requiring special and redundant, costly telecommunications switches for each enhanced service offered. We are able to provide users these services at a fraction of the cost of a traditional communication services provider, because users are able to avoid the capital expense of acquiring, installing and servicing an array of special switches. Lower costs in both the cost of transmission and the capital infrastructure to provide the services, results in lower costs to the customer.

Flexible Integration

In addition to the conference calling service discussed above, consider a provider that offers many combined services. In a traditional telecommunications network, each service - voicemail, fax mail, conference calling, single number, etc. - must be processed through one or more separate, non-integrated switches, with the customer being assigned a separate number for each service: "call this number to send me a fax, . . . call this number for my voice mail, . . . call this number for my conference call," etc. Again, because our services are provided in an IP environment and a software-defined network, all of these services can be easily integrated through one switch and function utilizing one customer number. Our IP environment also provides for the easy integration of additional new services as they are developed and introduced.

Because of the expanded capabilities and capacity of the RTIP Network, our goal is to "resale" our core technologies as many times as possible to other telecommunications service providers and application developers on a wholesale basis as well as to the residential/SOHO/SME market.

DISTRIBUTION CHANNELS

Wholesale

Wholesale distribution channels leverage our established network and services to distribute to their customer base. Such wholesale channels use (or lease from us) their own sales, billing, customer care and collection. The wholesale channel consists of two types of partners: third-party application developers and their customers, and telecommunications service providers.

Third-Party Application Developers

We provide application-hosting services to other third-party applications developers and their respective customers on a wholesale basis. Third-party developers who create new applications and solutions with GateLink(TM) are able to host these services within our RTIP Network. These hosted services are then made available to the third-party developers' channels of distribution and customers. We also offer these third-party applications to our other sales channels. Using our RTIP Network to host new applications greatly simplifies and expedites getting new services to market.

Telecommunications Service Providers

We sell our enhanced services products on a wholesale basis to Big Planet, Inc., (a subsidiary of Nu Skin Enterprises, Inc.), a telecommunications service provider. Big Planet, in turn, sells these enhanced services to its retail customers. Big Planet has non-exclusive worldwide rights to market and sell our products and services through the network marketing (sometimes referred to as "multi-level") sales channel to residential and small business users. We also sell to other wholesale customers.

We intend to sell our enhanced services on a wholesale basis to other service providers, such as CLECs (Competitive Local Exchange Carriers), ILECs (Independent Local Exchange Carriers), ISPs (Internet Service Providers), and other alternate service providers. These telecommunications service

providers can bundle V-link(TM) and other third-party developed services by connecting to the RTIP Network through one of our major hubs located strategically throughout the United States.

Retail

We market our enhanced communications services directly to retail customers primarily through two methods, "Enterprise" marketing and direct acquisition of retail customer bases.

Enterprise Marketing

We are currently marketing our enhanced communications services to businesses and associations ("Enterprises") for personal use by their employee/member base. The Enterprise provides the communications hook-up between its existing telecommunications system and our RTIP Network (typically through a T-1 or other similar telecommunications line connection), thereby enabling its employees or members to have direct, two-digit ("00") access to V-Link(TM) services and other third-party communications applications available on our RTIP Network via their existing telecommunications system and telephone numbers. It also provides direct four-digit extension inter-office communications capabilities between multiple locations worldwide. Enterprise marketing is currently being beta-tested with initial Enterprise customers.

Acquisitions of Existing Customer Bases

We intend to accelerate the expansion of our customer base through the strategic acquisition of other existing customer bases and/or the acquisition of service providers controlling existing customer bases. However, there can be no assurance that we will be successful in the acquisition of other customer bases or acquisition of other service providers.

HISTORY

We began our research and development activities in 1995. In 1997, we began providing telecommunications products and services over the traditional public switched telephone network and created the RTIP Network through the deployment of our IP technology. Also in 1997, we launched a direct-sales marketing company, I-Link Worldwide, LLC, to market products and services to the residential and small business markets.

In August 1997, we acquired MiBridge, Inc. ("MiBridge"), a New Jersey-based communications technology company engaged in the design, development, integration and marketing of a range of software telecommunication products that support multimedia communications over the public switched telephone network (PSTN), local area networks (LAN) and the Internet. Historically, MiBridge concentrated our development efforts on compression systems such as voice and fax over IP. MiBridge developed patent-pending technologies that combine sophisticated compression capabilities with IP telephony technology. The acquisition of MiBridge permitted us to accelerate the development and deployment of this IP technology and add strength and depth to our research and development team. It also provided us with the opportunity to generate income and develop industry alliances through the strategic licensing of these technologies to other industry leaders, such as Lucent Technologies, Nortel, IDP, Brooktrout, Analogic and others. In late 1997, we formed ViaNet Technologies, Ltd., headquartered in Tel Aviv, Israel, to undertake advanced research and development of the Indavo(TM) line capacity expansion device.

In February 2000, we transitioned our direct-sales marketing program to Big Planet, whereupon Big Planet became one of our wholesale customers. While maintaining our other existing traditional channels for retail sales of products and services, the transition of the network marketing sales channel to Big Planet has allowed us to focus our efforts on the expansion of the RTIP Network and the development and deployment of new enhanced services and products.

COMPETITION

The market for business communications services is extremely competitive. We believe that our ability to compete in this market successfully will depend upon a number of factors, including the pricing policies of competitors and suppliers; the capacity, reliability, availability and security of the RTIP Network infrastructure; market presence and channel development; the timing of introductions of new products and services into the marketplace; ease of access to and navigation of the Internet or other such IP networks; our ability in the future to support existing and emerging industry standards; our ability to balance network demand with the fixed expenses associated with network capacity; and industry and general economic trends.

While we believe there is currently no competitor in the North American market providing the same capabilities in the same manner afforded by the RTIP Network, there are many companies that offer communications services, and therefore compete with us at some level. These range from large telecommunications companies and carriers such as AT&T, MCI Worldcom, Sprint, Excel, Level3 and Qwest, to other VoIP carriers such as iBasis, ITXC, small, regional resellers of telephone line access, to companies providing Internet telephony. These companies, as well as others, including manufacturers of hardware and software used in the business communications industry, have announced plans to develop future products and services that are likely to compete with our products on a more direct basis. These entities may be better capitalized and may control significant market shares in their respective industry segments. In addition, there may be other businesses that are attempting to introduce products similar to ours for the transmission of business information over the Internet. There is no assurance that we will be able to successfully compete with these market participants.

GOVERNMENT REGULATION

GENERAL. Traditionally, the Federal Communications Commission (the "FCC") has sought to encourage the development of enhanced services as well as Internet-based services by keeping such activities free of unnecessary regulation and government influence. Specifically in the area of telecommunications policy and the use of the Internet, the FCC has refused to regulate most on-line information services under the rules that apply to telephone companies. This approach is consistent with the passage of the Telecommunications Act of 1996 ("1996 Act"), which expresses a Congressional intent "to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation."

FEDERAL. Since 1980, the FCC has refrained from regulating value-added networks ("VANs"), software or computer equipment that offer customers the ability to transport data over telecommunications facilities. By definition, VAN operators purchase transmission facilities from "facilities-based" carriers and resell them packaged with packet transmission and protocol conversion services. Under current rules, such operators are excluded from regulation that applies to "telecommunications carriers" under Title II of the Communications Act.

In the wake of the 1996 Act, however, the FCC is revisiting many of its past decisions. The FCC could impose common carrier regulation on some of the transport and resale telecommunications facilities used to provide telecommunications services as a part of an enhanced or information service package. The FCC also may conclude that our protocol conversions, computer processing and interaction with customer-supplied information are insufficient to afford us the benefits of the "enhanced service" classification, and thereby may seek to regulate some of our operations as common carrier/telecommunications services. The FCC could conclude that such decisions are within its statutory discretion, especially with respect to voice services. In December 1999, for example, the FCC found that it had regulatory authority over ILEC advanced services. In addition, the FCC is considering whether IP telephony services and networks should be made available to persons with disabilities and whether providers of these services and networks must comply with the FCC rules for persons with disabilities.

We are in the process of moving our customers off the facilities of existing long distance carriers. We have also increased our reliance on a proprietary Internet protocol network involving the provision of

information services, which we believe, qualifies as an exemption from common carrier regulation under current FCC rules. Historically, the FCC has not regulated companies that provide the software and hardware for Internet telephony or other Internet data functions as common carriers or telecommunications service providers. Moreover, in May 1997 the FCC determined that information and enhanced service providers are not required to contribute to federal universal service funding mechanisms. This decision was later reaffirmed in April of 1998 in an FCC report to Congress.

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 the FCC has long-standing authority. The FCC's framework for "enhanced services" confirms that the FCC has authority to regulate computer-enriched services, but provides that carrier-type regulation would not serve the public interest. Only recently has this general deregulatory approach been questioned within the industry.

An early example of deregulatory pressure is in the March 1996 initiative of America's Carriers Telecommunications Association ("ACTA"), a trade association primarily comprised of small and medium-size interexchange carriers. ACTA filed a petition with the FCC requesting the FCC to regulate the Internet and IP telephony. ACTA argued that providers of software that enables real-time voice communications over the Internet should be treated as common carriers and subject to the regulatory requirements of Title II of the Communications Act. The FCC sought comment on the request and has not yet issued its decision.

On April 10, 1998, the FCC submitted a report to Congress describing the effect of its classification of information and telecommunications services on contributions to universal service charge funds. In this report, the FCC reiterated its conclusions that information services, and Internet access services, in particular, are not subject to telecommunications service regulation or universal service contribution requirements. The FCC did, however, indicate its belief that certain gateway-based IP telephony services may be the functional equivalent of a telecommunications service. The FCC deferred a definitive resolution of this issue until it could examine a specific case of phone-to-phone IP telephony. Senators from several states with large rural areas expressed concern that migration of voice services to the Internet could erode the contribution base for universal service subsidies. Continuing pressure from those Senators to reclassify Internet telephony as a telecommunications service, rather than an information service is likely. If reclassification occurs, Internet telephony will be subjected to a regulatory assessment for universal service contributions.

On April 5, 1999, Quest (formerly US West) filed a "Petition for Expedited Declaratory Ruling" with the FCC in which Quest seeks a declaration that interexchange carriers ("IXCs") that provide phone-to-phone IP telephony are telecommunications service providers whose services are subject to access charges. The crux of the Petition claims that because there is no net protocol conversion in messages sent and received by IXCs and as IXCs claim to provide voice telephony, IP telephony does not qualify as an enhanced service under FCC rules. Quest did not press the matter and, to date, the FCC has not issued a public notice requesting comment on the petition. We cannot predict with certainty what the Commission will rule or when. If Quest pursues the petition and is successful, the FCC could rule that IP telephony service providers are obligated to pay interstate access charges to local telephone companies for originating and terminating interstate calls.

Any FCC ruling that Internet-based service providers should be subject to some level of Title II regulation could affect the manner in which we operate, to the extent it uses the Internet to provide facsimile or voice capabilities. Any FCC ruling would also result in additional costs to achieve compliance with federal common carrier requirements. With the passage of the 1996 Act, the precise dividing line or overlap between "telecommunications" and "information" services as applied to Internet-based service providers is uncertain. Consequently, our activities may be subject to evolving rules as the FCC addresses novel questions presented by the increased use of the Internet to offer services that appear functionally similar to traditionally-regulated telecommunications services. At this time, it is impossible to determine what effect, if any, such regulations may have on the our future operations.

STATE. While states have generally declined to regulate enhanced services, their ability to regulate the provision of intrastate enhanced services remains an uncertain possibility. For instance, Qwest petitioned Colorado and Nebraska for a ruling that IP telephony providers must pay access charges for intrastate calls. The proceeding was dismissed in Colorado and a decision was never reached in Nebraska. In two recent interconnection decisions, Colorado and Nebraska declined to classify IP telephony as switched access traffic subject to access charges. But a recent Florida interconnection arbitration decision ruled differently. If state regulators or legislators regulate the provision of intrastate enhanced services it may negatively impact our ability to provide enhanced services in any state that assesses access or universal service charges against us.

DELIVERY OF SERVICES OVER EXISTING SWITCHED TELECOMMUNICATIONS NETWORKS

A portion of our communications services are delivered over existing switched telecommunications networks through our subsidiary, I-Link Communications, Inc., a long distance telecommunications carrier that provides long distance service to all 50 states of the United States. Access to the switched telephone network is a necessary component of the RTIP Network to ensure full geographic coverage of the RTIP Network in lesser-populated geographic areas that are not serviced by one of the RTIP Network's Hubs. We maintain traditional switch facilities in Dallas, Los Angeles, Phoenix, and Salt Lake City.

ITEM 2. DESCRIPTION OF PROPERTY.

We lease approximately 41,897 square feet of space for office and other facilities in Draper, Utah pursuant to commercial leases with original terms of five to seven years. These leases expire between 2001 and 2004 subject to our right to extend for an additional five years. The current aggregate base rent is approximately $39,000 per month. I-Link also leases several other co-location facilities throughout the United States to house its Communication Engines. Such spaces vary in size and length of term.

We currently lease and occupy approximately 4,100 square feet of office space in Phoenix, Arizona, pursuant to a commercial lease dated June 1, 2000. The lease term is for five years commencing June 2000 beginning with a current base rent of approximately $6,600 per month.

On October 6, 2000, we purchased an office building located in Salt Lake City, Utah consisting of approximately 14,250 square feet. We occupy the first floor of the building and lease the second floor pursuant to a commercial lease, dated June 1997. The lessee's lease term is for five years commencing June 1997 with a base rent of $7, 411. The building is subject to a promissory note in the amount of $840,000 which is secured by a trust deed against the building and a certificate of deposit in the amount of $200,000.

MiBridge rents approximately 3,600 square feet of office space in Eatontown, New Jersey under a five-year commercial lease effective December 1, 1997 at a cost of approximately $5,200 per month.

Vianet Technologies leases approximately 1,400 square feet of office space in Tel Aviv, Israel at a cost of approximately $2,200 per month. The lease expires in February 2002.

ITEM 3. LEGAL PROCEEDINGS.

I-LINK INCORPORATED V. RED CUBE INTERNATIONAL AG, AND RED CUBE, INC., Case No. 2:01CV0049C, United States District Court, District of Utah, Central Division.

We filed suit against Red Cube, International AG and Red Cube, Inc. ("Red Cube") on January 18, 2001, seeking damages against Red Cube for an alleged default on an agreement to provide approximately $60,000,000 in equity funding to I-Link, and instituting a scheme to drive us out of business and obtain control of our proprietary technology, telecommunications network, key

employees and customers. While we obtained an initial temporary restraining order against Red Cube preventing Red Cube from interfering with our employees, vendors and customers, Red Cube subsequently filed a motion to dismiss the action and compel arbitration based upon a mandatory arbitration provision in the May 2000 Cooperation and Framework Agreement by and between I-Link and Red Cube. The court found that our claims were "related to" the Cooperation and Framework Agreement and granted Red Cube's motion to dismiss the action for lack of subject matter jurisdiction.

IN THE ARBITRATION MATTER OF RED CUBE INTERNATIONAL AG, V. I-LINK INCORPORATED, before the American Arbitration Association, New York, New York, AAA # 50 T 117 **0002B 01.**

On or about January 24, 2001 Red Cube International, AG delivered to us a written demand for arbitration under the May 2000 Cooperation and Framework Agreement between the parties. Red Cube's demand constituted written notice of an alleged breach of the Cooperation and Framework Agreement stemming from I-Link's (i) threatening a shut-down of our IP telecommunications network, (ii) the resignation of Dror Nahumi as our employee, which Red Cube claims will cause us to breach our undertaking to provide the consulting services of John Edwards, Dror Nahumi and Alex Radulovic in the event we are unable to perform under the Agreement and Red Cube is required to assume primary operation and maintenance of it's own IP telecommunications network based upon our technology, and (iii) our alleged failure to update the escrowed copy of its source code to the current version of the source code employed to maintain the IP telecommunications network. We denied these allegations, filed a counterclaim against Red Cube International, AG and filed a third-party claim against Red Cube, Inc, seeking (compensatory and/or punitive) damages for Red Cube's default under a subsequent agreement to provide approximately $60,000,000 in equity funding to us, engaging in a scheme to drive us out of business and obtain control of our proprietary technology, telecommunications network, key employees and customers. The arbitration proceeding is in its initial stage, and no hearings have occurred.

STEVEN J. LITTLE, DBA, FREEDOM ENTERPRISES V. I-LINK WORLDWIDE, L.L.C., MEDCROSS, INC., I-LINK INCORPORATED, JOHN DOES I-X, Civil No. 990908018, in The Judicial District Court of the Third Judicial Court in and For Salt Lake County, State of Utah and STEVEN J. LITTLE, DBA, FREEDOM ENTERPRISES V. I-LINK WORLDWIDE, L.L.C., MEDCROSS, INC., I-LINK INCORPORATED, before the American Arbitration Association, Case No. 81 181 00118 00 VSS.

Steven J. Little is a former independent representative of I-Link Worldwide, L.L.C. whose contractual relationship consisted of I-Link's standard independent representative agreement and two written agreements between himself, I-Link and I-Link Worldwide, LLC. Mr. Little filed the above action alleging that I-Link Incorporated and I-Link Worldwide, LLC wrongfully terminated his written agreements. Mr. Little's claims for damages range from $7,000,000 to $10,000,000 constituting the alleged aggregate value of the residual terms of these agreements. I-Link Incorporated and I-Link Worldwide, LLC maintain that Mr. Little's written agreements were properly terminated pursuant to the written terms and conditions of those agreements and therefore Mr. Little has suffered no damages. Binding arbitration is tentatively scheduled to start April 23, 2001.

On March 10, 2000, the Company and JNC Opportunity Fund, Ltd. ("JNC") entered into a settlement and release agreement relating to certain litigation concerning shares of Series F Preferred stock held by JNC. The shares of Series F Preferred stock held by JNC were convertible into 1,104,972 shares of common stock under the original agreement with JNC. On March 10, 2000, the Company issued 531,968 shares of common stock to JNC pursuant to the settlement agreement in cancellation of the Series F shares held by JNC. The balance of the shares required to be issued pursuant to the settlement agreement required approval at a special meeting of the shareholders held on May 23, 2000, at which time approval of the shareholders was received. Due to the delay in issuance of the shares required to be issued pursuant to the settlement agreement until shareholder approval was received and the related common shares were registered, the Company issued 20,458 "Additional Shares" of common stock in accordance with the agreement.

We are involved in litigation relating to claims arising out of our operations in the normal course of business, none of which is expected, individually or in the aggregate, to have a material adverse affect on us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Our annual meeting of shareholders was held on October 2, 2000 at which five proposals were considered and passed by the stockholders as follows:

1. Messrs. Henry Y. L. Toh and Hal B. Heaton were re-elected as Class 2 Directors of I-Link. Mr. John W. Edwards, Mr. Thomas A. Keenan and Mr. David R. Bradford continued as Directors.

2. PricewaterhouseCoopers LLP was appointed as our independent public accountants. The vote was 39,258,011 for, 166,888 against and 107,939 abstained.

3. The 1997 Recruitment Stock Option Plan was amended to increase the amount of shares of common stock eligible for issuance under that Plan from 4,400,000 to 7,400,000. The vote was 17,519,669 for, 1,821,885 against and 1,652,094 abstained.

4. The grant of non-qualified options to purchase I-Link's common stock to certain executive officers was approved. The vote was 17,288,274 for, 2,052,425 against and 1,652,949 abstained.

5. The establishment of the 2000 Employee Stock Purchase Plan was approved. The vote was 18,149,256 for, 1,203,608 against and 1,640,784 abstained.

PART II

ITEM 5. MARKET FOR I-LINK INCORPORATED'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

PRICE RANGE OF COMMON STOCK

Our common stock is traded on The Nasdaq Small-Cap Market ("Nasdaq") tier of The Nasdaq Stock Market, Inc. under the symbol "ILNK." Although the Common Stock is currently listed on Nasdaq, there can be no assurance given that we will be able to continue to satisfy the listing requirements for maintaining such securities on Nasdaq or that such listing will otherwise continue. We have no current plans to apply for listing of any preferred shares, warrants or any of our other securities on Nasdaq.

On February 14, 2001, we were notified by the Nasdaq Listing Qualifications Department (the "Nasdaq Staff") that our securities would be de-listed from The Nasdaq SmallCap Market due to our inability to maintain our market capitalization above the minimum $35,000,000 required for continued listing on The Nasdaq SmallCap Market in accordance with the National Association of Securities Dealers, Inc. rules. Pursuant to the NASD Rules, we have requested an oral hearing before the Nasdaq Listing Qualifications Panel (the "Panel") to appeal the Nasdaq Staff's decision to de-list our securities. The hearing is scheduled for late April 2001. Pursuant to the same NASD Rule 4820(a), a request for a hearing has stayed the scheduled de-listing of our securities pending issuance of the Panel's decision. Should our securities cease to be listed on the Nasdaq SmallCap Market, I-Link's securities may be listed on the Over-the-Counter Bulletin Board market.

The following table sets forth the high and low bid prices for our common stock for the period as quoted on Nasdaq based on interdealer bid quotations, without retail markup, markdown, commissions or adjustments and may not represent actual transactions:

Quarter Ended	High Bid	Low Bid
March 31, 1999	$ 4.13	$ 2.19
June 30, 1999	5.50	2.44
September 30, 1999	4.88	2.50
December 31, 1999	4.38	2.25
March 31, 2000	$20.00	$ 2.75
June 30, 2000	11.88	2.00
September 30, 2000	5.91	2.00
December 31, 2000	3.53	0.75

On March 14, 2001, the closing price for a share of our common stock was $.625.

HOLDERS

As of March 14, 2001, we had approximately 650 stockholders of common stock of record and approximately 17,000 beneficial owners

DIVIDEND POLICY

We must be current on dividends accrued on our Series C and Series M preferred stock before paying any dividends to common stock holders. Preferred stock dividends in the amount of $196,333 and $351,868 were paid in 2000 and 1999, respectively, in common stock (non-cash) on the converted shares of Series F redeemable preferred stock. As of December 31, 2000, dividends in arrears (undeclared) on Series C and Series M preferred stock were $602,702 and $4,543,187 respectively. On February 22, 2000, our Board of Directors set a record date for payment of accrued dividends on Class (Series) C preferred stock of $563,781 to stockholders of record on February 22, 2000, to be paid in shares (approximately 125,400) of our common stock (the "Dividend Shares") within ten business days of the date the Dividend Shares become subject to an effective registration statement (anticipated in second or third quarter of 2001) under the Securities Act of 1933, as amended. To date, we have not paid and do not anticipate that we will pay dividends on our common stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial information was derived from the audited consolidated financial statements and notes thereto. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

	2000	1999	1998	1997	1996
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Telecommunications services	$ 18,300,548	$ 26,440,017	$ 19,634,681	$ 11,081,007	$ --
Marketing services	463,740	3,672,988	4,548,421	2,637,331	--
Technology licensing and development	8,972,828	2,506,701	1,466,315	346,875	--
Other	2,667,039	--	--	--	170,532
Net sales	30,404,155	32,619,706	25,649,417	14,065,213	170,532
Operating expenses:					
Telecommunications network expenses	24,958,320	20,373,209	19,099,194	14,634,999	1,120,779
Marketing services costs	456,354	5,400,149	5,850,873	4,294,014	--
Selling, general, administrative and other	29,086,550	26,098,700	20,345,293	20,997,262	18,536,090
Total operating expenses	54,501,224	51,872,058	45,295,360	39,926,275	19,656,869
Operating loss	(24,097,069)	(19,252,352)	(19,645,943)	(25,861,062)	(19,486,337)
Other income (expense)	(1,655,109)	(4,906,936)	(8,134,130)	(2,806,630)	(2,677,640)
Loss from continuing operations	(25,752,178)	(24,159,288)	(27,780,073)	(28,667,692)	(22,163,977)
Loss from discontinued operations	--	(500,000)	(178,006)	(1,191,009)	(900,263)
Net loss	$ (25,752,178)	$ (24,659,288)	$ (27,958,079)	$ (29,858,701)	$ (23,064,240)
Loss from continuing operations applicable to common stock	$ (27,398,996)	$ (33,086,262)	$ (37,621,215)	$(118,360,731)	$ (43,387,606)
Net loss per common share - basic and diluted:					
Loss from continuing operations	$ (1.03)	$ (1.55)	$ (2.13)	$ (10.07)	$ (6.40)
Loss from discontinued operations	--	(0.02)	(0.01)	(0.10)	(0.13)
Net loss per common share	$ (1.03)	$ (1.57)	$ (2.14)	$ (10.17)	$ (6.53)
BALANCE SHEET DATA:					
Working capital	$ (30,060,766)	$ (1,318,640)	$ (4,073,914)	$ (2,955,180)	$ 1,305,814
Property and equipment, net	10,983,273	7,019,361	7,262,781	3,551,917	1,575,769
Net assets (liabilities) of discontinued operations	--	(82,629)	417,371	595,377	1,668,223
Total assets	21,657,492	21,658,199	23,855,363	24,252,876	9,864,696
Long-term obligations	2,801,592	9,658,525	8,785,933	1,921,500	236,705
Stockholders' equity (deficit)	(28,839,061)	(11,049,897)	(16,953,363)	814,376	6,298,617

In January 1997, we acquired I-Link Communications, an FCC-licensed long distance carrier. With the acquisition, we began our telecommunications services operations. Effective December 31, 1997, we made the decision to discontinue the operations of our Medical Imaging Division. Our Board of Directors approved the plan of disposal on March 23, 1998. The net operating activities and net assets from the Medical Imaging Division are presented separately as discontinued operations in the above table. Through our wholly-owned subsidiaries MiBridge, Inc., and ViaNet Technologies Ltd., we pursue research and development of new telecommunications products and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. MiBridge was acquired during the third quarter of 1997 and ViaNet Technologies Ltd. was formed in the first quarter of 1998.

During 1997, I-Link formed a wholly owned subsidiary, I-Link Worldwide, L.L.C., through which we launched a network marketing channel to market its telecommunications services and products. On February 15, 2000, we signed a strategic marketing and channel agreement with Big Planet, a wholly owned subsidiary of Nu Skin Enterprises, Inc. Under the terms of the agreement, our independent network

marketing sales force (the IRs) transitioned to Big Planet, and Big Planet was granted the worldwide rights to market and sell our products and services through the network marketing (sometimes referred to as "Multi-Level") sales channel to residential and small business users. Our other sales channels into the residential, small business, and other markets are unaffected by the agreement with Big Planet. The impact on the results of operations included a termination of marketing service revenues and marketing service costs effective February 15, 2000. Additionally, telecommunication service revenues decreased as we sold our services to the same subscribers through Big Planet at wholesale prices. The reduction in telecommunications service revenues was partially offset by a reduction in commissions paid to IRs related to telecommunication services revenues.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING INFORMATION

THIS REPORT CONTAINS CERTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27-A OF THE SECURITIES ACT OF `1933, AS AMENDED, SECTION 21-E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND INFORMATION RELATING TO I-LINK THAT ARE BASED ON MANAGEMENT'S EXERCISE OF BUSINESS JUDGEMENT AS WELL AS ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO MANAGEMENT. WHEN USED IN THIS DOCUMENT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," AND "INTEND" AND WORDS OF SIMILAR IMPORT, ARE INTENDED TO IDENTIFY ANY FORWARD-LOOKING STATEMENTS. YOU SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS. THESE STATEMENTS REFLECT OUR CURRENT VIEW OF FUTURE EVENTS AND ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES AS NOTED BELOW. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS.

Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors could cause actual results to differ materially from our forward looking statements. Several of these factors include, without limitation: our ability to finance and manage expected rapid growth; the impact of competitive services and pricing; our ongoing relationship with our long distance carriers and vendors; dependence upon key personnel; subscriber attrition; the adoption of new, or changes in, accounting principles; legal proceedings; federal and state governmental regulation of the long distance telecommunications and internet industries; our ability to maintain, operate and upgrade our information systems network; our success in deploying our Communication Engine network in internet telephony; the existence of demand for and acceptance of our products and services (including but not limited to V-Link(TM) and Indavo(TM)); the migrating of subscribers from a retail billing basis to a wholesale billing basis; the continued increasing revenues from GateLink(TM) and other wholesale clients as well as other risks referenced from time to time in our filings with the SEC.

We undertake no obligation and do not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events.

RESULTS OF OPERATIONS

When reviewing the operating results for 2000 compared to 1999 and 1998, it is important to note the significant changes in our operations that occurred in 2000. Prior to February 15, 2000, our telecommunication and marketing service revenues were primarily dependent upon the sales efforts of independent representatives (IRs) functioning within a network marketing channel of distribution which targeted residential users and small businesses in the United States. These revenue sources depended directly upon the efforts of IRs. IRs personally solicited potential residential and business customers via one-to-one sales presentations. At the conclusion of the sales presentations, customers would sign order forms for our telecommunication products and services (telecommunication service revenues). IRs received commissions based upon sales of our products and services to customers who became our subscribers. Additionally revenues from the network marketing channel prior to February 15, 2000 were recorded at retail whereas after that date the same sales to the end-users were recorded on a wholesale rate.

On February 15, 2000, the nature of our telecommunication services revenues and marketing service revenues relating to the network marketing channel were significantly changed. On that date we signed a strategic marketing and channel agreement with Big Planet, a wholly-owned subsidiary of Nu Skin Enterprises, Inc. Under terms of the agreement, I-Link's IR's transitioned to Big Planet, and Big Planet was granted rights to market and sell our products and services through the network marketing (sometimes referred to as "Multi-Level") sales channel to residential and small business users. Our other sales channels into the residential, small business, and other markets were unaffected by the agreement with Big Planet. This agreement had two significant impacts on our gross revenues.

- telecommunication service revenues decreased as we sold our services to the same subscribers through Big Planet at wholesale prices. Even though our billed minutes increased in 2000 as compared to 1999, revenues decreased due to the transition to wholesale. The reduction in telecommunications service revenues was partially offset by a cessation of commissions paid to IRs related to telecommunication services revenues, and

- marketing service revenues and marketing service costs ceased effective February 15, 2000.

As a result of this agreement with Big Planet, we ended our involvement in the network marketing channel and Big Planet became our single largest customer.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO THE YEAR ENDED DECEMBER 31, 1999

REVENUES

Net operating revenue in 2000 and 1999 included three primary sources of revenue which were: (1) telecommunications service; (2) marketing services which began in June 1997 (and terminated in February 2000 - see "Results of Operations" above) and includes revenues from the network marketing channel, including revenues from independent representatives for promotional and presentation materials and national conference registration fees; and (3) technology licensing and development revenues related to communications software that supports multimedia communications over PBX, LAN's and the Internet. In 2000, we also had revenues from other sources including customer services such as billing, accounts receivable processing, customer care and special consulting services which were primarily associated with the transition of the network marketing channel to Big Planet in the first quarter of 2000.

Telecommunication service revenues decreased $8,139,469 to $18,300,548 in 2000 as compared to $26,440,017 in 1999. The decrease is a direct result of the agreement with Big Planet effective February 15, 2000. Before February 15, 2000, our telecommunication services revenues were primarily dependent upon the sales efforts of IRs functioning within a network marketing channel of distribution. These revenue sources were recorded at retail. Under terms of the agreement, our independent network marketing sales force transitioned to Big Planet. This resulted in a substantial decrease in telecommunication services revenues for the year 2000 as revenues from subscribers migrating from retail sales to the sale of services to the same subscribers through Big Planet at wholesale prices. While a significant portion of the revenues converted to wholesale, we retained a portion of Big Planet's subscriber base on a retail-billing basis, for which the Big Planet is paid a commission. Should Big Planet convert this portion of its business to a wholesale relationship, our reported revenues would decline and commissions paid on this retail business would decline correspondingly. Revenues billed to customers of Big Planet have decreased due to the decline in rate per minute billed of approximately 32% due to the transition from retail to wholesale, combined with a decrease in subscriber base and lower than expected new subscriber acquisitions. Big Planet accounted for 46% of our telecommunication services revenue in the fourth quarter of 2000. Due to perceived risks relative to our financial condition (prior to the Counsel Corporation transaction in March 2001), Big Planet signed an agreement to transition its business to another service provider in the third or fourth quarter of 2001, contingent upon the new service provider meeting certain milestones of product and service development. Hence, we cannot predict what future telecommunication services revenue from Big Planet may be. Part of the decrease in telecommunications services revenues billed through Big Planet, our largest wholesale customer, was offset by $3,230,000 in revenues generated from Gatelink(TM) partners

primarily in the last half of 2000. We expect revenues from Gatelink(TM) and other wholesale clients to continue to increase in 2001 and beyond. The percentage of telecommunication services revenue from our second largest customer during the fourth quarter was 32%. Telecommunication services revenue from this customer in the first quarter of 2001 is expected to decrease compared to the fourth quarter of 2000 by approximately 50% as the customer transferred some of their traffic to other carriers due to concerns relative to our financial condition in early 2001 (prior to the Counsel Corporation transaction). We cannot predict what future telecommunication services revenue from this customer may be.

Marketing services revenue, which included revenue from independent representatives for promotional and presentation materials, WebCentre, and ongoing administrative support decreased $3,209,248 to $463,740 in 2000 as compared to $3,672,988 in 1999. The decrease was the result of the transition of this network-marketing channel to Big Planet in February 2000. With this transition, marketing service revenues ceased.

Technology licensing and development revenue increased $6,466,127 to $8,972,828 in 2000 as compared to $2,506,701 in 1999. Revenue from this source will vary from quarter to quarter based on timing of technology licensing and development projects and royalties from products previously licensed. During 2000, our increase in these revenues stemmed primarily from the following sources:

- we entered into two licensing agreements that resulted in revenues of nearly $4,000,000, and

- on May 9, 2000, we entered into an agreement with Red Cube under which Red Cube paid us an aggregate sum of $10,000,000 comprised of a $7,500,000 licensing fee and $2,500,000 for consulting services. The total of $10,000,000 is being recorded as income ratably over a two-year period. Accordingly, $3,333,333 was recorded as technology licensing revenue in 2000 while the balance of $6,666,667 was recorded as unearned revenue as of December 31, 2000.

Other revenues in 2000 of $2,667,039 includes $2,203,693 relating to customer care, billing and accounts receivable services performed for wholesale customers. Revenues from these services in 2001 are expected to approximate the 2000 revenues. During 2000, other revenues also included royalties of $400,000 from the sale of Indavo(TM) units through a distributor to a company that will not use the Indavo(TM) units over our network.

OPERATING COSTS AND EXPENSES

Telecommunications network expenses increased $4,585,111 to $24,958,320 in 2000 as compared to $20,373,209 in 1999. The increase is related to the costs of continuing development and deployment of our communication network and expenses related to the telecommunication service revenue. While variable costs per minute have remained comparable to 1999 variable costs, fixed costs have increased as we continue to build our RTIP network. While network costs associated with telecommunications services revenues increased, the transition from retail to wholesale-based revenues resulted in decreased per minute revenue. However, we continue to incur the same network costs. We do not expect fix costs associated with our network to increase as we are devoting our efforts to increasing minute traffic and enhanced services over the existing network before we undertake additional expansion.

Marketing services costs decreased $4,943,795 to $456,354 in 2000 as compared to $5,400,149 in 1999. These costs directly relate to our marketing services revenue that began late in the second quarter of 1997 and include commissions and the costs of providing promotional and presentation materials and ongoing administrative support of the network marketing channel. As we transferred this network marketing channel to Big Planet in February 2000, marketing service costs ceased.

Selling, general and administrative expenses increased $5,924,775 to $18,353,731 in 2000 as compared to $12,428,956 in 1999. In 2000, we added significant infrastructure in the form of employees and facilities in anticipation of fulfilling obligations to various business partners including Red Cube. The increase in 2000 expenses is partly a result of the cost of this added infrastructure. In 2000, we also entered into various transactions that contributed to this increase in the form of increased outside services. In

January 2001, we had a strategic work force reduction in order to reduce overhead and streamline operations.

The provision for doubtful accounts decreased $3,589,908 to $113,168 in 2000 as compared to $3,703,076 in 1999. The decrease is directly related to two items:

(1) the transitioning of the network marketing channel subscribers to Big Planet in February 2000. With the transition, Big Planet assumed the risk of collections from individual subscribers, thus resulting in a reduced provision for the remainder of 2000 as compared to the same period of 1999.

(2) during the third quarter of 2000 we settled a lawsuit wherein we sued a former wholesale customer for non-payment of its bills. Prior to 2000, we had written off the receivable from this customer. Upon settling the lawsuit, we received $300,000 for past billings, which amount reduced our provision for doubtful accounts in 2000.

Depreciation and amortization increased $916,679 to $6,399,318 in 2000 as compared to $5,482,639 in 1999. The increase is primarily associated with increased expenditures related to continued expansion of our RTIP Network.

In 1999 we recorded a write-down of capitalized software costs of $1,847,288 which did not recur in 2000.

Research and development costs increased $1,583,592 to $4,220,333 in 2000 as compared to $2,636,741 in 1999. The increase is associated with our commitment to continuing telecommunication network research and development efforts and development of new products and technologies. We anticipate research and development expenditures in 2001 will be less than 2000 as we plan to use our resources to sell our developed and in-process technologies and enhance current products. If none of these new products and technologies are successfully developed, the sales and profitability of I-Link may be adversely affected in future periods.

OTHER INCOME (EXPENSE)

Interest expense decreased $3,583,465 to $1,502,676 in 2000 as compared to $5,086,141 in 1999. Interest expense in 1999 was significantly greater than in 2000 due to the accretion of debt discount (non-cash expense of $3,125,000 in 1999) related to certain warrants granted in connection with $8,000,000 in loans from Winter Harbor. In 1999, there was also $627,000 of interest expense on other debt instruments that were converted to equity in 1999.

Interest and other income increased $307,927 to $487,132 in 2000 as compared to $179,205 in 1999. The increase was primarily due to interest earned in 2000 on higher average cash balances on hand during 2000 as compared to 1999.

A settlement expense of $639,565 was recorded in 2000. This expense is the result of an obligation to issue 129,519 shares of common stock in exchange for trading restrictions imposed on JNC Opportunity Fund Ltd. ("JNC") in relation to the common stock to be issued to JNC pursuant to a settlement and release agreement entered into in February 2000. The settlement and release agreement settled litigation between JNC and us over unconverted Series F preferred stock held by JNC. The amount of this expense was based upon the market price of our common stock on May 24, 2000 when the common stock was issued. There was no comparable expense in 1999.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO THE YEAR ENDED DECEMBER 31, 1998

REVENUES

Net operating revenue in 1999 and 1998 included three primary sources of revenue which were:

(1) telecommunications service; (2) marketing services (terminated in February 2000 - see "Results of Operations" above) which included revenues from the network marketing channel, including revenues from independent representatives for promotional and presentation materials and national conference registration fees; and (3) technology licensing and development revenues related to communications software that supports multimedia communications over PBX, LANs and the Internet.

Telecommunication service revenues increased $6,805,336 to $26,440,017 in 1999 as compared to $19,634,681 in 1998. The increase was primarily due to an increase of $9,192,135 from growth in telecommunication sales by the network marketing channel. This increase was partially offset by a decrease of $2,386,799 in revenues from other channels of distribution as we focused our resources on those channels of distribution of products that had higher profit margins. The increase in revenues was primarily due a 38% increase in usage, which was offset by an 11% decrease in revenue per minute.

Marketing service revenues decreased $875,433 to $3,672,988 in 1999 as compared to $4,548,421 in 1998. The decrease was primarily due to a reduction of new IR sign ups resulting in a decrease of $1,937,634 in revenues from promotional and presentational materials and national conventions. This decrease was offset by increased revenues from product sales of $1,062,201 primarily from WebCentre sales, which began in 1999.

Technology licensing and development revenues increased $1,040,386 to $2,506,701 as compared to $1,466,315 in 1998. The increase was primarily due to increasing acceptance of our core technologies in the market place.

OPERATING COSTS AND EXPENSES

Telecommunications network expenses increased $1,274,015 to $20,373,209 in 1999 as compared to $19,099,194 in 1998. The increase is related to the costs of continuing development and deployment of our communication network and expenses related to the telecommunication service revenue. Moreover, the deployment of our Communication Engines in 1999 and better pricing from underlying carriers allowed telecommunications revenues to grow at a significantly higher rate than the related telecommunication network expenses.

Marketing services costs decreased $450,724 to $5,400,149 in 1999 as compared to $5,850,873 in 1998. These costs directly relate to our marketing services revenue that began late in the second quarter of 1997 and include commissions, the costs of providing promotional and presentation materials and ongoing administrative support of the network marketing channel.

Selling, general and administrative expenses increased $1,865,574 to $12,428,956 in 1999 as compared to $10,563,382 in 1998. The increase was primarily due to (1) increased payroll related to an increased number of employees and (2) increased rent and travel costs related to the increased number of employees.

The provision for doubtful accounts increased $542,455 to $3,703,076 in 1999 as compared to $3,160,621 in 1998. The increase is related directly to the growth in telecommunication service revenues, and increased bad debts from receivables in the channels which we decided to terminate in order to refocus our resources on those channels of distribution of our products that had higher profit margins.

Depreciation and amortization increased $1,290,465 to $5,482,639 in 1999 as compared to $4,192,174 in 1998. The increase was primarily associated with increasing expenditures related to continued and increasing expansion of our RTIP Network.

In the first quarter of 1999, we recorded a write-down of capitalized software costs of $1,847,288. In early 1998 we contracted with an outside consulting company to develop a billing and operations information system. We continually evaluated the functionality and progress of the in-process system development, and together with our Board of Directors concluded that the new system would not significantly enhance our existing billing and information systems or meet our ultimate needs. Accordingly, we could not justify paying

additional contracted expenses of approximately $1,000,000 and effective March 31, 1999, we recorded a write-down on the in-process system development of $1,847,288.

Research and development increased $207,625 to $2,636,741 in 1999 as compared to $2,429,116 in 1998. The increase was associated with our increased commitment to continuing telecommunication network research and development efforts, primarily at our Israeli subsidiary, ViaNet Technologies.

OTHER INCOME (EXPENSE)

Interest expense decreased $3,318,277 to $5,086,141 in 1999 as compared to $8,404,418 in 1998. The decrease is primarily due to a decrease of $4,013,095 from the accretion of debt discounts (non-cash) related to certain warrants granted in connection with $7,768,000 in loans during 1998 as compared to warrants granted in connection with $8,000,000 in loans in 1999. An increase in interest expense in 1999 of approximately $694,818 on loans outstanding and an increase in capital leases offset this decrease.

Interest and other income decreased $91,083 to $179,205 in 1999 as compared to $270,288 in 1998. The decrease was primarily due to interest earned in 1998 on deposits with our primary provider of long-distance telecommunications capacity, which did not recur in 1999 as the deposits were refunded.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as of December 31, 2000 were $2,155,628, short-term certificates of deposit were $53,500 and the working capital deficit was $30,060,766 (which includes deferred revenue of $14,885,592). Cash provided by operating activities during 2000 was $1,869,355 as compared to cash used of $10,381,925 in 1999 and $16,825,719 in 1998. The increase in cash from operations in 2000 as compared to 1999 was primarily due to $20,000,000 received from Red Cube for licensing and prepayment for future services, of which $16,552,259 remains as deferred revenues at December 31, 2000. The decrease in cash used by operating activities in 1999 compared to 1998 was primarily due to a decrease in our net loss and timing of accounts receivable collections and accounts payable payments.

Net cash used by investing activities in 2000 was $6,881,466 as compared to $1,585,299 in 1999 and $1,602,974 in 1998. The net increase in cash used by investing activities in 2000 as compared to 1999 was due to an increase in purchases of furniture, fixtures equipment and software of $4,863,055 and a decrease of $412,649 in cash flows from maturing restricted certificates of deposit and $20,463 from discontinued operations. The decrease in cash used by investing activities in 1999 as compared to 1998 was primarily attributable to (1) a decrease in purchases of furniture, fixtures and equipment of $1,210,241 which was offset by a decrease in cash received in connection with maturing of restricted certificates of deposits of $932,566 and (2) a decrease in investing activities of discontinued operations of $260,000.

Financing activities in 2000 provided net cash of $4,171,735 as compared to $13,594,301 in 1999 and $18,069,765 in 1998. Cash provided in 2000 included $4,341,659 from exercise of options and warrants and employee purchases under the employee stock purchase plan. During 2000, we repaid $145,720 in long-term debt and capital lease obligations and used $24,204 in our discontinued operations. Cash provided in 1999 included $8,200,000 from long-term debt, $7,116,408 net proceeds from the sale of preferred stock and $5,000 from the exercise of stock options and warrants. During 1999, we repaid $1,727,107 of long-term debt and capital lease obligations. Cash provided in 1998 included $9,430,582 from issuance of preferred stock (net of offering costs), $11,009,712 in proceeds from loans to us, and $684,943 from exercise of stock options and warrants. Long term-debt and capital lease payments of $2,885,007 offset these sources of cash.

We incurred a net loss from continuing operations of $25,752,178 for the year ended December 31, 2000, and as of December 31, 2000 had an accumulated deficit of $135,902,482. We anticipate that revenues generated from our continuing operations will not be sufficient during 2001 to fund ongoing operations, the continued expansion of our private telecommunications network facilities, product development and

manufacturing, and anticipated growth in subscriber base. As described below, several events have occurred in 2001 that affect our ability to obtain the additional necessary funds and reduce liabilities requiring funds for our continuing operations in 2001.

CURRENT POSITION/FUTURE REQUIREMENTS

During 2001, we plan to use available cash to fund the development and marketing of I-Link products and services. We anticipate that revenues from all sources of continuing operations will grow in 2001 and will increasingly contribute to meeting our cash requirements. Our business plan of continued market penetration and deployment of I-Link products and services will require financial resources at increasingly higher levels than those experienced in 2000. In order to provide for and/or reduce capital expenditure and working capital needs, we entered into the following agreements in 2001:

- On March 1, 2001, Winter Harbor elected to convert a note payable from I-Link for $7,768,000 plus accrued interest of $2,537,072 ($2,376,498 as of December 31, 2000) into 4,122 shares of Series M convertible preferred stock of I-Link pursuant to the original loan agreement. Upon conversion, current liabilities as of December 31, 2000 in the amount of $10,144,498 were satisfied without requiring cash.

- On March 1, 2001, we entered into a Senior Convertible Loan and Security Agreement with Counsel Communications, LLC, ("Counsel LLC"). Pursuant to the Loan Agreement, Counsel LLC agreed to make periodic loans to us in the aggregate principal amount not to exceed $10,000,000, of which $3,000,000 was available to us immediately upon the execution of the Loan Agreement. The $10,000,000 is structured as a 3-year note convertible with interest at a rate of 9% per annum, compounded quarterly.

- In January 2001, we undertook a strategic work force reduction to reduce overhead and streamline operations.

In March 2001, Counsel LLC purchased Winter Harbor's security holdings in I-Link and became our single largest shareholder. In addition to the above transactions, Counsel Corporation and its subsidiary Counsel LLC have committed to fund, through long-term inter-company advances or equity contribution, all capital investment, working capital or other operational cash requirements of I-Link through April 15, 2002.

While we believe that the aforementioned sources of funds will be sufficient to fund operations into 2002, we anticipate that additional funds will be necessary from public or private financing markets to successfully integrate and finance the planned expansion of our business communications services, product development and manufacturing, and to discharge our financial obligations. The availability of these capital sources will depend on prevailing market conditions, interest rates, and our financial position and results of operations. There can be no assurance that such financing will be available, that we will receive any additional proceeds from the exercise of outstanding options and warrants or that we will not be required to arrange for additional debt, equity or other financing.

OTHER ITEMS

We have reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on the results of our operations or financial position. Based on that review, we believe that none of these pronouncements will have a significant effect on current financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS.

See Consolidated Financial Statements beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

As of March 14, 2001, the Board of Directors had five members including one vacancy due to the resignation of Mr. Keenan in February 2001. Our Articles of Incorporation provide that the Board of Directors is divided into three classes and that each director shall serve a term of three years. Mr. Keenan's term of office as the sole Class I Director, would have expired at the annual meeting of shareholders in 2002 if Mr. Keenan had not resigned. The term of office of Mr. Toh and Mr. Heaton, both Class II Directors, will expire at the 2003 annual meeting of shareholders, and the term of office of Mr. Edwards and Mr. Bradford, the Class III Directors, will expire at the annual meeting of shareholders in 2001. In March 2001, Counsel LLC acquired all I-Link securities and their associated rights previously held by Winter Harbor. The result of this transfer of beneficial ownership interests is that Counsel LLC has the right to designate two member of the Board of Directors pursuant to our financing arrangements previously with Winter Harbor. In addition, Counsel obtained a right to appoint three additional members (bringing the number of Board members to nine) to our Board of Directors under a convertible loan agreement effective March 1, 2001. As of December 31, 2000, no Winter Harbor designees were members of the Board and as of March 14, 2001 Counsel had not designated any members to the Board.

Biographical information with respect to the present executive officers, directors, and key employees are set forth below. There are no family relationships between any present executive officers and directors except that John W. Edwards and Robert W. Edwards, Vice President of Network Operations, are brothers.

Name	Age (1)	Title
John W. Edwards	46	Chairman of the Board, President, Chief Executive Officer
Dror Nahumi (2)	38	President
David E. Hardy	48	Senior Vice President, Secretary and General Counsel
John M. Ames	41	Senior Vice President, Chief Operating Officer and Chief Financial Officer
Alex Radulovic	31	Vice President of Technology
Henry Y.L. Toh	43	Director
Thomas A. Keenan (3)	36	Director
David R. Bradford	50	Director
Hal B. Heaton	50	Director

(1) As of December 31, 2000

(2) Dror Nahumi submitted his resignation as President effective January 8, 2001.

(3) Thomas A. Keenan submitted his resignation as a Director effective February 21, 2001.

JOHN W. EDWARDS, Chairman of the Board, President and Chief Executive Officer. Mr. Edwards was selected to fill a vacancy on the Board of Directors as a Class III director in June 1996. He was elected Chairman of the Board in August 1998. Mr. Edwards serves as our Chief Executive Officer and, from September 30, 1996 through December 1999, served as our President and Chief Executive Officer. Mr. Edwards began to serve as President in January 2001. Mr. Edwards served as President and a director of Coresoft, Inc., a software company developing object-oriented computer solutions for small businesses from September 1995 to April 1996. During the period August 1988 through July 1995, Mr. Edwards served in a number of executive positions with Novell, Inc., a software company providing networking software, including Executive Vice President of Strategic Marketing, Executive Vice President of the Appware and Desktop Systems Groups and Vice President of Marketing of the NetWare Systems Group. Mr. Edwards was involved in the development of the NetWare 386 product line. Until May 1996, he was a visiting faculty member at the Marriott School of Management at Brigham Young University. Mr. Edwards received a B.S. degree in Computer Science from Brigham Young University. Mr. Edwards was re-elected to the Board of Directors as a Class III Director at the 1997 Annual Meeting.

DROR NAHUMI, President. Mr. Nahumi resigned as President in January 2001 after serving thirteen months as President. Mr. Nahumi was President of MiBridge Inc., a communications software company, when we acquired MiBridge in June 1997. Mr. Nahumi served as Senior VP of Engineering from June 1997 until his appointment as President. Prior to founding MiBridge, Mr. Nahumi was working for AT&T Bell Labs, where he represented AT&T in voice, data and cellular standards competitions. The speech-coding algorithm Mr. Nahumi designed for the cellular standard was chosen for deployment in the CDMA cellular network in North America. Mr. Nahumi was also a senior telecommunications engineer for ECI Telecom and other telecom R&D centers in Israel.

DAVID E. HARDY, Senior Vice President, Secretary and General Counsel. Mr. Hardy has served as General Counsel since October 1996, and was appointed Secretary in December 1996. In November 1999, Mr. Hardy became an employee of I-Link and in January 2000 was named Senior Vice President. He is a founding partner of the law firm of Hardy & Allen, in Salt Lake City. From February 1993 to April 1995, Mr. Hardy served as Senior Vice President and General Counsel of Megahertz Corporation, a publicly held manufacturer of data communication products. Mr. Hardy holds a Bachelor of Arts degree from the University of Utah and a Juris Doctor degree from the University of Utah School of Law.

JOHN M. AMES, CPA, Senior Vice President, Chief Operating Officer and Chief Financial Officer. Mr. Ames joined us as Vice President of Operations in September of 1998 and in August 1999, was promoted to Senior Vice President, Chief Operating Officer and acting Chief Financial Officer. Between April 1997 and August 1998, Mr. Ames organized, developed and sold Time Key L.C., a company specializing in Time and Labor Management software and consulting. From June 1996 until April 1997, he was the Vice President and Chief Financial Officer of Neurex (now Elan Pharmaceutical), a Menlo Park, California based public biotech company. From August 1993 until June 1996, Mr. Ames managed various information services, finance and cost accounting, strategic partnering, international tax, risk management and human resource functions as the Director of Corporate Services at TheraTech (now Watson Pharmaceutical), a public California bay area based pharmaceutical company. From April 1992 through August 1993, he was responsible for overseeing U.S. sites information services activities as the Corporate Director of Information Services with Otsuka Pharmaceutical, a large privately owned Japanese conglomerate. Prior to joining Otsuka, Mr. Ames spent over eight years with KPMG Peat Marwick as an auditor and consultant in the High Technology practice. He is a graduate from Brigham Young University with both a Bachelors and Masters (MAcc) degree in Accounting with emphasis in accounting information systems and management consulting.

ALEX RADULOVIC, Vice President of Technology. Mr. Radulovic has considerable Internet and telecommunications development experience. Previously, he was a consultant to IBM for a wide range of AIX Communications projects and was also a development engineer for Novell's NetWare 386-network operating system. Mr. Radulovic is a co-developer of our patent-pending technology.

HENRY Y.L. TOH, Director. The board of directors elected Mr. Toh as a Class II Director and as Vice Chairman of the Board of Directors in March 1992. Mr. Toh was elected President of our Company

in May 1993, Acting Chief Financial Officer in September 1995 and Chairman of the Board in May 1996, and served as such through September 1996. He was appointed Assistant Secretary in May 1997. He is a graduate of Rice University.

THOMAS A. KEENAN, Director. Mr. Keenan was appointed to serve as a Class I Director on September 1, 1998. Mr. Keenan was elected as a Director Designee of Winter Harbor pursuant to the Stockholder Agreement dated September 30, 1997 between Winter Harbor and I-Link. Mr. Keenan is the principal of Wolfeboro Holdings, an investment fund based in Wellesley, Massachusetts. Mr. Keenan received a Juris Doctor degree from the University of Michigan Law School. From September 1994 to August 1996 he was employed by McKinsey & Company, an international management-consulting firm. Mr. Keenan resigned as a Director of I-Link effective February 21, 2001.

DAVID R. BRADFORD, Director. The board of directors elected Mr. Bradford as a Class III Director in January 1999. Currently Mr. Bradford is actively involved in the venture capital business in the inter-mountain west. Mr. Bradford has served as Senior Vice-President and General Counsel for Novell, Inc. from 1985 to 2000. Mr. Bradford is past chairman of the board of the Business Software Alliance, the leading business software trade association representing Microsoft, Novell, Adobe and Autodesk, among others. Mr. Bradford also serves on the board of directors of Pervasive Software, Altius Heath, Found Inc., OneWorldOnLine.com, NextStep Broadband and Utah Valley State College. Mr. Bradford received his Juris Doctorate from Brigham Young University and a Master's degree in Business Administration from Pepperdine University.

HAL B. HEATON, Director. Dr. Heaton was appointed to serve as a Class II Director on June 14, 2000 to fill a board vacancy. From 1982 to present, Dr. Heaton has been a professor of Finance at Brigham Young University. Dr. Heaton holds a Bachelor's degree in Computer Science/Mathematics and a Master's in Business Administration from Brigham Young University, a Master's degree in Economics and a Ph.D. in Finance from Stanford University.

Each officer is chosen by the board of directors and holds his or her office until his or her successor shall have been duly chosen and qualified or until his or her death or until he or she shall resign or be removed as provided by the By-laws.

Mr. Bradford, Mr. Keenan and Mr. Heaton were non-employee independent directors as of December 31, 2000.

There are no material proceedings to which any director, officer or affiliate of our Company, any owner of record or beneficial owner of more than five percent of any class of voting securities, or any associate of any such director, officer, affiliate or security holder is a party adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries.

COMMITTEES OF THE BOARD OF DIRECTORS

The Committees of the Board of Directors are as follow:

AUDIT COMMITTEE. The audit committee (the "Audit Committee") is responsible for making recommendations to the Board of Directors concerning the selection and engagement of independent certified public accountants and for reviewing the scope of the annual audit, audit fees, and results of the audit. The Audit Committee also reviews and discusses with management and the Board of Directors such matters as accounting policies, internal accounting controls, and procedures for preparation of financial statements. Its membership is currently comprised of Messrs. Heaton (chairman), Bradford and Keenan. The Audit Committee held three meetings during the last fiscal year.

COMPENSATION COMMITTEE. The compensation committee (the "Compensation Committee") approves the compensation for executive employees. Its membership is currently comprised of Messrs. Bradford (chairman), Heaton and Keenan. The Compensation Committee held five meetings during the last fiscal year.

FINANCE COMMITTEE. The finance committee (the "Finance Committee") is responsible for reviewing and evaluating financing, strategic business development and acquisition opportunities. Its membership is currently comprised of Messrs. Keenan (chairman), Heaton and Edwards. The Finance Committee held twelve meetings during the last fiscal year.

SPECIAL COMMITTEE. A special committee was formed in January 2001 to advise the board of directors on matters relating to raising funds and capitalization issues. Mr. Bradford was Chairman of the special committee and Messrs. Toh and Heaton were members. The special committee was disbanded in March 2001 after completion of the Winter Harbor and Counsel Communications transactions (See "Current Position/Future Requirements"). See "Certain Relationships and Related Transactions."

We do not have a nominating committee or any committee serving a similar function.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership of equity securities of I-Link with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than ten percent shareholders are required by the SEC regulation to furnish us with copies of all Section 16(a) forms that they file.

Based solely upon a review of Forms 3 and Forms 4 furnished to us pursuant to Rule 16a-3 under the Exchange Act during our most recent fiscal year and Forms 5 with respect to our most recent fiscal year, we believe that all such forms required to be filed pursuant to Section 16(a) of the Exchange Act were timely filed, as necessary, by the officers, directors, and security holders required to file the same during the fiscal year ended December 31, 2000,

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the aggregate cash compensation paid for services rendered during the last three years by each person serving as our Chief Executive Officer during the last year and our five most highly compensated executive officers serving as such at the end of the year ended December 31, 2000, whose compensation was in excess of $100,000.

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)	Restricted Stock Awards($)	Securities Underlying Options/SARs (#)	LTIP Payouts($)	All Other Compensation($)
John W. Edwards	2000	225,000(1)	--	--	--	25,[illegible]	--	$2,725
CEO	1999	201,115(1)	--	--	--	230,[illegible]	--	--
	1998	133,333(1)	--	--	--	30,[illegible]	--	--
Dror Nahumi	2000	200,000(2)	--	--	--	1,[illegible]	--	$1,700
President	1999	142,972(2)	--	--	--	[illegible]	--	--
	1998	98,887(2)	--	--	--	--	--	--
David E. Hardy	2000	200,000(5)	--	--	--	[illegible]	--	--
Secretary and	1999	146,332(5)	--	--	--	--	--	--
General Counsel[illegible]	1998	132,000(5)	--	--	--	--	--	--
John M. Ames	2000	165,000(4)	--	--	--	[illegible]	--	$9,236
COO and CFO	1999	128,462(4)	--	--	--	--	--	--
	1998	37,369(4)	--	--	--	[illegible]	--	--

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)	Restricted Stock Awards($)	Securities Underlying Options/ SARs(#)	LTIP Payouts($)	All Other Compensation($)
Alex Radulovic	2000	200,000(5)	--	--	--	400,000	--	$615
VP of Technology	1999	164,734(5)	--	--	--	--	--	--
	1998	105,218(5)	--	--	--	500,000	--	--

(1) Mr. Edwards began his employment in April 1996 and was appointed President and CEO as of September 30, 1996 and resigned as President in December 1999. He resumed his office as President upon Mr. Nahumi's resignation in January 2001. Mr. Edwards' annual salary was $96,000 in 1997 until August, when it was increased to an annual salary of $150,000. In November 1997 Mr. Edwards voluntarily reduced his annual salary to $35,000, for the balance of 1997 and until our financial restraints were reduced. See "Employment Agreements." Mr. Edwards was paid at an annual rate of $125,000 commencing January 1, 1998 even though Mr. Edward's salary was increased to $200,000 effective May 1997, however the salary increase accrued but was not paid from May 1997 to April 1999 when we began to pay his salary at the rate of $225,000. The deferred salary in the amount of $141,875 was paid during 2000. In 2000 we contributed $1,700 as a match to Mr. Edwards' 401K contribution and paid $1,025 on a life insurance policy.

(2) Mr. Nahumi began his employment with us in June 1997 when we acquired MiBridge of which Mr. Nahumi was President. Mr. Nahumi was appointed our president in December 1999. Mr. Nahumi's annual salary during 1998 was $100,000; 1999 was $110,000 which salary was then increased to $200,000 per year when Mr. Nahumi was appointed President in January 2000. In 2000 we contributed $1,700 as a match to Mr. Nahumi's 401K contribution. Mr. Nahumi resigned as president in January 2001 resulting in forfeiture of 1,270,835 options.

(3) Mr. Hardy became our employee on November 1, 1999. From October 1996 to present, Mr. Hardy served as Secretary and General Counsel. Mr. Hardy's annual consulting fee during the first four months of 1997 was $125,000. Mr. Hardy's consulting fee was increased to $175,000 per year effective May 1997, however the salary increase was deferred until September 1999, when we began to pay his salary at the rate of $175,000. The deferred salary was paid in the amount of $23,685 in 1999 and $80,757 in 2000. In January 2000, Mr. Hardy's salary was increased to $200,000 per year.

(4) Mr. Ames began his employment in September 1998; his annual salary during 1998 was $120,000. In September 1999, Mr. Ames salary was increased to $165,000 per year. In 2000, other compensation includes $1,700 contributed as a match to Mr. Ames' 401K contribution and $7,536 paid for vacation time not taken.

(5) Mr. Radulovic began his employment in February 1996; his annual salary during 1997 was $90,000. Mr. Radulovic's salary was increased to $150,000 effective November 1998 and to $200,000 in October 1999. In 2000 we paid $615 on a life insurance policy for Mr. Radulovic.

OPTION/SAR GRANTS IN LAST FISCAL YEAR (2000)

The following table sets forth certain information with respect to the options granted during the year ended December 31, 2000, for the persons named in the Summary Compensation Table (the "Named Executive Officers"):

Name	Number of Securities Underlying Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Grant Date Value(1)	Expiration Date
John W. Edwards	25,000	*	$ 2.78	$ 36,900	1/1/10
Dror Nahumi(2)	1,750,000	30.9%	$ 2.75	$2,670,959	1/3/10
David E. Hardy	100,000	1.8%	$ 2.75	$ 147,478	1/3/10
John M. Ames	300,000	5.3%	$ 2.75	$ 442,435	1/3/10
Alex Radulovic	400,000	7.1%	$ 2.75	$ 589,913	1/3/10

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* Indicates less than 1%

(1) Determined using the Black Scholes option-pricing model.

(2) Mr. Nahumi's employment with I-Link terminated in January 2001.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth certain information with respect to options exercised during 2000 by the Named Executive Officers and with respect to unexercised options held by such persons at the end of 2000.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)		Value of Unexercised in the Money Options/SARs at FY-End ($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John W. Edwards	12,000	$ 43,897	1,709,670	333,330	--	--
Dror Nahumi(2)	--	--	625,000	1,375,000	--	--
David E. Hardy	--	--	841,667	58,333	--	--
John M. Ames	--	--	441,667	208,333	--	--
Alex Radulovic	--	--	711,670	688,330	--	--

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(1) The calculations of the value of unexercised options are based on the difference between the closing bid price on Nasdaq of the common stock on December 31, 2000, and the exercise price of each option, multiplied by the number of shares covered by the option. Value ascribed to unexercised options at December 31, 2000 was minimal as the exercise price exceeded the closing bid price at December 31, 2000.

(2) Mr. Nahumi's employment with I-Link terminated in January 2001.

DIRECTOR COMPENSATION

On the first business day in January each year, each Director then serving will receive an option to purchase 20,000 shares of common stock and for each committee on which the Director serves an option to purchase 5,000 shares of common stock. The exercise price of such options shall be equal to the fair market value of the common stock on the date of grant. The Directors are also eligible to receive options under our stock option plans at the discretion of the board of directors.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGES-IN-CONTROL ARRANGEMENTS

On September 9, 1999, we entered into a three-year employment agreement with John W. Edwards, Chief Executive Officer and Director. Pursuant to the terms of the employment agreement, Mr. Edwards is employed as the Chief Executive Officer and a Director, and is required to devote substantially all of his working time to the business and our affairs. Mr. Edwards is entitled under his employment agreement to receive compensation at the rate of $225,000 per year and is entitled to a profitability bonus at the discretion of the Board of Directors and to participate in fringe benefits as are generally provided to executive officers. In addition, Mr. Edwards was granted an option to purchase 200,000 shares of common stock at an exercise price of $3.56 per share based on the market price at the date of grant. Of such options, 33,340 vested immediately and 16,666 vest and become exercisable on the first calendar day of each quarter beginning October 1, 1999. In the event of termination by I-Link or in the event of a violation of a material provision of the agreement by I-Link which is unremedied for thirty (30) days and after written notice, Mr. Edwards is entitled to receive, as liquidated damages or severance pay, an amount equal to the Monthly Compensation (as defined in the agreement) for the remaining term of the agreement or two years whichever is shorter and all options shall thereupon be fully vested and immediately exercisable. The agreement contains non-competition and confidentiality provisions.

On January 3, 2000, we entered into a three-year agreement with Dror Nahumi, President. Mr. Nahumi was required to devote substantially all of his working time to our business and affairs. Mr. Nahumi was entitled under his employment agreement to receive compensation at the rate of $200,000 per year and was entitled to a profitability bonus at the discretion of the I-Link Directors and to participate in fringe benefits as are generally provided to executive officers. In addition, Mr. Nahumi was granted an option to purchase 1,000,000 shares of common stock at an exercise price of $2.75 per share based on the market price at the date of grant. Of such options, 83,333 vested immediately and 83,333 vest and become exercisable on the first calendar day of each quarter beginning October 1, 1999. Mr. Nahumi was also granted an option to purchase 750,000 shares of common stock as performance-vested options. Vesting of 125,000 of the performance options are to occur when the daily closing stock price attains or exceeds each of the following levels for more than 20 consecutive trading days: $10, $12, $14, $16, $18, $20. In the event of a "change in control" (as defined in the agreement), accelerated vesting of the options will not take place except in the event of a change of control pursuant to which our stock is exchanged for the stock of another entity and the options are not rolled-over or otherwise exchanged for similar options of such entity (with like terms and conditions). The agreement contains non-competition and confidentiality provisions. Mr. Nahumi resigned as president in January 2001 resulting in forfeiture of 1,270,835 options.

On January 3, 2000, we entered into three-year employment agreements with John M. Ames as Senior Vice President, Chief Operating Officer and Acting Chief Financial Officer, David E. Hardy as Senior Vice President and General Counsel, and Alex Radulovic as Vice President Technology. Pursuant to the terms of the employment agreements, each of the three individuals is required to devote substantially all of his working time to our business and affairs. Mr. Ames, Hardy and Radulovic are each entitled under their respective employment agreements to receive compensation at the rate of $165,000, $200,000 and $200,000 per year, respectively, and are entitled to a profitability bonus at the discretion of the Board of Directors and to participate in fringe benefits as are generally provided to executive officers. In addition, Mr. Ames, Hardy and Radulovic were each granted options to purchase 300,000, 100,000 and 400,000, respectively, shares of common stock at an exercise price of $2.75 per share based on the market price at the date of grant. Of such options, 25,000, 8,333 and 33,333, respectively, vested immediately and the same amounts vest and become exercisable on the first calendar day of each quarter beginning October 1, 1999. In the event of termination by I-Link or in the event of a violation of a material provision of the agreement by I-Link which is unremedied for thirty (30) days and after written notice, each of these individuals is entitled to receive, as liquidated damages or severance pay, an amount equal to the Monthly Compensation (as defined in the corresponding agreement) for twelve months and all options shall thereupon be fully vested and immediately exercisable. The agreements contain non-competition and confidentiality provisions.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

John Edwards is Chairman of the Board and an executive officer of I-Link. Mr. Edwards resigned his seat on the Compensation Committee effective April 29, 2000. Messrs. Heaton, Bradford and Kennan are non-employee directors of I-Link.

DIRECTOR STOCK OPTION PLAN

Our Director Stock Option Plan (the "DSOP") authorizes the grant of stock options to our directors. Options granted under the DSOP are non-qualified stock options exercisable at a price equal to the fair market value per share of common stock on the date of any such grant. Options granted under the DSOP are exercisable not less than six (6) months or more than ten (10) years after the date of grant.

As of December 31, 2000, options for the purchase of 8,169 shares of common stock at prices ranging from $.875 to $3.875 per share were outstanding. As of December 31, 2000, options to purchase an aggregate of 15,228 shares of common stock were exercised. In connection with adoption of the 1995 Director Plans (as hereinafter defined) the Board of Directors authorized the termination of future grants of options under the DSOP; however, outstanding options granted under the DSOP will continue to be governed by the terms of the DSOP until the options are exercised or expire.

1995 DIRECTOR STOCK OPTION PLAN

In October 1995, our stockholders approved adoption of our 1995 Director Stock Option and Appreciation Rights Plan, which plan provides for the issuance of incentive options, non-qualified options and stock appreciation rights (the "1995 Director Plan").

The 1995 Director Plan provides for automatic and discretionary grants of stock options which qualify as incentive stock options (the "Incentive Options") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options which do not so qualify (the "Non-Qualified Options") to be issued to directors. In addition, stock appreciation rights (the "SARs") may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1995 Director Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs to purchase up to 250,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified in the 1995 Director Plan, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise and during the duration of the 1995 Director Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1995 Director Plan for the grant of additional options or rights to any eligible employees. The shares of common stock subject to the 1995 Director Plan may be made available from either authorized but unissued shares, treasury shares, or both.

The 1995 Director Plan also provides for the grant of Non-Qualified Options on a non-discretionary basis pursuant to the following formula: each member of the Board of Directors then serving shall receive a Non-Qualified Option to purchase 10,000 shares of common stock at an exercise price equal to the fair market value per share of the common stock on that date. Pursuant to such formula, directors received options to purchase 10,000 shares of common stock as of October 17, 1995, options to purchase 10,000 shares of common stock on January 2, 1996, and will receive options to purchase 10,000 shares of common stock on the first business day of each January. The number of shares granted to each Board member was increased to 20,000 in 1998. In addition, the Board member will receive 5,000 options for each committee membership. Each option is immediately exercisable for a period of ten years from the date of grant. We have 190,000 shares of common stock reserved for issuance under the 1995 Director Plan. As of December 31, 2000, options exercisable to purchase 170,000 shares of common stock at prices ranging from $1.00 to $1.25 per share are outstanding under the 1995 Director Plan. As of December 31, 2000, options to purchase 60,000 shares have been exercised under the 1995 Director Plan.

1995 EMPLOYEE STOCK OPTION PLAN

In October 1995, the stockholders approved adoption of our 1995 Employee Stock Option and Appreciation Rights Plan (the "1995 Employee Plan"), which plan provides for the issuance of Incentive Options, Non-Qualified Options and SARs.

Directors are not eligible to participate in the 1995 Employee Plan. The 1995 Employee Plan provides for the grant of stock options which qualify as Incentive Stock Options under Section 422 of the Code, to be issued to officers who are employees and other employees, as well as Non-Qualified Options to be issued to officers, employees and consultants. In addition, SARs may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1995 Employee Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs of up to 400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1995 Employee Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1995 Employee Plan for the grant of additional options or rights to any eligible employee. The shares of common stock subject to the 1995 Employee Plan may be made available from either authorized but unissued shares, treasury shares, or both. We have 400,000 shares of common stock reserved for issuance under the 1995 Employee Plan. As of December 31, 2000, options to purchase 302,000 shares of common stock have been granted under the plan and 182,750 were outstanding with an exercise price of $3.90 per share. As of December 31, 2000, 119,250 options have been exercised under the 1995 Employee Plan.

1997 RECRUITMENT STOCK OPTION PLAN

In October 1997, our stockholders approved adoption of the 1997 Recruitment Stock Option and Appreciation Rights Plan, which plan provides for the issuance of incentive options, non-qualified options and SAR's (1997 Plan).

The 1997 Plan provides for automatic and discretionary grants of stock options, which qualify as incentive stock options (the "Incentive Options") under Section 422 of the Code, as well as options which do not so qualify (the "Non-Qualified Options"). In addition, stock appreciation rights (the "SARs") may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1997 Plan, as amended in 2000, provides for the grant of Incentive Options, Non-Qualified Options and SARs to purchase up to 7,400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). The price at which shares of common stock covered by the option can be purchased is determined by our Board of Directors; however, in all instances the exercise price is never less than the fair market value of our common stock on the date the option is granted. To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1997 Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1997 Plan for the grant of additional options or rights. The shares of common stock subject to the 1997 Plan may be made available from either authorized but unissued shares, treasury shares, or both. As of December 31, 2000, options to purchase 5,350,673 shares of common stock have been granted under the plan and 4,939,253 were outstanding with exercise prices of $1.19 to $13.88 per share. As of December 31, 2000, 411,420 options have been exercised under the 1997 Plan.

2000 EMPLOYEE STOCK PURCHASE PLAN

In October 2000, the stockholders of I-Link approved adoption of I-Link's 2000 Employee Stock Purchase Plan which plan provides for purchase and issuance of common stock. (the "Stock Purchase Plan").

The purpose of the Stock Purchase Plan is to induce all eligible employees of I-Link (or any of its subsidiaries) who have been employees for at least three months to encourage stock ownership of I-Link by acquiring or increasing their proprietary interest in I-Link. The Stock Purchase Plan is designed to encourage employees to remain in the employ of I-Link. It is the intention of I-Link to have the Stock Purchase Plan qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code").

The Stock Purchase Plan provides for the purchase of common stock in the aggregate, up to 2,500,000 shares of common stock (which number is subject to adjustment in the event of stock dividends, stock splits and other similar events). As of December 31, 2000, 23,494 shares of common stock had been purchased under the Stock Purchase Plan.

CHANGES IN CONTROL

On March 1, 2001, Counsel LLC entered into a separate Securities Purchase Agreement with Winter Harbor. Pursuant to the terms of the Securities Purchase Agreement, Counsel LLC purchased from Winter Harbor all of the debt and equity securities of I-Link held by Winter Harbor, including all shares of Series M and Series N preferred stock held by Winter Harbor. Additionally, Counsel obtained the right to immediately name two Counsel designees to I-Link's board of directors, and seek to obtain I-Link shareholder approval to appoint an additional three Counsel director nominees, resulting in a nine member board, five members of which will be directors nominated or designated by Counsel LLC. As a result of the above mentioned transactions pursuant to the terms of the Securities Purchase Agreement, a change in control may be deemed to have occurred.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table shows, as of March 14, 2001, all directors, executive officers, and, to the best of our knowledge, all other parties we know to be beneficial owners of more than 5% of the common stock, or beneficial owners of a sufficient number of shares of Series C preferred stock, Series M convertible preferred stock or Series N preferred stock to be converted into at least 5% of the common stock. As of March 14, 2001, there were issued and outstanding the following: 95,111,785 shares of common stock, 9,249 shares of Series C preferred stock and 769 shares of Series N preferred stock.

Name and Address of Beneficial Owner (1)	Title of Class	Number of Shares Beneficially Owned	% of Common Stock Beneficially Owned(2)
John M. Ames	Common Stock	526,000(3)	*
David R. Bradford	Common Stock	115,000(4)	*
John W. Edwards	Common Stock	2,018,000(4)	2.1%
David E. Hardy	Common Stock	1,069,219(4)	1.1%
Hal B. Heaton	Common Stock	53,958(4)	*
Alex Radulovic	Common Stock	897,103(5)	*
Henry Y.L. Toh	Common Stock	283,501(6)	*
Counsel Communications L.L.C. 280 Park Avenue West Building, 28th Floor New York, NY 10017	Common Stock	79,823,200(7)	70.66%

Name and Address of Beneficial Owner (1)	Title of Class	Number of Shares Beneficially Owned	% of Common Stock Beneficially Owned(2)
Winter Harbor, L.L.C. c/o First Media, L.P. 11400 Skipwith Lane Potomac, MD 20854	Common Stock	5,000,000(8)	5.26%
All Executive Officers and Directors as a Group (7 people)	Common Stock	4,962,781(9)	4.96%

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* Indicates less than one percent.

(1) Unless otherwise noted, all listed shares of common stock are owned of record by each person or entity named as beneficial owner and that person or entity has sole voting and dispositive power with respect to the shares of common stock owned by each of them. All addresses are c/o I-Link Incorporated unless otherwise indicated.

(2) As to each person or entity named as beneficial owners, that person's or entity's percentage of ownership is determined based on the assumption that any options or convertible securities held by such person or entity which are exercisable or convertible within 60 days have been exercised or converted, as the case may be.

(3) Represents 1,000 shares of common stock and 525,000 shares of common stock issuable pursuant to options.

(4) Represents shares of common stock issuable pursuant to options and warrants.

(5) Represents 858,333 shares of common stock subject to options and 38,770 shares of common stock owned.

(6) Represents shares of common stock issuable pursuant to options. Does not include shares held of record by Four M International, Ltd., of which Mr. Toh is a director. Mr. Toh disclaims any beneficial ownership of such shares.

(7) Includes 61,966,057 shares of common stock issued upon conversion of Series M and N redeemable preferred stock in March 2001 which were obtained from Winter Harbor L.L.C. in March 2001, (based on information to be included in an amended Schedule 13-D amending their Schedule 13-D filed with the SEC on March 13, 2001.) Also includes a maximum of 17,857,143 shares of common stock issuable upon conversion of up to $10,000,000 principal amount of a Senior Convertible Loan and Security Agreement which named stockholder will be entitled to receive should it convert its convertible note to common stock, subject to conversion price adjustments provisions set forth in the Senior Convertible Loan and Security Agreement dated March 1, 2001.

(8) Represents 5,000,000 shares of common stock issued to Winter Harbor in March 2001 in exchange for 33,540,000 warrants to purchase I-Link common stock which Winter Harbor held prior to the exchange, based on information included in an amended Schedule 13-D filed with the SEC on March 21, 2001. Winter Harbor is owned by First Media, L.P., a private media and communications company that is a private investment principally of Richard E. Marriott and his family. I-Link's general counsel, David E. Hardy, is a brother of Ralph W. Hardy, Jr. who is general counsel and a minority equity holder in Winter Harbor. David E. Hardy has no ownership in or association with Winter Harbor.

(9) Represents 39,770 shares of common stock issued and 4,923,011 shares of common stock that may be obtained pursuant to options and warrants exercisable within 60 days of the date hereof.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

TRANSACTIONS WITH MANAGEMENT AND OTHERS

See Item 11 hereof for descriptions of the terms of employment and consulting agreements between us and certain officers, directors and other related parties.

TRANSACTIONS WITH WINTER HARBOR, LLC.

Winter Harbor, L.L.C. ("Winter Harbor") is owned by First Media, L.P., a private media and communications company that is a private investment principally of Richard E. Marriott and his family. Our general counsel, David E. Hardy, is a brother of Ralph W. Hardy, Jr. who is general counsel and a minority equity holder in Winter Harbor. David E. Hardy has no ownership or association with Winter Harbor. As a result of this relationship, as well as personal relationships of David E. Hardy with the principals of Winter Harbor, discussions were initiated which led to Winter Harbor's investments in us, which are summarized below.

On June 5, 1997, we entered into a term loan agreement and promissory note with Winter Harbor pursuant to which Winter Harbor agreed to loan to us the principal sum of $2,000,000 for capital expenditures and working capital purposes. As further consideration for Winter Harbor's commitment to make this loan, we granted to Winter Harbor a warrant ("Loan Warrant") to purchase up to 500,000 shares of common stock at an exercise price of $4.97 per share, subject to adjustment, pursuant to the terms of a Warrant Agreement between the parties. The Loan Warrant expires on March 11, 2002, and contains demand and piggyback registration rights and customary anti-dilution terms. The maturity date of the Note was October 15, 1998; however, the Loan Agreement anticipated an equity investment in us by Winter Harbor (the "Investment"). Upon closing of the Investment, all principal and accrued interest then due under the Note was credited toward payment of Winter Harbor's purchase price for the Investment and the Note was cancelled. The loan from Winter Harbor had an interest rate of prime plus 2%. In addition to the stated interest rate, we recognized the debt discount attributable to the warrants as interest expense over the life of the loan (maturity date was October 15, 1998). We expended significant time and effort pursuing various financing alternatives and determined that Winter Harbor proposal was the best alternative available to us.

On August 18, 1997, Winter Harbor and we amended their Loan Agreement. Pursuant to the amended Loan Agreement, we borrowed an additional $3,000,000 (bringing the total principal amount due under the Note to $5,000,000), and issued additional warrants to purchase an additional 300,000 shares at an exercise price of $6.38 per warrant to Winter Harbor.

Winter Harbor and I-Link subsequently executed a Sales Purchase Agreement, dated as of September 30, 1997, pursuant to which Winter Harbor invested $12,100,000 in a new series of convertible preferred stock (the "Series M convertible preferred stock"). Winter Harbor purchased approximately 2,545 shares of 700,000 (convertible into 2,545,000 shares of common stock) for aggregate cash consideration of approximately $7,000,000 (equivalent to $2.75 per share of common stock). The agreement with Winter Harbor provided for purchase of approximately 1,855 additional shares of Series M convertible preferred stock (convertible into 1,855,000 shares of common stock). Such additional shares of Series M convertible preferred stock were paid for by exchanging the $5,000,000 outstanding principal balance plus approximately $100,000 accrued interest due under the Note. As additional consideration for its equity financing commitments, Winter Harbor was issued additional warrants to acquire (a) 2,500,000 shares of common stock at an exercise price of $2.75 per share (the "Series A Warrants"), (b) 2,500,000 shares of common stock at an exercise price of $4.00 per share (the "Series B Warrants") and (c) 5,000,000 shares of common stock at an exercise price of $4.69 per share (the "Series C Warrants"). The respective exercise prices for the Series A Warrants, the Series B Warrants and the Series C Warrants (collectively, the "Investment Warrants"), were subject to adjustment. The Series A Warrants were exercisable at any time for thirty months from the date of issuance, and the Series B Warrants and Series C Warrants were exercisable at any time for sixty months from the date of issuance. All of the Investment Warrants (i) have demand registration rights and anti-dilution rights and (ii) contain cashless exercise provisions.

The Series M convertible preferred stock was entitled to receive cumulative dividends in the amount of 10% per annum before any other series of preferred or common stock received any dividends. Thereafter, the Series M convertible preferred stock participated with the common stock in the issuance of any dividends on a per share basis. Moreover, the Series M convertible preferred stock will had the right to veto the payment of dividends on any other class of stock, except for cumulative dividends which accrued pursuant to the terms of the Series C preferred stock outstanding prior to the Winter Harbor investment.

The Series M convertible preferred stock was convertible at any time prior to the fifth anniversary of its issuance, at the sole option of Winter Harbor, into shares of common stock on a one thousand-for-one basis; provided, however, that the Series M convertible preferred stock would be automatically converted to common stock on the fifth anniversary of its issuance at no cost to Winter Harbor. The conversion price would be, in the case of discretionary conversion, $2.75 (subsequently reset to $2.033) per share of common stock, or, in the case of automatic conversion, the lesser of $2.033 per share or 50% of the average closing bid price of the common stock for the ten trading days immediately preceding the fifth anniversary of issuance. The basis for discretionary conversion, or the conversion price for automatic conversion, would be adjusted upon the occurrence of certain events, including without limitation, issuance of stock dividends, recapitalization of I-Link, or the issuance of stock at less than the fair market value thereof.

During 1998, we obtained an aggregate of $7,768,000 in new interim debt financing from Winter Harbor, L.L.C. As consideration for Winter Harbor's loan commitment, we agreed to issue 6,740,000 warrants to purchase common stock of at exercise prices ranging from $5.50 to $7.22 based upon 110% of the closing price of the common stock on the day loan funds were advanced. The warrants had exercise periods of 7.5 years from issuance. We also agreed to extend the exercise period on all warrants previously issued to Winter Harbor (10,800,000) to 7.5 years. Pursuant to the terms of the loan agreement with Winter Harbor, the initial borrowings of $5,768,000 were payable upon demand by Winter Harbor no earlier than May 15, 1998, and were collateralized by essentially all of the assets of our subsidiaries. As the loan was not repaid by May 15, 1998, the total loan, including additional borrowings of $2,000,000 obtained in the second quarter, continued on a demand basis with interest accruing at prime plus four percent. On April 15, 1999, Winter Harbor agreed that it would not demand payment under the notes prior to April 15, 2000 and in April 2000 agreed to extend the due date of the principal and accrued interest to April 15, 2001. Additionally, Winter Harbor had the right at any time prior to repayment to elect to exchange the unpaid balance of the loan into additional shares of our Series M convertible preferred stock and to receive an additional 5,000,000 warrants to purchase common stock of at an exercise price of $2.033 per share.

During 1998, we recorded $7,274,000 as a discount against the new $7,768,000 debt representing the relative fair value attributed to the new warrants, the revised exercise period on prior warrants and the equity instruments associated with the assumed conversion of the debt into equity. The debt discount was amortized over the original terms of the respective borrowings.

The exercise prices of the above warrants issued or issuable to Winter Harbor varied at the time of their respective issuance, however, all were subject to adjustment downward to equal the market price of common stock in the event the common stock market price was below the original exercise price at the time of exercise, subject to an exercise price lower limit of the lesser of the original exercise price or $2.75 per share. The exercise price of all Winter Harbor warrants was reset to $1.48 as of December 31, 2000 and continued to be subject to downward adjustment per the Loan Agreement.

On January 15, 1999, we formalized an agreement with Winter Harbor for additional financing. The financing arrangement consists of an $8,000,000 bridge loan facility and a $3,000,000 standby letter of credit to secure additional capital leases of equipment and telephone lines relative to the expansion of our telecommunications network. The bridge loan and accrued interest were exchanged for Series N preferred stock in July 1999.

As additional consideration for making the Bridge Loan, we granted warrants to purchase common stock to Winter Harbor. Initially, Winter Harbor received one warrant for every $10 borrowed from Winter Harbor including the standby letter of credit. The warrants had a 7.5 year exercise period with an exercise price of the lower of (a) $2.78 (reset to $1.48 as of December 31, 2000), (b) the average trading price for any 20 day period subsequent to the issuance of the warrants, (c) the price at which new shares of common stock or common stock equivalents were issued, or (d) the exercise price of any new options, warrants, preferred stock or other convertible security. The exercise price was subject to a $1.25 floor. On April 14, 1999, the shareholders voted to approve a plan of financing which included issuing 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit. As we did not repay the loan before April 26, 1999, we granted Winter Harbor warrants to purchase 11,000,000 shares of common stock as provided in the agreement.

During 1999 and 1998, we recorded $2,956,283 and $1,032,634, respectively, as a discount against the $8,000,000 Bridge Loan representing the relative fair value attributed to the Bridge Loan warrants and line of credit. The debt discount was amortized over the term of the Bridge Loan, or leases as applicable. During 1999 and 1998, $3,360,771 and $128,059, respectively, of debt discount was amortized.

On April 15, 1999, we entered into a financing agreement with Winter Harbor. Winter Harbor loaned us approximately $4,000,000 under a note due September 30, 1999. In July 1999 this loan and accrued interest were exchanged for Series N preferred stock as discussed below.

On July 23, 1999 we completed our offering of 20,000 shares of Series N preferred stock. The offering was fully subscribed through cash subscriptions and we exercised our right to exchange notes payable to Winter Harbor of $8,000,000 million and $4,000,000 plus accrued interest. In total we exchanged $12,718,914 in debt and accrued interest. Winter Harbor purchased 14,404 (in cash and exchange of debt and interest) of the 20,000 shares of Series N stock. The Series N conversion price was initially set at $2.78, but was adjustable to the lowest of: (1) 110% of the average trading price for any 20 day period following the date that Series N preferred stock is first issued; (2) the price at which any new common stock or common stock equivalent is issued; (3) the price at which common stock is issued upon the exercise or conversion of any new options, warrants, preferred stock or other convertible security; (4) the conversion price of any Series F preferred stock converted after the date that Series N preferred stock was first issued; and (5) a conversion price floor of $1.25. Series N conversion price was reset to $1.25 in January 2001.

On April 13, 2000, Winter Harbor, LLC, agreed to provide us with a line of credit to meet our minimum financing needs of up to an aggregate amount of $15,000,000. This commitment was to expire on the earlier of April 12, 2001 or the date we received net cash proceeds of not less than $15,000,000 pursuant to one or more additional financings or technology sales as well as licensing or consulting agreements outside the normal and historical course of business. Borrowings under this note were repaid in 2000 and the line of credit terminated.

On March 1, 2001, Winter Harbor elected to convert a note payable from I-Link for $7,768,000 with accrued interest of $2,537,072 ($2,376,498 as of December 31, 2000) into 4,122 shares of our Series M convertible preferred stock as allowed under the original loan agreement. Upon conversion of the debt, we issued a warrant to purchase 5,000,000 shares of common stock to Winter Harbor as required under the loan agreement.

On March 1, 2001, we entered into a Warrant Exchange Agreement with Winter Harbor. Pursuant to the terms and provisions of this Agreement, Winter Harbor agreed to assign, transfer, convey and deliver to us warrants to acquire 33,540,000 (including 5,000,000 warrants issued upon conversion of the convertible debt discussed above) shares of our common stock beneficially owned by Winter Harbor in exchange for our issuance to Winter Harbor of 5,000,000 shares of our common stock.

TRANSACTIONS WITH COUNSEL CORPORATION;

On March 1, 2001, we entered into a Senior Convertible Loan and Security Agreement, (the "Loan Agreement") with Counsel Corporation and Communications, LLC, ("Counsel LLC") and a wholly-owned subsidiary of Counsel Corporation, (collectively, "Counsel"). Pursuant to the terms and provisions of the Loan Agreement, Counsel LLC agreed to make periodic loans to us in the aggregate principal amount not to exceed $10,000,000, of which $3,000,000 was available immediately upon the execution of the Loan Agreement.

The $10,000,000 capital investment is structured as a 3-year note convertible with interest at a rate of 9% per annum, compounded quarterly. Counsel LLC can convert the loan into shares of our common stock at a conversion price of $0.56 per common share. At any time after September 1, 2002, the

outstanding debt including accrued interest shall automatically convert into common stock using the then conversion rate, on the first date that is the twentieth consecutive trading day that the common stock has closed at a price per share that is equal to or greater than $1.00 per share. The conversion price is subject to adjustment in accordance with the terms and provisions of the Loan Agreement. The Loan Agreement provides for traditional anti-dilution protection and is subject to certain events of default. Proceeds to I-Link will be $10,000,000 less debt issuance costs of approximately $700,000.

By executing the above Loan Agreement, we granted Counsel LLC a first priority security interest in all of our assets owned at the time of the execution of the Loan Agreement or subsequently acquired, including but not limited to our accounts receivable, general intangibles, inventory, equipment, books and records, and negotiable instruments held by I-Link (collectively, the "Collateral"). The Loan Agreement also included demand registration rights for common stock issuable upon conversion of the Loan Agreement.

In addition to the foregoing agreements, Counsel LLC and we executed a Securities Support Agreement, dated March 1, 2001 (the "Support Agreement") for the purpose of providing certain representations and commitments by us to Counsel LLC as an inducement to Counsel to enter into a separate agreement with Winter Harbor and First Media, L.P, (the "Securities Purchase Agreement"). We were not a party to the Securities Purchase Agreement. In accordance with the terms and provisions of the Securities Purchase Agreement, Counsel agreed to purchase from Winter Harbor all of our debt and equity securities owned by Winter Harbor, including shares of our Series M and Series N preferred stock, beneficially owned by Winter Harbor for an aggregate consideration of $5,000,000.

Our commitments to Counsel LLC set forth in the Support Agreement included our agreement to appoint two designees of Counsel, reasonably acceptable to us, to our board of directors. We also agreed that immediately following the initial funding (which was received in March 2001) of the Loan Note, we would solicit the proxies of our shareholders to elect three additional nominees designated by Counsel, thus, increasing the size of our Board of Directors to nine members.

Under the Support Agreement, we also agreed to engage appropriate advisors and proceed to take all steps necessary to merge Nexbell Communications Inc. (a subsidiary of Counsel LLC) into I-Link. The merger has not yet taken place nor have the terms been determined under which the merger may take place. Nexbell is a designated Cisco Powered Network member in the VoIP category and operates a private, managed packet telephony network delivering packet voice services to over 400 metropolitan areas in the United States.

On March 7, 2001, as part of the agreements discussed above, Counsel converted all of the Series M and N convertible preferred stock it obtained from Winter Harbor into 61,966,057 shares of our common stock. The Series N shares were converted at equivalent of $1.25 per common share and Series M at $.56 per common share.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following financial statements and those financial statement schedules required by Item 8 hereof are filed as part of this report:

1. Financial Statements:

   Report of Independent Accountants

   Consolidated Balance Sheets as of December 31, 2000 and 1999

   Consolidated Statements of Operations for the years ended December 31, 2000, 1999 and 1998

   Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998

   Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998

   Notes to Consolidated Financial Statements

2. Financial Statement Schedule:

   Report of Independent Accountants

   Schedule II - Valuation and Qualifying Accounts

   All other schedules are omitted because of the absence of conditions under which they are required or because the required information is presented in the Financial Statements or Notes thereto.

(b) We did not file any reports on Form 8-K during the fourth quarter of 2000.

(c) The following exhibits are filed as part of this Registration Statement:

NUMBER	TITLE OF EXHIBIT
3.1(12)	Amended and Restated Articles of Incorporation, as further amended.
3.2(13)	Articles of Amendment to I-Link's Amended and Restated Articles of Incorporation, establishing the terms of Series F Preferred Stock.
4.1(4)	Form of Hardy Group Warrant to purchase 175,000 shares of Common Stock.
4.2(3)	Securities Purchase Agreement by and between I-Link and Winter Harbor, dated as of September 30, 1997.
4.3(7)	Amended and Restated Registration Rights Agreement dated as of January 15, 1999 by and between I-Link and Winter Harbor, amending Registration Rights Agreement dated October 10, 1997
4.4(3)	Form of Shareholders Agreement by and among I-Link and Winter Harbor and certain holders of I-Link's securities, which constitutes Exhibit D to the Purchase Agreement.
4.5(3)	Form of Warrant Agreement by and between Medcross, Inc. and Winter Harbor, which constitutes Exhibit F to the Purchase Agreement.
4.6(2)	Warrant Agreement dated as of June 6, 1997, by and between I-Link and Winter Harbor; and related Warrant Certificate.
4.7(8)	Stock Option Agreement by and between I-Link and John Edwards.
4.8(11)	Senior Convertible Loan and Security Agreement dated March 1, 2001, by and between Counsel Communications, LLC and I-Link Incorporated.
4.9(11)	Loan Note, dated as of March 1, 2001, by and between Counsel Communications LLC and I-Link Incorporated.
4.10(11)	Security Agreement, dated as of March 1, 2001, by and between I-Link Communications, MiBridge Inc and Counsel Communications, LLC.
10.1(1)	1997 Recruitment Stock Option Plan.
10.2(5)	Agreement dated April 14, 1998, by and between I-Link and Winter Harbor.
10.3(5)	Pledge Agreement dated April 14, 1998, by and between I-Link and Winter Harbor.
10.4(5)	Security Agreement dated April 14, 1998, by and among certain of I-Link's subsidiaries and Winter Harbor.
10.5(5)	Form of Promissory Notes issued to Winter Harbor.
10.6(6)	Amended Form of Convertible Preferred Stock Purchase Agreement dated June 30, 1998 by and between I-Link and JNC Opportunity Fund Ltd. ("JNC").
10.7(5)	Registration Rights Agreement dated June 30, 1998 by and between I-Link and JNC.
10.8(5)	Warrant to purchase 250,000 shares of Common Stock of I-Link, dated June 30, 1998, issued to JNC.
10.9(5)	Exchange Agreement dated July 28, 1998 by and between I-Link and JNC.
10.10(5)	Warrant to purchase 100,000 shares of Common Stock of I-Link, dated July 28, 1998, issued to JNC.
10.11(7)	Loan Agreement dated as of January 15, 1999 by and between I-Link and Winter Harbor.
10.12(7)	First Amendment to Loan Agreement dated March 4, 1999 by and between I-Link and Winter Harbor.
10.13(7)	Promissory Note dated November 10, 1998, in principal amount of $8,000,000 executed by I-Link in favor of Winter Harbor.
10.14(7)	Series K Warrant Agreement dated as of January 15, 1999 by and between I-Link and Winter Harbor and form of Series K Warrant.
10.15(7)	Subsidiary Guaranty dated as of January 15, 1999 executed by five of I-Link's wholly owned subsidiaries in favor of Winter Harbor
10.16(7)	Agreement dated as of January 15, 1999 by and between I-Link and Winter Harbor.
10.17(7)	First Amendment to Security Agreement dated as of January 15, 1999, by and among I-Link, five of its wholly-owned subsidiaries and Winter Harbor, amending Security Agreement dated April 14, 1998
10.18(7)	First Amendment to Pledge Agreement dated as of January 15, 1999, by and among I-Link and Winter Harbor, amending Pledge Agreement dated April 14, 1998
10.19(7)	Series D, E, F, G, H, I and J Warrant Agreement dated as of January 15, 1999 by and between I-Link and Winter Harbor, and related forms of

warrant certificates.

10.20(8) Employment agreement with John Edwards dated September 9, 1999.

10.21(9) Employment agreement with Dror Nahumi dated January 3, 2000.

10.22(9) Employment agreement with David E. Hardy dated January 3, 2000.

10.23(9) Employment agreement with John M Ames dated January 3, 2000.

10.24(9) Employment agreement with Alex Radulovic dated January 3, 2000

10.25(9) Form of Wholesale Service Provider and Distribution Agreement between I-Link and Big Planet, Inc. dated February 1, 2000

10.26(10) Form of Cooperation and Framework Agreement between I-Link Incorporated and CyberOffice International AG dated May 8, 2000

10.27(10) Form of Revenue Sharing Agreement between I-Link Incorporated and Red Cube International AG (formerly known as CyberOffice International AG.) dated June 30, 2000.

10.28(10) Form of Letter dated June 30, 2000, clarifying a Cooperation and Framework Agreement issue.

21(6) Subsidiaries of the Registrant.

99.1(11) Warrant Exchange Agreement, dated as of March 1, 2001, by and between Winter Harbor, LLC and I-Link Incorporated.

99.2(11) Securities Support Agreement, dated as of March 1, 2001, by and between Counsel Communications, LLC and I-Link Incorporated.

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(1) Incorporated by reference to our Annual Report on Form 10-KSB for the year ended December 31, 1996, file number 0-17973.

(2) Incorporated by reference to our Current Report on Form 8-K, dated June 5, 1997, file number 0-17973.10

(3) Incorporated by reference to our Current Report on Form 8-K, dated September 30, 1997, file number 0-17973.

(4) Incorporated by reference to our Pre-Effective Amendment No. 3 to Registration Statement on Form SB-2, file number 333-17861.

(5) Incorporated by reference to our Quarterly Report on Form 10-Q for the period ended June 30, 1998, file number 0-17973.

(6) Incorporated by reference to our Registration Statement on Form S-1 filed September 3, 1998, file number 333-62833.

(7) Incorporated by reference to our Current Report on Form 8-K filed on March 23, 1999, file number 0-17973.

(8) Incorporated by reference to our Quarterly Report on Form 10-Q for the period ended September 30, 1999, file number 0-17973.

(9) Incorporated by reference to our Quarterly Report on Form 10-Q for the period ended March 31, 2000, file number 0-17973.

(10) Incorporated by reference to our Quarterly Report on Form 10-Q for the period ended June 30, 2000, file number 0-17973.

(11) Incorporated by reference to our Current Report on Form 8-K filed on March 16, 2001, file number 0-17973.

(12) Incorporated by reference to our Annual report on Form 10-K for the year ended December 31, 1998, file number 0-17973.

(13) Incorporated by reference to our Quarterly report on Form 10-Q for the period ended June 30, 1998, file number 0-17973.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on our behalf by the undersigned, hereunto duly authorized.

I-LINK INCORPORATED
(Registrant)

Dated: March 27, 2001

By: /s/ John W. Edwards

John W. Edwards, Chairman of the Board, President and Chief Executive Officer

In accordance with Section 13 of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John W. Edwards John W. Edwards	Chairman of the Board, President and Chief Executive Officer	March 27, 2001
/s/ John M. Ames John M. Ames	Chief Financial Officer and Chief Operating Officer	March 27, 2001
/s/ David E. Hardy David E. Hardy	Secretary	March 27, 2001
/s/ Henry Y.L. Toh Henry Y.L. Toh	Director	March 27, 2001
/s/ David R. Bradford David R. Bradford	Director	March 27, 2001
/s/ Hal B. Heaton Hal B. Heaton	Director	March 27, 2001

FINANCIAL STATEMENTS & SUPPLEMENTAL SCHEDULES

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
I-Link Incorporated and Subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows present fairly, in all materials respects, the financial position of I-Link Incorporated and its subsidiaries (the "Company") as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Salt Lake City, Utah
March 19, 2001

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,155,628	$ 2,950,730
Accounts receivable, less allowance for doubtful accounts of $100,665 and $1,789,000 as of December 31, 2000 and 1999, respectively	3,357,856	4,344,406
Certificates of deposit - restricted	53,500	53,500
Other current assets	332,391	308,691
Total current assets	5,899,375	7,657,327
Furniture, fixtures, equipment and software, net	10,983,273	7,019,361
Other assets:		
Intangible assets, net	3,939,226	6,551,453
Certificates of deposit - restricted	222,636	76,136
Other assets	612,982	353,922
	$ 21,657,492	$ 21,658,199
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 5,370,430	$ 4,131,675
Accrued liabilities	3,327,900	2,629,046
Unearned revenue	14,985,532	--
Current portion of long-term debt	785,971	751,660
Notes payable to a related party	7,768,000	--
Accrued interest on notes payable to a related party	2,376,498	--
Current portion of obligations under capital leases	1,445,690	1,380,957
Net liabilities of discontinued operations	--	82,629
Total current liabilities	35,960,141	8,975,967
Notes payable	796,662	--
Notes payable to a related party	--	7,768,000
Accrued interest on long-term notes payable	--	1,345,801
Obligations under capital leases	338,263	544,724
Unearned revenue	1,666,667	--
Total liabilities	38,761,733	18,634,492
Commitments and contingencies (notes 9, 12 and 16)		
Redeemable preferred stock - Series M	11,734,820	11,734,820
Redeemable preferred stock - Series F	--	2,338,784
	11,734,820	14,073,604
Stockholders' deficit:		
Preferred stock, $10 par value, authorized 10,000,000 shares, issued and outstanding 24,435 and 49,992 as of December 31, 2000 and 1999, respectively; liquidation preference of $16,099,292 at December 31, 2000	244,350	499,920
Common stock, $.007 par value, authorized 150,000,000 shares, issued and outstanding 28,136,706 and 24,150,829 at December 31, 2000 and 1999, respectively	196,957	169,056
Additional paid-in capital	106,622,114	98,734,475
Deferred compensation	--	(499,377)
Accumulated deficit	(135,902,482)	(109,953,971)
Total stockholders' deficit	(28,839,061)	(11,049,897)
	$ 21,657,492	$ 21,658,199

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
Revenues:			
Telecommunication services	$ 18,300,548	$ 26,440,017	$ 19,634,681
Marketing services	463,740	3,672,988	4,548,421
Technology licensing and development	8,972,828	2,506,701	1,466,315
Other	2,667,039	--	--
Total revenues	30,404,155	32,619,706	25,649,417
Operating costs and expenses:			
Telecommunication network expense	24,958,320	20,373,209	19,099,194
Marketing services	456,354	5,400,149	5,850,873
Selling, general and administrative	18,353,731	12,428,956	10,563,382
Provision for doubtful accounts	113,168	3,703,076	3,160,621
Depreciation and amortization	6,399,318	5,482,639	4,192,174
Write-down of capitalized software costs	--	1,847,288	--
Research and development	4,220,333	2,636,741	2,429,116
Total operating costs and expenses	54,501,224	51,872,058	45,295,360
Operating loss	(24,097,069)	(19,252,352)	(19,645,943)
Other income (expense):			
Interest expense	(1,502,676)	(5,086,141)	(8,404,418)
Interest and other income	487,132	179,205	270,288
Settlement expense	(639,565)	--	--
Total other expense	(1,655,109)	(4,906,936)	(8,134,130)
Loss from continuing operations	(25,752,178)	(24,159,288)	(27,780,073)
Discontinued operations:			
Loss during phase-out period of discontinued operations (less applicable income tax provision of $0 in 1999 and 1998)	--	(500,000)	(178,006)
Loss from discontinued operations	--	(500,000)	(178,006)
Net loss	$(25,752,178)	$(24,659,288)	$(27,958,079)
Calculation of net loss per common share:			
Loss from continuing operations	$(25,752,178)	$(24,159,288)	$(27,780,073)
Cumulative preferred stock dividends not paid in current year	(1,646,818)	(1,948,557)	(2,066,383)
Deemed (non-cash) preferred stock dividend on Series F and N convertible preferred stock	--	(6,978,417)	(7,774,759)
Loss from continuing operations applicable to common stock	$(27,398,996)	$(33,086,262)	$(37,621,215)
Basic and diluted weighted average shares outstanding	26,669,058	21,413,772	17,627,083
Net loss per common share - basic and diluted:			
Loss from continuing operations	$ (1.03)	$ (1.55)	$ (2.13)
Loss from discontinued operations	--	(0.02)	(0.01)
Net loss per common share	$ (1.03)	$ (1.57)	$ (2.14)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	Preferred Stock		Common Stock				
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
BALANCE AT DECEMBER 31, 1997	115,526	$ 1,155,260	16,036,085	$112,251	$ 58,820,877	$(2,289,765)	$ (56,984,247)
Issuance of Series F redeemable preferred stock, net of issuance costs of $569,418	1,000	10,000	--	--	9,420,582	--	--
Reclassification of Series F redeemable preferred stock to mezzanine	(1,000)	(10,000)	--	--	(9,420,582)	--	--
Reclassification of Series F redeemable preferred stock from mezzanine due to conversion to common stock	2	20	--	--	18,842	--	--
Conversion of preferred stock into common stock	(71,477)	(714,770)	2,326,731	16,288	698,482	--	--
Common Stock dividend paid to holders of Series F redeemable preferred stock	--	--	240	2	487	--	(489)
Stock options issued for services	--	--	--	--	378,322	(356,322)	--
Amortization of deferred compensation on stock options issued for services	--	--	--	--	--	1,157,901	--
Forfeiture of stock options issued for services	--	--	--	--	(273,595)	273,595	--
Warrants issued in connection with certain notes payable	--	--	--	--	1,032,634	--	--
Warrants issued in connection with certain convertible notes payable	--	--	--	--	7,274,000	--	--
Exercise of stock options and warrants	--	--	399,540	2,797	682,146	--	--
Net loss	--	--	--	--	--	--	(27,958,079)
BALANCE AT DECEMBER 31, 1998	44,051	$ 440,510	18,762,596	$131,338	$ 68,632,195	$(1,214,591)	$ (84,942,815)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	Preferred Stock		Common Stock				
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
BALANCE AT DECEMBER 31, 1998	44,051	$ 440,510	18,762,596	$131,338	$ 68,632,195	$(1,214,591)	$ (84,942,815)
Conversion of Series C, F and N preferred stock into common stock	(14,809)	(148,090)	5,180,396	36,263	111,827	--	--
Reclassification of Series F redeemable preferred stock from mezzanine due to conversion to common stock	750	7,500	--	--	7,065,435	--	--
Common stock dividend paid to holders of Series F redeemable preferred stock	--	--	165,220	1,157	350,712	--	(351,868)
Issuance of Series N convertible preferred stock, net of issuance costs of $486,679	20,000	200,000	--	--	19,313,321	--	--
Exercise of stock options and warrants	--	--	42,617	298	4,702	--	--
Warrants issued in connection with certain notes payable	--	--	--	--	2,220,563	--	--
Warrants issued in connection with a standby letter of credit	--	--	--	--	735,720	--	--
Stock options issued for services	--	--	--	--	300,000	(300,000)	--
Amortization of deferred compensation on stock options issued for services	--	--	--	--	--	1,015,214	--
Net loss	--	--	--	--	--	--	(24,659,288)
BALANCE AT DECEMBER 31, 1999	49,992	$ 499,920	24,150,829	$169,056	$ 98,734,475	$ (499,377)	$(109,953,971)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	Preferred Stock		Common Stock				
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
BALANCE AT DECEMBER 31, 1999	49,992	$ 499,920	24,150,829	$169,056	$ 98,734,475	$ (499,377)	$(109,953,971)
Conversion of preferred stock into common stock	(25,805)	(258,050)	2,158,413	15,109	242,941	--	--
Reclassification of Series F redeemable preferred stock from mezzanine due to conversion to common stock	248	2,480	--	--	2,336,305	--	--
Common stock dividend paid to holders of Series F redeemable preferred stock	--	--	87,477	612	195,721	--	(196,333)
Exercise of stock options, warrants and issuances under stock purchase plan	--	--	1,589,910	11,129	4,330,530		
Stock options issued for services	--	--	--	--	42,605	(42,605)	--
Common stock issued as payment of accrued liabilities	--	--	149,977	1,051	739,537	--	--
Amortization of deferred compensation on stock options issued for services	--	--	--	--	--	541,982	--
Net loss	--	--	--	--	--	--	(25,752,178)
BALANCE AT DECEMBER 31, 2000	24,435	$ 244,350	28,136,506	$196,957	$ 106,622,114	$ --	$(135,902,482)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
Cash flows from operating activities:			
Net loss	$(25,752,178)	$(24,659,288)	$(27,958,079)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,399,318	5,482,639	4,192,174
Provision for doubtful accounts	113,168	3,703,076	3,160,621
Amortization of discount and debt issuance costs on notes payable and capital leases	--	3,360,771	7,402,059
Amortization of deferred compensation on stock options issued for services	541,982	1,015,214	1,157,901
Common stock issued as payment of settlement and interest expense	740,588	--	--
Write-down of capitalized software costs	--	1,847,288	--
Loss on disposal of assets	--	7,494	--
Increase (decrease) from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	873,382	(3,645,466)	(4,329,430)
Other assets	(429,260)	(163,089)	527,466
Accounts payable, accrued liabilities and interest	2,963,346	2,232,086	(990,776)
Unearned revenue	16,552,259	--	--
Discontinued operations - noncash charges and working capital changes	(133,250)	437,350	12,345
Net cash provided by (used in) operating activities	1,869,355	(10,381,925)	(16,825,719)
Cash flows from investing activities:			
Purchases of furniture, fixtures, equipment and software	(6,911,003)	(2,047,948)	(3,258,189)
Proceeds from maturity of certificates of deposit - restricted	--	412,649	1,345,215
Investing activities of discontinued operations	29,537	50,000	310,000
Net cash used in investing activities	(6,881,466)	(1,585,299)	(1,602,974)

(Continued)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
Cash flows from financing activities:			
Proceeds from issuance of notes payable to a related party	$ 2,600,000	$ 8,200,000	$ 11,009,712
Payment of notes payable to related party	(2,600,000)	(798,772)	(2,700,904)
Proceeds from advance under strategic marketing agreement	1,751,183	--	--
Payment of advance under strategic marketing agreement	(1,751,183)	--	--
Payment of capital lease obligations	(141,728)	(928,335)	(184,103)
Proceeds from issuance of preferred stock, net of offering costs	--	7,116,408	9,430,582
Payment of long-term debt	(3,992)	--	--
Proceeds from exercise of stock options and warrants and issuances under stock purchase plan	4,341,659	5,000	684,943
Financing activities of discontinued operations	(24,204)	--	(170,465)
Net cash provided by financing activities	4,171,735	13,594,301	18,069,765
Increase (decrease) in cash and cash equivalents	(840,376)	1,627,077	(358,928)
Cash and cash equivalents at beginning of year	2,996,004	1,368,927	1,727,855
Cash and cash equivalents at end of year:			
Continuing operations	2,155,628	2,950,730	1,311,003
Discontinued operations	--	45,274	57,924
Total cash and cash equivalents at end of year	$ 2,155,628	$ 2,996,004	$ 1,368,927
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Reclassification of Series F redeemable preferred stock from mezzanine	$ 2,338,785	$ 7,072,935	$ --
Warrants issued in connection with a standby letter of credit	--	735,720	--
Building mortgage incurred	840,000		
Stock options issued for services	42,605	300,000	378,322
Accrued interest and debt exchanged for Series N preferred stock	--	12,718,914	--
Accrued debt issuance costs	--	322,000	--
Equipment acquired under capital lease obligations	--	2,177,126	1,124,606
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid - continuing operations	$ 244,854	$ 312,937	$ 109,866
Interest paid - discontinued operations	43,087	10,011	158,392

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

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NOTE 1 - DESCRIPTION OF BUSINESS, PRINCIPLES OF CONSOLIDATION AND LIQUIDITY

The consolidated financial statements include the accounts of I-Link Incorporated and its subsidiaries ("I-Link" or the "Company"). The Company's principal operation is the development, sale and delivery of enhanced communications products and services utilizing its own private intranet and both owned and leased network switching and transmission facilities. The Company provides unique communications solutions through its use of proprietary technologies. Telecommunications services are marketed primarily through master agent and wholesale distributor arrangements with I-Link Communications, a wholly-owned subsidiary of the Company that is an FCC licensed long-distance carrier.

Through its wholly owned subsidiaries, MiBridge, Inc. (MiBridge) and ViaNet Technologies, Ltd. (ViaNet), the Company develops and licenses communications applications products and software that support multimedia communications (voice, fax and audio) over the public switched network, local area networks and the Internet.

During 1997, the Company formed a wholly owned subsidiary, I-Link Worldwide, L.L.C., through which it launched a network marketing channel to market its telecommunications services and products. On February 15, 2000, the Company signed a strategic marketing and channel agreement with Big Planet Inc. ("Big Planet"), a wholly-owned subsidiary of Nu Skin Enterprises, Inc. Under terms of the agreement, I-Link's independent network marketing sales force (the " IRs") transitioned to Big Planet, and Big Planet was granted the worldwide rights to market and sell I-Link's products and services through the network marketing (sometimes referred to as "Multi-Level") sales channel to residential and small business users. Other I-Link sales channels into the residential, small business, and other markets are unaffected by the agreement with Big Planet.

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

The Company incurred a net loss from continuing operations of $25,752,178 for the year ended December 31, 2000, and as of December 31, 2000 had an accumulated deficit of $135,902,482 and negative working capital of $30,060,766 (including $14,885,592 in unearned revenue). The Company anticipates that revenues generated from its continuing operations will not be sufficient during 2001 to fund ongoing operations, the continued expansion of its private telecommunications network facilities, product development and manufacturing, and anticipated growth in subscriber base. The Company entered into additional financing arrangements and issued a convertible loan in March 2001 as described below (and more fully described in Note 16 - Subsequent Events) in order to obtain additional funds and reduce liabilities to help fund for its continuing operations in 2001.

- On March 1, 2001, Winter Harbor elected to convert a note payable from the Company for $7,768,000 plus accrued interest of $2,537,072 ($2,376,498 as of December 31, 2000) into 4,122 shares of Series M convertible preferred stock of I-Link as provided under the original loan agreement. Upon conversion of the note, current liabilities as of December 31, 2000 in the amount of $10,144,498 were satisfied without cash.

- On March 1, 2001 I-Link entered into a Senior Convertible Loan and Security Agreement ("Loan Agreement") with Counsel Communications, LLC, ("Counsel LLC"). Pursuant to the terms and provisions of the Loan Agreement, Counsel LLC agreed to make periodic loans to I-Link in the aggregate principal amount not to exceed $10,000,000. Of that amount, $3,000,000 was available to I-Link immediately upon the execution of the Loan Agreement. The $10,000,000 capital investment is structured as a 3-year note convertible into the Company's common stock with interest at a rate of 9% per annum, compounded quarterly.

As a result of Counsel LLC's purchase of Winter Harbor's security holdings in I-Link (See Note 16 - Subsequent Events) Counsel LLC became the single largest shareholder of the Company. In addition to the above transactions, Counsel Corporation and its subsidiary Counsel LLC committed to fund, through long-term inter-company advances or equity contribution, all capital investment, working capital or other operational cash requirement of the Company through April 15, 2002.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents primarily with financial institutions in Utah, California, Arizona, New Jersey and Florida. These accounts may from time to time exceed federally insured limits. The Company has not experienced any losses on such accounts.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company evaluates the collectibility of its receivables at least quarterly, based upon various factors including the financial condition and payment history of major customers, an overall review of collections experience on other accounts and economic factors or events expected to affect the Company's future collections experience.

FURNITURE, FIXTURES, EQUIPMENT AND SOFTWARE

Furniture, fixtures, equipment and software are stated at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Telecommunications network equipment	2-6 years
Furniture, fixtures and office equipment	3-6 years
Software	1-3 years

Betterments and renewals that extend the life of the assets are capitalized. Other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in operations. The Company regularly evaluates whether events or circumstances have occurred that indicate the carrying value of its furniture, fixtures, equipment and software may not be recoverable. When factors indicate the asset may not be recoverable, the Company compares the related undiscounted future net cash flows to the carrying value of the asset to determine if an impairment exists. If the expected future net cash flows are less than the carrying value, impairment is recognized based on the fair value of the asset. During 1999, the Company wrote off $1,847,288 in unrecoverable capitalized software costs (see Note 6). There were no such write-offs in 2000 or 1998.

INTANGIBLE ASSETS

The Company regularly evaluates whether events or circumstances have occurred that indicate the carrying value of its intangible assets may not be recoverable. When factors indicate the asset may not be recoverable, the Company compares the related undiscounted future net cash flows to the carrying value of the asset to determine if impairment exists. If the expected future net cash flows are less than carrying value, impairment is recognized based on the fair value of the asset. Amortization of intangible assets is calculated using the straight-line method over the following periods:

Excess acquisition cost over fair value of net assets acquired	5-10 years
Other intangible assets	3-15 years

REVENUE RECOGNITION

Long-distance and enhanced service revenue is recognized as service is provided to subscribers.

Marketing services revenues from the network marketing channel primarily included revenues recognized from IRs for promotional and presentation materials and national conference registration fees. Revenue from the sale of promotional and presentation materials (included in Marketing services revenue) was recognized at the time the materials were shipped. The portion of the sign-up fee, including a normal profit margin, relating to on-going administrative support was deferred and recognized over twelve months (the initial term of the IR agreement). Marketing services revenues are presented net of estimated

refunds on returns of network marketing materials.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

During the second quarter of 2000, the Company entered into an agreement with Red Cube International AG ("Red Cube"). The agreement with Red Cube consisted of a $7,500,000 licensing fee and $2,500,000 for consulting services. This $10,000,000 aggregate amount is nonrefundable and is being recorded as revenue ratably over a two-year period. Accordingly, $3,333,333 was recorded as technology licensing revenue in 2000. The balance of $6,666,667 has been recorded as unearned revenue as of December 31, 2000. In July 2000, the Company received an additional nonrefundable payment of $10,000,000. This payment is a service prepayment that will be credited against services performed for and/or provided to Red Cube. To the extent the service prepayment credit has not been fully utilized by Red Cube by June 30, 2001, any unused service prepayment shall be deemed fully earned and utilized as of that date contingent upon the Company's network meeting certain capacity requirements during the service period. During 2000, services rendered in the amount of $114,408 have been offset against the prepayment resulting in a prepaid balance of unearned revenue of $9,885,592 as of December 31, 2000. The balance ($9,885,592) of the service prepayment has been recorded as unearned revenue as of December 31, 2000 and will be recognized as revenue when the related services are performed or the other criteria are met.

Revenue from the sale of software licenses is recognized when the product is shipped, a noncancellable agreement is in force, the license fee is fixed or determinable, acceptance has occurred and collectibility is reasonably assured. Maintenance and support revenues are recognized ratably over the term of the related agreements, which in most cases is one year. Revenues on long-term development projects are recognized under the percentage of completion method of accounting and are based upon costs incurred on the project, compared to estimated total costs related to the contract.

COMPUTER SOFTWARE COSTS

The Company capitalizes qualified costs associated with developing computer software for internal use. Purchased computer software for internal use is capitalized and amortized over the expected useful life, usually three years.

CONCENTRATIONS OF CREDIT RISK

The Company's retail telecommunications subscribers are primarily residential subscribers and are not concentrated in any specific geographic region of the United States. The Company's wholesale customers are primarily based in Utah and California.

INCOME TAXES

The Company records deferred taxes in accordance with Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes." The statement requires recognition of deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

SEGMENT REPORTING

The Company reports it segment information based upon the management approach which designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments.

USE OF ESTIMATES

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

NOTE 3 - NET LOSS PER SHARE

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Options, warrants, convertible preferred stock and convertible debt are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive. As the Company had a net loss from continuing operations for 2000, 1999 and 1998, basic and diluted loss per share are the same.

During 2000, 1999 and 1998, holders of the Series F redeemable preferred stock converted 248, 750 and 2 of those preferred shares, respectively. Accordingly, they were paid stock dividends of 87,477, 165,220 and 240 shares, respectively, of common stock on the converted shares.

As the conversion prices of the Series E, F, M and N preferred stock at issuance were less than the market price of the Company's common stock, the Company recognized deemed preferred stock dividends at issuance in 1999 and 1998, which increased the loss attributable to common shareholders in the calculation of basic and diluted net loss per common share. The deemed dividends are implied only and do not represent future obligations to pay a dividend.

The deemed preferred stock dividends on the Series N preferred stock were calculated as the difference between the conversion price per common share per the Series N agreement and the market price of the common stock on the date the proceeds from the offering were received and/or the debt was exchanged.

The deemed preferred stock dividends on Series E and Series F convertible cumulative redeemable preferred stock equal the sum of the difference between the conversion price per common share per the agreements and the market price of the common stock as of the date the agreements were finalized and the difference between the fair value of the Series F redeemable preferred stock issued and the carrying value of the Series E stock at the date of redemption.

The deemed preferred stock dividend on Series M convertible cumulative redeemable preferred stock is calculated as the difference between the conversion price per common share per the agreement and the market price of the common stock as of the date the agreement was finalized, plus the fair value of the warrants issuable in connection with the preferred stock investment.

Potential common shares that were not included in the computation of diluted EPS because they would have been anti-dilutive are as follows as of December 31:

	2000	1999	1998
Assumed conversion of Series C preferred stock	374,959	808,248	1,057,224
Assumed conversion of Series F redeemable preferred stock	--	1,105,169	4,909,001
Assumed conversion of Series M convertible preferred stock	8,175,676	5,951,795	5,951,795
Assumed conversion of Series N preferred stock	10,260,810	7,270,463	--
Assumed conversion of convertible debt	7,539,830	4,931,226	3,820,954
Assumed exercise of warrants issued on conversion of convertible debt	5,000,000	5,000,000	5,000,000
Assumed exercise of options and warrants to purchase shares of common stock	45,354,992	41,945,091	30,265,670
	76,706,267	67,011,992	51,004,644

As of December 31, 2000, Winter Harbor, the sole holder of Series M convertible preferred stock, held warrants, exercisable at any time, for the purchase of up to 28,540,000 shares of common stock. In March 2001, Winter Harbor exchanged its $7.768 million (and accrued interest) in promissory notes into additional shares of Series M convertible preferred stock and by doing so received additional warrants to purchase 5,000,000 shares of common stock. The exercise prices of all of such warrants varied at the time of their respective issuance; however, all are subject to adjustment downward to equal the price at which new shares of common stock are issued or to equal the market price of common stock in the event the common stock

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NOTE 3 - NET LOSS PER SHARE, CONTINUED

market price is below the original exercise price at the time of exercise. The exercise price of all Winter Harbor warrants was $1.48 at December 31, 2000 and $1.25 in January 2001.

Subsequent to year end (see Note 16 - Subsequent Events) the following occurred:

- the convertible debt and associated accrued interest were converted into Series M convertible preferred stock;
- 5,000,000 warrants were issued upon conversion of the convertible debt;
- all Series M and N redeemable preferred shares were converted into common stock;
- 33,540,000 warrants (including the 5,000,000 discussed above) were retired in exchange for 5,000,000 shares of common stock.

NOTE 4 - DISCONTINUED OPERATIONS

On March 23, 1998, the Company's Board of Directors approved a plan to dispose of the Company's medical services businesses in order to focus its efforts on the sale of telecommunication services and technology licensing. The Company has sold essentially all of the fixed assets, with the proceeds being used to satisfy outstanding obligations of the medical services subsidiaries. During 1998, the Company received $310,000 from the sale of assets from the medical services subsidiaries. In January 1999, the Company sold additional assets for $15,000 and a note receivable of $35,000. In March 2000, the Company sold the remaining assets and settled the outstanding liabilities of the China operations and received net proceeds of $150,000. As of December 31, 2000 and 1999, there are no revenue generating activities.

The results of the medical services operations have been classified as discontinued operations for all periods presented in the Consolidated Statements of Operations. The assets and liabilities of the discontinued operations have been classified in the 1999 Consolidated Balance Sheet as "Net Liabilities - discontinued operations". Discontinued operations have also been segregated for all periods presented in the Consolidated Statements of Cash Flows.

Net assets (liabilities) of the Company's discontinued operations (excluding intercompany balances, which have been eliminated against the net equity of the discontinued operations) are as follows:

	2000	1999
Assets:		
Current assets:		
Cash and cash equivalents	--	$ 45,274
Accounts receivable	--	391,590
Inventory	--	555,291
Other	--	33,233
Total current assets	--	1,025,388
Furniture, fixtures and equipment, net	--	37,850
Other non-current assets	--	854
Total assets	--	1,064,092
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	--	905,060
Notes payable, current portion	--	141,661
Total current liabilities	--	1,046,721
Note payable -	--	100,000
Other liabilities		--
Total liabilities	--	1,146,721
Net assets (liabilities) - discontinued operations	--	$ (82,629)

Revenues of the discontinued operations were $0, $337,268 and $1,445,376 for

2000, 1999 and 1998, respectively.

NOTE 5 - CERTIFICATES OF DEPOSIT - RESTRICTED

As of December 31, 2000, the Company has $276,136 in restricted certificates of deposit (CDs). The CDs collateralize certain facilities lease agreements and a mortgage payable to a bank. All of the CDs are held in escrow and bear interest, which is paid to the Company. During 2000, restricted CDs totaling $53,500 were released to the Company in accordance with the lease agreements. Of the remaining CDs held in escrow, $53,500 will be released to the Company during 2001 and is classified as a current asset in the consolidated balance sheet.

NOTE 6 - FURNITURE, FIXTURES, EQUIPMENT AND SOFTWARE

Continuing operations

Furniture, fixtures, equipment and software relating to continuing operations consisted of the following at December 31:

	2000	1999
Telecommunications network equipment	$ 13,209,784	$ 7,749,939
Furniture, fixtures and office equipment	3,896,733	3,459,911
Building	1,200,000	--
Software and information systems	1,259,343	745,104
	19,565,860	11,954,954
Less accumulated depreciation and amortization	(8,582,587)	(4,935,593)
	$ 10,983,273	$ 7,019,361

Included in telecommunications network equipment are $3,899,474 and $3,907,312 in assets acquired under capital leases at December 31, 2000 and 1999, respectively. Accumulated amortization on these leased assets was $2,931,420 and $1,671,657 at December 31, 2000 and 1999, respectively.

During 1998, the Company contracted with an outside consulting firm to develop a billing and operations information system and capitalized as a component of furniture, fixture, equipment and software $2,284,574 in costs (including amounts in accounts payable at December 31, 1998 of $437,286) associated with this in-process system development. The Company continually evaluated the functionality and progress of the in-process system development. In May 1999, the Company's management and its Board of Directors concluded that the new system would not significantly enhance the Company's existing billing and information systems, would not meet its ultimate needs and had no alternative future use and accordingly did not justify paying additional billed and contracted expenses of approximately $1,000,000. Negotiations to discontinue work under the contract were concluded in May 1999, with the consulting company forgoing any future payments on the project while retaining amounts paid to date of $1,847,288. Accordingly, the Company recorded, effective March 31, 1999, a write-down of capitalized software costs on the in-process system development of **$1,847,288.**

DISCONTINUED OPERATIONS

Furniture, fixtures and equipment relating to discontinued operations consisted of the following at December 31:

	2000	1999
Medical services equipment	--	$ 66,082
Furniture, fixtures and office equipment	--	46,755
	--	112,837
Less accumulated depreciation	--	(74,987)
	--	$ 37,850

NOTE 7 - INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	2000	1999
Acquired technology	$ 1,450,000	$ 1,450,000
Excess acquisition cost over fair value of net assets acquired	11,072,138	11,072,138
Other intangible assets	1,228,200	1,228,200
	13,750,338	13,750,338
Less accumulated amortization	(9,811,112)	(7,198,885)
	$ 3,939,226	$ 6,551,453

NOTE 8 - LONG-TERM DEBT

CONTINUING OPERATIONS

Long-term debt relating to continuing operations, the carrying value of which approximates market, consists of the following at December 31:

	2000	1999
Note payable to a service provider, interest at 7.0%, due on demand	$ 746,625	$ 746,625
Note payable to Winter Harbor, payable April 15, 2001, interest at prime plus four percent (13.50% at December 31, 2000) (converted to common stock in March 2001)	7,768,000	7,768,000
Building mortgage payable to a bank, interest at 9.84%, payable in monthly installments of $10,028	836,008	--
Other	--	5,035
	9,350,633	8,519,660
Less current portion	(8,553,971)	(751,660)
Long-term debt, less current portion	$ 796,662	$ 7,768,000

Maturities of long-term obligations on the building mortgage during each of the years 2002 through 2005 are $43,894, $48,414, $53,399 and $59,379 respectively.

During 1998, the Company obtained an aggregate of $7,768,000 in interim debt financing from Winter Harbor, L.L.C. As consideration for Winter Harbor's commitment to make the loan, the Company agreed to issue 6,740,000 warrants to purchase common stock of the Company at exercise prices ranging from $5.50 to $7.22 (subsequently reset to $1.25 in January 2001) based upon 110% of the closing price of the common stock on the day loan funds were advanced. The warrants have exercise periods of 7.5 years from the date of issuance. The Company also agreed to extend the exercise period on all warrants previously issued to Winter Harbor (10,800,000) to 7.5 years. Pursuant to the terms of the loan agreement with Winter Harbor, the initial borrowings of $5,768,000 were payable upon demand by Winter Harbor no earlier than May 15, 1998, and were collateralized by essentially all of the assets of the Company's subsidiaries. As the loan was not repaid by May 15, 1998, the total loan, including additional borrowings of $2,000,000 obtained in the second quarter, continued on a demand basis with interest accruing at prime plus 4%. On April 15, 1999, Winter Harbor agreed that it would not demand payment under the notes prior to April 15, 2000 and in April 2000 agreed to extend the due date of the principal and accrued interest to April 15, 2001. On March 1, 2001, Winter Harbor converted the note ($7,768,000) and accrued interest ($2,537,072 at February 28, 2001) into 4,122 shares of Series M convertible preferred stock (See Note 16 - Subsequent Events).

NOTE 8 - LONG-TERM DEBT, CONTINUED

During 1998, the Company recorded $7,274,000 as a discount against the $7,768,000 Winter Harbor debt representing the relative fair market value attributed to the warrants, the change of the exercise period on prior warrants and the equity instruments associated with the assumed conversion of the debt into equity. The debt discount was amortized over the original terms of the respective borrowings.

Accrued and unpaid interest of $2,376,498 on the $7,768,000 Winter Harbor debt is included in short-term liabilities as of December 31, 2000 while the note and accrued and unpaid interest of $1,345,801 were included in long-term liabilities on the consolidated balance sheet at December 31, 1999.

On January 15, 1999, I-Link finalized an agreement negotiated in November 1998 with Winter Harbor for additional financing. The financing arrangement consisted of an $8,000,000 bridge loan facility (Bridge Loan) and a $3,000,000 standby letter of credit to secure additional capital leases of equipment and telephone lines relative to the expansion of the Company's telecommunications network. As of December 31, 1998, the amount borrowed under the Bridge Loan was $3,841,712. During 1999, the Company made additional borrowings under the Bridge Loan totaling $4,158,288. Amounts outstanding under the Bridge Loan were originally due on October 31, 1999. In July 1999, the Company exercised its right to exchange the $8,000,000 in outstanding notes payable along with accrued interest for Series N preferred stock.

As additional consideration for making the $8,000,000 Bridge Loan and $3,000,000 standby letter of credit, the Company granted warrants to purchase common stock to Winter Harbor. Initially, Winter Harbor received one warrant for every $10 borrowed from Winter Harbor. On April 14, 1999, the shareholders voted to approve a plan of financing which included issuing 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit if the Company did not repay the bridge loan on April 26, 1999. As the loan was not repaid by April 26, 1999, the number of warrants increased in total to 10 warrants for every $10 borrowed. As of December 31, 2000, the exercise price was $1.48 on these warrants. The exercise price was reset to its floor of $1.25 in January 2001.

The Company recorded $3,253,196 as a discount against borrowings over a two-year period (1999 and 1998) on the $8,000,000 Bridge Loan representing the relative fair market value attributed to the Bridge Loan warrants. The debt discount was amortized over the term of the Bridge Loan. As the $8,000,000 loan was exchanged for Series N preferred stock in 1999, the debt discount has been fully amortized. In addition, the Company recorded $735,720 as debt issuance costs related to obligations under certain capital leases guaranteed by the Winter Harbor letter of credit representing the fair value of the warrants associated with the letter of credit warrants. The debt issuance costs are being amortized over the term of the lease agreements.

On April 15, 1999, the Company entered into a financing agreement with Winter Harbor. Winter Harbor agreed to loan to the Company up to $4,000,000 under a note originally due September 30, 1999. In July 1999, the Company exercised its right to exchange the loan for Series N preferred Stock.

In March 2001 Winter Harbor surrendered all of the warrants held by Winter Harbor totaling 33,540,000 for 5,000,000 shares of common stock (See Note 16 - Subsequent Events).

NOTE 9 - COMMITMENTS UNDER LONG-TERM LEASES

The Company leases a variety of equipment, fiber optics and facilities used in its operations. The majority of these lease agreements are with three creditors. During 1998, Winter Harbor obtained on behalf of the Company a letter of credit totaling $3,000,000 to guarantee payment on a new lease agreement providing for equipment purchases of up to $3,000,000. As of December 31, 2000 and 1999, the Company had acquired $3,000,000 in assets under this lease.

In March 2000, the Company entered into a new lease facility providing for equipment purchases of up to $5,000,000. The lease agreement requires monthly payments over the three-year term. As of December 31, 2000, the Company purchased $1,003,000 of equipment under the lease facility.

NOTE 9 - COMMITMENTS UNDER LONG-TERM LEASES, CONTINUED

Agreements classified as operating leases have terms ranging from one to six years. The Company's rental expense for operating leases was approximately $6,946,000, $3,270,000 and $2,900,000 for 2000, 1999 and 1998, respectively. Future minimum rental payments required under non-cancelable capital and operating leases with initial or remaining terms in excess of one year consist of the following at December 31, 2000:

	Capital Leases	Operating Leases
Year ending December 31:		
2001	$ 1,607,000	$ 3,192,000
2002	197,000	2,059,000
2003	197,000	696,000
2004	16,000	366,000
2005	--	116,000
Thereafter	--	--
Total minimum payments	2,017,000	$ 6,429,000
Less amount representing interest	(233,000)	
Present value of net minimum lease payments	1,784,000	
Less current portion	(1,446,000)	
Long-term obligations under capital leases	$ 338,000	

The Company has an agreement with a national carrier to lease local access spans. The agreement includes minimum usage commitments of $2,160,000 per year for the two years beginning July 2000. If the Company were to terminate the agreement early, it would be required to pay 25% of any remaining minimum usage requirements.

NOTE 10 - INCOME TAXES

The Company recognized no income tax benefit from its losses in 2000, 1999 and 1998.

The reported benefit from income taxes varies from the amount that would be provided by applying the statutory U.S. Federal income tax rate to the loss from continuing operations before taxes for the following reasons:

	2000	1999	1998
Expected federal statutory tax benefit	$ (8,755,741)	$ (8,384,158)	$ (9,505,747)
Increase (reduction) in taxes resulting from:			
State income taxes	(774,427)	(553,452)	(734,464)
Foreign loss not subject to domestic tax	1,584,313	353,083	--
Non-deductible interest on certain notes	--	2,473,160	2,516,700
Exercise of stock options issued for services	(1,277,402)	(60,428)	(583,743)
Change in valuation allowance	10,090,027	5,719,844	8,301,669
Other	(866,770)	451,951	5,585
	$ --	$ --	$ --

At December 31, 2000, the Company had net operating loss carryforwards for both federal and state income tax purposes of approximately $73,000,000. The net operating loss carryforwards will expire between 2006 and 2020 if not used to reduce future taxable income. In 2001 the Company underwent a change of control and accordingly the net operating loss carryforwards may be subject to certain annual limitations in the future under Section 338 of the Internal Revenue Code.

NOTE 10 - INCOME TAXES, CONTINUED

The components of the deferred tax asset and liability as of December 31, 2000 and 1999 are as follows:

	2000	1999
Deferred tax assets:		
Tax net operating loss carryforwards	$ 27,319,350	$ 21,851,952
Acquired in-process research and development and intangible assets	2,943,381	2,381,880
Amortization of deferred compensation on stock options	--	1,730,901
Reserve for loss on disposal of discontinued operations	--	54,370
Reserve for accounts receivable and inventory valuation	164,703	623,897
Accrued officers wages	--	134,910
Accrued vacation	126,820	48,490
Unearned revenue	6,183,318	--
Other	136,993	37,187
Valuation allowance	(36,798,144)	(26,708,116)
Total deferred tax asset	76,421	155,471
Deferred tax liability:		
Excess tax depreciation and amortization	(76,421)	(155,471)
Total deferred tax liability	(76,421)	(155,471)
Net deferred tax asset	$ --	$ --

The valuation allowance at December 31, 2000 and 1999 has been provided to reduce the total deferred tax assets to the amount which is considered more likely than not to be realized, primarily because the Company has not generated taxable income from its business communications services. The change in the valuation allowance is due primarily to the increase in net operating loss carryforwards. It is at least reasonably possible that a change in the valuation allowance may occur in the near term.

NOTE 11 - LEGAL PROCEEDINGS

On January 18, 2001, I-Link Incorporated ("I-Link") filed action against Red Cube, International AG and Red Cube, Inc. ("Red Cube") in federal court in Utah seeking damages against Red Cube, for an alleged default on an agreement to provide approximately $60,000,000 in equity funding to I-Link, and instituting a scheme to drive I-Link out of business and obtain control of I-Link's proprietary technology, telecommunications network, key employees and customers. I-Link obtained a temporary restraining order against Red Cube preventing Red Cube from interfering with I-Link's employees, vendors and customers. Red Cube subsequently filed a motion to dismiss the action and compel arbitration based upon a mandatory arbitration provision in the May 2000 Cooperation and Framework Agreement by and between Red Cube and I-Link. The court found that I-Link's claims were "related to" the Cooperation and Framework Agreement and granted Red Cube's motion to dismiss for lack of subject matter jurisdiction. The dismissal resulted in this issue being submitted for AAA arbitration pursuant to the Cooperation and Framework Agreement.

On January 24, 2001, Red Cube delivered a written demand for arbitration and commenced an arbitration proceeding in New York alleging that I-Link breached the Cooperation and Framework Agreement by (i) threatening a shut-down of I-Link's IP telecommunications network, (ii) the resignation of Dror Nahumi as an employee of I-Link (which Red Cube claims will cause I-Link to breach its undertaking to provide the consulting services of John Edwards, Dror Nahumi and Alex Radulovic in the event I-Link is unable to perform under the Agreement and Red Cube is required to assume primary operation and maintenance of it's own IP telecommunications network based upon I-Link's technology), and (iii) I-Link's alleged failure to update the escrowed copy of its source code to the current version of the source code employed to maintain the IP telecommunications network. I-Link denied these allegations. I-Link filed a counterclaim against Red Cube and filed a third-party claim against Red Cube, seeking (compensatory and/or punitive) damages for Red Cube's default under a

NOTE 11 - LEGAL PROCEEDINGS, CONTINUED

subsequent agreement to provide approximately $60,000,000 in equity funding to I-Link, and engaging in a scheme to drive I-Link out of business and obtain control of I-Link's proprietary technology, telecommunications network, key employees and customers. The arbitration proceeding is in its initial stage, and no hearings have occurred.

An action has been brought against I-Link Worldwide LLC by a former independent representative of I-Link Worldwide, L.L.C. whose contractual relationship consisted of I-Link's standard independent representative agreement and two written agreements between himself, I-Link and I-Link Worldwide, LLC. The action alleges that I-Link Incorporated and I-Link Worldwide LLC wrongfully terminated his agreements. The alleged damages range from $7,000,000 to $10,000,000 constituting the aggregate value of the residual terms of these agreements. I-Link Incorporated and I-Link Worldwide, LLC maintain that the agreements were properly terminated pursuant to their respective terms and conditions and that no losses were suffered or damages incurred by the former independent representative. Binding arbitration is tentatively scheduled to start April 23, 2001.

On March 10, 2000, the Company and JNC Opportunity Fund, Ltd. ("JNC") entered into a settlement and release agreement relating to certain litigation concerning shares of Series F Preferred stock held by JNC. The shares of Series F Preferred stock held by JNC were convertible into 1,104,972 shares of common stock under the original agreement with JNC. On March 10, 2000, the Company issued 531,968 shares of common stock to JNC pursuant to the settlement agreement in cancellation of the Series F shares held by JNC. The balance of the shares required to be issued pursuant to the settlement agreement required approval at a special meeting of the shareholders held on May 23, 2000, at which time approval of the shareholders was received. Due to the delay in issuance of the shares required to be issued pursuant to the settlement agreement until shareholder approval was received and the related common shares were registered, the Company issued 20,458 "Additional Shares" of common stock in accordance with the agreement.

The issuance of 87,477 shares representing dividends associated with the Series F stock has been recorded in the Company's financial statements as dividends paid, and 129,519 shares have been recorded as settlement expense. The Company has recorded interest expense of $111,021 representing the market value of the common stock issued as Additional Shares, Late Shares and Additional Late Shares (20,458) on May 24, 2000. The amount of settlement and interest expense was determined by reference to the market value of the Company's common stock on the date of issuance (May 24, 2000) multiplied by the common shares issued. Accordingly, the total settlement and interest expense was $639,565 and $111,021, respectively.

The Company is involved in litigation relating to other claims arising out of its operations in the normal course of business. The litigation and arbitration referred to above is not expected, individually or in the aggregate, to have a material adverse affect on the Company.

NOTE 12 - STOCKHOLDERS' EQUITY

PREFERRED STOCK

The Company's Articles of Incorporation provide for up to 240,000 shares of preferred stock as Series C Convertible Cumulative preferred stock (the "Series C preferred stock"). The Series C preferred stock has a par value of $10 per share and holders are entitled to receive cumulative preferential dividends equal to 8% per annum of the liquidation preference per share of $60.00. Unless previously redeemed, the Series C preferred stock was initially convertible into 24 of the Company's common stock ("Conversion Shares") at the option of the holder (subject to certain anti-dilution adjustments). The Series C stock exchange price did allow for downward resets based upon certain conditions subject to a floor of $1.25. Subsequent to year-end the exchange price has been reset to the floor of $1.25 or 48 shares of the Company's common stock. The Series C preferred stock is redeemable at any time after September 6, 2000, at the option of the Company at a redemption price equal to $90 plus accrued and unpaid dividends, provided the Conversion Shares are covered by an effective registration statement or the Conversion Shares are otherwise exempt from registration. During the years ending December 31, 2000, 1999 and 1998, 24,428, 10,374 and 70,908 shares, respectively, of Series C preferred stock were converted into common shares. At December 31, 2000, there were 9,249 Series C preferred shares outstanding.

NOTE 12 - STOCKHOLDERS' EQUITY, CONTINUED

On October 10, 1997, the Company closed an agreement with Winter Harbor pursuant to which Winter Harbor invested $12,100,000 in a new series of the Company's convertible preferred stock (the "Series M convertible preferred stock"). Winter Harbor purchased approximately 2,545 shares of Series M convertible preferred stock, originally convertible into approximately 2,545,000 shares of common stock, for an aggregate cash consideration of approximately $7,000,000 (equivalent to $2.75 per share of common stock). The agreement with Winter Harbor also provided for the purchase of approximately 1,855 additional shares of Series M convertible preferred stock, originally convertible into approximately 1,855,000 shares of common stock. Such additional shares of Series M convertible preferred stock were paid for by Winter Harbor exchanging $5,000,000 in outstanding notes payable and accrued interest of approximately $100,000. As additional consideration for its equity investment in Series M convertible preferred stock, Winter Harbor was issued additional warrants by the Company to acquire 10,000,000 shares of common stock. The exercise price on each of the warrants has subsequently been reset to $1.48 as of December 31, 2000 and $1.25 in January 2001 (see Note 3). All of the warrants have demand registration and anti-dilution rights and contain cashless exercise provisions.

The Series M convertible preferred stock is entitled to receive cumulative dividends in the amount of 10% per annum before any other Series of preferred (other than Series F) or common stock receives any dividends. Thereafter, the Series M convertible preferred stock participates with the common stock in the issuance of any dividends on a per share basis. The Series M convertible preferred stock will have the right to veto the payment of dividends on any other class of stock.

The basis for conversion shall be adjusted upon the occurrence of certain events, including without limitation, issuance of stock dividends, recapitalization of the Company or the issuance of stock by the Company at less than the fair market value thereof. At December 31, 2000, the conversion price of the Series M convertible preferred stock was $1.48 (and $1.25 in January 2001) as a result of shares of Series N preferred stock being converted at that price. The Series M convertible preferred stock will vote with the common stock on an as-converted basis on all matters which are submitted to a vote of the stockholders, except as may otherwise be provided by law or by the Company's Articles of Incorporation or By-Laws; provided, however, that the Series M convertible preferred stockholders will have the right to appoint two members of the Company's board of directors. Furthermore, the Series M convertible preferred stockholders shall have the right to be redeemed at fair market value in the event of a change of control of the Company, shall have preemptive rights to purchase securities sold by the Company, and shall have the right to preclude the Company from engaging in a variety of business matters without the concurrence of Winter Harbor, including without limitation: mergers, acquisitions and disposition of corporate assets and businesses, hiring or discharging key employees and auditors, transactions with affiliates, commitments in excess of $500,000, the adoption or settlement of employee benefit plans and filing for protection from creditors. As of December 31, 2000, all 4,400 shares of the Company's Series M convertible preferred stock remain issued and outstanding.

Because the above redemption provisions are not entirely within the control of the Company, the Series M convertible preferred stock is presented as a separate line item above stockholders' deficit. All of the Series M convertible preferred stock was converted into common shares of the Company in March 2001 (See Note 16 - Subsequent Events).

On July 9, 1998 the Company obtained a $10,000,000 equity investment, net of $530,000 in closing costs, from JNC Opportunity Fund Ltd. ("JNC"). Under the original terms of the equity investment, JNC purchased 1,000 shares of the Company's newly created 5% Series E convertible preferred stock, which were convertible into the Company's common stock. In addition, JNC obtained a warrant to purchase 250,000 shares of the Company's common stock at an exercise price of $5.873 (equal to 120% of the market price of the Company's publicly traded common shares as of the date of closing).

On July 28, 1998, the terms of the JNC equity investment were amended to provide a floor to the conversion price, and to effect the amendment the Company created a 5% Series F convertible preferred stock for which the Series E preferred shares originally issued to JNC were exchanged one for one. Pursuant to the amendment, the Series F preferred shares were originally convertible into common shares at a conversion price of the lesser of $4.00 per common share or 87% of the moving average market price of the Company's common shares at the time of conversion, subject to a $1.25 floor. JNC also received an additional warrant to

purchase 100,000 shares of the Company's common stock at an exercise price of $4.00 per common share. See "Note 11 - Legal Proceeding" for additional information relating to the Series F preferred stock and settlement with JNC.

NOTE 12 - STOCKHOLDERS' EQUITY, CONTINUED

In certain instances, including a change in control of the Company in excess of 33% ownership and if the Company's common stock is not listed on NASDAQ or a subsequent market or is suspended for more than three non-consecutive trading days, the holders of the Series F preferred stock may require that the Company redeem their Series F preferred stock. Because these redemption provisions were not entirely within the control of the Company, Series F preferred stock was presented as a separate line item above stockholders' deficit as of December 31, 1999.

In addition, the Company issued warrants to purchase 75,000 shares of the Company's common stock at a price of $4.89 per share to two individuals as a brokerage fee in connection with the JNC equity investment.

During 2000, 1999 and 1998, JNC converted 248, 750 and 2 shares of Series F redeemable preferred stock into 1,104,972, 3,518,051 and 10,004 shares of common stock, respectively. In addition, during 2000, 1999 and 1998, JNC was paid a stock dividend of 87,477, 165,220 and 240 shares of common stock, respectively, on the converted shares. As of December 31, 2000, all of the Series F redeemable preferred stock had been converted.

On July 23, 1999, the Company completed its offering of 20,000 shares of Series N preferred stock. The offering was fully subscribed through cash subscriptions and the Company exercised its rights to exchange notes payable to Winter Harbor of $8,000,000 and $4,000,000, plus accrued interest. In total the Company received $7,281,086 in cash (before expenses of $486,679) and exchanged $12,718,914 in debt and accrued interest. The Series N conversion price was initially set at $2.78. The conversion rate was adjusted to $1.48 as of December 31, 2000 and $1.25 in January 2001 based on 110% of the average trading price for any 20 day period following the date that Series N preferred stock is first issued subject to a floor of $1.25. The Series N preferred stock votes with the common stock on an as converted basis and is senior to all other preferred stock of the Company, except that the Series N preferred stock will in all rights be equal in seniority to the already outstanding Series F preferred stock. Dividends will be paid on an as converted basis equal to common stock dividends.

During 2000 and 1999, holders of the Series N preferred stock converted 1,129 and 3,685 of those shares into 467,169 and 1,413,369 shares of common stock, respectively, at conversion prices ranging between $2.78 and $1.64

As the conversion price of the Series N preferred stock at issuance was less than the market price, the Company recognized a $6,978,417 deemed preferred stock dividend in the third quarter of 1999. All shares of Series N preferred stock held by Winter Harbor were converted into common stock of the Company in March 2001 (see Note 16 - Subsequent Events).

At December 31, 2000, of the 10,000,000 shares of preferred stock authorized, 9,486,500 remain undesignated and unissued. Dividends in arrears at December 31, 2000 were $602,702 and $4,543,187 for Series C and M preferred stock, respectively.

COMMON STOCK

On April 14, 1999, the shareholders approved an amendment to the Articles of Incorporation increasing the authorized common stock from 75,000,000 shares to 150,000,000 shares.

NOTE 13 - STOCK-BASED COMPENSATION PLANS

At December 31, 2000, the Company has several stock-based compensation plans, which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed option plans

Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under the plans and based on the incremental fair value associated with the repricing of options consistent with the method outlined by SFAS 123, "Accounting for Stock-Based Compensation", the Company's net loss and loss per share would have been increased to the pro forma amounts indicated as follows:

NOTE 13 - STOCK-BASED COMPENSATION PLANS, CONTINUED

	2000	1999	1998
Net loss as reported	$ (25,752,178)	$ (24,659,288)	$ (27,958,079)
Net loss pro-forma	$ (33,262,209)	$ (33,442,845)	$ (38,224,529)
Basic and diluted loss per share as reported	$ (1.03)	$ (1.57)	$ (2.14)
Basic and diluted loss per share pro-forma	$ (1.25)	$ (1.98)	$ (2.73)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 102%, 97% and 103% in 2000, 1999, and 1998, respectively, risk free rates ranging from 4.67% to 6.83%, 4.35% to 6.08% and 4.26% to 5.67% in 2000, 1999, and 1998, respectively, expected lives of 3 years for each year, and dividend yield of zero for each year.

	2000		1999		1998	
	Options and Warrants	Weighted Average Exercise Price	Options and Warrants	Weighted Average Exercise Price	Options and Warrants	Weighted Average Exercise Price
Outstanding at beginning of year	41,945,091	$ 2.67	30,265,670	$ 4.54	20,998,872	$ 4.68
Granted	5,508,339	4.13	12,138,246	2.18	9,978,671	5.48
Exercised	(1,612,231)	3.10	(74,280)	2.03	(399,540)	1.71
Expired	(180,144)	3.56	(301,462)	3.59	(145,834)	5.42
Forfeited	(306,063)	3.40	(83,083)	4.13	(166,499)	6.67
Outstanding at end of year	45,354,992	$ 2.57	41,945,091	$ 2.67	30,265,670	$ 4.54
Options and warrants exercisable at year end	38,662,539		37,074,871		24,479,374	
Weighted-average fair value of options and warrants granted during the year		$ 2.25		$ 2.61		$ 4.69

The following table summarizes information about fixed stock options and warrants outstanding at December 31, 2000.

Exercise price	Options and Warrants Outstanding at 12/31/00	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable at 12/31/00	Weighted Average Exercise Price
$0.875 to $2.50	29,788,741	5.08	$1.66	29,419,746	$1.65
$2.56 to $3.88	5,095,837	8.69	[illegible].88	2,709,461	2.91
$3.90 to $4.94	6,223,638	6.18	[illegible].92	5,647,706	3.90
$5.06 to $13.88	4,246,773	7.03	6.66	885,626	6.57
	45,354,989	5.82	$[illegible]	38,662,539	$2.18

1997 RECRUITMENT STOCK OPTION PLAN

In October 2000, the shareholders of the Company approved an amendment of the 1997 Recruitment Stock Option Plan which provides for the issuance of incentive stock options, non-qualified stock options and stock appreciation rights (SARs) up to an aggregate of 7,400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events). The price at which shares of common stock covered by the option can be purchased is determined by the Company's Board of Directors; however, in all instances the exercise price is never less than the fair market value of the Company's common stock on the date the option is granted.

NOTE 13 - STOCK-BASED COMPENSATION PLANS, CONTINUED

As of December 31, 2000, there were incentive stock options to purchase 2,951,045 shares of the Company's common stock and non-qualified stock options to purchase 1,038,208 shares of the Company's common stock outstanding. The outstanding options vest over three years at exercise prices of $1.19 to $13.88 per share. Options issued under the plan must be exercised within ten years of grant and can only be exercised while the option holder is an employee of the Company. The Company has not awarded any SARs under the plan. During 2000, 1999 and 1998, options to purchase 439,542, 126,042 and 228,500 shares of common stock, respectively, were forfeited or expired. During 2000 options to purchase 411,420 shares of common stock were exercised.

DIRECTOR STOCK OPTION PLAN

The Company's Director Stock Option Plan authorizes the grant of stock options to directors of the Company. Options granted under the Plan are non-qualified stock options exercisable at a price equal to the fair market value per share of common stock on the date of any such grant. Options granted under the Plan are exercisable not less than six months or more than ten years after the date of grant.

As of December 31, 2000, options for the purchase of 7,669 shares of common stock at prices ranging from $0.875 to $3.875 per share were outstanding, all of which are exercisable. In connection with the adoption of the 1995 Director Plan, the Board of Directors authorized the termination of future grants of options under the plan; however, outstanding options granted under the plan will continue to be governed by the terms thereof until exercise or expiration of such options. In 2000, options to purchase 500 shares of common stock were exercised.

1995 DIRECTOR STOCK OPTION AND APPRECIATION RIGHTS PLAN

The 1995 Director Stock Option and Appreciation Rights Plan (the "1995 Director Plan") provides for the issuance of incentive options, non-qualified options and stock appreciation rights to directors of the Company. The 1995 Director Plan provides for the grant of incentive options, non-qualified options, and SARs to purchase up to 250,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events).

The 1995 Director Plan also provides for the grant of non-qualified options on a discretionary basis to each member of the Board of Directors then serving to purchase 10,000 shares of common stock at an exercise price equal to the fair market value per share of the common stock on that date. Each option is immediately exercisable for a period of ten years from the date of grant. The Company has 190,000 shares of common stock reserved for issuance under the 1995 Director Plan. As of December 31, 2000, options to purchase 170,000 shares of common stock at prices ranging from $1.00 to $1.25 per share are outstanding and exercisable. No options were granted or exercised under this plan in 1998, 1999 or 2000.

1995 EMPLOYEE STOCK OPTION AND APPRECIATION RIGHTS PLAN

The 1995 Employee Stock Option and Appreciation Rights Plan (the "1995 Employee Plan") provides for the issuance of incentive options, non-qualified options, and SARs.

Directors of the Company are not eligible to participate in the 1995 Employee Plan. The 1995 Employee Plan provides for the grant of stock options which qualify as incentive stock options under Section 422 of the Internal Revenue Code, to be issued to officers who are employees and other employees, as well as non-qualified options to be issued to officers, employees and consultants. In addition, SARs may be granted in conjunction with the grant of incentive options and non-qualified options.

The 1995 Employee Plan provides for the grant of incentive options, non-qualified options and SARs of up to 400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events). To the extent that an incentive option or non-qualified option is not exercised within the period of exercisability specified therein, it will expire as to the then unexercisable portion. If any incentive option, non-qualified option or SAR terminates prior to exercise thereof and during the duration of the 1995 Employee Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1995 Employee Plan for the grant of additional options or rights to any eligible employee. The shares of common stock subject to the 1995 Employee Plan may be made available from

either authorized but unissued shares,

NOTE 13 - STOCK-BASED COMPENSATION PLANS, CONTINUED

treasury shares or both. The Company has 400,000 shares of common stock reserved for issuance under the 1995 Employee Plan. As of December 31, 2000, options to purchase 182,750 shares of common stock with an exercise price of $3.90 are outstanding under the 1995 Employee Plan. During 2000, 1999 and 1998, options to purchase 3,333, 45,834 and 23,833 shares, respectively, of common stock were forfeited or expired. Options to purchase 94,250 shares of common stock were exercised in 2000.

OTHER WARRANTS AND OPTIONS

Pursuant to the terms of a Financial Consulting Agreement dated as of November 3, 1994 between the Company and JW Charles Financial Services, Inc., the Company issued a common stock purchase warrant (the "JWC Warrant") covering 250,000 (331,126 as adjusted) shares of common stock to JW Charles Financial Services as partial consideration for its rendering financial consulting services to the Company. The warrant is exercisable at a price of $1.51 per share and expires on November 3, 2001. During 1998, warrants to purchase 165,563 shares of common stock were exercised.

In April 1996, the Company approved the issuance of 1,000,000 options to John Edwards as part of his employment agreement. The options vest over a three-year period and expire in 2006 and have an option price of $3.90.

On July 1, 1996, the Company approved the issuance of options to purchase 1,500,000 and 500,000 shares of common stock to Clay Wilkes and Alex Radulovic respectively as part of their employment agreements. Each option has an exercise price of $7.00 per share, vesting in 25% increments in the event that the average closing bid price of a share of the Company's common stock for five consecutive trading days exceeds $10, $15, $20 and $25, respectively. Each option becomes exercisable (to the extent vested) on June 30, 1997, vests in its entirety on June 30, 2001 and lapses on June 30, 2002. As of December 31, 2000, 500,000 of the options had vested.

In September 1996, the Company closed a private placement offering of Series C preferred stock. As a result of this transaction, the Company issued warrants to purchase 750,000 shares of common stock at an exercise price of $2.50 (reset to $1.48 as of December 31, 2000) per share as compensation to the Placement Agent. These warrants expire on August 20, 2001. During 2000, 1999 and 1998, warrants to purchase 417,061, 73,050 and 46,477 shares of common stock were exercised, respectively. As of December 31, 2000 there were 177,259 Placement Agent warrants outstanding.

John Edwards agreed to amend his employment contract on August 21, 1996, which reduced his salary. In consideration of the salary reduction, the Company granted him options, which vested immediately, to purchase 250,000 shares of common stock. The options have a term of 10 years and an exercise price of $3.90.

In October 1996 the Company agreed to issue options to purchase 250,000 shares of common stock each to William Flury and Karl Ryser Jr. pursuant to their employment agreements. The options vested quarterly over a three-year period and expire in 2006 and have an exercise price of $3.90. In 2000, 250,000 options were exercised.

During 1997, the Company issued options to purchase 1,210,000 shares of common stock (210,000 of which were issued under the 1997 recruitment stock option plan) to consultants at exercise prices ranging from $4.875 to $8.438 (repriced to $3.90 on December 13, 1998), which was based on the closing price of the stock at the grant date. The fair value of the options issued was recorded as deferred compensation of $4,757,134 to be amortized over the expected period the services were to be provided. As a result of the repricing, the Company recorded additional deferred compensation expense totaling $262,200 (of which $21,103, $44,364 and $196,733 was expensed in 2000, 1999 and 1998, respectively), representing the incremental fair value of the repriced options over the original options. During 2000, 1999 and 1998, $279,150, $852,714 and $1,157,901, respectively, of the deferred compensation was amortized to expense. During 2000, 1999 and 1998, options to purchase 91,000, 16,669 and 60,000, respectively, shares of common stock expired. During 2000, 169,000 options were exercised. The remaining options must be exercised within ten years of the grant date.

During 1997, the Company issued non-qualified options to purchase 2,295,000 shares of common stock to certain executive employees. The options must be exercised within ten years of the grant date and have an exercise price of

$3.90. During 2000 and 1999, options to purchase 0 and 66,670 shares of common stock, respectively, were forfeited. During 2000, options to purchase 78,000 shares of common stock were exercised.

NOTE 13 - STOCK-BASED COMPENSATION PLANS, CONTINUED

During 1998, the Company issued non-qualified options to purchase 935,000 shares of common stock to certain executive employees at exercise prices ranging from $2.563 to $3.125, which price was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date. During 2000 and 1999, options to purchase 43,332 and 58,333 shares of common stock, respectively, were forfeited. During 2000, options to purchase 4,000 shares of common stock were exercised.

During 1999, the Company issued non-qualified options to purchase 655,000 shares of common stock to certain executive employees at exercise prices ranging from $2.50 to $3.563, which price was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date. During 2000, options to purchase 230,000 shares of common stock were exercised.

During 1999, the Company issued non-qualified options to purchase 200,000 shares of common stock to a consultant at an exercise price of $3.00, which was based on the closing price of the stock at the grant date. The fair value of the options issued was recorded as deferred compensation of $300,000 to be amortized over the expected period the services were to be provided. During 2000 and 1999 deferred compensation of $137,500 and $162,500, respectively, was amortized to expense.

During 2000, the Company issued non-qualified options to purchase 2,585,000 shares of common stock to certain executive employees at exercise prices ranging from $2.75 to $6.375, which price was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date.

Subsequent to December 31, 2000 and prior to March 15, 2001 approximately 1,900,000 employee options to purchase common stock were forfeited due to termination of employment.

During 2000 the Company obtained approval from its shareholders to establish the 2000 Employee Stock Purchase Plan. This plan allows all eligible employees of the Company to have payroll withholding of 1 to 15 percent of their wages. The amounts withheld during a calendar quarter are then used to purchase common stock at a 15 percent discount off the lower of the closing sale price of the Company's stock on the first or last day of each quarter. This plan was approved by the Board of Directors, subject to shareholder approval, and was effective beginning the third quarter of this year. The Company issued 23,494 shares to employees based upon payroll withholdings during 2000.

NOTE 14 - SEGMENT OF BUSINESS REPORTING

The Company's three reportable segments are as follows:

- Telecommunications services - includes long-distance toll services and enhanced calling features such as V-Link(TM). The telecommunications services products are marketed primarily to residential and small business customers.

- Marketing services - includes training and promotional materials to IRs in the network marketing sales channel and WebCentre set-up and monthly recurring fees. Additionally, revenues are generated from registration fees paid by IRs to attend regional and national sales conferences. This revenue source was terminated in February 2000.

- Technology licensing and development - provides research and development to enhance the Company's product and technology offerings. Products developed by this segment include V-Link(TM), Indavo(TM), and other proprietary technology. The Company licenses certain developed technology to third party users, such as Lucent, Brooktrout and others.

With the Company's shift in focus from retail to wholesale sales in February 2000, revenues from Big Planet amounted to 61% of telecommunication services revenue from February 2000 through the end of the year. The percentage of telecommunication services revenue from Big Planet during the fourth quarter amounted to 46% of fourth quarter revenue due to the addition of a new large wholesale customer. As a result of financial uncertainty with I-Link in January and February of 2001 resulting from Red Cube not funding the Company, and prior to the Counsel Corporation transaction in March 2001, Big Planet was uncertain as to the ability of I-Link to continue operations. Therefore, Big Planet signed an

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NOTE 14 - SEGMENT OF BUSINESS REPORTING, CONTINUED

agreement to transition their unified messaging (V-Link(TM)) business to another company. They anticipate the possibility of moving the customers in the third or fourth quarter of 2001 if the new unified messaging vendor achieves certain milestone of product features, billing capabilities and service development. Additionally, Big Planet is evaluating new I-Link products for release in the first half of 2001. The Company cannot predict what future telecommunication services revenue from this customer may be. The percentage of telecommunication services revenue from another large customer during the fourth quarter was 32%. Telecommunication services revenue from this customer in the first quarter of 2001 is expected to decrease compared to the fourth quarter of 2000 by approximately 50% as the customer transferred some of their traffic to other carriers due to our financial condition in the early 2001 prior to the Counsel Corporation agreement. The Company cannot predict what future telecommunication services revenue from this customer may be.

There are no intersegment revenues. The Company's business is conducted principally in the U.S.; foreign operations are not material. The table below presents information about net loss and segment assets used by the Company as of and for the year ended December 31:

	For the Year Ending December 31, 2000			
	Telecommunication Services	Marketing Services	Technology Licensing and Development	Total Reportable Segments
Revenues from external customers	$ 20,567,000	$ 464,000	$ 9,373,000	$ 30,404,000
Interest revenue	--	--	--	--
Interest expense	16,000	--	--	16,000
Depreciation and amortization expense	2,409,000	15,000	98,000	2,522,000
Segment income (loss)	(10,599,000)	(204,000)	3,218,000	(7,585,000)
Other significant non-cash items:				
Amortization of deferred compensation on stock options	--	--	--	--
Provision for doubtful accounts	113,000	--	--	113,000
Expenditures for segment assets	5,528,000	--	8,000	5,536,000
Segment assets	14,832,000	--	201,000	15,033,000

	For the Year Ending December 31, 1999			
	Telecommunication Services	Marketing Services	Technology Licensing and Development	Total Reportable Segments
[illegible] from external customers	$ 26,440,000	$ 3,673,000	2,507,000	$ 32,620,[illegible]
[illegible] revenue	--	--	--	--
[illegible] expense	51,000	--	--	51,[illegible]
[illegible] and amortization expense	2,128,000	115,000	115,000	2,358,[illegible]
[illegible] loss	(1,818,000)	(2,456,000)	(1,472,000)	(5,746,[illegible])
[illegible] significant non-cash items:				
Amortization of deferred compensation on stock options	163,000	55[illegible],000	--	[illegible]
Provision for doubtful accounts	3,703,000	--	--	3,703,[illegible]
[illegible] for segment assets	3,191,000	[illegible]81,000	282,000	3,[illegible]
[illegible] assets	8,423,000	6[illegible]0,000	1,464,000	10,50[illegible]

NOTE 14 - SEGMENT OF BUSINESS REPORTING, CONTINUED

	For the Year Ending December 31, 1998			
	Telecommunication Services	Marketing Services	Technology Licensing and Development	Total Reportable Segments
Revenues from external customers	$ 19,635,000	$ 4,548,000	$ 1,466,000	$ 25,649,000
Interest expense	63,000	--	--	63,000
	127,000	--	--	127,000
Depreciation and amortization expense	827,000	30,000	35,000	892,000
Segment loss	(5,258,000)	(1,332,000)	(1,823,000)	(8,413,000)
Other significant non-cash items:				
Amortization of deferred compensation on stock options	--	706,000	--	706,000
Provision for doubtful accounts	3,161,000	--	--	3,161,000
Expenditures for segment assets	1,012,000	46,000	56,000	1,114,000
Segment assets	7,006,000	115,000	883,000	8,004,000

The following table reconciles reportable segment information to the consolidated financial statements of the Company:

	2000	1999	1998
Total interest revenue for reportable segments	$ --	$ --	$ 63,000
Unallocated interest revenue from corporate accounts	487,000	179,000	207,000
	$ 487,000	$ 179,000	$ 270,000
Total interest expense for reportable segments	$ 16,000	$ 51,000	$ 127,000
Unallocated amortization of discount on notes payable	--	3,361,000	7,405,000
Unallocated interest expense associated with issuance of convertible debt	--	--	--
Unallocated interest expense from related party debt	1,054,000	1,571,000	851,000
Other unallocated interest expense from corporate debt	433,000	103,000	21,000
	$ 1,503,000	$ 5,086,000	$ 8,404,000
Total depreciation and amortization for reportable segments	$ [illegible]	$ 2,358,000	$ 892,000
Unallocated amortization expense from intangible assets	[illegible],612,000	2,894,000	2,894,000
Other unallocated depreciation from corporate assets	1,[illegible]64,000	231,000	407,000
	$ [illegible]	$ 5,483,000	$ 4,193,000
Total segment loss	$ [illegible]	$ (5,746,000)	$ (8,413,000)
Unallocated non-cash amount in consolidated net loss:			
Amortization of discount on notes payable	--	(3,361,000)	(7,405,000)
Loss on write-off and disposal of certain assets	--	(1,847,000)	--
Litigation settlement expense	([illegible]40,000)	--	--
Amortization of deferred compensation on stock options issued for services	([illegible])	(296,000)	(452,000)
Amortization of intangible assets	([illegible])	(2,894,000)	(2,894,000)
Acquired in-process research and development	--	--	--
Other corporate expenses	([illegible])	(10,016,000)	(8,616,000)
	$ ([illegible])	$ (24,160,000)	$ (27,780,000)

NOTE 14 - SEGMENT OF BUSINESS REPORTING, CONTINUED

	2000	1999	1998
Total amortization of deferred compensation for reportable segments	$ --	$ 720,000	$ 706,000
Unallocated amortization of deferred compensation	542,000	296,000	452,000
	$ 542,000	$ 1,016,000	$ 1,158,000
Expenditures for segment long-lived assets	$ 5,536,000	$ 3,755,000	$ 1,114,000
Unallocated expenditures for development of information systems	--	--	1,723,000
Other unallocated expenditures for corporate assets	93,000	703,000	422,000
	$ 5,629,000	$ 4,458,000	$ 3,259,000
Segment assets	$15,033,000	$10,507,000	$ 8,004,000
Intangible assets not allocated to segments	3,939,000	6,551,000	9,420,000
Furniture, fixtures and equipment not allocated to segments	954,000	1,240,000	1,496,000
Software and information systems not allocated to segments	443,000	228,000	2,476,000
Net assets of discontinued operations	--	--	417,000
Other assets not allocated to segments	809,000	3,132,000	2,042,000
	$21,178,000	$21,658,000	$23,855,000

NOTE 15 - COMMITMENTS

EMPLOYMENT AND CONSULTING AGREEMENTS

The Company has entered into employment and consulting agreements with eight employees, primarily executive officers and management personnel. These agreements generally continue over the entire term unless terminated by the employee or consultant of the Company, and provide for salary continuation for a specified number of months. Certain of the agreements provide additional rights, including the vesting of unvested stock options in the event a change of control of the Company occurs or termination of the contract without cause. The agreements contain non-competition and confidentiality provisions. As of December 31, 2000, if the contracts were to be terminated by the Company, the Company's liability for salary continuation would be approximately $1,165,000.

NOTE 16 - SUBSEQUENT EVENTS

TRANSACTIONS WITH WINTER HARBOR:

On March 1, 2001, Winter Harbor elected to convert a note payable from I-Link for $7,768,000 plus accrued interest of $2,537,072 ($2,376,498 as of December 31, 2000) into 4,122 shares of Series M convertible preferred stock of I-Link as allowed under the original loan agreement. Upon conversion of the debt, the company issued 5,000,000 warrants to Winter Harbor as required under the loan agreement.

On March 1, 2001 the Company entered into a Warrant Exchange Agreement with Winter Harbor. Pursuant to the terms and provisions of this Agreement, Winter Harbor agreed to assign, transfer, convey and deliver to I-Link warrants to acquire 33,540,000 (including 5,000,000 warrants issued upon conversion of the convertible debt discussed above) shares of common stock of I-Link beneficially owned by Winter Harbor in exchange for the issuance by I-Link to Winter Harbor of 5,000,000 shares of I-Link's common stock.

TRANSACTIONS WITH COUNSEL:

On March 1, 2001 I-Link entered into a Senior Convertible Loan and Security Agreement, (the "Loan Agreement") with Counsel Communications, LLC, ("Counsel LLC") and a wholly-owned subsidiary of Counsel Corporation, (collectively, "Counsel"). Pursuant to the terms and provisions of the Loan Agreement, Counsel LLC agreed to make periodic loans to I-

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NOTE 16 - SUBSEQUENT EVENTS, CONTINUED

Link in the aggregate principal amount not to exceed $10,000,000. Of that amount, $3,000,000 was available to I-Link immediately upon the execution of the Loan Agreement. The $10,000,000 capital investment is structured as a 3-year note convertible with interest at 9% per annum, compounded quarterly. Counsel LLC can convert the loan into shares of common stock of I-Link at a conversion price of $0.56 per common share. At any time after September 1, 2002, the outstanding debt including accrued interest shall automatically convert into common stock using the then current conversion rate, on the first date that is the twentieth consecutive trading day that the common stock has closed at a price per share that is equal to or greater than $1.00 per share. The conversion price is subject to adjustment in accordance with the terms and provisions of the Loan Agreement. The Loan Agreement provides for traditional anti-dilution protection and is subject to certain events of default. Proceeds to the Company will be $10,000,000 less debt issuance costs of approximately $700,000.

By executing the above Loan Agreement, I-Link granted Counsel LLC a first priority security interest in all of I-Link's assets owned at the time of the execution of the Loan Agreement or subsequently acquired, including but not limited to I-Link's accounts receivable, general intangibles, inventory, equipment, books and records, and negotiable instruments held by the Company (collectively, the "Collateral"). The Loan Agreement also included demand registration rights for common stock issuable upon conversion of the Loan Agreement.

In addition to the foregoing agreements, I-Link and Counsel LLC executed a Securities Support Agreement, dated March 1, 2001 (the "Support Agreement") for the purpose of providing certain representations and commitments by I-Link to Counsel LLC as an inducement to Counsel to enter into a separate agreement with Winter Harbor and First Media, L.P, a limited partnership and the parent company of Winter Harbor (collectively, the "Winter Harbor Parties") (the "Securities Purchase Agreement"). I-Link was not a party to the Securities Purchase Agreement. In accordance with the terms and provisions of the Securities Purchase Agreement, Counsel agreed to purchase from the Winter Harbor Parties all of the debt and equity securities in I-Link, including shares of Series M and Series N preferred stock of I-Link, beneficially owned by the Winter Harbor Parties for an aggregate consideration of $5,000,000.

I-Link's commitments to Counsel LLC set forth in the Support Agreement included I-Link's agreement to appoint two designees of Counsel, reasonably acceptable to the Company, to the Board of Directors of I-Link. The Company also agreed that immediately following the initial funding (which was received in March 2001) of the Loan Note, I-Link would solicit the proxies of I-Link's shareholders to elect three additional nominees designated by Counsel, thus, increasing the size of the Company's Board of Directors to nine members.

Under the Support Agreement, I-Link also agreed to engage appropriate advisors and proceed to take all steps necessary to merge Nexbell Communications Inc. (a subsidiary of Counsel LLC) into I-Link. The merger has not yet taken place nor have the terms been determined under which the merger may take place. Nexbell is a designated Cisco Powered Network member in the VoIP category and operates a private, managed packet telephony network delivering packet voice services to over 400 metropolitan areas in the United States.

On March 7, 2001, as part of the agreements discussed above, Counsel converted all of the Series M and N convertible preferred stock it obtained from Winter Harbor into 61,966,057 shares of I-Link's common stock. The Series N shares were converted at equivalent of $1.25 per common share and Series M at $.56 per common share, in accordance with their respective conversion features.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of
I-Link Incorporated and Subsidiaries:

In our opinion, the accompanying financial statement schedule is fairly stated in all material respects in relation to the basic financial statements, taken as a whole, of I-Link Incorporated and subsidiaries for the years ended December 31, 2000, 1999 and 1998, which are covered by our report dated March 19, 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

PricewaterhouseCoopers LLP
Salt Lake City, Utah
March 19, 2001

I-LINK INCORPORATED AND SUBSIDIARIES
SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions (a)	Balance at End of Period
Allowance for doubtful accounts:				
December 31, 1998	1,385,000	3,160,621	2,604,621	1,941,000
December 31, 1999	1,941,000	3,703,077	3,855,077	1,789,000
December 31, 2000	1,789,000	113,168	1,801,503	100,665

(a) For the allowance for doubtful accounts represents amounts written off as uncollectible and recoveries of previously reserved amounts.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
[X] ANNUAL REPORT UNDER 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

Commission File No. 0-17973

I-LINK INCORPORATED
(Name of registrant as specified in its charter)

FLORIDA	**52-2291344**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

13751 S. WADSWORTH PARK DRIVE, SUITE 200, DRAPER, UT 84020 (801/576-5000)
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Exchange Act: None.

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, $.007 par value

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or for such period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of Common Stock held by non-affiliates based upon the closing bid price on April 10, 2000, as reported by The Nasdaq Stock Market, was approximately $223,000,000

As of April 10, 2000, there were 26,727,108 shares of Common Stock, $.007 par value, outstanding.

ITEM 1. DESCRIPTION OF BUSINESS.

OVERVIEW

I-Link Incorporated (the "Company") is an integrated voice and data communications company focused on simplifying the delivery of "Unified Communication." Unified Communication is the integration of traditional telecommunications with new data IP (Internet Protocol) communications systems with the effect of simplifying communications, increasing communication capabilities and lowering overall communication costs. Unified Communication platforms integrate telecommunication, mobile communication, paging, voice-over-IP (VoIP) and Internet technologies. Through its wholly owned subsidiaries I-Link Communications, Inc., and I-Link Systems, Inc., the Company provides enhanced telecommunications services on a wholesale and retail basis. Through its wholly-owned subsidiaries MiBridge, Inc., and ViaNet Technologies Ltd., the Company undertakes the research and development of new telecommunications services, products, and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. I-Link is a leader in the delivery of unified communications as a result of six core technology offerings: I-Link's Intranet, Softswitch Plus-TM-, GateLink-TM-, V-Link-TM-, Indavo-TM-, and I-Link TalkFree-TM-.

CORE TECHNOLOGIES

I-Link's Intranet

I-Link's real-time IP communications network ("RTIP Network") consists of a nationwide, dedicated network of leased telecommunications lines and equipment augmented by IP software developed by I-Link. The RTIP Network is an IP-based network like the Internet; however, it is dedicated for use only by I-Link and its customers - an INTRANET. The RTIP Network provides the platform for the enhanced service applications developed by I-Link and other third-party applications developers who partner with I-Link. The RTIP Network is composed of an IP backbone that ties together local loop dial-up and broadband connections via major hubs strategically located in major metropolitan areas throughout the United States. Through proxies, the RTIP Network is able to integrate SS7, Wireless, Public Switch Telephone Networks (PSTN), the Internet, and next generation network protocols such as SIP, MGCP, and H323 into one interoperable platform. The architecture and technological approach used by the RTIP Network has resulted in cost and capability breakthroughs unattainable through traditional circuit switch telecommunications networks, while maintaining the high voice-quality and reliability associated with traditional circuit switch networks. A more detailed description of the RTIP Network is included below.

Softswitch Plus-TM-

Softswitch Plus-TM- is the operating system that ties together all of I-Link's core services that are available both to end users and third-party applications developers. Much like a PC's operating system integrates hardware elements such as disk drives, monitors, network interface cards, memory, and other computer elements, Softswitch Plus-TM- integrates communication elements such as connection services, voice recognition, interactive voice response (IVR) services, text-to-speech services, unified messaging, conference call services, operation support systems (OSS) and other application servers and communication elements created by I-Link and/or other third-party applications developers. These software components are called "media servers" and the software layer that ties these together is called a "softswitch." I-Link's Softswitch Plus-TM- greatly simplifies new application development as well as reduces infrastructure costs.

GateLink-TM-

GateLink-TM- is a powerful set of developer tools that serves as the mechanism for creating new applications, user services and solutions that can be hosted within the I-Link RTIP Network. Companies determined to build real time communication services are faced with many challenges, such as developing the solution, building the network in which the solution will operate, defining the OSS system to properly provision and bill for the new services. GateLink-TM- greatly simplifies this process by confining it to developing the application. Once the application is developed it can be certified by I-Link and then

deployed within the RTIP Network.

V-Link-TM-

V-Link-TM-, one of the applications hosted within the RTIP Network, is a powerful suite of basic and enhanced telecommunications services created by I-Link to meet the communication needs of the residential, SOHO (small office/home office) and SME (small-to-medium enterprise) consumer. V-Link-TM- services include:

- ENHANCED LOCAL OR LONG DISTANCE SERVICE. Long distance calls can be made at significantly lower costs.

- SINGLE NUMBER SERVICE. Set up to ring a subscriber's office phone, home office phone, cellular phone (or any phone number the subscriber specifies) and pager simultaneously so that he may be reached wherever he is, and without the caller having to try multiple numbers or know his party's current location.

- CALL SCREENING/CALL WHISPER. The subscriber can hear the name of the person calling before deciding to accept the call or send it to voice mail. If the subscriber receives a new call while already engaged in a call, the name of the new caller is "whispered" to the subscriber in a manner that is inaudible to the other call participant.

- CALLER HOLD. The subscriber can put a caller on hold, with music on hold.

- CONFERENCE CALLING. Provides the ability to conference in up to 9 people at one time.

- PORTABLE FAX. The subscriber receives a fax to his Single Number Service, he is notified that there is a fax in his mailbox, and he can choose to route the fax to any fax machine, or to his e-mail through a fax-to-e-mail gateway.

- VOICE MAIL. Enables callers to leave recorded messages that can be retrieved, saved, forwarded, etc.

Subscribers access their V-Link-TM- service through an assigned local and/or toll-free (800) number (that also can become a single, convenient telephone number through which others call and fax the subscriber). Once inside the V-Link-TM- enhanced communications environment, all of the subscriber's communications functions are handled over the I-Link RTIP Network, with its associated benefits and capabilities -- irrespective of where the call is originated. For example, long distance calls are routed primarily through the RTIP Network, and secondarily through the traditional public switched telephone network where needed to ensure full geographic coverage. In addition to long distance calling capability, entering the V-Link-TM- communications environment allows a multitude of enhanced capabilities to the user without the need of any special equipment by the user. Once the communications session is established by logging-in to V-Link-TM- from any telephone, a subscriber has the ability to perform any number of multiple operations within the session (multiple long distance calls, call screening, voice mail, fax, conference calling, etc.).

The Indavo-TM- Line Capacity Expansion Device

Through its wholly-owned subsidiary ViaNet Technologies, Ltd., the Company has developed Indavo-TM- (referred to by the Company as "C-4" during its development stage), a revolutionary device that from a single standard telephone line that can simultaneously (1) create the capacity of multiple lines that can carry on simultaneous calls and other communications functions ("multiplexing"), (2) provide the inter-office/home functionality of a PBX, and (3) maintain a persistent Internet connection. In other words, through a single standard telephone wire and line, the customer and his or her family members or business associates can, from multiple phones, fax machines, and computers within the customer's home or business premises, simultaneously carry on multiple independent or conference telephone calls, receive or send

faxes as if on one or more dedicated fax lines, and maintain a persistent Internet connection, without any sacrifice of quality or functionality. Indavo-TM- provides the capacity of up to 24 lines using the existing telephone wires connected to the customer's home or office. With the Indavo-TM- device connected to a single standard telephone line within the customer's home or business office, the customer obtains the following benefits:

MULTIPLEXING. Multiple independent telephone calls and fax send/receive calls can be simultaneously carried on from multiple phones and fax machines within the customer's home or business office, with no degradation of quality.

VIRTUAL PBX FUNCTIONALITY. The functionality of a PBX system, normally obtainable through the acquisition of a costly equipment and software system, is achieved over the existing telephones within the customer's home or office. These include inter-home/office call conferencing, call forwarding, etc.

PERSISTENT V-LINK-TM- CONNECTION. Through Indavo, the customer is always connected to the V-Link enhanced services environment and can fully utilize all of the services provided by V-Link (and additional enhancements) without the need to dial into the V-Link service.

PERSISTENT INTERNET CONNECTION. Through Indavo, the customer is able to maintain a persistent connection to the Internet, usually obtainable only through the purchase by the customer and on-site installation of specialized equipment (a router).

Because it obviates the need for the customer to purchase multiple telephone lines, a PBX system, and routing equipment, Indavo-TM- provides both substantial cost savings and increased functionality to the customer. It is anticipated that a larger capacity version of the Indavo-TM- device will be marketed to traditional telecommunications carriers to provide a low-cost and more functional alternative to the costly and functionally-limited switches now required within their infrastructure. Indavo-TM- is now in full production and distribution.

I-Link TalkFree-TM-

In late 1999, I-Link developed and deployed I-Link TalkFree-TM-, a unique web-based service that powerfully promotes I-Link's products and services by utilizing spare network capacity to permit prospective customers to experience a long distance call over the I-Link Network at no cost. I-Link TalkFree-TM- works as follows: a visitor to the I-Link or a partner web page clicks on the I-Link TalkFree-TM- icon and then enters his or her phone number and the long distance number they want to call. In a few seconds, the call is generated automatically via the caller's phone. In March 2000, approximately four weeks after I-Link TalkFree-TM- was introduced, I-Link announced that the number of I-Link TalkFree-TM- calls placed had exceeded one million. Not only has I-Link TalkFree-TM- quickly proven to be a powerful tool for promoting I-Link's products and services, it has generated substantial interest from other companies who want to use I-Link TalkFree-TM- as an advertising tool for their own products and services. The Company intends to continue to use I-Link TalkFree-TM- as a promotional tool for its own products and services, and to aggressively market it to other companies both inside and outside the telecommunications industry as a promotional tool.

I-LINK'S RTIP NETWORK

I-Link's communications services, as well as applications and services developed by certified third-party developers, are carried over the RTIP Network. The RTIP Network is a packet-based network established by I-Link and composed of an IP backbone that integrates local loop dial-up and broadband connections via eleven multiple routing facilities or "Hubs" strategically established in large metropolitan areas nationwide. Each of these Hubs is comprised of off-the-shelf hardware elements and I-Link's proprietary software. Figure 1 shows an architectural view of a RTIP Hub.

[GRAPH]

I-Link's technology enables the user to employ its existing telephone, fax machine, pager or

modem to achieve high-quality communications with other conventional communications equipment, while exploiting the capabilities of IP technology. The RTIP Network is comprised of leased and dedicated lines carrying telecommunications transmissions converted into a data format (TCP/IP). Network access points ("gateways") comprised of sophisticated communications equipment and proprietary software, which I-Link calls Communication Engines-TM-, are used to integrate I-Link's Intranet with the traditional telecommunications network. The Communication Engine, including the software and firmware, represents I-Link's patent-pending technology. Through the Communication Engines, the RTIP Network receives traffic from the public switched telephone network as a TDM stream (time division multiplexing) and converts it to IP (internet/intranet protocol) data packets. The data is converted from the PCM (pulse code modulation) format standard, which is the traditional telephony standard, to an I-Link proprietary coding. The I-Link proprietary coding can distinguish among and handle voice, fax and modem communications differently. Voice is compressed using a voice coder or codec, fax and modem traffic are demodulated/modulated. The data can then be stored (such as recording a message), altered (as in changing a fax call from 14400 BPS to 9600 BPS) or redistributed to multiple recipients (as in the case of conferencing). I-Link's gateways are flexible such that the RTIP Network can readily integrate with other carriers' protocols and infrastructure. Accordingly, I-Link is also capable of leveraging the access infrastructure of other carriers, resellers, and Internet service providers (ISP's) and wholesaling its enhanced services to these providers and their customers while avoiding the need to build additional access infrastructure.

Unlike the traditional telecommunication network, the RTIP Network uses TCP/IP as its communication protocol. This is the same protocol used by the Internet for computer-to-computer communication. I-Link utilizes TCP/IP because of the potential for interoperability between diverse technologies. This protocol provides the potential for the RTIP Network to integrate fax, voice, e-mail, websites, video conferencing, speech recognition servers, intelligent call processing servers, Internet Information servers, and other technologies in an efficient way. Not all of these technologies are currently implemented within the RTIP Network. However, because communication is being carried over a TCP/IP protocol these solutions can be integrated into I-Link's offerings at a fraction of the cost of traditional telecommunication implementations. The advantage of communication via the TCP/IP protocol is that it allows for efficient integration of many enhanced information services as noted above. I-Link doesn't need to build all of the services that are presented to the user; it can easily integrate additional services because the communication protocol offers interoperability between all types of conventional communication equipment. The other advantage to TCP/IP is that the cost of integration is substantially less as a result of network design. New services, enhancements and updates can be enabled at a central location and linked automatically to a subscriber's packet of services, thus eliminating the costs and time restrictions of installing the enhancement at each physical facility. The result of these benefits is lower cost with greater capabilities.

Cost Advantages

The cost advantages realized from the creation and deployment of enhanced services over the RTIP Network are two-fold: (a) lower transmission costs, and (b) lower capital infrastructure costs. Lower transmission costs result from the inherent maximization of capacity in an IP-based "packet-switch" architecture (like the Internet and I-Link's RTIP Network) as opposed to traditional "circuit-switch" telecommunication architecture. A packet-switch network converts the information being carried (such as a voice call) into a series of data packets and is able to fill the entire capacity of the network with these data packets simultaneously during transmission, while a traditional circuit-switch network processes a single call at a time. Simply put, an IP-based packet-switch network makes more efficient use of its fixed-cost capacity than does a traditional circuit-switch network. The benefit to capital infrastructure costs can be seen by recognizing that a traditional enhanced service platform (a "platform" is the equipment and software required to provide a particular service to customers)--a conference calling platform for example-must be purchased and installed by the communications provider to work alongside a traditional telecommunications switch (a "switch" is a large, sophisticated piece of telecommunications equipment through which calls are routed, and that has a given capacity of calls that can simultaneously be handled). The traditional switch, unable to process anything but low-level signals, must pass an incoming call for conferencing (in our example) to a special conference call switch for processing. These types of special

switches are highly expensive, costing providers several hundreds of thousands of dollars each. Because the transmission within the RTIP Network has been converted to an IP signal, the given enhanced service (conference calling in our example) occurs within a software-defined network handled through standard personal computers, rather than a hardware- or equipment-defined network requiring special and redundant, costly telecommunications switches for each enhanced service offered. Thus, I-Link is able to provide the given service at a fraction of the cost of a traditional communication services provider, because it is able to avoid the capital expense of acquiring, installing and servicing an array of special switches. Lower costs in both the cost of transmission and the capital infrastructure to provide the services, results in lower costs to the customer.

Flexible Integration

In addition to the conference calling service discussed above, consider a provider that offers many combined services. In a traditional telecommunications network, each service - voicemail, fax mail, conference calling, single number, etc. - must be processed through one or more separate, non-integrated switches, with the customer being assigned a separate number for each service: "call this number to send me a fax, . . . call this number for my voice mail, . . . call this number for my conference call," etc. Again, because I-Link's services are provided in an IP environment and a software-defined network, all of these services can be easily integrated through one switch and function utilizing one customer number. I-Link's IP environment also provides for the easy integration of additional new services as they are developed and introduced. Because of the expanded capabilities and capacity of the RTIP Network, I-Link's goal is to "resell" its core technologies as many times as possible. I-Link has developed a service model for marketing these core technologies to other telecommunications service providers and application developers on a wholesale basis as well as to the residential/SOHO/SME market.

DISTRIBUTION CHANNELS

Wholesale

The wholesale distribution channel intends to leverage I-Link established network and services to distribute to it's own customer base. Such wholesale channels use (or lease from I-Link) it's own sales, billing, customer care and collection. The wholesale channel consists of two types of partners: Application developers and their customers and Service providers:

Third-Party Application Developers

I-Link provides application-hosting services to other third-party applications developers and their respective customers on a wholesale basis. Third-party developers who create new applications and solutions with GateLink-TM- are able to host these services within I-Link's RTIP Network. These hosted services are then made available to the third-party developers' channels of distribution and customers. The Company will negotiate where possible to be able to offer these third-party applications to I-link's service provider channel, and I-Link's Master Agent channel. Using I-Link and the RTIP Network to host new applications greatly simplifies and expedites getting new services to market.

Service Providers

I-Link intends to sell its enhanced services on a wholesale basis to other service providers, such as CLECs (Competitive Local Exchange Carriers), ILECs (Independent Local Exchange Carriers), ISPs (Internet Service Providers), and other alternate service providers. These telecommunications service providers can bundle V-link-TM- and other third-party developed services by connecting to the RTIP Network through one of I-Link's major hubs located strategically throughout the United States.

Master Agent Channel

I-Link sells its enhanced services and other I-Link hosted services to residential/SOHO/SME users on a retail basis through independent master agents. Master Agents are paid on a commission basis, and are enabled with Internet e-commerce tools to simplify order entry, provisioning and fulfillment. I-Link's call center is responsible for customer support.

Network Marketing Channel

Prior to February 15, 2000 and as of December 31, 1999 the Company's telecommunication and marketing service revenues were primarily dependent upon the sales efforts of independent representatives (IRs) functioning within a Network Marketing channel of distribution which targets residential and small businesses in the United States. These revenue sources depended directly upon the efforts of IRs. IRs personally solicited potential individual and business customers via one to one sales presentations wherein customers sign order forms for I-Link telecommunication products and services (telecommunication service revenues). Growth in revenue for both telecommunications and marketing services required an increase in the productivity of IRs and/or growth in the total number of IRs.

On February 15, 2000 the Company signed a strategic marketing and channel agreement with Big Planet, a wholly owned subsidiary of Nu Skin Enterprises, Inc. Under terms of the agreement, I-Link's independent network marketing sales force (the IR's) transitioned to Big Planet, and Big Planet was granted the exclusive worldwide rights to market and sell I-Link's products and services through the Network Marketing (sometimes referred to as "Multi-Level") sales channel to residential and small business users. Other I-Link sales channels into the residential, small business, and other markets are unaffected by the agreement with Big Planet. The result of the agreement with Big Planet is that the Network Marketing channel became part of I-Link's wholesale client Big Planet..

HISTORY

I-Link began its research and development activities in 1995. In 1997, the Company began providing telecommunications products and services over the traditional public switched telephone network and began the creation of the I-Link Network through the deployment of its IP technology. Also in 1997, the Company launched it's direct-sales marketing company, I-Link Worldwide, LLC, to market its products and services to the residential and small business markets.

In August 1997, the Company acquired MiBridge, Inc. ("MiBridge"), a New Jersey-based communications technology company engaged in the design, development, integration and marketing of a range of software telecommunication products that support multimedia communications over the public switched telephone network (PSTN), local area networks (LAN) and the Internet. Historically, MiBridge has concentrated its development efforts on compression systems such as voice and fax over IP. MiBridge has developed patent-pending technologies that combine sophisticated compression capabilities with IP telephony technology. The acquisition of MiBridge permitted I-Link to accelerate the development and deployment of its own IP technology and add strength and depth to its research and development team, and provides I-Link with the opportunity to generate income and develop industry alliances through the strategic licensing of its technologies to other leading companies within the industry, such as Lucent Technologies, Nortel, IDP, Brooktrout, Analogic and others. In late 1997 the Company formed ViaNet Technologies, Ltd., headquartered in Tel Aviv, Israel, to undertake advanced research and development of the Indavo-TM- line capacity expansion device.

In 2000 the Company transitioned its I-Link Worldwide multi-level marketing sales program to Big Planet, Inc. (a subsidiary of Nu Skin Enterprises, Inc.). While maintaining its other existing traditional sales agent channels for retail sales of products and services, the transition of the multi-level marketing sales channel to Big Planet has allowed the Company to focus its efforts on the expansion of the RTIP Network and the development and deployment of new enhanced services and products.

COMPETITION

The market for business communications services is extremely competitive. I-Link believes that its ability to compete in this market successfully will depend upon a number of factors, including the pricing policies of competitors and suppliers; the capacity, reliability, availability and security of the RTIP Network infrastructure; market presence and channel development; the timing of introductions of new products and services into the marketplace; ease of access to and navigation of the Internet or other such IP networks; I-Link's ability in the future to support existing and emerging industry standards; I-Link's ability to balance network demand with the fixed expenses associated with network capacity; and industry and general economic trends.

While I-Link believes there is currently no competitor in the North American market providing the same capabilities in the same manner as I-Link offers using the RTIP Network, there are many companies that offer communications services, and therefore compete with I-Link at some level. These range from large telecommunications companies and carriers such as AT&T, MCI, Sprint, LDDS/WorldCom, Excel, Level3 and Qwest, to other VoIP carriers such as iBasis, ITXC, smaller, regional resellers of telephone line access, and to companies providing Internet telephony. These companies, as well as others, including manufacturers of hardware and software used in the business communications industry, have announced plans to develop future products and services that are likely to compete with those of I-Link on a more direct basis. These entities may be far better capitalized than I-Link and control significant market shares in their respective industry segments. In addition, there may be other businesses that are attempting to introduce products similar to I-Link's for the transmission of business information over the Internet. There is no assurance that I-Link will be able to successfully compete with these market participants.

GOVERNMENT REGULATION

GENERAL. Traditionally, the Federal Communications Commission (the "FCC") has sought to encourage the development of enhanced services as well as Internet-based services by keeping such activities free of unnecessary regulation and government influence. Specifically in the area of telecommunications policy and the use of the Internet, the FCC has refused to regulate most online information services under the rules that apply to telephone companies. This approach is consistent with the passage of the Telecommunications Act of 1996 ("1996 Act"), which expresses a Congressional intent "to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation."

FEDERAL. Since 1980, the FCC has refrained from regulating value-added networks ("VANs"), software or computer equipment that offer customers the ability to transport data over telecommunications facilities. By definition, VAN operators purchase transmission facilities from "facilities-based" carriers and resell them packaged with packet transmission and protocol conversion services. Under current rules, such operators are excluded from regulation that applies to "telecommunications carriers" under Title II of the Communications Act.

In the wake of the 1996 Act, however, the FCC is revisiting many of its past decisions and could impose common carrier regulation on some of the transport and resold telecommunications facilities used to provide telecommunications services as a part of an enhanced or information service package. The FCC also may conclude that I-Link's protocol conversions, computer processing and interaction with customer-supplied information are insufficient to afford the Company the benefits of the "enhanced service" classification, and thereby may seek to regulate some of the Company's operations as common carrier/telecommunications services. The FCC could conclude that such decisions are within its statutory discretion, especially with respect to voice services. In December 1999, for example, the FCC found that it had regulatory authority over incumbent local exchange carrier advanced services. In addition, there is a pending inquiry at the FCC to determine whether the IP telephony services and networks should be made available to persons with disabilities and must comply with the FCC rules for persons with disabilities.

I-Link has been moving its customers off the facilities of existing long distance carriers, and has increased its reliance on a proprietary Internet protocol network involving the provision of information

services, which the Company believes would be sufficient to exempt it from common carrier regulation under current rules. Historically, the FCC has not regulated companies that provide the software and hardware for Internet telephony, or other Internet data functions, as common carriers or telecommunications service providers. Moreover, in May 1997 the FCC concluded that information and enhanced service providers are not required to contribute to federal universal service funding mechanisms, a decision it reaffirmed in April of 1998 in a report to Congress.

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 the FCC has long-standing authority. The FCC's framework for "enhanced services" confirms that the FCC has authority to regulate computer-enriched services, but provides that carrier-type regulation would not serve the public interest. Only recently has this general deregulatory approach been questioned within the industry.

In March 1996, for instance, America's Carriers Telecommunications Association ("ACTA"), a trade association primarily comprised of small and medium-size interexchange carriers, filed a petition with the FCC asking that the FCC regulate Internet and Internet Protocol ("IP") telephony. ACTA argued that providers of software that enables real-time voice communications over the Internet should be treated as common carriers and subject to the regulatory requirements of Title II of the Communications Act. The FCC sought comment on the request and has not yet issued its decision.

Congress directed the FCC to submit a report by April 10, 1998, describing how its classification of information and telecommunications services is affecting contributions to universal service charge funds. In this report, the FCC reiterated its conclusions that information services, and Internet access services, in particular, are not subject to telecommunications service regulation or universal service contribution requirements. The FCC did, however, indicate its belief that certain gateway-based IP telephony services may be the functional equivalent to a telecommunications service. The FCC deferred a definitive resolution of this issue until it could examine a specific case of phone-to-phone IP telephony. U.S. Senators from several states with large rural areas have expressed concern that migration of voice services to the Internet could erode the contribution base for universal service subsidies. There will likely be continuing pressure from those Senators to classify Internet telephony as a telecommunications service, rather than an information service, so that it can be subjected to a regulatory assessment for universal service contributions.

On April 5, 1999, US West filed a "Petition for Expedited Declaratory Ruling" with the FCC in which US West seeks to have interexchange carriers ("IXCs") that provide phone-to-phone IP telephony declared telecommunications service providers whose services are subject to access charges. The Petition claims principally that because there is no net protocol conversion in the message as sent and received and IXCs hold themselves out to provide voice telephony, IP telephony does not qualify as an enhanced service under FCC rules. The Commission is expected to issue a Public Notice to receive comments from interested persons prior to issuing a ruling. We cannot predict with certainty what the Commission will rule or when. If US West is successful in this petition, the FCC could rule that IP telephony service providers are obligated to pay interstate access charges to local telephone companies for originating and terminating interstate calls.

Any FCC determination that Internet-based service providers should be subject to some level of Title II regulation could affect the manner in which I-Link operates, to the extent it uses the Internet to provide facsimile or voice capabilities, as well as create costs of complying with federal common carrier requirements. With the passage of the 1996 Act, the precise dividing line or overlap between "telecommunications" and "information" services as applied to Internet-based service providers is uncertain. Consequently, I-Link's activities may be subject to evolving rules as the FCC addresses novel questions presented by the increased use of the Internet to offer services that appear functionally similar to traditionally-regulated telecommunications services. At this time, it is impossible to determine what effect, if any, such regulations may have on the future operation of the Company.

STATE. While states generally have declined to regulate enhanced services, their ability to regulate

the provision of intrastate enhanced services remains uncertain. The FCC originally intended to preempt state regulation of enhanced service providers, but intervening case law has cast doubt on the earlier decision. Moreover, some states have continued to regulate particular aspects of enhanced services in limited circumstances, e.g., to the extent they are provided by incumbent local exchange carriers.

Whether the states within which I-Link makes its Intranet services capabilities available will seek to regulate I-Link's activities as a telecommunications carrier will depend largely on whether the states determine that there is a need for or other public benefits of such regulation. For example, the staff of the Nebraska Public Service Commission recently concluded that an Internet telephony gateway service operated by a Nebraska Internet Service Provider was required to obtain state authority to operate as a telecommunications carrier. The FCC has authority to preempt state regulation that impedes competition; it has not, however, had occasion to consider this or similar decisions. On February 25, 1999, the FCC issued an order and notice of proposed rulemaking holding that dial-up telephone traffic directed to the Internet should be treated as interstate in nature for purposes of determining regulatory jurisdiction. This order, however, was vacated and remanded by the United States Court of Appeals for the District of Columbia Circuit. According to the court, the FCC had failed to use reasoned decision-making in making its jurisdictional determination. It is unclear how the FCC will rule on remand, and thus what impact the subsequent decision will have on I-Link's Internet based services. The notice of proposed rulemaking is considering how local telecommunications carriers should compensate each other for jointly carrying calls to the Internet. The outcome of this proceeding could affect the charges I-Link pays to local carriers for the carriage of traffic routed to I-Link.

DELIVERY OF SERVICES OVER EXISTING SWITCHED TELECOMMUNICATIONS NETWORKS

A portion of I-Link's communications services are delivered over existing switched telecommunications networks through I-Link Communications, Inc., a long distance telecommunications carrier that provides long distance service to all states of the United States. Access to the switched telephone network is a necessary component of the RTIP Network to ensure full geographic coverage of the RTIP Network in lesser-populated geographic areas that are not serviced by one of the RTIP Network's Hubs. I-Link Communications, Inc. currently maintains traditional switch facilities in Dallas, Los Angeles, Phoenix, and Salt Lake City.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company leases approximately 45,300 square feet of space for its offices and other facilities in Draper, Utah pursuant to commercial leases with original terms of five to seven years. These leases expire between 2003 and 2005 subject to the Company's right to extend for an additional five years. The initial base rent is approximately $44,000 per month. I-Link has delivered $107,000 in certificates of deposit to the landlord as a security deposit under the leases. I-Link also leases several other spaces to house its Communication Engines throughout the United States. Such spaces vary in size and are rented on a month-to-month basis.

ILC currently leases and occupies approximately 3,600 square feet of office space in Phoenix, Arizona, pursuant to a commercial lease dated March 18, 1996. The lease term is four years and two months commencing March 18, 1996 beginning with a base rent of $3,598 per month and escalating to $4,498 per month at the end of the lease. ILC also currently leases and occupies approximately 5,100 square feet of office space in Salt Lake City, Utah, pursuant to a commercial lease dated July 1, 1996. The lease term is five years commencing July 1, 1996 beginning with a base rent of $5,313 per month and escalating to $5,843 per month at the end of the lease.

MiBridge rents 3,662 square feet of office space in Eatontown, New Jersey under a five-year lease effective December 1, 1997 at a cost of $5,187 per month. The lease may be cancelled at the end of the third year under certain conditions. ViaNet Technologies leases approximately 1,400 square feet of office space in Tel Aviv, Israel at a cost of $2,200 per month. The lease expires in February 2002.

thereto of the Company, certain of which are included herein. The selected consolidated financial data should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto of the Company.

	1999	1998	1997	1996	1995
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Telecommunications services	$26,440,017	$ 19,634,681	$ 11,081,007	$ -	$
Marketing services	3,672,988	4,548,421	2,637,331	-	-
Technology licensing and development	2,506,701	1,466,315	346,875	-	-
Other	-	-	-	170,532	-
Total revenues	32,619,706	25,649,417	14,065,213	170,532	-
Operating expenses:					
Telecommunications network expenses	20,373,209	19,099,194	14,634,999	1,120,779	-
Marketing services costs	5,400,149	5,850,873	4,294,014	-	-
Selling, general, Administrative and other	26,098,700	20,345,293	20,997,262	18,536,090	-
Total operating expenses	51,872,058	45,295,360	39,926,275	19,656,869	-
Operating loss	(19,252,352)	(19,645,943)	(25,861,062)	(19,486,337)	-
Other income (expense)	(4,906,936)	(8,134,130)	(2,806,630)	(2,677,640)	-
Loss from continuing operations	(24,159,288)	(27,780,073)	(28,667,692)	(22,163,977)	-
Loss from discontinued operations	(500,000)	(178,006)	(1,191,009)	(900,263)	(551,909)
Net loss	$(24,659,288)	$(27,958,079	$(29,858,701)	$(23,064,240)	$(551,909)
Loss from continuing operations applicable to common stock	$(33,086,262)	$(37,621,215)	$(118,360,731)	$(43,387,606)	$(128,669)
Net loss per common share-basic and diluted:					
Loss from continuing operations	$ (1.55)	$ (2.13)	$ (10.07)	$ (6.40)	$ (0.07)
Loss from discontinued operations	(.02)	(0.01)	(0.10)	(0.13)	(0.32)
Net loss per common share	$ (1.57)	$ (2.14)	$ (10.17)	$ (6.53)	$ (0.39)
BALANCE SHEET DATA:					
Working capital	$(1,318,640	$(4,073,914)	$ (2,955,180)	$ 1,305,814	$ -
Property and equipment, net	7,019,361	7,262,781	3,551,917	1,575,769	-
Net assets (liabilities) of discontinued operations	(82,6[illegible]	417,371	595,377	1,668,223	2,1[illegible]
Total assets	21,658,1[illegible]	23,855,363	24,252,876	9,864,696	2,124,[illegible]
Long-term obligations	9,65[illegible]	8,785,933	1,921,500	236,705	66[illegible]
Stockholders' equity (deficit)	(11,049,[illegible]	(16,953,363)	814,376	6,298,617	1,45[illegible],166

In January 1997, the Company acquired I-Link Communications, a FCC-licensed long distance carrier. With the acquisition, the Company began its telecommunications services operations. Effective December 31, 1997 the Company made the decision to discontinue the operations of its Medical Imaging Division. The Company's Board of Directors approved the plan of disposal on March 23, 1998. The net operating activities and net assets from the Medical Imaging Division are presented separately as discontinued operations in the above table. Through its wholly owned subsidiaries MiBridge, Inc., and ViaNet Technologies Ltd., the Company undertakes the research and development of new telecommunications products and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. MiBridge was acquired during the third quarter of

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

PRICE RANGE OF COMMON STOCK

The Company's common stock is traded on The Nasdaq Small-Cap Market ("Nasdaq") tier of The Nasdaq Stock Market, Inc. under the symbol "ILNK." Although the Common Stock is currently listed for quotation on Nasdaq, there can be no assurance given that the Company will be able to continue to satisfy the requirements for maintaining quotation of such securities on Nasdaq or that such quotation will otherwise continue. The Company has no current plans to apply for listing of any preferred shares, warrants or any of its other securities for quotation on Nasdaq.

The following table sets forth for the period indicated the high and low bid prices for the Common stock as quoted on Nasdaq under the symbol "ILNK" based on interdealer bid quotations, without retail markup, markdown, commissions or adjustments and may not represent actual transactions:

QUARTER ENDED	HIGH BID	LOW BID
March 31, 1998	$8.81	$4.75
June 30, 1998	7.50	4.94
September 30, 1998	5.13	2.38
December 31, 1998	3.22	2.00
March 31, 1999	$4.13	$2.19
June 30, 1999	5.50	2.44
September 30, 1999	4.88	2.50
December 31, 1999	4.38	2.25

On April 10, 2000, the closing price for a share of common stock was $8.63.

DIVIDEND POLICY

The Company must be current on dividends for it's Series C, F and M preferred stock in order to pay any dividends to common stock holders. Preferred stock dividends in the amount of $351,868 and $489 were paid in 1999 and 1998, respectively, in common stock (non-cash) on the converted shares of Series F redeemable preferred stock. Dividends on Series F redeemable preferred stock will continue to be paid in common stock as the holders convert their preferred stock into common stock. As of December 31, 1999, dividends in arrears (undeclared) on Series C, F, and M preferred stock were $543,408, $186,000 and $2,973,877, respectively. On February 22, 2000 the Company's Board of Director set a record date for payment of accrued dividends on Class (Series) C preferred stock of $563,781 to stockholders of record on February 22, 2000, to be paid in shares (approximately 125,400) of the Company's common stock (the "Dividend Shares") within ten business days of the date the Dividend Shares become subject to an effective registration statement (anticipated in mid 2000) under the Securities Act of 1933, as amended. The Company has not paid and does not anticipate that it will pay dividends on its common stock in the foreseeable future.

SHAREHOLDERS

As of April 10, 2000, the Company had approximately 615 stockholders of common stock of record and approximately 18,070 beneficial owners.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial data of the Company for each of the past five years including the period ended December 31, 1999, are derived from the audited financial statements and notes

thereto of the Company, certain of which are included herein. The selected consolidated financial data should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto of the Company.

	1999	1998	1997	1996	1995
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Telecommunications services	$26,440,017	$ 19,634,681	$ 11,081,007	$ -	$
Marketing services	3,672,988	4,548,421	2,637,331	-	-
Technology licensing and development	2,506,701	1,466,315	346,875	-	-
Other	-	-	-	170,532	-
Total revenues	32,619,706	25,649,417	14,065,213	170,532	-
Operating expenses:					
Telecommunications network expenses	20,373,209	19,099,194	14,634,999	1,120,779	-
Marketing services costs	5,400,149	5,850,873	4,294,014	-	-
Selling, general, Administrative and other	26,098,700	20,345,293	20,997,262	18,536,090	-
Total operating expenses	51,872,058	45,295,360	39,926,275	19,656,869	-
Operating loss	(19,252,352)	(19,645,943)	(25,861,062)	(19,486,337)	-
Other income (expense)	(4,906,936)	(8,134,130)	(2,806,630)	(2,677,640)	-
Loss from continuing operations	(24,159,288)	(27,780,073)	(28,667,692)	(22,163,977)	-
Loss from discontinued operations	(500,000)	(178,006)	(1,191,009)	(900,263)	(551,909)
Net loss	$(24,659,288)	$(27,958,079	$(29,858,701)	$(23,064,240)	$(551,909)
Loss from continuing operations applicable to common stock	$(33,086,262)	$(37,621,215)	$(118,360,731)	$(43,387,606)	$(128,669)
Net loss per common share-basic and diluted:					
Loss from continuing operations	$ (1.55)	$ (2.13)	$ (10.07)	$ (6.40)	$ (0.07)
Loss from discontinued operations	(.02)	(0.01)	(0.10)	(0.13)	(0.32)
Net loss per common share	$ (1.57)	$ (2.14)	$ (10.17)	$ (6.53)	$ (0.39)
BALANCE SHEET DATA:					
Working capital	$(1,318,640)	$(4,073,914)	$ (2,955,180)	$ 1,305,814	$ -
Property and equipment, net	7,019,361	7,262,781	3,551,917	1,575,769	-
Net assets (liabilities) of discontinued operations	(82,629)	417,371	595,377	1,668,223	2,124,965
Total assets	21,658,199	23,855,363	24,252,876	9,864,696	2,124,965
Long-term obligations	9,658,523	8,785,933	1,921,500	236,705	669,799
Stockholders' equity (deficit)	(11,049,897)	(16,953,363)	814,376	6,298,617	1,455,166

In January 1997, the Company acquired I-Link Communications, a FCC-licensed long distance carrier. With the acquisition, the Company began its telecommunications services operations. Effective December 31, 1997 the Company made the decision to discontinue the operations of its Medical Imaging Division. The Company's Board of Directors approved the plan of disposal on March 23, 1998. The net operating activities and net assets from the Medical Imaging Division are presented separately as discontinued operations in the above table. Through its wholly owned subsidiaries MiBridge, Inc., and ViaNet Technologies Ltd., the Company undertakes the research and development of new telecommunications products and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. MiBridge was acquired during the third quarter of

1997 and ViaNet Technologies Ltd. was formed in the first quarter of 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING INFORMATION

THIS REPORT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO THE COMPANY THAT ARE BASED ON THE BELIEFS OF MANAGEMENT AS WELL AS ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO MANAGEMENT. WHEN USED IN THIS DOCUMENT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," AND "INTENDED" AND SIMILAR EXPRESSIONS, AS THEY RELATE TO THE COMPANY OR ITS MANAGEMENT, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS REFLECT THE CURRENT VIEW OF THE COMPANY RESPECTING FUTURE EVENTS AND ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES AS NOTED BELOW. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED OR INTENDED.

Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Among many factors that could cause actual results to differ materially from the forward looking statements herein include, without limitation, the following: the Company's ability to finance and manage expected rapid growth; the impact of competitive services and pricing; the Company's ongoing relationship with its long distance carriers and vendors; dependence upon key personnel; subscriber attrition; the adoption of new, or changes in, accounting policies; litigation; federal and state governmental regulation of the long distance telecommunications and internet industries; the Company's ability to maintain, operate and upgrade its information systems network; the Company's success in deploying its Communication Engine network in internet telephony; the existence of demand for and acceptance of the Company's products and services (including but not limited to V-Link and Indavo); as well as other risks referenced from time to time in the Company's filings with the SEC.

The Company undertakes no obligation and does not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

Operating results for 1999, 1998 and 1997 are not comparable due to changes in the operations of the Company. In January 1997 the Company acquired I-Link Communications (formerly Family Telecommunications, Inc. and referred to herein as "ILC") and in August 1997 the Company acquired MiBridge, Inc. In 1997, the Company launched operations of a network marketing program through I-Link Worldwide, L.L.C., to market its products. In March 1998, the Company made the decision to dispose of the operations of the subsidiaries of the Company operating in the healthcare industry in order to concentrate on its telecommunications and technology sectors. Accordingly, the healthcare operation during the three years ended December 31, 1999 has been reported as discontinued operations. Therefore, results of continuing operations for the Company 1997 to 1999 include the following subsidiaries for the indicated time period:

- I-Link Communications Inc.	(January 1997 to December 1999)
- I-Link Systems Inc.	(January 1997 to December 1999)
- I-Link Worldwide, L.L.C.	(June 1997 to December 1999)
- MiBridge Inc.	(August 1997 to December 1999)
- ViaNet Technologies, Inc.	(December 1997 to December 1999)

Prior to February 15, 2000 and as of December 31, 1999, the Company's telecommunication and marketing service revenues were primarily dependent upon the sales efforts of independent representatives (IRs) functioning within a Network Marketing channel of distribution which targeted residential users and

small businesses in the United States. These revenue sources depended directly upon the efforts of IRs. IRs personally solicited potential residential and business customers via one to one sales presentations wherein customers sign order forms for I-Link telecommunication products and services (telecommunication service revenues).

An individual could also become an IR upon entering into a standard written independent sales representative agreement with the Company and paying a fee of either $50 or $295 based on options elected for promotional and presentation materials (included in market service revenues). The initial term of the agreement was for twelve months and could be renewed on a yearly basis thereafter. IRs received commissions based upon sales of I-Link products and services to customers who became I-Link subscribers. Commissions ranged from 2% to 46% based upon the product sold or services utilized and the IR's seniority within the Network Marketing plan. An additional commission from $210 to $370 could be earned by the IR based upon the IR's initial signing up of another IR and that new IR signing up users of I-Link products or services.

Growth in revenue for both telecommunications and marketing services required an increase in the productivity of IRs and/or growth in the total number of IRs. There could be no assurance that the productivity or number of IRs would be sustained at then current levels or increased in the future. The Company had approximately 14,000, 12,700 and 12,600 IRs as of December 31, 1999, 1998 and 1997, respectively.

On February 15, 2000 the Company signed a strategic marketing and channel agreement with Big Planet, a wholly owned subsidiary of Nu Skin Enterprises, Inc. Under terms of the agreement, I-Link's independent network marketing sales force (the IR's) transitioned to Big Planet, and Big Planet was granted the exclusive worldwide rights to market and sell I-Link's products and services through the Network Marketing (sometimes referred to as "Multi-Level") sales channel to residential and small business users. Other I-Link sales channels into the residential, small business, and other markets are unaffected by the agreement with Big Planet. The impact on the results of operations will be a termination of marketing service revenues and marketing service costs effective February 15, 2000. Additionally, telecommunication service revenues will initially decrease as the Company sells its services to the same subscribers but through Big Planet at wholesale prices which will initially reduce telecommunication services revenues by approximately 40%. The reduction in telecommunications service revenues will also be partially offset by a reduction in commissions paid to IRs related to telecommunication services revenues, which accounted for approximately 13% of telecommunication network expense in 1999. However the Company believes the revenue reduction will be temporary and believes that this affiliation with Big Planet will have a positive strategic and overall long-term financial impact to the Company by increasing revenues, reducing expenses and increasing profit margins through new customer subscriptions to current and future I-link products and decreasing channel management expenses in the short and long term. The Company anticipates the future increase in revenues to be related to leveraging the larger consolidated sales force of IRs in Big Planet. However, there can be no assurance that this agreement will result in increased sales, decreased costs or increased profitability of the Company.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO THE YEAR ENDED DECEMBER 31, 1998

REVENUES

Net operating revenue of the Company in 1999 and 1998 included three primary sources of revenue which were: (1) telecommunications service; (2) marketing services which began in June 1997 (and terminated in February 2000 - see "Results of Operations" above) and includes revenues from the Network Marketing channel, including revenues from independent representatives for promotional and presentation materials and national conference registration fees; and (3) technology licensing and development revenues which began in August 1997 upon the acquisition of MiBridge, Inc. which develops and licenses communications software that supports multimedia communications over the public switched and local area networks and the Internet.

Telecommunication service revenues increased $6,805,336 to $26,44[illegible],017 in 1999 as compared to

$19,634,681 in 1998. The increase was primarily due to an increase of $9,192,135 from growth in telecommunication sales by the network marketing channel (started in June 1997). This increase was partially offset by a decrease of $2,386,799 in revenues from other channels of distribution as the Company continues to refocus the resources of the Company to concentrate on those channels of distribution of its products which have higher profit margins. The increase in revenues is primarily due a 38% increase in usage, which was offset by an 11% decrease in revenue per minute. Telecommunication service revenues may be significantly different in 2000 due to the agreement with Big Planet as discussed in greater detail previously in "Results of Operations".

Marketing service revenues decreased $875,433 to $3,672,988 in 1999 as compared to $4,548,421 in 1998. The decrease was primarily due to a reduction of new IR sign ups resulting in a decrease of $1,937,634 in revenues from promotional and presentational materials and national conventions. This decrease was offset by increased revenues from product sales of $1,062,201 primarily from Web Centre sales, which began in 1999. As the Company transitioned this network marketing channel to Big Planet in February 2000, marketing service revenues will cease in February 2000.

Technology licensing and development revenues increased $1,040,386 to $2,506,701 as compared to $1,466,315 in 1998. The increase was primarily due to increasing acceptance of the Company's core technologies in the market place. This source of revenue began with the acquisition of MiBridge, Inc. in August 1997. The Company has decided to direct a greater portion of the MiBridge resources into commercial product research and development rather than external technology licensing and development. However, revenues from existing contracts in the first quarter of 2000 will approximate all of 1999 revenues. Accordingly, it is anticipated that technology licensing and development revenues will increase approximately 50% in year 2000 as compared to 1999 revenues.

OPERATING COSTS AND EXPENSES

Telecommunications network expenses increased $1,274,015 to $20,373,209 in 1999 as compared to $19,099,194 in 1998. The increase is related to the costs of continuing development and deployment of the Company's communication network and expenses related to the telecommunication service revenue. Moreover, the deployment of the Company's Communication Engines in 1999 and better pricing from underlying carriers have allowed telecommunications revenues to grow at a rate significantly higher than the related telecommunication network expenses.

Marketing services costs decreased $450,724 to $5,400,149 in 1999 as compared to $5,850,873 in 1998. These costs directly relate to the Company's marketing services revenue that began late in the second quarter of 1997 and include commissions and the costs of providing promotional and presentation materials and ongoing administrative support of the Network Marketing channel. As the Company transferred this network marketing channel to Big Planet in February 2000, marketing service costs will cease after February 2000.

Selling, general and administrative expenses increased $1,865,574 to $12,428,956 in 1999 as compared to $10,563,382 in 1998. The increase was primarily due to (1) payroll related to an increased number of employees and (2) increased rent and travel costs related to the increased number of employees.

The provision for doubtful accounts increased $542,455 to $3,703,076 in 1999 as compared to $3,160,621 in 1998. The increase is related directly to the growth in telecommunication service revenues, and increased bad debts from receivables in the channels which the Company decided to terminate in order to refocus the resources of the Company on those channels of distribution of its products which had higher profit margins.

Depreciation and amortization increased $1,290,465 to $5,482,639 in 1999 as compared to $4,192,174 in 1998. The increase is primarily associated with increasing expenditures related to continued and increasing expansion of the I-Link Network.

In the first quarter of 1999, the Company recorded a write-down of capitalized software costs of

$1,847,288. In early 1998 the Company contracted with an outside consulting company to develop a billing and operations information system. The Company continually evaluated the functionality and progress of the in-process system development. The Company's management and its Board of Directors concluded that the new system would not significantly enhance the Company's existing billing and information systems or meet its ultimate needs and accordingly did not justify paying additional contracted expenses of approximately $1,000,000. Accordingly, effect March 31, 1999, the Company recorded a write-down on the in-process system development of $1,847,288.

Research and development increased $207,625 to $2,636,741 in 1999 as compared to $2,429,116 in 1998. The increase is associated with the Company's increased commitment to continuing telecommunication network research and development efforts. The increase is primarily associated with increased research and development occurring in the Company's Israeli subsidiary, ViaNet Technologies.

OTHER INCOME (EXPENSE)

Interest expense decreased $3,318,277 to $5,086,141 in 1999 as compared to $8,404,418 in 1998. The decrease is primarily due to the a decrease of $4,013,095 from the accretion of debt discounts (non-cash) related to certain warrants granted in connection with $7,768,000 in loans to the Company during 1998 as compared to warrants granted in connection with $8,000,000 in loans in 1999. An increase in interest expense in 1999 of approximately $694,818 on loans outstanding and an increase in capital leases offset this decrease.

Interest and other income decreased $91,083 to $179,205 in 1999 as compared to $270,288 in 1998. The decrease was primarily due to interest earned in 1998 on deposits with the Company's primary provider of long-distance telecommunications capacity, which did not recur in 1999 as the deposits were refunded.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997

REVENUES

Net operating revenue of the Company in 1998 and 1997 included three primary sources of revenue which were: (1) telecommunications service; (2) marketing services which began in June 1997 and includes revenues from the Network Marketing channel, including revenues from independent representatives for promotional and presentation materials and national conference registration fees; and (3) technology licensing and development revenues which began in August 1997 upon the acquisition of MiBridge, Inc. which develops and licenses communications software that supports multimedia communications over the public switched and local area networks and the Internet.

Telecommunication service revenues increased $8,553,674 to $19,634,681 in 1998 as compared to $11,081,007 in 1997. The increase was primarily due to an increase of $13,830,000 from growth in the network marketing channel (started in June 1997). This increase was partially offset by a decrease of $5,275,000 in revenues from other channels of distribution as the Company determined that it would refocus the resources of the ompany to concentrate on those channels of distribution of its products which had higher profit margins and accordingly terminated certain relationships. The increase in revenues is primarily due to increased usage, as the average rate per minute did not change significantly from 1997 to 1998.

Marketing service revenues increased $1,911,090 to $4,548,421 in 1998 as compared to $2,637,331 in 1997. As this marketing channel began in June 1997, the increase was primarily due to twelve months of revenue in 1998 as compared to approximately seven months in 1997. Marketing service costs were greater than marketing service revenues for the year as this channel of revenue continued to expand.

Technology licensing and development revenues increased $1,119,440 to $1,466,315 as compared

to $346,875 in 1997. The increase was primarily due to increasing acceptance of the Company's products in the market place and as this source of revenue began with the acquisition of MiBridge, Inc. in August 1997, there are twelve months of revenue in 1998 as compared to approximately five months in 1997.

OPERATING COSTS AND EXPENSES

Telecommunications network expenses increased $4,464,195 to $19,099,194 in 1998 as compared to $14,634,999 in 1997. The increase is related to the costs of continuing development and deployment of the Company's communication network and expenses related to the telecommunication service revenue. Moreover, the deployment of the Company's Communication Engines in 1998 and better pricing from the Company's underlying carriers have allowed telecommunications revenues to grow at a rate significantly faster than the related telecommunication network expenses.

Marketing services costs increased $1,556,859 to $5,850,873 in 1998 as compared to $4,294,014 in 1997. These costs directly relate to the Company's marketing services revenue that began late in the second quarter of 1997 and include commissions and the costs of providing promotional and presentation materials and ongoing administrative support of the Network Marketing channel.

Selling, general and administrative expenses decreased $1,385,186 to $10,563,382 in 1998 as compared to $11,948,568 in 1997. The decrease was primarily due to (1) decreased legal fees associated with warrants granted to the Company's outside general counsel in 1997 valued at $1,400,000 compared to $450,000 in 1998 and (2) the write off of certain intangible assets and losses on disposal of certain assets totaling $1,212,000 in 1997 which did not recur in 1998. These decreases were offset by general increases in corporate expenses, associated with growth of Company operations, such as salaries and wages.

The provision for doubtful accounts increased $1,775,621 to $3,160,621 in 1998 as compared to $1,385,000 in 1997. The increase is related directly to the growth in telecommunication service revenues, and increased bad debts from receivables in the channels which the Company decided to terminate in order to refocus the resources of the Company on those channels of distribution of its products which had higher profit margins.

Depreciation and amortization increased $1,642,892 to $4,192,174 in 1998 as compared to $2,549,282 in 1997. The increase is primarily due to an approximate $600,000 increase in amortization related to the intangible assets acquired in the acquisition of MiBridge in August 1997 (twelve months of amortization in 1998 as compared to five months in 1997) and approximately $887,000 related to increased amortization of acquisition costs incurred in June 1997 with the release from escrow of shares of common stock associated with the acquisition of I-Link Worldwide Inc. Depreciation expense also increased due to the continued acquisition of other equipment.

Acquired in-process research and development was $4,235,830 in 1997. This amount was related to the acquisition of MiBridge in 1997. There was no such acquisition in 1998. This expense related to the specific acquisition of MiBridge in 1997 and as such is not of a recurring nature other than as may occur if the Company were to acquire other similar entities in the future.

Research and development increased $1,550,534 to $2,429,116 in 1998 as compared to $878,582 in 1997. The increase is associated with the Company's increased commitment to continuing telecommunication network research and development efforts. Approximately $700,000 of the increase is associated with the research and development occurring in the Company's Israeli subsidiary, ViaNet Technologies, which was formed in 1998.

OTHER INCOME (EXPENSE)

Interest expense increased $5,381,799 to $8,404,418 in 1998 as compared to $3,022,619 in 1997. The increase is primarily due to the an increase of approximately $5,040,000 from the accretion of debt discounts (non-cash) related to certain warrants granted in connection with $7,768,000 in loans to the Company during 1998 as compared to warrants granted in connection with $5,000,000 in loans in 1997. In

addition there was an increase in interest expense of approximately $670,000 on loans to the Company outstanding in 1998 as compared to 1997. The increases above were offset by $320,000 (non-cash) of interest expense in 1997 associated with the issuance of convertible notes issued at a discount in 1996 that did not recur in 1998.

Interest and other income increased $54,299 to $270,288 in 1998 as compared to $215,989 in 1997. The increase was primarily due to interest earned in 1998 on deposits with the Company's primary provider of long-distance telecommunications capacity.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as of December 31, 1999 were $2,950,730, short-term certificates of deposit were $53,500 and the working capital deficit was $1,318,640. Cash used by operating activities during 1999 was $10,381,925 as compared to $16,825,719 in 1998 and $12,008,526 in 1997. The decrease in cash used by operating activities in 1999 compared to 1998 was primarily due to a decrease in the net loss of the Company and timing of accounts receivable collections and accounts payable payments. The increase in 1998 compared to 1997 was primarily due to an increase in operating losses as the Company continued to develop its network infrastructure and product base.

Net cash used by investing activities in 1999 was $1,585,299 as compared to $1,602,974 in 1998 and $1,387,526 in 1997. The decrease in cash used by investing activities in 1999 as compared to 1998 was primarily attributable to (1) a decrease in purchases of furniture, fixtures and equipment of $1,210,241 which was offset by a decrease in cash received in connection with maturing of restricted certificates of deposits of $923,566 and (2) a decrease in investing activities of discontinued operations of $260,000. The net increase in cash used by investing activities in 1998 as compared to 1997 was primarily due to (1) an increase in purchases of furniture, fixtures and equipment of $1,309,332 which was partially offset by increased funds received from matured certificates of deposit of $1,291,715 and (2) receipt in 1998 of $310,000 in proceeds from sales of assets in its discontinued operation. In 1997 the Company received $514,886 from the acquisition of ILC and MiBridge which did not recur in 1998.

Financing activities in 1999 provided net cash of $13,594,301 as compared to $18,069,765 in 1998 and $10,623,680 in 1997. Cash provided in 1999 included $8,200,000 from long-term debt, $7,116,408 net proceeds from the sale of preferred stock and $5,000 from the exercise of stock options and warrants. During 1999, the Company repaid $1,727,107 of long-term debt and capital lease obligations. Cash provided in 1998 included $9,430,582 from issuance of preferred stock (net of offering costs), $11,009,712 in proceeds from loans to the Company, and $684,943 from exercise of stock options and warrants. Long term-debt and capital lease payments of $2,885,007 offset these sources of cash. Cash provided in 1997 included $5,000,000 in long-term debt, which was subsequently exchanged for equity, $6,618,888 of net proceeds from the sale of preferred stock and $137,933 from the exercise of warrants and options. During 1997 the Company repaid $1,079,585 of long-term debt and capital lease obligations.

The Company incurred a net loss from continuing operations of $24,159,288 for the year ended December 31, 1999, and as of December 31, 1999 had an accumulated deficit of $109,953,971 and negative working capital of $1,318,640. The Company anticipates that revenues generated from its continuing operations will not be sufficient during 2000 and beyond to fund ongoing operations, the continued expansion of its private telecommunications network facilities, Indavo development and manufacturing, and anticipated growth in subscriber base. The Company has entered into additional financing arrangements as described below in order to obtain the additional funds required for its continuing operations in 2000.

CURRENT POSITION/FUTURE REQUIREMENTS

During 2000, the Company plans to use available cash to fund the development and marketing of I-Link products and services. The Company anticipates that revenues from all sources of continuing operations will grow in 2000 and will increasingly contribute to meeting the cash requirements of the Company. The Company anticipates increased cash flow in 2000 primarily from the following sources:

- During 1999 and the first quarter of 2000 the Company deployed its Communication Engines in an additional four metropolitan areas in the United States (San Francisco, New York, Washington D.C. and Atlanta) and anticipates continued deployments during the remainder of 2000 to continue the build out of the Company's IP Telephony network. The anticipated effect of this expansion is additional revenues and increased profit margins for telecommunications services in the future.

- Anticipated revenues from its Gatelink product offering commencing in the second quarter of 2000.
- Anticipated revenues from marketing of its Indavo (formerly referred to as C4) product which sales are anticipated to begin in the second quarter of 2000.
- The affiliation with Big Planet effective February 15, 2000 is anticipated to have a positive overall financial impact in the long-term to the Company by increasing revenues, reducing expenses and increasing profit margins.
- Increased revenues from technology licensing and development, which revenues in the first quarter of 2000 approximated the total revenues in 1999.
- During the first quarter of 2000, the Company has received approximately $3,000,000 from exercises of common stock options and warrants. Depending primarily on the common stock price in the remainder of 2000, the Company could receive more cash from continued exercises.

The Company's business plan of continued market penetration and deployment of I-Link products and services will require financial resources at increasingly higher levels than those experienced in 1999. In order to provide for capital expenditure and working capital needs, the Company entered into the following three agreements in 2000:

- On April 13, 2000, Winter Harbor, LLC, agreed to provide I-Link with a line of credit of up to an aggregate amount of $15,000,000. This commitment expires on the earlier of April 12, 2001 or the date I-Link has received net cash proceeds of not less than $15,000,000 pursuant to one or more additional financings or technology sales, as well as licensing or consulting agreements outside the normal and historical course of business. The $15,000,000 aggregate commitment will be reduced by the $1,300,000 (plus accrued interest at 8% per annum) advanced to I-Link in the first quarter of 2000 by Winter Harbor, interest accruing on any other advances under such commitment, as well as any net cash proceeds received by I-Link in the future from additional financings or technology sales as well as licensing or consulting agreements outside the normal and historical course of business. Any amounts outstanding under the loan will be due and payable no later than April 12, 2001. As part of this agreement, I-Link has agreed to use its best effort to consummate as soon as possible one or more additional financings, technology sales or licensing or consulting agreements and to repay amounts outstanding under the loan with any net cash proceeds received by it from any such transaction. The loan from Winter Harbor will bear interest at 12.5% per annum, be secured by substantially all of the assets of I-Link and may be converted into common stock of I-Link, at the option of Winter Harbor, at a fixed conversion price of $8.625 per share. If I-Link has not terminated the commitment and repaid all amounts outstanding thereunder by May 15, 2000, it will issue to Winter Harbor up to 750,000 warrants to purchase I-Link common stock, with the actual number of warrants issued to be equal to the product of 750,000 times a fraction, the numerator of which equals the sum of the outstanding commitment and unpaid balance under the loan on such date and the denominator of which is 15,000,000. The warrants will be exercisable at a fixed strike price of $8.625 per share and expire in five years.
- On February 25, 2000, the Company obtained leasing arrangements for certain network equipment up to $5,000,000 dollars.
- The due date of the Company's existing obligation to Winter Harbor in the amount of $7,768,000 and accrued interest $1,345,801 as of December 31, 1999, which was due April 15, 2000, was extended to April **15, 2001.**

While the Company believes that the aforementioned sources of funds will be sufficient to fund operations in 2000, the Company anticipates that additional funds will be necessary from public or private financing markets to successfully integrate and finance the planned expansion of the business communications services, product development and manufacturing, and to discharge the financial obligations of the Company. The availability of such capital sources will depend on prevailing market conditions, interest rates, and financial position and results of operations of the Company. There can be no assurance that such financing will be available, that the Company will receive any additional proceeds from the exercise of outstanding options and warrants or that the Company will not be required to arrange for additional debt, equity or other type of financing.

OTHER ITEMS

The Company has reviewed all other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on the results of operations or financial position of the Company. Based on that review, the Company believes that none of these pronouncements will have a significant effect on current financial condition or results of operations.

IMPACT OF YEAR 2000

I-Link's Year 2000 ("Y2K") program is designed to minimize the possibility of serious Y2K interruptions. Possible worst case scenarios include the interruption of significant parts of I-Link's business as a result of critical telecommunication networks and/or information systems failure. Any such interruption may have a material adverse impact on future results. In as much as the Company has not suffered any significant Y2K disruption as of this date, the Company does not believe its non-IT or IT systems were or will be significantly affected by Y2K.

Much of the remediation efforts involved readily available, simple upgrades to hardware and software components, or relatively minor changes to the Company's in-house developed systems. Total cost of all remediation was approximately $100,000. Use of the Company's internal resources did not significantly delay any other systems development efforts.

The Company believes that reliance on other telecommunications providers represent the Company's greatest Y2K exposure and is the primary third-party relationship that is critical to the Company's on-going operations. While the Company has its own communications network to carry much of its traffic, the Company's network is dependent upon significant third-party carriers (such as Sprint) and all local exchange carriers (LECs), such as U.S. West and PacBell. These entities originate and terminate local and long-distance caller traffic which accesses the Company's communications network or services areas not covered by I-Link's network. I-Link's carriers appear to have been Y2K compliant such that I-Link did not suffer any business interruptions on January 1, 2000. However, should any of I-Link's carriers suffer any interruptions related to Y2K subsequent to January 1, 2000, the Company would not be able to deliver its services which would have a substantial negative impact on the Company and its results of operations, liquidity, and financial position.

ITEM 8. FINANCIAL STATEMENTS.

See Consolidated Financial Statements beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

NAME	AGE	TITLE
John W. Edwards.....................	45	Chairman of the Board and Chief Executive Officer
Dror Nahumi...........................	37	President
David E. Hardy......................	47	Secretary and General Counsel
John M. Ames........................	40	Chief Operating Officer and acting Chief Financial Officer
Mark S. Hewitt......................	47	Vice President of Business Development
Alex Radulovic......................	30	Chief Technology Officer
Henry Y.L. Toh.......................	42	Director
Thomas A. Keenan...................	35	Director
David R. Bradford	49	Director
Joseph A. Cohen.....................	52	Director

As of April 1, 2000, the Board of Directors has four members. The Company's Articles of Incorporation provide that the Board of Directors is divided into three classes and that each director shall serve a term of three years. The term of office of Mr. Keenan, the sole Class I Director, will expire at the annual meeting of shareholders in 2002. The term of office of Mr. Toh, the Class II Director, will expire at the 2000 annual meeting of shareholders, and the term of office of Mr. Edwards and Mr. Bradford, the Class III Directors, will expire at the annual meeting of shareholders in 2001. Mr. Keenan serves as the designee of Winter Harbor, and Winter Harbor has the right to designate one additional member of the Board of Directors pursuant to the Company's financing arrangements with Winter Harbor. Under terms of the agreement between the Company and Big Planet, Inc., Big Planet has the right to designate one board member; however, that member has not yet been designated by Big Planet.

Biographical information with respect to the present executive officers, directors, and key employees of the Company are set forth below. There are no family relationships between any present executive officers and directors except that John W. Edwards and Robert W. Edwards, the Company's Vice President of Network Operations, are brothers.

JOHN W. EDWARDS, Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Edwards was selected to fill a vacancy on the Board of Directors as a Class III director in June 1996. He was elected Chairman of the Board in August 1997. Mr. Edwards serves as the Chief Executive Officer of I-Link and, from September 30, 1996 through December 1999, served as the President and Chief

Executive Officer of the Company. Mr. Edwards served as President and a director of Coresoft, Inc., a software company developing object-oriented computer solutions for small businesses from September 1995 to April 1996. During the period August 1988 through July 1995, Mr. Edwards served in a number of executive positions with Novell, Inc., a software company providing networking software, including Executive Vice President of Strategic Marketing, Executive Vice President of the Appware and Desktop Systems Groups and Vice President of Marketing of the NetWare Systems Group. Mr. Edwards was involved in the development of the NetWare 386 product line. Until May 1996, he was a visiting faculty member at the Marriott School of Management at Brigham Young University. Mr. Edwards received a B.S. degree in Computer Science from Brigham Young University. Mr. Edwards was re-elected to the Board of Directors as a Class III Director at the 1997 Annual Meeting.

DROR NAHUMI, President of the Company. Mr. Nahumi was appointed President of the Company in December 1999. Mr. Nahumi was President of MiBridge Inc., a communications software company, when the Company acquired MiBridge in June 1997. Mr. Nahumi served as Senior VP of Engineering for the Company from June 1997 until his appointment as President. Prior to founding MiBridge, Mr. Nahumi was working for AT&T Bell Labs, where he represented AT&T in voice, data and cellular standards competitions. The speech-coding algorithm Mr. Nahumi designed for the cellular standard was chosen for deployment in the CDMA cellular network in North America. Mr. Nahumi was also a senior telecommunications engineer for ECI Telecom and other telecom R&D centers in Israel.

DAVID E. HARDY, Sr. VP, Secretary and General Counsel of the Company. Mr. Hardy has served as General Counsel to the Company since October 1996, and was appointed Secretary of the Company in December 1996. In November 1999, Mr. Hardy became an employee of I-Link and in January 2000 was named Sr. VP. He is a founding partner of the law firm of Hardy & Allen, in Salt Lake City. From February 1993 to April 1995, Mr. Hardy served as Senior Vice President and General Counsel of Megahertz Corporation, a publicly held manufacturer of data communication products. Prior to his association with Megahertz Corporation, Mr. Hardy was a senior partner of the law firm of Allen, Hardy, Rasmussen & Christensen that was founded in 1982. Mr. Hardy holds a Bachelor of Arts degree from the University of Utah and a Juris Doctor degree from the University of Utah School of Law.

JOHN M. AMES, CPA, Sr. VP, Chief Operating Officer and acting Chief Financial Officer. Mr. Ames joined I-Link as Vice President of Operations in September of 1998 and in August 1999, was promoted to SR. VP, Chief Operating Officer and acting Chief Financial Officer. Between April 1997 and August 1998, Mr. Ames organized, developed and sold Time Key L.C., a company specializing in Time and Labor Management software and consulting. From June 1996 until April 1997, he was the Vice President and Chief Financial Officer of Neurex (now Elan Pharmaceutical), a Menlo Park, California based public biotech company. From August 1993 until June 1996, Mr. Ames managed various information services, finance and cost accounting, strategic partnering, international tax, risk management and human resource functions as the Director of Corporate Services at TheraTech (now Watson Pharmaceutical), a public California bay area based pharmaceutical company. From April 1992 through August 1993, he was responsible for overseeing U.S. sites information services activities as the Corporate Director of Information Services with Otsuka Pharmaceutical, a large privately owned Japanese conglomerate. Prior to joining Otsuka, Mr. Ames spent over eight years with KPMG Peat Marwick as an auditor and consultant in the High Technology practice. He is a graduate from Brigham Young University with both a Bachelors and Masters (MAcc) degree in accounting with emphasis in accounting information systems and management consulting.

MARK S. HEWITT, VICE PRESIDENT OF BUSINESS DEVELOPMENT. Mr. Hewitt joined I-Link in March 1999. Mr. Hewitt directs I-Link's strategic business and product development. Mr. Hewitt has 24 years experience in developing technologies and strategies for the telecommunications industry. Prior to joining I-Link, Mr. Hewitt was Senior Director of Engineering and Product Development with Frontier Communications. He has also served as a council member and chairman of the public utility board in Fairbanks, Alaska.

ALEX RADULOVIC, VICE PRESIDENT OF TECHNOLOGY. Mr. Radulovic has considerable Internet and telecommunications development experience. Previously, he was a consultant to IBM for a wide range of

AIX Communications projects and was also a development engineer for Novell's NetWare 386-network operating system. Mr. Radulovic is a co-developer of I-Link's patent-pending technology.

HENRY Y.L. TOH, Director of the Company. The Board of Directors elected Mr. Toh as a Class II Director and as Vice Chairman of the Board of Directors in March 1992. Mr. Toh was elected President of the Company in May 1993, Acting Chief Financial Officer in September 1995 and Chairman of the Board in May 1996, and served as such through September 1996. He was appointed Assistant Secretary of the Company in May 1997. Mr. Toh is a Director of Four M. Mr. Toh served as a senior tax manager in international taxation and mergers and acquisitions with KPMG Peat Marwick from March 1980 to February 17, 1992. He is a graduate of Rice University.

THOMAS A. KEENAN, Director of the Company. Mr. Keenan was appointed to serve as a Class I Director on September 1, 1998. Mr. Keenan was elected to fill this board seat pursuant to the right of Winter Harbor to designate up to two board members under the Stockholder Agreement dated September 30, 1997 between Winter Harbor and I-Link. Mr. Keenan is the principal of Wolfeboro Holdings, an investment fund based in Wellesley, Massachusetts. Mr. Keenan received a Juris Doctor degree from the University of Michigan Law School, and from September 1994 to August 1996 was employed by McKinsey & Company, an international management-consulting firm

DAVID R. BRADFORD, Director of the Company. The Board of Directors elected Mr. Bradford as a Class III Director in January 1999. Mr. Bradford is senior vice-president and general counsel for Novell, Inc. Prior to joining Novell, Inc., he served as western region legal counsel for Prime Computer and spent several years as an associate attorney for Irsfeld, Irsfeld and Younger and as the general manager for Businessland in Los Angeles. Mr. Bradford is past chairman of the board of the Business Software Alliance, the leading business software trade association representing Microsoft, Novell, Adobe and Autodesk, among others. Mr. Bradford also serves on the board of directors of Pervasive Software, Altius Heath, Found.com, SportsNuts.com and Utah Valley State College. Mr. Bradford received his law degree from Brigham Young University and a master's degree in business administration from Pepperdine University.

JOSEPH A. COHEN, Director of the Company. Mr. Cohen was appointed a Class II Director of the Company in September 1996 as the designee of Commonwealth Associates. He is President of Leslie Group, Inc., a diversified company with holdings primarily in the music, film, home video and other entertainment-oriented businesses. He is also a Founder and President of Leslie/Linton Entertainment Inc., a merchant banking company that provides investment funds and assists in raising capital and debt for companies. Mr. Cohen also serves as President of Pickwick Communications, Inc., an independent music publishing company. From 1977 to 1986, Mr. Cohen served as Executive Vice President of the National Association of Recording Merchandisers, Inc. and Founder and Executive Vice President of Video Software Dealers Association, Inc., trade associations representing all segments of the recorded music and home video industries, respectively. Mr. Cohen resigned as of April 1, 2000 for personal reasons.

Each officer of the Company is chosen by the Board of Directors and holds his or her office until his or her successor shall have been duly chosen and qualified or until his or her death or until he or she shall resign or be removed as provided by the Bylaws.

Mr. Bradford, Mr. Keenan and Mr. Cohen are non-employee independent directors of the Company as of December 31, 1999

There are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficial owner of more than five percent of any class of voting securities of the Company, or any associate of any such director, officer, affiliate of the Company or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

COMMITTEES OF THE BOARD OF DIRECTORS

The Committees of the Board of Directors were as follows prior to the resignation of Joseph A. Cohen on April 1, 2000. The effect of his resignation on committee assignments has not yet been determined.

AUDIT COMMITTEE. The Company's audit committee (the "Audit Committee") is responsible for making recommendations to the Board of Directors concerning the selection and engagement of the Company's independent certified public accountants and for reviewing the scope of the annual audit, audit fees, and results of the audit. The Audit Committee also reviews and discusses with management and the Board of Directors such matters as accounting policies and internal accounting controls, and procedures for preparation of financial statements. Its membership is currently comprised of Joseph A. Cohen (chairman), David R. Bradford and Thomas A. Keenan. The Audit Committee held three meetings during the last fiscal year.

COMPENSATION COMMITTEE. The Company's compensation committee (the "Compensation Committee") approves the compensation for executive employees of the Company. Its membership is currently comprised of David R. Bradford (chairman), Joseph Cohen and Thomas A. Keenan. The Compensation Committee held six meetings during the last fiscal year.

FINANCE COMMITTEE. The Company's finance committee (the "Finance Committee") is responsible for reviewing and evaluating financing, strategic business development and acquisition opportunities. Its membership is currently comprised of Thomas A. Keenan (chairman), Joseph A. Cohen and John Edwards. The Finance Committee held twelve meetings during the last fiscal year.

The Company has no nominating committee or any committee serving a similar function.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of equity securities of the Company with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than ten percent shareholders are required by the SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely upon a review of Forms 3 and Forms 4 furnished to the Company pursuant to Rule 16a-3 under the Exchange Act during its most recent fiscal year and Forms 5 with respect to its most recent fiscal year, the Company believes that all such forms required to be filed pursuant to Section 16(a) of the Exchange Act were timely filed, as necessary, by the officers, directors, and security holders required to file the same during the fiscal year ended December 31, 1999, except that one report was filed late by the following persons, due in part to a filing error by the Company: Henry Toh, Joseph Cohen, David Bradford, John Edwards, Thomas Keenan.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the aggregate cash compensation paid for services rendered to the Company during the last three years by each person serving as the Company's Chief Executive Officer during the last year and the Company's five most highly compensated executive officers serving as such at the end of the year ended December 31, 1999, whose compensation was in excess of $100,000.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY($)	BONUS($)	OTHER ANNUAL COMPENSATION($)	LONG-TERM COMPENSATION AWARDS RESTRICTED STOCK AWARDS($)	SECURITIES UNDERLYING OPTIONS/ SARS(#)	PAYOUTS LTIP PAYOUTS($)	ALL OTHER COMPENSATION($)
John W. Edwards	1999	201,115(1)	-	-	-	30,000	-	N/A
CEO	1998	133,333(1)	-	-	-	30,000	-	N/A
	1997	98,292(1)	-	-	-	520,000	-	N/A
Dror Nahumi	1999	142,972(2)	-	-	-	250,000	-	N/A
President	1998	98,987(2)	-	-	-	-	-	N/A
	1997	80,000(2)	-	-	-	-	-	N/A
David E. Hardy	1999	146,332(5)	-	-	-	-	-	N/A
Secretary and	1998	132,000(5)	-	-	-	-	-	N/A
General Counsel	1997	132,000(5)	-	-	-	550,000	-	N/A
John M. Ames	1999	128,462(4)	-	-	-	-	-	N/A
COO and CFO	1998	37,369(4)	-	-	-	350,000	-	N/A
Alex Radulovic	1999	164,734(5)						
VP of	1998	105,218(5)	-	-	-	500,000	-	N/A
Technology	1997	94,173(5)						
Mark S. Hewitt VP of Business Development	1999	162,023(6)	-	-	-	250,000	-	N/A

(1) Mr. Edwards began his employment with I-Link in April 1996 and was appointed President and CEO as of September 30, 1996; Mr. Edwards' annual salary was $96,000 in 1997 until August, when it was increased to an annual salary of $150,000. In November 1997 Mr. Edwards voluntarily reduced his annual salary to $35,000, for the balance of 1997 and until the Company's financial restraints are reduced. See "-- Employment Agreements." Mr. Edwards was paid at an annual rate of $125,000 commencing January 1, 1998. Mr. Edward's salary was increased to $200,000 effective May 1997, however the salary increase accrued but was not paid from May 1997 to April 1999 when the Company began to pay his salary at the rate of $225,000 The deferred salary will not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. Accordingly as of December 31, 1999, the accrued but unpaid salary to Mr. Edwards was $141,875. In the first quarter of 2000, $70,938 of the deferred salary was paid to Mr. Edwards.

(2) Mr. Nahumi began his employment with I-Link in June 1997 when the Company acquired MiBridge of which Mr. Nahumi was the President. Mr. Nahumi was appointed president of I-Link in December 1999. Mr. Nahumi's annual salary during 1997 was $80,000; 1998 was $100,000; 1999 was $110,000 which salary was then increased to $200,000 per year when Mr. Nahumi was appointed President. See "-- Employment Agreements."

(3) Mr. Hardy became an employee of I-Link on November 1, 1999. Commencing October 1996 and continuing, Mr. Hardy serves as Secretary and General Counsel to the Company. Mr. Hardy's annual consulting fee during the first four months of 1997 was $125,000. Mr. Hardy's consulting fee was increased to $175,000 per year effective May 1997, however the salary increase was deferred until September 1999, when the Company began to pay his salary at the rate of $175,000. The deferred salary will not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. During 1999, Mr. Hardy was paid $23,685 of his deferred salary resulting in accrued but unpaid salary to Mr. Hardy of $74,857 at December 31, 1999. In the first quarter of 2000, $48,709 of the deferred salary was paid to Mr. Hardy.

(4) Mr. Ames began his employment in September 1998; his annual salary during 1998 was $120,000. See "--Employment Agreements." In September 1999, Mr. Ames salary was increased to $165,000 per year.

(5) Mr. Radulovic began his employment with I-Link in February 1996; his annual salary during 1997 was $90,000. Mr. Radulovic's salary was increased to $150,000 effective November 1998 and again to $200,000 in October 1999. See "--Employment Agreements."

(6) Mr. Hewitt began his employment with I-Link in March 1999 at an annual salary of $200,000 per year. See "--Employment Agreements."

OPTION/SAR GRANTS IN LAST FISCAL YEAR (1999)

The following table sets forth certain information with respect to the options granted during the year ended December 31, 1999, for the persons named in the Summary Compensation Table (the "Named Executive Officers"):

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SHARE)	GRANT DATE VALUE(2)	EXPIRATION DATE
John W. Edwards(1)	200,000	13.4%	$3.56	$407,965	9/9/09
	30,000	2.0%	2.44	$41,445	1/4/09
Dror Nahumi	250,000	16.7%	3.00	$427,404	3/1/09
David E. Hardy(1)	-	-	-	-	-
John M. Ames	-	-	-	-	-
Mark S. Hewitt	250,000	16.7%	2.50	355,643	3/27/09
Alex Radulovic	-	-	-	-	-

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(1) On December 13, 1998, the Board of Directors authorized the repricing of all outstanding options of Mr. Edwards (options to purchase 1,800,000 shares of common stock) and Mr. Hardy (options to purchase 800,000 shares of common stock) as part of a general repricing of all outstanding options held by current employees, directors and consultants of the Company. The original exercise prices of between $7.00 and $4.88 were reduced to $3.90. Using the Black Scholes option pricing model the incremental fair value of the repriced options over the original options was approximately $351,000 and $151,000 for Mr. Edwards and Mr. Hardy, respectively.

(2) Determined using the Black Scholes option pricing model.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth certain information with respect to options exercised during 1999 by the Named Executive Officers and with respect to unexercised options held by such persons at the end of 1999.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END ($)(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
John W. Edwards	-	-	1,583,339	446,661	$10,290	-
Dror Nahumi	-	-	83,333	166,667	-	-
David E. Hardy	-	-	800,000	-	-	-
John M. Ames	-	-	283,333	66,667	-	-
Alex Radulovic	-	-	333,335	666,665	45,416	[illegible],583
Mark S. Hewitt			125,000	125,000	35,125	[illegible]5,125

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(1) The calculations of the value of unexercised options are based on the difference between the closing bid price on Nasdaq of the common stock on December 31, 1999, and the exercise price of each option, multiplied by the number of shares covered by the option. Value ascribed to unexercised options at December 31, 1999 was minimal as the exercise price exceeded the closing bid price at December 31, 1999 for the majority of options.

DIRECTOR COMPENSATION

During 1997, Directors of the Company then serving received options to purchase 10,000 shares of common stock on the first business day of January at an exercise price equal to the fair market value of the common stock on the date of grant. Effective February 6, 1997 and the first business day of January of each year thereafter, each Director then serving will receive options, to purchase 10,000 shares (20,000 shares effective January 1, 1998) of common stock and, for each committee on which the Director serves, options to purchase 5,000 shares of common stock. The exercise price of such options shall be equal to the fair market value of the common stock on the date of grant. The Directors are also eligible to receive options under the Company's stock option plans at the discretion of the Board of Directors.

In addition to the above options, Mr. Cohen received options to purchase 64,000 shares of common stock upon his appointment to the Board. On August 29, 1997, Mr. Cohen was also granted 150,000 options to purchase common stock, 50,000 of such options vested upon closing of the Winter Harbor equity investment in October 1997, 50,000 will vest when the Company reaches the break even point, and the balance will vest at such time as the Company has attained $50 million in annual sales. All options expire 10 years from the date of grant.

EMPLOYMENT AGREEMENTS

On September 9, 1999, I-Link entered into a three-year employment agreement with John W. Edwards, Chief Executive Officer and Director of the Company. Pursuant to the terms of the employment agreement, Mr. Edwards is employed as the Chief Executive Officer and a Director of I-Link, and is required to devote substantially all of his working time to the business and affairs of I-Link. Mr. Edwards is entitled under his employment agreement to receive compensation at the rate of $225,000 per year and is entitled to a profitability bonus at the discretion of the I-Link Board of Directors and to participate in fringe benefits of the Company as are generally provided to executive officers. In addition, Mr. Edwards was granted an option to purchase 200,000 shares of common stock of the Company at an exercise price of $3.56 per share based on the market price at the date of grant. Of such options, 33,340 vested immediately and 16,666 vest and become exercisable on the first calendar day of each quarter beginning October 1, 1999. In the event of termination by I-Link or in the event of a violation of a material provision of the agreement by I-Link which is unremedied for thirty (30) days and after written notice or in the event of a "change in control" (as defined in the agreement), Mr. Edwards is entitled to receive, as liquidated damages or severance pay, an amount equal to the Monthly Compensation (as defined in the agreement) for the remaining term of the agreement or two years whichever is shorter and all options shall thereupon be fully vested and immediately exercisable. The agreement contains non-competition and confidentiality provisions.

On January 3, 2000, I Link entered into a three-year agreement with Dror Nahumi, President of the Company. Mr. Nahumi is required to devote substantially all of his working time to the business and affairs of I-Link. Mr. Nahumi is entitled under his employment agreement to receive compensation at the rate of $200,000 per year and is entitled to a profitability bonus at the discretion of the I-Link Board of Directors and to participate in fringe benefits of the Company as are generally provided to executive officers. In addition, Mr. Nahumi was granted an option to purchase 1,000,000 shares of common stock of the Company at an exercise price of $2.75 per share based on the market price at the date of grant. Of such options, 83,333 vested immediately and 83,333 vest and become exercisable on the first calendar day of each quarter beginning October 1, 1999. Mr. Nahumi was also granted an option to purchase 750,000 shares of common stock as performance-vested options. Vesting of 125,000 of the performance options are to occur when the daily closing stock price attains or exceeds each of the following levels for more than 20

consecutive trading days: $10, $12, $14, $16, $18, $20. In the event of a "change in control" (as defined in the agreement), the Company shall not accelerate vesting of the options, except in the event of a change of control pursuant to which the Company's stock is exchanged for the stock of another entity and the options are not rolled-over or otherwise exchanged for similar options of such entity (with like terms and conditions). The agreement contains non-competition and confidentiality provisions.

On January 3, 2000, I-Link entered into three-year employment agreements with John M. Ames as Senior Vice President, Chief Operating Officer and Acting Chief Financial Officer, David E. Hardy as Senior Vice President and General Counsel, and Alex Radulovic as Vice President Technology. Pursuant to the terms of the employment agreements, each of the three individuals is required to devote substantially all of his working time to the business and affairs of I-Link. Mr. Ames, Hardy and Radulovic are entitled under his employment agreement to receive compensation at the rate of $165,000, $200,000 and $200,000 per year, respectively, and are entitled to a profitability bonus at the discretion of the I-Link Board of Directors and to participate in fringe benefits of the Company as are generally provided to executive officers. In addition, Mr. Ames, Hardy and Radulovic were granted an option to purchase 300,000, 100,000 and 400,000, respectively, shares of common stock of the Company at an exercise price of $2.75 per share based on the market price at the date of grant. Of such options, 25,000, 8,333 and 33,333, respectively, vested immediately and the same amounts vest and become exercisable on the first calendar day of each quarter beginning October 1, 1999. In the event of termination by I-Link or in the event of a violation of a material provision of the agreement by I-Link which is unremedied for thirty (30) days and after written notice or in the event of a "change in control" (as defined in the agreement), all are entitled to receive, as liquidated damages or severance pay, an amount equal to the Monthly Compensation (as defined in the agreement) for twelve months and all options shall thereupon be fully vested and immediately exercisable. The agreement contains non-competition and confidentiality provisions.

In March 1999, I-Link entered into a two-year employment agreement with Mark S. Hewitt, Vice President of Business Development. Pursuant to the terms of the employment contract, Mr. Hewitt is required to devote all his time to the business and affairs of the Company except vacations, illness or incapacity. Mr. Hewitt is entitled under his employment agreement to receive compensation at the rate of $200,000 per year and a bonus commensurate with his performance and that of I-Link. In addition, Mr. Hewitt is entitled to options to purchase 250,000 shares of common stock at an exercise price of $2.50 per share based on the market price at the date of grant. Of such options 31,250 vested immediately and the same amount vest and become exercisable on the first calendar day of each quarter beginning April 1, 1999. In the event of termination by I-Link without cause, Mr. Hewitt is entitled to receive, as severance pay, a lump sum equal to his monthly compensation for twelve months and all options shall thereupon be fully vested and immediately exercisable. In the event of a "change of control" (as defined in the agreement) all of Mr. Hewitt's then unvested options shall vest. The agreement contains non-competition and confidentiality provisions.

CONSULTING AGREEMENTS

In September 1996, Joseph A. Cohen, a director, and the Company entered into a consulting agreement in the amount of $4,000 per month for a 36-month period. Mr. Cohen provided services including business management and financial consulting services. The consulting agreement was terminated effective March 1, 1999 and all unpaid balances ($78,000) were settled by the grant to Mr. Cohen of 100,000 options to purchase the Company's common stock at an exercise price of $3.00 per share and the additional obligation of the Company to pay Mr. Cohen an aggregate of $50,000 in installments beginning at such time as the Company reports positive cash flow of at least $150,000 in a fiscal quarter. All of Mr. Cohen's options expire 10 years from the date of grant.

REPRICING OF STOCK OPTIONS AND WARRANTS

On December 13, 1998, the Board of Directors approved a repricing of all options to purchase common stock with exercise prices above $3.90 held by current employees, directors and consultants of the Company. As a result, the exercise price on options to purchase 6,475,000 shares of common stock was

reduced to $3.90. The options had original exercise prices of between $4.375 and $9.938. All other terms of the various option agreements remained the same. The closing price of the Company's common stock on December 13, 1998 was $2.56.

DIRECTOR STOCK OPTION PLAN

The Company's Director Stock Option Plan (the "DSOP") authorizes the grant of stock options to directors of the Company. Options granted under the DSOP are non-qualified stock options exercisable at a price equal to the fair market value per share of common stock on the date of any such grant. Options granted under the DSOP are exercisable not less than six (6) months or more than ten (10) years after the date of grant.

As of December 31, 1999, options for the purchase of 8,169 shares of common stock at prices ranging from $.875 to $3.875 per share were outstanding. As of December 31, 1999, options to purchase 15,228 shares of common stock have been exercised. In connection with adoption of the 1995 Director Plans (as hereinafter defined) the Board of Directors authorized the termination of future grants of options under the DSOP; however, outstanding options granted under the DSOP will continue to be governed by the terms thereof until exercise or expiration of such options.

1995 DIRECTOR STOCK OPTION PLAN

In October 1995, the stockholders of the Company approved adoption of the Company's 1995 Director Stock Option and Appreciation Rights Plan, which plan provides for the issuance of incentive options, non-qualified options and stock appreciation rights (the "1995 Director Plan").

The 1995 Director Plan provides for automatic and discretionary grants of stock options which qualify as incentive stock options (the "Incentive Options") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options which do not so qualify (the "Non-Qualified Options") to be issued to directors. In addition, stock appreciation rights (the "SARs") may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1995 Director Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs to purchase up to 250,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1995 Director Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1995 Director Plan for the grant of additional options or rights to any eligible employees. The shares of common stock subject to the 1995 Director Plan may be made available from either authorized but unissued shares, treasury shares, or both.

The 1995 Director Plan also provides for the grant of Non-Qualified Options on a non-discretionary basis pursuant to the following formula: each member of the Board of Directors then serving shall receive a Non-Qualified Option to purchase 10,000 shares of common stock at an exercise price equal to the fair market value per share of the common stock on that date. Pursuant to such formula, directors received options to purchase 10,000 shares of common stock as of October 17, 1995, options to purchase 10,000 shares of common stock on January 2, 1996, and will receive options to purchase 10,000 shares of common stock on the first business day of each January. The number of shares granted to each Board member was increased to 20,000 in 1998. In addition, the Board member will receive 5,000 options for each committee membership. Each option is immediately exercisable for a period of ten years from the date of grant. The Company has 190,000 shares of common stock reserved for issuance under the 1995 Director Plan. As of December 31, 1999, options exercisable to purchase 170,000 shares of common stock at prices ranging from $1.00 to $1.25 per share are outstanding under the 1995 Director Plan. As of December 31, 1999, options to purchase 60,000 shares have been exercised under the 1995 Director Plan.

1995 EMPLOYEE STOCK OPTION PLAN

In October 1995, the stockholders of the Company approved adoption of the Company's 1995 Employee Stock Option and Appreciation Rights Plan (the "1995 Employee Plan"), which plan provides for the issuance of Incentive Options, Non-Qualified Options and SARs.

Directors of the Company are not eligible to participate in the 1995 Employee Plan. The 1995 Employee Plan provides for the grant of stock options which qualify as Incentive Stock Options under Section 422 of the Code, to be issued to officers who are employees and other employees, as well as Non-Qualified Options to be issued to officers, employees and consultants. In addition, SARs may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1995 Employee Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs of up to 400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1995 Employee Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1995 Employee Plan for the grant of additional options or rights to any eligible employee. The shares of common stock subject to the 1995 Employee Plan may be made available from either authorized but unissued shares, treasury shares, or both. The Company has 400,000 shares of common stock reserved for issuance under the 1995 Employee Plan. As of December 31, 1999, options to purchase 280,333 shares of common stock with exercise prices of $1.125 to $3.90 per share have been granted under the 1995 Employee Plan. As of December 31, 1999, 25,000 options have been exercised under the 1995 Employee Plan.

1997 RECRUITMENT STOCK OPTION PLAN

In October 1997, the stockholders of the Company approved adoption of the Company's 1997 Recruitment Stock Option and Appreciation Rights Plan, which plan provides for the issuance of incentive options, non-qualified options and SAR's (the "1997 Plan").

The 1997 Plan provides for automatic and discretionary grants of stock options, which qualify as incentive stock options (the "Incentive Options") under Section 422 of the Code, as well as options which do not so qualify (the "Non-Qualified Options"). In addition, stock appreciation rights (the "SARs") may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1997 Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs to purchase up to 4,400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). The price at which shares of common stock covered by the option can be purchased is determined by the Company's Board of Directors; however, in all instances the exercise price is never less than the fair market value of the Company's common stock on the date the option is granted. To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1997 Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1997 Plan for the grant of additional options or rights. The shares of common stock subject to the 1997 Plan may be made available from either authorized but unissued shares, treasury shares, or both. As of December 31, 1999, options to purchase 2,916,876 shares of common stock, with exercise prices of $2.125 to $4.91 per share have been granted under the 1997 Plan. As of December 31, 1999, no options have been exercised under the 1997 Plan.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table shows, as of April 10, 2000, all directors, executive officers, and, to the best of the Company's knowledge, all other parties the Company knows to be beneficial owners of more than 5% of the common stock, or beneficial owners of a sufficient number of shares of Series C preferred stock, Series F redeemable preferred stock, Series M redeemable preferred stock or Series N preferred stock to be converted into at least 5% of the common stock. As of April 10, 2000, there were issued and outstanding the following: 26,727,108 shares of common stock, 16,686 shares of Series C preferred stock, 4,400 shares of Series M Redeemable preferred stock and 15,284 shares of Series N preferred stock.

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	TITLE OF CLASS	NUMBER OF SHARES BENEFICIALLY OWNED	% OF COMMON STOCK BENEFICIALLY OWNED(2)
John M. Ames	Common Stock	359,333(3)	1.3%
David R. Bradford	Common Stock	70,000(5)	*
Joseph A Cohen	Common Stock Series C Preferred Stock	533,500(4) 3,000	2.0%
John W. Edwards	Common Stock	1,675,838(5)	5.9%
David E Hardy	Common Stock	1,035,866(5)	3.7%
Mark S. Hewitt	Common Stock	187,500(5)	*
Thomas A. Keenan	Common Stock Series N Preferred Stock	220,246(6) 142	*
Dror Nahumi	Common Stock	1,238,458(7)	4.6%
Alex Radulovic	Common Stock	623,519(8)	2.3%
Henry Y.L. Toh	Common Stock	253,501(9)	*
Winter Harbor, L.L.C. c/o First Media, L.P. 11400 Skipwith Lane Potomac, MD 20854	Common Stock Series M Redeemable Preferred Stock Series N Preferred Stock	51,372,548(10) 4,400 14,404	65.8%
All Executive Officers and Directors as a Group (10 people)	Common Stock Series C Preferred Stock Series N Preferred Stock	6,197,781(11) 3,000 142	19.4%

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* Indicates less than one percent.

1 Unless noted, all of such shares of common stock are owned of record by each person or entity named as beneficial owner and such person or entity has sole voting and dispositive power with respect to the shares of common stock owned by each of them. All addresses are c/o I-Link Incorporated unless otherwise indicated.

2 As to each person or entity named as beneficial owners, such person's or entity's percentage of ownership is determined by assuming that any options or convertible securities held by such person or entity which are exercisable or convertible within 60 days from the date hereof have been exercised or converted, as the case may be.

3 Includes 1,000 shares of common stock and 358,333 shares of common stock issuable pursuant to options.

4 Includes 461,500 shares of common stock issuable pursuant to options and 72,000 shares of common stock issuable to the Leslie Group, Inc. upon conversion of 3,000 shares of Series C preferred stock held of record by Leslie Group, Inc., of which Mr. Cohen is President.

5 Represents shares of common stock issuable pursuant to options and warrants.

6 Includes 99,167 shares of common stock subject to options, 51,079 shares of common stock issuable upon conversion of 142 shares of Series N preferred stock and 70,000 shares of common stock held of record by members of Mr. Keenan's immediate family. Mr. Keenan serves on the Board of Directors as

the designee of Winter Harbor. Mr. Keenan's wife is the beneficiary of a trust which owns non-voting stock in the corporate general partner of First Media, L.P., the parent of Winter Harbor. For further information about Winter Harbor, see "Transactions with Winter Harbor, L.L.C.; Series M and N preferred stock." Neither Mr. Keenan nor his wife has dispositive power or voting control over the securities of I-Link held by Winter Harbor; Mr. Keenan disclaims beneficial ownership of the securities held by Winter Harbor. See also footnote 10 below.

7 Represent 500,000 shares of common stock subject to options and 738,458 shares of common stock owned.

8 Represent 516,669 shares of common stock subject to options and 106,850 shares of common stock owned.

9 Represents shares of common stock issuable pursuant to options. Does not include shares held of record by Four M International, Ltd., of which Mr. Toh is a director. Mr. Toh disclaims any beneficial ownership of such shares.

10 Includes 7,593,360 shares of common stock issuable upon conversion of Series M Redeemable preferred stock, 5,181,295 shares of common stock issuable upon conversion of Series N Convertible preferred stock, 5,057,893 shares of common stock issuable upon conversion of Series M redeemable preferred stock which may be issued on conversion of promissory notes held by the named stockholder, and 28,540,000 shares of common stock issuable upon exercise of warrants. In addition, I-Link includes herein 5,000,000 shares of common stock issuable upon exercise of warrants which the named stockholder will be entitled to receive should it convert its promissory notes to common stock. Winter Harbor is owned by First Media, L.P., a private media and communications company that is a private investment principally of Richard E. Marriott and his family. I-Link's general counsel, David E. Hardy, is a brother of Ralph W. Hardy, Jr. who is general counsel and a minority equity holder in Winter Harbor. David E. Hardy has no ownership in or association with Winter Harbor. Thomas A. Keenan's wife has an interest in First Media, L.P. (see footnote 6 above).

11 Represents 916,308 shares of common stock issued, 5,158,394 shares of common stock which may be obtained pursuant to options and warrants exercisable within 60 days of the date hereof, 51,079 shares of common stock into which 142 share of Series N preferred stock are convertible and 72,000 shares of common stock into which 3,000 shares of Series C preferred stock are convertible.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company's management was informed that Winter Harbor had purchased an ownership interest in Tenfold Corporation, a consulting company that the Company contracted with to develop a new internal information system. In March 1999, Winter Harbor, LLC transferred ownership of the investment to First Media TF Holdings, LLC, an affiliate of Winter Harbor, LLC. First Media TF Holdings, LLC beneficially owns 10.6% of Tenfold's common stock. The Company's referral to Tenfold did not come through Winter Harbor, and Winter Harbor played no part in the negotiation of such consulting arrangement. In the first quarter of 1999, the Company's management and its Board of Directors concluded that the new system would not significantly enhance the Company's existing billing and information systems or meet its ultimate needs and accordingly did not justify paying additional contracted expenses of approximately $1,000,000. Accordingly the Company recorded a write-down on the in-process system development of **$1,847,288.**

See Item 11 hereof for descriptions of the terms of employment and consulting agreements between the Company and certain officers, directors and other related parties.

TRANSACTIONS WITH WINTER HARBOR, L.L.C.; SERIES M AND N PREFERRED STOCK

Winter Harbor, L.L.C. ("Winter Harbor") is owned by First Media, L.P., a private media and communications company which is a private investment principally of Richard E. Marriott and his family. The Company's general counsel, David E. Hardy, is a brother of Ralph W. Hardy, Jr. who is general counsel and a minority equity holder in Winter Harbor. David E. Hardy has no ownership or association with Winter Harbor. As a result of this relationship, as well as personal relationships of David E. Hardy with the principals of Winter Harbor, discussions were initiated which led to Winter Harbor's investments in the Company, which are summarized below.

On June 5, 1997, the Company entered into a term loan agreement ("Loan Agreement") and promissory note ("Note") with Winter Harbor pursuant to which Winter Harbor agreed to loan to the

Company the principal sum of $2,000,000 (the "Loan") for capital expenditures and working capital purposes. As further consideration for Winter Harbor's commitment to make the Loan, the Company granted to Winter Harbor a warrant ("Loan Warrant") to purchase up to 500,000 shares of common stock at an exercise price of $4.97 per share, subject to adjustment, pursuant to the terms of a Warrant Agreement between the parties. The Loan Warrant expires on March 11, 2002, and contains demand and piggyback registration rights and customary anti-dilution terms. The maturity date of the Note was October 15, 1998; however, the Loan Agreement anticipated an equity investment in the Company by Winter Harbor (the "Investment"). Upon closing of the Investment, all principal and accrued interest then due under the Note was credited toward payment of Winter Harbor's purchase price for the Investment and the Note was cancelled. The loan from Winter Harbor had an interest rate of prime plus 2%. In addition to the stated interest rate, the Company recognized the debt discount attributable to the warrants as interest expense over the life of the loan (maturity date was October 15, 1998). The Company expended significant time and effort pursuing various financing alternatives and determined that the Winter Harbor proposal was the best alternative available to the Company.

On August 18, 1997, the Company and Winter Harbor amended their agreement pursuant to which the Company borrowed an additional $3,000,000 bringing the total principal amount due under the Note to $5,000,000, and issued additional warrants to purchase an additional 300,000 shares at an exercise price of $6.38 per warrant to Winter Harbor in connection therewith.

The Company and Winter Harbor executed a Sales Purchase Agreement, dated as of September 30, 1997, and closed on October 10, 1997, pursuant to which Winter Harbor invested $12,100,000 in a new series of the Company's convertible preferred stock (the "Series M redeemable preferred stock"). Winter Harbor purchased approximately 2,545 shares of Series M redeemable preferred stock (convertible into 2,545,000 shares of common stock) for aggregate cash consideration of approximately $7,000,000 (equivalent to $2.75 per share of common stock). The agreement with Winter Harbor provided for purchase of approximately 1,855 additional shares of Series M redeemable preferred stock (convertible into 1,855,000 shares of common stock). Such additional shares of Series M redeemable preferred stock were paid for by exchanging the $5,000,000 outstanding principal balance plus approximately $100,000 accrued interest due under the Note. As additional consideration for its equity financing commitments, Winter Harbor was issued additional warrants by the Company to acquire (a) 2,500,000 shares of common stock at an exercise price of $2.75 per share (the "Series A Warrants"), (b) 2,500,000 shares of common stock at an exercise price of $4.00 per share (the "Series B Warrants") and (c) 5,000,000 shares of common stock at an exercise price of $4.69 per share (the "Series C Warrants"). The respective exercise prices for the Series A Warrants, the Series B Warrants and the Series C Warrants (collectively, the "Investment Warrants"), shall be subject to adjustment. The Series A Warrants will be exercisable at any time for thirty months from the date of issuance, and the Series B Warrants and Series C Warrants will be exercisable at any time for sixty months from the date of issuance. All of the Investment Warrants (i) have demand registration rights and anti-dilution rights and (ii) contain cashless exercise provisions.

The Series M redeemable preferred stock is entitled to receive cumulative dividends in the amount of 10% per annum before any other Series of preferred or common stock receives any dividends. Thereafter, the Series M redeemable preferred stock will participate with the common stock in the issuance of any dividends on a per share basis. Moreover, the Series M redeemable preferred stock will have the right to veto the payment of dividends on any other class of stock, except for cumulative dividends which accrue pursuant to the terms of the Series C preferred stock outstanding prior to the Winter Harbor investment. The Series M redeemable preferred stock is convertible at any time prior to the fifth anniversary of its issuance, at the sole option of Winter Harbor, into shares of common stock on a one thousand-for-one basis; provided, however, that the Series M redeemable preferred stock shall be automatically converted to common stock on the fifth anniversary of its issuance at no cost to Winter Harbor. The conversion price shall be, in the case of discretionary conversion, $2.75 (subsequently reset to $2.033) per share of common stock, or, in the case of automatic conversion, the lesser of $2.033 per share or 50% of the average closing bid price of the common stock for the ten trading days immediately preceding the fifth anniversary of issuance. The basis for discretionary conversion, or the conversion price for automatic conversion, shall be adjusted upon the occurrence of certain events, including without limitation, issuance of stock dividends, recapitalization of the Company, or the issuance of stock by the

Company at less than the fair market value thereof.

Upon completion of the Winter Harbor Investment, the Company included in its earnings per share calculation a (non-cash) preferred stock dividend in the fourth quarter of 1997 in the amount of $88,533,450. This amount was calculated as the difference between the exercise or conversion price per common share per the agreement as compared to the market price of the common stock on the date of the closing, plus the value of the warrants issuable in connection with the Investment.

During 1998, the Company obtained an aggregate of $7.768 million in new interim debt financing from Winter Harbor, L.L.C. As consideration for Winter Harbor's commitment to make the loan, the Company agreed to issue 6,740,000 warrants to purchase common stock of the Company at exercise prices ranging from $5.50 to $7.22 based upon 110% of the closing price of the common stock on the day loan funds were advanced. The warrants have exercise periods of 7.5 years from issuance. The Company also agreed to extend the exercise period on all warrants previously issued to Winter Harbor (10,800,000) to seven and one-half years. Pursuant to the terms of the loan agreement with Winter Harbor, the initial borrowings of $5,768,000 were payable upon demand by Winter Harbor no earlier than May 15, 1998, and were collateralized by essentially all of the assets of the Company's subsidiaries. As the loan was not repaid by May 15, 1998, the total loan, including additional borrowings of $2,000,000 obtained in the second quarter, continues on a demand basis with interest accruing at prime plus four percent. On April 15, 1999, Winter Harbor agreed that it would not demand payment under the notes prior to April 15, 2000 and in April 2000 agreed to extend the due date of the principal and accrued interest to April 15, 2001. Additionally, Winter Harbor has the right at any time until the loan is repaid to elect to exchange the unpaid balance of the loan into additional shares of the Company's Series M redeemable preferred stock and receive an additional 5,000,000 warrants to purchase common stock of the Company at an exercise price of $2.033 per share.

During 1998, the Company recorded $7,274,000 as a discount against the new $7,768,000 debt representing the relative fair value attributed to the new warrants, the change of the exercise period on prior warrants and the equity instruments associated with the assumed conversion of the debt into equity. The debt discount was amortized over the original terms of the respective borrowings.

The exercise prices of the above warrants issued or issuable to Winter Harbor varied at the time of their respective issuance, however, all are subject to adjustment downward to equal the market price of common stock in the event the common stock market price is below the original exercise price at the time of exercise, subject to an exercise price lower limit of the lesser of the original exercise price or $2.75 per share. The exercise price of all Winter Harbor warrants has been reset to $2.033 as of December 31, 1999 and continue to be subject to downward adjustment per the agreement.

On January 15, 1999, I-Link formalized an agreement with Winter Harbor for additional financing. The financing arrangement consists of an $8,000,000 bridge loan facility and a $3,000,000 standby letter of credit to secure additional capital leases of equipment and telephone lines relative to the expansion of the Company's telecommunications network. As of December 31, 1999, the Company had borrowed the full amount available on the Bridge Loan and lease facility. The bridge loan and accrued interest were exchanged for Series N preferred stock in July 1999.

As additional consideration for making the loan, the Company granted warrants to purchase common stock to Winter Harbor. Initially, Winter Harbor receives one warrant for every $10 borrowed from Winter Harbor including the standby letter of credit. The warrants have a 7.5 year exercise period with an exercise price of the lower of (a) $2.78 (reset to $2.033 as of December 31, 1999), (b) the average trading price for any 20 day period subsequent to the issuance of the warrants, (c) the price at which new shares of common stock or common stock equivalents are issued, or (d) the exercise price of any new options, warrants, preferred stock or other convertible security. The exercise price is subject to a $1.25 floor. On April 14, 1999, the shareholders voted to approve a plan of financing which includes issuing 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit. The Company did not repay the loan before April 26, 1999 and granted Winter Harbor warrants to purchase 11,000,000 shares of common stock.

During 1999 and 1998, the Company recorded $2,956,283 and $1,032,634, respectively, as a discount against the $8.0 million Bridge Loan representing the relative fair value attributed to the bridge loan warrants and line of credit. The debt discount was amortized over the term of the Bridge Loan, or leases as applicable. During 1999 and 1998, $3,360,771 and $128,059, respectively, of debt discount was amortized.

On April 15, 1999, the Company entered into a financing agreement with Winter Harbor. Winter Harbor loaned the Company up to $4 million under a note due September 30, 1999. In July 1999 this loan and accrued interest was exchanged for Series N preferred stock as discussed below.

On July 23, 1999 the Company completed its offering of 20,000 shares of Series N preferred stock. The offering was fully subscribed through cash subscriptions and the Company exercising its right to exchange notes payable to Winter Harbor of $8.0 million and $4.0 million plus accrued interest. In total the Company exchanged $12,718,914 in debt and accrued interest. Winter Harbor purchased 14,404 (in cash and exchange of debt and interest) of the 20,000 shares of Series N stock. The Series N conversion price was initially set at $2.78, but may be reset to the lowest of: (1) 110% of the average trading price for any 20 day period following the date that Series N preferred stock is first issued; (2) the price at which any new common stock or common stock equivalent is issued; (3) the price at which common stock is issued upon the exercise or conversion of any new options, warrants, preferred stock or other convertible security; (4) the conversion price of any Series F preferred stock converted after the date that Series N preferred stock is first issued; and (5) a conversion price floor of $1.25.

On April 13, 2000, Winter Harbor, LLC, agreed to provide I-Link with a line of credit to meet its minimum financing needs of up to an aggregate amount of $15,000,000. This commitment expires on the earlier of April 12, 2001 or the date I-Link has received net cash proceeds of not less than $15,000,000 pursuant to one or more additional financings or technology sales as well as licensing or consulting agreements outside the normal and historical course of business. The $15,000,000 aggregate commitment will be reduced by the $1,300,000 (plus interest at 8% per annum) advanced to I-Link in the first quarter of 2000 by Winter Harbor, interest accruing on any other advances under such commitment, as well as any net cash proceeds received by I-Link in the future from additional financings or technology sales as well as licensing or consulting agreements outside the normal and historical course of business. Any amounts outstanding under the loan will be due and payable no later than April 12, 2001 (see- "Current Position/Future Requirements').

MIBRIDGE ACQUISITION; SERIES D PREFERRED STOCK

On August 12, 1997 the Company entered into an agreement with MiBridge, Inc., a New Jersey corporation ("MiBridge") and Mr. Dror Nahumi, the principal shareholder of MiBridge, pursuant to which the Company acquired all of the issued and outstanding stock of MiBridge (the "MiBridge Acquisition"). The MiBridge Acquisition subsequently closed on September 2, 1997. MiBridge is the owner of patent-pending audio-conferencing technology and is a leader in creating speech-encoding and compression algorithms designed to produce superior audio quality and lower delay over low-band networks. The Company agreed to pay the stockholders of MiBridge (the "MiBridge Stockholders") consideration consisting of (i) an aggregate $2,000,000 in cash, payable in quarterly installments over two years, and (ii) an aggregate 1,000 shares of a series of the Company's convertible preferred stock (the "Series D preferred stock"). The 1,000 shares of Series D preferred stock are convertible at the option of the MiBridge Stockholders, at any time during the nine months following the closing of the MiBridge Acquisition, into such number of shares of common stock as shall equal the sum of $6,250,000 divided by $9.25 (the "Series D Conversion Price"), which price was the closing bid price of the Company's common stock on June 5, 1997 (the date that the first letter agreement relating to the transaction was executed) or the average closing bid price for the five trading days immediately preceding the date the Company receives notice of conversion whichever is lower. As of December 31, 1999, all shares of the Series D preferred stock had been converted into common stock and all amounts payable in cash had been paid.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following financial statements and those financial statement schedules required by Item 8 hereof are filed as part of this report:

1. Financial Statements:

   Report of Independent Accountants
   Consolidated Balance Sheets as of December 31, 1999 and 1998
   Consolidated Statements of Operations for the years ended December 31, 1999, 1998 and 1997
   Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997
   Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997
   Notes to Consolidated Financial Statements

2. Financial Statement Schedule:

   Report of Independent Accountants
   Schedule II - Valuation and Qualifying Accounts

   All other schedules are omitted because of the absence of conditions under which they are required or because the required information is presented in the Financial Statements or Notes thereto.

(b) The Company did not file any reports on Form 8-K during the fourth quarter of 1999.

(c) The following exhibits are filed as part of this Registration Statement:

NUMBER	TITLE OF EXHIBIT
2.2(2)	Stock Purchase Agreement, dated February 13, 1996, by and among Medcross, Inc, I-Link, Ltd., and GNet Enterprises, Inc.
2.3(6)	Share Exchange Agreement for the Acquisition of Family Telecommunications Incorporated by Medcross, Inc., effective as of January 1, 1997.
3.1(5)	Amended and Restated Articles of Incorporation of the Company, as further amended.
3.2(16)	Bylaws of the Company, as amended.
3.3(3)	Articles of Incorporation of I-Link Worldwide Inc.
3.4(3)	Bylaws of I-Link Worldwide Inc.
3.5(7)	Articles of Incorporation of Family Telecommunications Incorporated and Articles of Amendment to the Articles of Incorporation.
3.6(7)	Bylaws of Family Telecommunications Incorporated.
3.7(12)	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company.
3.8(14)	Articles of Amendment to the Company's Amended and Restated Articles of Incorporation, establishing the terms of Series F Redeemable Preferred Stock
4.4(7)	Placement Agent's Common Stock Warrant Agreement and Certificate.
4.5(7)	Consultant's Common Stock Warrant Agreement and Certificate.
4.7(8)	Option to purchase 160,000 shares of Class A Convertible Preferred Stock of Medcross, Inc., granted by Four M International, Ltd. to Commonwealth, dated February 21, 1996.
4.8(12)	Form of Hardy Group Warrant to purchase 175,000 shares of Common Stock.
4.9(11)	Securities Purchase Agreement by and between the Company and Winter Harbor, dated as of September 30, 1997.
4.10(17)	Amended and Restated Registration Rights Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor, amending Registration Rights Agreement dated October 10, 1997.
4.11(11)	Form of Shareholders Agreement by and among the Company and Winter Harbor and certain holders of the Company's securities, which constitutes Exhibit D to the Purchase Agreement.
4.12(11)	Form of Warrant Agreement by and between Medcross, Inc. and Winter Harbor, which constitutes Exhibit F to the Purchase Agreement.
4.13(9)	Warrant Agreement dated as of June 6, 1997, by and between the Company and Winter Harbor; and related Warrant Certificate.
4.14(19)	Stock Option Agreement by and between the Company and John Edwards.
10.8(3)*	1995 Director Stock Option and Appreciation Rights Plan.
10.9(3)*	1995 Employee Stock Option and Appreciation Rights Plan.
10.12(5)	Agreement for Terminal Facility Collocation Space, dated June 21, 1996, by and between I-Link Worldwide Inc. and MFS Telecom, Inc..
10.15(7)	Commercial Lease dated May 21, 1996 between I-Link Worldwide Inc. and Draper Land Partnership II and First Amendment dated July 22, 1996.
10.16(12)	Commercial Lease dated September 11, 1996 between I-Link Worldwide Inc. and Draper Land Partnership II.
10.18(7)	Term Lease Master Agreement dated May 19, 1996 by and between IBM Credit Corporation and I-Link Worldwide Inc.
10.19(7)*	1997 Recruitment Stock Option Plan.
10.20(7)	Lease Agreement dated July 1, 1996 between Broadway Associates and ILC Communications.
10.21(7)	Lease Between Phoenix City Square Partnership and Robert W. Edwards and Denise A. Edwards dated March 18, 1996.
10.23(7)	Strategic Member Reseller Agreement between I-Link Worldwide Inc. and WealthNet Incorporated dated January 31, 1997.
10.24(7)	Settlement Agreement between WealthNet Incorporated and Family Telecommunications Incorporated dated January 29, 1997.
10.25(12)*	Employment Agreement, dated as of September 2, 1997, between Medcross, Inc. and Dror

	Nahumi.
10.26(12)	Plan and Agreement of Merger of MiBridge, Inc. with and into I-Link Mergerco, Inc., a wholly-owned subsidiary of Medcross, Inc., dated as of August 12, 1997, by and among Medcross, Inc., I-Link Mergerco, Inc , MiBridge, Inc. and the stockholders of MiBridge, Inc.
10.28(14)	Agreement dated April 14, 1998, by and between the Company and Winter Harbor.
10.29(14)	Pledge Agreement dated April 14, 1998, by and between the Company and Winter Harbor.
10.30(14)	Security Agreement dated April 14, 1998, by and among certain of the Company's subsidiaries and Winter Harbor.
10.31(14)	Form of Promissory Notes issued to Winter Harbor.
10.32(15)	Amended Form of Convertible Preferred Stock Purchase Agreement dated June 30, 1998 by and between the Company and JNC Opportunity Fund Ltd. ("JNC").
10.33(14)	Registration Rights Agreement dated June 30, 1998 by and between the Company and JNC.
10.34(14)	Warrant to purchase 250,000 shares of Common Stock of the Company, dated June 30, 1998, issued to JNC.
10.35(14)	Exchange Agreement dated July 28, 1998 by and between the Company and JNC.
10.36(14)	Warrant to purchase 100,000 shares of Common Stock of the Company, dated July 28, 1998, issued to JNC.
10.37(18)*	Employment Agreement dated August 28, 1998, between the Company and John Ames.
10.38(17)	Loan Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor.
10.39(17)	First Amendment to Loan Agreement dated March 4, 1999 by and between the Company and Winter Harbor.
10.40(17)	Promissory Note dated November 10, 1998, in principal amount of $8,000,000 executed by the Company in favor of Winter Harbor.
10.41(17)	Series K Warrant Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor and form of Series K Warrant.
10.42(17)	Subsidiary Guaranty dated as of January 15, 1999 executed by five of the Company's wholly owned subsidiaries in favor of Winter Harbor.
10.43(17)	Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor.
10.44(17)	First Amendment to Security Agreement dated as of January 15, 1999, by and among the Company, five of its wholly-owned subsidiaries and Winter Harbor, amending Security Agreement dated April 14, 1997.
10.45(17)	First Amendment to Pledge Agreement dated as of January 15, 1999, by and among the Company and Winter Harbor, amending Pledge Agreement dated April 14, 1997.
10.46(17)	Series D, E, F, G, H, I and J Warrant Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor, and related forms of warrant certificates.
10.47(19)	Employment agreement with John Edwards dated September 9, 1999.
21(15)	Subsidiaries of the Registrant.
27(1)	Financial data schedule.

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* Indicates a management contract or compensatory plan or arrangement required to be filed.

1 Filed herewith.

2 Incorporated by reference to the Company's Current Report on Form 8-K, dated February 23, 1996, file number 0-17973.

3 Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995, file number 0-17973.

4 Incorporated by reference to the Company's Current Report on Form 8-K, dated February 23, 1996, file number 0-17973.

5 Incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1996, file number 0-17973.

6 Incorporated by reference to the Company's Current Report on Form 8-K, dated January 13, 1997, file number 0-17973.

7 Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996, file number 0-17973.

8 Incorporated by reference to the Company's Registration Statement on Form SB-2, file number 333-17861.

9 Incorporated by reference to the Company's Current Report on Form 8-K, dated June 5, 1997, file number 0-17973.

10 Incorporated by reference to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form SB-2, file number 333-17861.

11 Incorporated by reference to the Company's Current Report on Form 8-K, dated September 30, 1997, file number 0-17973.

12 Incorporated by reference to the Company's Pre-Effective Amendment No. 3 to Registration Statement on Form SB-2, file number 333-17861.

13 Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, file number 0-17973.

14 Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998, file number 0-17973.

15 Incorporated by reference to the Company's Registration Statement on Form S-1 filed September 3, 1998, file number 333-62833.

16 Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1998, file number 0-17973.

17 Incorporated by reference to the Company's Current Report on Form 8-K filed on March 23, 1999, file number 0-17973.

18 Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, file number 0-17973

19 Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1999, file number 0-17973.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

I-LINK INCORPORATED
(Registrant)

Dated: April 13, 2000 By: /s/ John W. Edwards

John W. Edwards, Chairman of the Board, and Chief Executive Officer

In accordance with Section 13 of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John W. Edwards John W. Edwards	Chairman of the Board and Chief E..ecutive Officer	April 13, 2000
/s/ Dror Nahumi Dror Nahumi	President	April 13, 2000
/s/ John M. Ames John M. Ames	Chief Financial Officer and Chief Operating Officer	April 13, 2000
/s/ David E. Hardy David E. Hardy	Secretary	April 13, 2000
/s/ Henry Y. L. Toh Henry Y.L. Toh	Director	April 13, 2000
/s/ Thomas A. Keenan Thomas A. Keenan	Director	April 13, 2000
/s/ David R. Bradford David R. Bradford	Director	April 13, 2000

FINANCIAL STATEMENTS & SUPPLEMENTAL SCHEDULES

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
I-Link Incorporated and Subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows present fairly, in all materials respects, the financial position of I-Link Incorporated and its subsidiaries (the "Company") as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Salt Lake City, Utah
April 13, 2000

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1999 AND 1998

ASSETS	1999	1998
Current assets:		
Cash and cash equivalents	$ 2,950,730	$ 1,311,003
Accounts receivable, less allowance for doubtful accounts of $1,789,000 and $1,941,000 as of December 31, 1999 and 1998, respectively	4,344,406	4,402,016
Certificates of deposit - restricted	53,500	378,160
Other current assets	308,691	293,789
Net assets of discontinued operations	-	417,371
Total current assets	7,657,327	6,802,339
Furniture, fixtures, equipment and software, net	7,019,361	7,262,781
Other assets:		
Intangible assets, net	6,551,453	9,420,383
Certificates of deposit - restricted	76,136	164,125
Other assets	353,922	205,735
	$ 21,658,199	$ 23,855,363
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 4,131,675	$ 2,792,651
Accrued liabilities	2,629,046	3,022,989
Current portion of long-term debt	751,660	1,050,431
Notes payable to a related party, net of discount	-	3,437,138
Current portion of obligations under capital leases	1,380,957	573,044
Net liabilities of discontinued operations	82,629	-
Total current liabilities	8,975,967	10,876,253
Notes payable to a related party	7,768,000	7,768,000
Accrued interest on long-term notes payable	1,345,801	414,000
Obligations under capital leases	544,724	603,933
Total liabilities	18,634,492	19,662,186
Commitments and contingencies (notes 9, 12 and 16)		
Redeemable preferred stock - Series M	11,734,820	11,734,820
Redeemable preferred stock - Series F	2,338,784	9,411,720
	14,073,604	21,146,540
Stockholders' deficit:		
Preferred stock, $10 par value, authorized 10,000,000 shares, issued and outstanding 49,992 and 44,[illegible] as of December 31, 1999, liquidation preference of $[illegible],379,108 at December 31, 1999	499,920	440,510
Common stock, $.007 par value, authorized 150,000,000 shares, issued and outstanding 24,1[illegible],[illegible]29 and 18,762,596 at December 31, 1999 and 1998, respectively	169,056	131,338
Additional paid-in capital	98,734,475	68,632,195
Deferred compensation	(499,377)	(1,214,591)
Accumulated deficit	(109,953,971)	(84,942,815)
Total stockholders' deficit	(11,049,897)	(16,953,363)
	$ 21,658,199	$ 23,855,363

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
Revenues:			
Telecommunication services	$ 26,440,017	$ 19,634,681	$ 11,081,007
Marketing services	3,672,988	4,548,421	2,637,331
Technology licensing and development	2,506,701	1,466,315	346,875
Total revenues	32,619,706	25,649,417	14,065,213
Operating costs and expenses:			
Telecommunication network expense	20,373,209	19,099,194	14,634,999
Marketing services	5,400,149	5,850,873	4,294,014
Selling, general and administrative	12,428,956	10,563,382	11,948,568
Provision for doubtful accounts	3,703,076	3,160,621	1,385,000
Depreciation and amortization	5,482,639	4,192,174	2,549,282
Acquired in-process research and development	-	-	4,235,830
Write-down of capitalized software costs	1,847,288	-	-
Research and development	2,636,741	2,429,116	878,582
Total operating costs and expenses	51,872,058	45,295,360	39,926,275
Operating loss	(19,252,352)	(19,645,943)	(25,861,062)
Other income (expense):			
Interest expense	(5,086,141)	(8,404,418)	(3,022,619)
Interest and other income	179,205	270,288	215,989
Total other expense	(4,906,936)	(8,134,130)	(2,806,630)
Loss from continuing operations	(24,159,288)	(27,780,073)	(28,667,692)
Discontinued operations:			
Loss from discontinued operations (less applicable Income tax provision of $0 in 1997)	-	-	(183,556)
Loss on disposal of discontinued operations, including provision in 1997 of $222,000 for operating Losses during phase-out period (less applicable Income tax provision of $0 in 1999, 1998 and 1997)	(500,000)	(178,006)	(1,007,453)
Loss from discontinued operations	(500,000)	(178,006)	(1,191,009)
Net loss	$(24,659,288)	$(27,958,079)	$ (29,858,701)
CALCULATION OF NET LOSS PER COMMON SHARE:			
Loss from continuing operations	(24,159,288)	$(27,780,073)	$ (28,667,692)
Cumulative preferred stock dividends not paid in current year	(1,948,557)	(2,066,383)	(1,159,589)
Deemed (non-cash) preferred stock dividend on Series F, M and N convertible preferred stock	(6,978,417)	(7,774,759)	(88,533,450)
Loss from continuing operations applicable to common stock	$(33,086,262)	$(37,621,215)	$ (118,360,731)
Basic and diluted weighted average shares outstanding	21,413,772	17,627,083	11,756,249
Net loss per common share - basic and diluted:			
Loss from continuing operations	$ (1.55)	$ (2.13)	$ (10.07)
Loss from discontinued operations	(0.02)	(0.01)	(0.10)
Net loss per common share	$ (1.57)	$ (2.14)	$ (10.17)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
BALANCE AT DECEMBER 31, 1996	247,500	$2,475,000	10,607,597	$ 74,253
Conversion of preferred stock into common stock	(144,924)	(1,449,240)	3,948,565	27,639
Conversion of convertible promissory notes into Series C preferred stock	11,950	119,500	-	-
Interest expense associated with issuance of convertible notes	-	-	-	-
Stock options issued for services	-	-	-	-
Amortization of deferred compensation on stock options issued for services	-	-	-	-
Exercise of stock options	-	-	79,923	559
Common stock issued for the acquisition of Family Telecommunications, Inc.	-	-	400,000	2,800
Series D preferred stock issued for the acquisition of MiBridge, Inc	1,000	10,000	-	-
Common stock issued for the acquisition of I-Link Worldwide, Inc.	-	-	1,000,000	7,000
Stock warrants issues to satisfy accrued litigation settlement	-	-	-	-
Warrants issues in connection with certain notes payable	-	-	-	-
Issuance of Series M redeemable preferred stock, net of issuance costs of $365,180	4,400	44,000	-	-
Reclassification of Series M redeemable preferred stock to mezzanine	(4,400)	(44,000)	-	-
Net loss	-	-	-	-
BALANCE AT DECEMBER 31, 1997	115,526	$1,155,260	16,036,085	$112,251

	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
BALANCE AT DECEMBER 31, 1996	$30,874,910	$ -	$(27,125,546)
Conversion of preferred stock into common stock	1,421,601	-	-
Conversion of convertible promissory notes into Series C preferred stock	597,500	-	-
Interest expense associated with issuance of convertible notes	320,000	-	-
Stock options issued for services	4,757,134	(4,7[illegible])	-
Amortization of deferred compensation on stock options issued for services	-	2,4[illegible]	-
Exercise of stock options	137,374	-	-
Common stock issued for the acquisition of Family Telecommunications, Inc.	2,411,783	-	-
Series D preferred stock issued for the acquisition of MiBridge, Inc	6,240,000	-	-
Common stock issued for the acquisition of I-Link Worldwide, Inc.	8,868,000	-	-
Stock warrants issues to satisfy accrued litigation settlement	821,000	-	-
Warrants issues in connection with certain notes payable	2,371,575	-	-
Issuance of Series M redeemable preferred stock, net of issuance costs of $365,180	11,690,820	-	-
Reclassification of Series M redeemable preferred stock to mezzanine	(11,690,820)	-	-
Net loss	-	-	(29,858,701)
BALANCE AT DECEMBER 31, 1997	$58,820,877	[illegible]	$(56,984,247)

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	PREFERRED STOCK		COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE AT DECEMBER 31, 1997	115,526	$1,155,260	16,036,085	$112,251
Issuance of Series F redeemable preferred stock, net of issuance costs of $569,418	1,000	10,000	-	-
Reclassification of Series F redeemable preferred stock to mezzanine	(1,000)	(10,000)	-	-
Reclassification of Series F redeemable preferred stock from mezzanine due to Conversion to common stock	2	20	-	-
Conversion of preferred stock into common Stock	(71,477)	(714,770)	2,326,731	16,288
Common Stock dividend paid to holders of Series F redeemable preferred stock	-	-	240	2
Stock options issued for services	-	-	-	-
Amortization of deferred compensation on stock options issued for services	-	-	-	-
Forfeiture of stock options issued for services	-	-	-	-
Warrants issued in connection with certain notes payable	-	-	-	-
Warrants issued in connection with certain convertible notes payable	-	-	-	-
Exercise of stock options and warrants.	-	-	399,540	2,797
Net loss	-	-	-	-
BALANCE AT DECEMBER 31, 1998	44,051	$ 440,510	18,762,596	$131,338

	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
BALANCE AT DECEMBER 31, 1997	$58,820,877	$(2,289,765)	$(56,984,247)
Issuance of Series F redeemable preferred stock, net of issuance costs of $569,418	9,420,582	-	-
Reclassification of Series F redeemable preferred stock to mezzanine	(9,420,582)	-	-
Reclassification of Series F redeemable preferred stock from mezzanine due to Conversion to common stock	18,842	-	-
Conversion of preferred stock into common Stock	698,482	-	-
Common Stock dividend paid to holders of Series F redeemable preferred stock	487	-	[illegible]
Stock options issued for services	378,322	(356,322)	-
Amortization of deferred compensation on stock options issued for services	-	1,157,901	-
Forfeiture of stock options issued for services	(273,595)	273,595	-
Warrants issued in connection with certain notes payable	1,032,634	-	-
Warrants issued in connection with certain convertible notes payable	7,274,000	-	-
Exercise of stock options and warrants.	682,146	-	-
Net loss	-	-	[illegible]
BALANCE AT DECEMBER 31, 1998	$68,632,195	$(1,214,591)	$ [illegible]

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	PREFERRED STOCK		COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE AT DECEMBER 31, 1998	44,051	$440,510	18,762,596	$131,338
Conversion of Series C, F and N preferred stock into common stock	(14,809)	(148,090)	5,180,396	36,263
Reclassification of Series F redeemable preferred stock from mezzanine due to Conversion to common stock	750	7,500	-	-
Common stock dividend paid to holders of Series F redeemable preferred stock	-	-	165,220	1,157
Issuance of Series N convertible preferred stock, net of issuance costs of $486,679	20,000	200,000	-	-
Exercise of stock options and warrants	-	-	42,617	298
Warrants issued in connection with certain notes payable	-	-	-	-
Warrants issued in connection with a standby letter of credit	-	-	-	-
Stock options issued for services				
Amortization of deferred compensation on stock options issued for services	-	-	-	-
Net loss	-	-	-	-
BALANCE AT DECEMBER 31, 1999	49,992	$499,920	24,150,829	$169,056

	Additional Paid-in Capital	Deferred Compensation	Accumulated Deficit
BALANCE AT DECEMBER 31, 1998	$68,632,195	$(1,214,591)	$ (84,942,815)
Conversion of Series C, F and N preferred stock into common stock	111,827		
Reclassification of Series F redeemable preferred stock from mezzanine due to Conversion to common stock	7,065,435	-	-
Common stock dividend paid to holders of Series F redeemable preferred stock	350,712	-	(351,868)
Issuance of Series N convertible preferred stock, net of issuance costs of $486,679	19,313,321	-	-
Exercise of stock options and warrants	4,702	-	-
Warrants issued in connection with certain notes payable	2,220,563	-	-
Warrants issued in connection with a standby letter of credit	735,720	-	-
Stock options issued for services	300,000	(300,000)	
Amortization of deferred compensation on stock options issued for services	-	1,015,214	-
Net loss	-	-	(24,659,[illegible]
BALANCE AT DECEMBER 31, 1999	$98,734,475	$ (499,377)	$(109,95[illegible])

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities:			
Net loss	$(24,659,288)	$(27,958,079)	$(29,858,701)
Adjustments to reconcile net loss to net cash used in Operating activities:			
Depreciation and amortization	5,482,639	4,192,174	2,549,282
Provision for doubtful accounts	3,703,076	3,160,621	1,385,000
Amortization of discount and debt issuance costs on notes payable and capital leases	3,360,771	7,402,059	2,371,575
Amortization of deferred compensation on stock options issued for services	1,015,214	1,157,901	2,467,369
Interest expense associated with issuance of convertible notes	-	-	320,000
Acquired in-process research and development	-	-	4,235,830
Write-down of capitalized software costs	1,847,288	-	-
Write-off of intangible assets	-	-	860,305
Loss on disposal of assets	7,494	-	351,288
Increase (decrease) from changes in operating assets and Liabilities, net of effects of acquisitions:			
Accounts receivable	(3,645,466)	(4,329,430)	(2,932,347)
Other assets	(163,089)	527,466	(718,096)
Accounts payable, accrued liabilities and interest	2,232,086	(390,776)	5,769,611
Discontinued operations - noncash charges and working Capital changes	437,350	12,345	1,190,358
Net cash used in operating activities	(10,381,925)	(16,825,719)	(12,008,526)
Cash flows from investing activities:			
Purchases of furniture, fixtures, equipment and software	(2,047,948)	(3,258,189)	(1,948,857)
Cash received from the purchase of MiBridge	-	-	79,574
Cash received from the purchase of I-Link Communications	-	-	435,312
Proceeds from maturity of certificates of deposit - restricted	412,649	1,345,215	53,500
Investing activities of discontinued operations	50,000	310,000	(7,055)
Net cash used in investing activities	(1,585,299)	(1,602,974)	(1,387,526)

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS,
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	$ 8,200,000	$11,009,712	$ 5,000,000
Payment of long-term debt	(798,772)	(2,700,904)	(892,307)
Payment of capital lease obligations	(928,335)	(184,103)	(187,278)
Proceeds from issuance of preferred stock, net of offering costs	7,116,408	9,430,582	6,618,888
Proceeds from exercise of common stock warrants and options	5,000	684,943	137,933
Financing activities of discontinued operations	-	(170,465)	(53,556)
Net cash provided by financing activities	13,594,301	18,069,765	10,623,680
Increase (decrease) in cash and cash equivalents	1,627,077	(358,928)	(2,772,372)
Cash and cash equivalents at beginning of year	1,368,927	1,727,855	4,500,227
Cash and cash equivalents at end of year:			
Continuing operations	2,950,730	1,311,003	1,643,805
Discontinued operations	45,274	57,924	84,050
Total cash and cash equivalents at end of year	$ 2,996,004	$ 1,368,927	$ 1,727,855
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Reclassification of Series F redeemable preferred stock from mezzanine	$ 7,072,935	$ -	$ -
Warrants issued in connection with a standby letter of credit	735,720	-	-
Preferred stock and note payable issued in connection with the Acquisition of MiBridge, Inc.	-	-	8,250,000
Common Stock issued in connection with the acquisition of Family Telecommunications, Inc.	-	-	2,414,583
Stock options issued for services	300,000	378,322	4,757,134
Common Stock issued in connection with the acquisition of I-Link Worldwide, Inc.	-	-	8,875,000
Accrued interest and debt exchanged for Series N preferred stock	12,718,914	-	5,115,932
Accrued debt issuance costs	322,000	-	-
Conversion of convertible promissory notes into preferred stock	-	-	717,000
Equipment acquired under capital lease obligations	2,177,126	1,124,606	-
Stock warrants issued to satisfy with litigation settlement	-	-	821,000
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid - continuing operations	$ 312,937	$ 109,866	$ 286,935
Interest paid - discontinued operations	10,011	158,392	93,625

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

NOTE 1 - DESCRIPTION OF BUSINESS, PRINCIPLES OF CONSOLIDATION AND LIQUIDITY

The consolidated financial statements include the accounts of I-Link Incorporated and its subsidiaries (the "Company"). The Company's principal operation is the development, sale and delivery of enhanced communications products and services utilizing its own private intranet and both owned and leased network switching and transmission facilities. The Company provides unique communications solutions through its use of proprietary technologies. Telecommunications services are marketed primarily through master agent and wholesale distributor arrangements. Historically, these services were marketed primarily through independent representatives to subscribers throughout the United States (see Note 17). The Company's telecommunication services operations began primarily with the first quarter of 1997 acquisition of I-Link Communications, Inc., an FCC licensed long-distance carrier (see Note 10).

During the second quarter of 1997, the Company formed a new wholly owned subsidiary, I-Link Worldwide, L.L.C., through which it launched a network marketing channel to market its telecommunications services and products. In February 2000, the Company entered into a wholesale marketing arrangement with and transitioned the representatives in the network marketing channel to Big Planet (see Note 17).

Through its wholly owned subsidiaries, MiBridge, Inc. (MiBridge) and ViaNet Technologies, Ltd. (ViaNet), the Company develops and licenses communications products and software that support multimedia communications (voice, fax and audio) over the public switched network, local area networks and the Internet. MiBridge was acquired during the third quarter of 1997 (see Note 10). The Company formed ViaNet in the fourth quarter of 1997.

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

The Company incurred a net loss from continuing operations of $24,159,288 for the year ended December 31, 1999, and as of December 31, 1999 had an accumulated deficit of $109,953,971 and negative working capital of $1,318,640. The Company anticipates that revenues generated from its continuing operations will not be sufficient during 2000 to fund ongoing operations, the continued expansion of its private telecommunications network facilities, Indavo development and manufacturing, and anticipated growth in subscriber base. The Company has entered into additional financing arrangements and proposes to issue additional stock as described below in order to obtain the additional funds required for its continuing operations in 2000.

In order to provide for working capital needs, on April 13, 2000, Winter Harbor entered into a binding commitment to provide funding to the Company of up to $15 million pursuant to a revolving line of credit. Funds borrowed under the line of credit (including interest accruing at the rate of 12.5% per annum) are due April 12, 2001 (see Note 17). While the Company believes that the aforementioned sources of funds will be sufficient to fund operations into 2001, the Company anticipates that additional funds will be necessary from public or private financing markets to successfully integrate and finance the planned expansion of the business communications services, product development and manufacturing, and to discharge the financial obligations of the Company. The availability of such capital sources will depend on prevailing market conditions, interest rates, and financial position and results of operations of the Company. There can be no assurance that such financing will be available, that the Company will receive any proceeds from the exercise of outstanding options and warrants or that the Company will not be required to arrange for additional debt, equity or other type of financing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents primarily with financial institutions in Utah, California, Arizona, New Jersey and Florida, which at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company evaluates the collectibility of its receivables at least quarterly, based upon various factors including the financial condition and payment history of major customers, an overall review of collections experience on other accounts and economic factors or events expected to affect the Company's future collections experience.

FURNITURE, FIXTURES, EQUIPMENT AND SOFTWARE

Furniture, fixtures, equipment and software are stated at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Telecommunications network equipment	2-6	years
Furniture, fixtures and office equipment	3-6	years
Software	1-3	years

Betterments and renewals that extend the life of the assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in operations. The Company regularly evaluates whether events or circumstances have occurred that indicate the carrying value of its furniture, fixtures, equipment and software may not be recoverable. When factors indicate the asset may not be recoverable, the Company compares the related undiscounted future net cash flows to the carrying value of the asset to determine if an impairment exists. If the expected future net cash flows are less than the carrying value, impairment is recognized based on the fair value of the asset. During 1999, the Company wrote off $1,847,288 in unrecoverable capitalized software costs (see Note 6). There were no such write-offs in 1998 or 1997.

INTANGIBLE ASSETS

The Company regularly evaluates whether events or circumstances have occurred that indicate the carrying value of its intangible assets may not be recoverable. When factors indicate the asset may not be recoverable, the Company compares the related undiscounted future net cash flows to the carrying value of the asset to determine if impairment exists. If the expected future net cash flows are less than carrying value, impairment is recognized based on the fair value of the asset. During 1997, the Company wrote off $860,305 in unrecoverable intangible assets. The write off is included in selling, general and administrative expense. There were no such write-offs for 1999 and 1998. Amortization of intangible assets is calculated using the straight-line method over the following periods:

Acquired technology	3 years
Excess acquisition cost over fair value of net assets acquired	5-10 years
Other intangible assets	3-5 years

REVENUE RECOGNITION

Long-distance and enhanced service revenue is recognized as service is provided to subscribers.

Marketing services revenues from the network marketing channel primarily include revenues recognized from independent representatives ("IRs") for promotional and presentation materials and national conference registration fees. IRs enter into a standard written independent sales representative agreement with the Company and pay a fee of either $50 or $295 based on selected options for sales and marketing materials and on-going administrative support. Revenue from the sale of promotional and presentation materials (included in Marketing services revenue) is recognized at the time the materials are shipped. The portion of the sign-up fee, including a normal profit margin, relating to on-going administrative support is deferred and recognized over twelve months (the initial term of the IR agreement). Marketing services revenues are presented net of estimated refunds on returns of network marketing materials (see Note 17).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

During the second quarter of 1999, the Company began offering its WebCentre product to IRs in the network marketing channel. WebCentre is a personalized web page that can be used for business promotion and back-office support. Each user pays a set-up fee of between $395 - $495, plus a monthly recurring charge of $15.95. Revenue relating to the set-up fee is partially recognized at the time the WebCentre product is made available to the user. The portion of the set-up fee, plus a normal profit margin, relating to ongoing support of the WebCentre is deferred over the estimated life of the IR agreement.

Revenue related to the monthly recurring charge is recognized in the month the services are provided (see Note 17).

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition in Financial Statements, which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. Though the Company is currently evaluating the impact (if any) of SAB 101, the Company does not presently believe it will have a material effect on the financial position or result of operations of the Company.

Revenue from the sale of software licensing is recognized when the product has been shipped, a noncancellable agreement is in force, the license fee is fixed or determinable, acceptance has occurred and collectibility is reasonably assured. Maintenance and support revenues are recognized ratably over the term of the related agreements, which in most cases is one year. Revenues on long-term development projects are recognized under the percentage of completion method of accounting and are based upon costs incurred on the project, compared to estimated total costs related to the contract.

COMPUTER SOFTWARE COSTS

Effective January 1, 1999, the Company adopted Statement of Position No. 98-1 (SOP 98-1), "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use". In accordance with SOP 98-1, the Company capitalizes qualified costs associated with developing computer software for internal use. Previously these costs were recognized as a current expense. The impact of applying this standard was not material to the 1999 consolidated financial position or results of operations of the Company. Purchased computer software for internal use is capitalized and amortized over the expected useful life, usually three years.

CONCENTRATIONS OF CREDIT RISK

The Company's telecommunications subscribers are primarily residential subscribers and are not concentrated in any specific geographic region of the United States.

INCOME TAXES

The Company records deferred taxes in accordance with Statement of Financial Accounting Standards (SFAS) 109, "Accounting for Income Taxes." The statement requires recognition of deferred tax assets and liabilities for temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

SEGMENT REPORTING

In 1998, the Company adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS 131 supersedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise", replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS 131 did not affect results of operations or financial position, but did affect the disclosure of segment information (see Note 15).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain balances in the December 31, 1998 and 1997 financial statements have been reclassified to conform to current year presentation. These changes had no effect on previously reported net loss, total assets, liabilities or stockholders' equity.

NOTE 3 - NET LOSS PER SHARE

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Options, warrants, convertible preferred stock and convertible debt are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive. As the Company had a net loss from continuing operations for 1999, 1998 and 1997, basic and diluted loss per share are the same.

During 1999 and 1998, holders of the Series F redeemable preferred stock converted 750 and 2 of those preferred shares, respectively. Accordingly, they were paid stock dividends of 165,220 and 240 shares, respectively, of common stock on the converted shares.

As the conversion prices of the Series E, F, M and N preferred stock at issuance were less than the market price of the Company's common stock, the Company recognized deemed preferred stock dividends at issuance, which increases the loss attributable to common shareholders in the calculation of basic and diluted net loss per common share. The deemed dividends are implied only and do not represent future obligations to pay a dividend.

The deemed preferred stock dividends on the Series N preferred stock were calculated as the difference between the conversion price per common share per the Series N agreement and the market price of the common stock on the date the proceeds from the offering were received and/or the debt was exchanged.

The deemed preferred stock dividends on Series E and Series F convertible cumulative redeemable preferred stock equal the sum of the difference between the conversion price per common share per the agreements and the market price of the common stock as of the date the agreements were finalized and the difference between the fair value of the Series F redeemable preferred stock issued and the carrying value of the Series E stock at the date of redemption.

The deemed preferred stock dividend on Series M convertible cumulative redeemable preferred stock is calculated as the difference between the conversion price per common share per the agreement and the market price of the common stock as of the date the agreement was finalized, plus the fair value of the warrants issuable in connection with the preferred stock investment.

NOTE 3 - NET LOSS PER SHARE, CONTINUED

Potential common shares that were not included in the computation of diluted EPS because they would have been anti-dilutive are as follows as of December 31:

	1999	1998	1997
Assumed conversion of Series C preferred stock	808,248	1,057,224	2,759,016
Assumed conversion of Series D preferred stock	-	-	383,108
Assumed conversion of Series F redeemable preferred stock	1,105,169	4,909,091	-
Assumed conversion of Series M redeemable preferred stock	5,951,795	5,951,795	4,400,000
Assumed conversion of Series N preferred stock	7,270,463	-	-
Assumed conversion of convertible debt	4,931,226	3,820,954	-
Assumed exercise of warrants issued on conversion of convertible debt	5,000,000	5,000,000	-
Assumed exercise of options and warrants to purchase shares of common stock	41,945,091	30,265,670	20,998,872
	67,011,992	51,004,644	28,540,996

As of December 31, 1999, Winter Harbor, the sole holder of Series M redeemable preferred stock, held warrants, exercisable at any time, for the purchase of up to 28,540,000 shares of common stock. In addition, should Winter Harbor elect to exchange its $7.768 million in promissory notes into additional shares of Series M redeemable preferred stock, it is entitled to receive additional warrants to purchase 5,000,000 shares of common stock. The exercise prices of all of such warrants varied at the time of their respective issuance, however, all are subject to adjustment downward to equal the price at which new shares of common stock are issued or to equal the market price of common stock in the event the common stock market price is below the original exercise price at the time of exercise. The current exercise price of all Winter Harbor warrants is $2.033.

NOTE 4 - DISCONTINUED OPERATIONS

On March 23, 1998, the Company's Board of Directors approved a plan to dispose of the Company's medical services businesses in order to focus its efforts on the sale of telecommunication services and technology licensing. The Company has sold essentially all of the fixed assets, with the proceeds being used to satisfy outstanding obligations of the medical services subsidiaries. During 1998, the Company received $310,000 from the sale of assets from the medical services subsidiaries. In January 1999, the Company sold additional assets for $15,000 and a note receivable of $35,000. In March 2000, the Company sold the remaining assets and settled the outstanding liabilities of the China operations and received net proceeds of $150,000. The Company continues to collect on the outstanding receivables from the discontinued operations and will use the proceeds to settle the remaining obligations of the discontinued entities. As of December 31, 1999, there are no revenue generating activities remaining from the medical services operations. On-going administrative costs include fees associated with collecting outstanding accounts receivable and oversight of the final close out procedures. These anticipated costs have been accrued for as part of the expected ultimate loss on disposal.

The Company recorded an additional loss from discontinued operations in 1999 in the amount of $500,000. The Company has experienced unexpected delays in disposing of the remaining non-operating assets, including certain assets located in China. Additionally, the Company's best estimate of proceeds from the remaining assets is expected to be less than originally estimated by management. As the remaining asset disposals have not occurred as expected, during 1999 the Company revised its best estimate of the ultimate loss on disposal and related on-going administrative costs and accordingly recorded the additional estimated loss of $500,000.

The results of the medical services operations have been classified as discontinued operations for all periods presented in the Consolidated Statements of Operations. The assets and liabilities of the discontinued operations have been classified in the Consolidated Balance Sheets as "Net assets or Net Liabilities - discontinued operations". Discontinued operations have also been segregated for all periods presented in the Consolidated Statements of Cash Flows.

NOTE 4 - DISCONTINUED OPERATIONS, CONTINUED

Net assets (liabilities) of the Company's discontinued operations (excluding intercompany balances, which have been eliminated against the net equity of the discontinued operations) are as follows:

	1999	1998
Assets:		
Current assets:		
Cash and cash equivalents	$ 45,274	$ 57,924
Accounts receivable	391,590	941,508
Inventory	555,291	555,291
Other	33,233	15,217
Total current assets	1,025,388	1,569,940
Furniture, fixtures and equipment, net	37,850	363,345
Other non-current assets	854	6,230
Total assets	1,064,092	1,939,515
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	905,060	1,070,396
Notes payable, current portion	141,661	241,661
Total current liabilities	1,046,721	1,312,057
Note payable	100,000	-
Other liabilities	-	210,087
Total liabilities	1,146,721	1,522,144
Net assets (liabilities) - discontinued operations	$ (82,629)	$ 417,371

Revenues of the discontinued operations were $337,268, $1,445,376 and $2,309,099 for 1999, 1998 and 1997, respectively. The net assets (liabilities) of the discontinued operations as of December 31, 1999 are shown as current in the consolidated balance sheet as it is anticipated the remaining assets and liabilities of the medical services businesses will be sold or settled during 2000.

NOTE 5 - CERTIFICATES OF DEPOSIT - RESTRICTED

As of December 31, 1999, the Company has $129,636 in restricted certificates of deposit (CDs). The CDs collateralize certain facilities lease agreements. All of the CDs are held in escrow and bear interest, which is paid to the Company. During 1999, restricted CDs totaling $412,649 were released to the Company in accordance with the lease agreements. Of the remaining CDs held in escrow, $53,500 will be released to the Company during 2000 and are classified as a current asset in the consolidated balance sheet.

NOTE 6 - FURNITURE, FIXTURES, EQUIPMENT AND SOFTWARE

CONTINUING OPERATIONS

Furniture, fixtures, equipment and software relating to continuing operations consisted of the following at December 31:

	1999	1998
Telecommunications network equipment	$ 7,749,939	$ 4,558,946
Furniture, fixtures and office equipment	3,459,911	2,430,663
In-process system development costs	-	2,284,574
Software and information systems	745,104	351,728
	11,954,954	9,625,911
Less accumulated depreciation and amortization	(4,935,593)	(2,363,130)
	$ 7,019,361	$ 7,262,781

Included in telecommunications network equipment are $3,907,312 and $1,730,215 in assets acquired under capital lease at December 31, 1999 and 1998, respectively. Accumulated amortization on these leased assets was $1,671,657 and $538,954 at December 31, 1999 and 1998, respectively.

During 1998, the Company contracted with an outside consulting firm to develop a billing and operations information system and capitalized as a component of furniture, fixture, equipment and software $2,284,574 in costs (including amounts in accounts payable at December 31, 1998 of $437,286) associated with this in-process system development. The Company continually evaluated the functionality and progress of the in-process system development. In May 1999, the Company's management and its Board of Directors concluded that the new system would not significantly enhance the Company's existing billing and information systems, would not meet its ultimate needs and had no alternative future use and accordingly did not justify paying additional billed and contracted expenses of approximately $1,000,000. Negotiations to discontinue work under the contract were concluded in May 1999, with the consulting company forgoing any future payments on the project while retaining amounts paid to date of $1,847,288. Accordingly, the Company recorded, effective March 31, 1999, a write-down of capitalized software costs on the in-process system development of **$1,847,288**.

DISCONTINUED OPERATIONS

Furniture, fixtures and equipment relating to discontinued operations consisted of the following at December 31:

	1999	1998
Medical services equipment	$ 66,082	$ 836,885
Furniture, fixtures and office equipment	46,755	383,269
	112,837	1,220,154
Less accumulated depreciation	(74,987)	(856,809)
	$ 37,850	$ 363,345

NOTE 7 - INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	1999	1998
Acquired technology	$ 1,450,000	$ [illegible]
Excess acquisition cost over fair value of net assets acquired	11,072,138	[illegible]
Other intangible assets	1,228,200	[illegible]
	13,750,338	[illegible]
Less accumulated amortization	(7,198,885)	[illegible]
	$ 6,551,453	$ [illegible]

NOTE 8 - LONG-TERM DEBT

CONTINUING OPERATIONS

Long-term debt relating to continuing operations, the carrying value of which approximates market, consists of the following at December 31:

	1999	1998
Note payable to a service provider, interest at 7.0%, due on demand	$ 742,624	$ 987,301
Notes payable to prior owners of MiBridge, interest at 8.0%, payable in quarterly installments of $250,000, collateralized by common stock of MiBridge	-	500,000
Note payable to Winter Harbor, payable April 15, 2001, interest at prime plus four percent (12.50% at December 31, 1999)	7,768,000	7,768,000
Bridge note payable to Winter Harbor, interest at prime plus four percent, increasing to prime plus seven percent, principal balance due October 31, 1999, net of debt discount of $904,574	-	2,937,138
Note payable to a finance company, interest at 4.60%, payable in monthly installments of $5,051	5,036	59,130
Other	4,000	4,000
	8,519,660	12,255,569
Less current portion	(751,660)	(4,487,569)
Long-term debt, less current portion	$ 7,768,000	$7,768,000

During 1998, the Company obtained an aggregate of $7,768,000 in new interim debt financing from Winter Harbor, L.L.C. As consideration for Winter Harbor's commitment to make the loan, the Company agreed to issue 6,740,000 warrants to purchase common stock of the Company at exercise prices ranging from $5.50 to $7.22 (subsequently reset to $2.033) based upon 110% of the closing price of the common stock on the day loan funds were advanced. The warrants have exercise periods of 7.5 years from issuance. The Company also agreed to extend the exercise period on all warrants previously issued to Winter Harbor (10,800,000) to seven and one-half years. Pursuant to the terms of the loan agreement with Winter Harbor, the initial borrowings of $5,768,000 were payable upon demand by Winter Harbor no earlier than May 15, 1998, and were collateralized by essentially all of the assets of the Company's subsidiaries. As the loan was not repaid by May 15, 1998, the total loan, including additional borrowings of $2,000,000 obtained in the second quarter, continued on a demand basis with interest accruing at prime plus four percent. On April 15, 1999, Winter Harbor agreed that it would not demand payment under the notes prior to April 15, 2000 and in April 2000 agreed to extend the due date of the principal and accrued interest to April 15, 2001. Additionally, Winter Harbor has the right at any time until the loan is repaid to elect to convert the unpaid balance of the loan into additional shares of the Company's Series M redeemable preferred stock and receive an additional 5,000,000 warrants to purchase common stock of the Company at an exercise price of $2.033 per share.

During 1998, the Company recorded $7,274,000 as a discount against the $7,768,000 Winter Harbor debt representing the relative fair value attributed to the warrants, the change of the exercise period on prior warrants and the equity instruments associated with the assumed conversion of the debt into equity. The debt discount was amortized over the original terms of the respective borrowings.

Accrued and unpaid interest on the $7,768,000 Winter Harbor debt is included in long-term liabilities on the consolidated balance sheet and totaled $1,345,801 and $414,000 at December 31, 1999 and 1998, respectively.

NOTE 8 - LONG-TERM DEBT, CONTINUED

On January 15, 1999, I-Link finalized an agreement that had been negotiated in November 1998 with Winter Harbor for additional financing. The financing arrangement consisted of an $8,000,000 bridge loan facility (Bridge Loan) and a $3,000,000 standby letter of credit to secure additional capital leases of equipment and telephone lines relative to the expansion of the Company's telecommunications network. As of December 31, 1998, the amount borrowed under the Bridge Loan was $3,841,712. During 1999, the Company made additional borrowings under the Bridge Loan totaling $4,158,288. Amounts outstanding under the Bridge Loan were originally due on October 31, 1999. In July 1999, the Company exercised its right to exchange the $8,000,000 in outstanding notes payable along with accrued interest for Series N preferred stock (see Note 13).

As additional consideration for making the $8,000,000 Bridge Loan and $3,000,000 standby letter of credit, the Company granted warrants to purchase common stock to Winter Harbor. Initially, Winter Harbor received one warrant for every $10 borrowed from Winter Harbor. On April 14, 1999, the shareholders voted to approve a plan of financing which included issuing 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit if the Company did not repay the bridge loan on April 26, 1999. As the loan was not repaid by April 26, 1999, the number of warrants increased in total to 10 warrants for every $10 borrowed. The warrants have a 7.5 year exercise period with an exercise price of the lower of (a) $2.78, (b) the average trading price for any 20 day period subsequent to the issuance of the warrants, (c) the price at which new shares of common stock or common stock equivalents are issued, or (d) the exercise price of any new options, warrants, preferred stock or other convertible security. As of December 31, 1999, the exercise price is $2.033 and is subject to a $1.25 floor.

The Company has recorded $3,253,196 (of which $2,220,563 was recorded in 1999) as a discount against borrowings on the $8,000,000 Bridge Loan representing the relative fair value attributed to the Bridge Loan warrants. The debt discount was being amortized over the term of the Bridge Loan. As the $8,000,000 loan was exchanged for Series N preferred stock in 1999, the debt discount has been fully amortized. In addition, the Company recorded $735,720 as debt issuance costs related to obligations under certain capital leases guaranteed by the Winter Harbor letter of credit representing the fair value of the warrants associated with the letter of credit warrants. The debt issuance costs are being amortized over the term of the lease agreements.

On April 15, 1999, the Company entered into a new financing agreement with Winter Harbor. Winter Harbor agreed to loan to the Company up to $4 million under a note originally due September 30, 1999. In July 1999, the Company exercised its right to exchange the loan for Series N preferred Stock.

On June 6, 1997, the Company entered into a term loan agreement and promissory note with Winter Harbor pursuant to which Winter Harbor agreed to loan to the Company the principal sum of $2,000,000 for capital expenditure and working capital purposes. As further consideration for Winter Harbor's commitment to make the loan, the Company granted to Winter Harbor a warrant to purchase up to 500,000 shares of common stock of the Company at a purchase price of $4.97 (subsequently reset to $2.033) per share, subject to adjustment, pursuant to the terms of a warrant agreement between the parties. The loan warrant expires on March 11, 2002, and contains demand and piggyback registration rights and customary anti-dilution terms.

In August 1997, the Company amended the existing note allowing for additional borrowings of up to $3,000,000, for an aggregate borrowing of $5,000,000. The incremental borrowings under this amendment had a maturity date of February 15, 1998. The Company issued 300,000 warrants at the then current market price (originally $6.38 per share, but subsequently reset to $2.033) in connection with the additional borrowings. All other provisions of the additional borrowings are the same as the note discussed above.

The entire amount of these two loans ($5.0 million) was exchanged for Series M redeemable preferred stock on October 10, 1997 (see Note 13). A portion of the proceeds received was allocated based upon the relative fair value of the warrants issued in connection with these loans and reflected as a debt discount of $2,371,575, which was amortized to expense in 1997.

NOTE 8 - LONG-TERM DEBT, CONTINUED

DISCONTINUED OPERATIONS

The note payable relating to discontinued operations, the carrying value of which approximates market, consists of a note payable to a finance company totaling $241,661 at December 31, 1999 and 1998. The note bears interest at 15% with quarterly principal and interest payments beginning April 1, 2000. The note is collateralized by the accounts receivable and general assets of the discontinued operations.

NOTE 9 - COMMITMENTS UNDER LONG-TERM LEASES

The Company leases a variety of equipment, fiber optics and facilities used in its operations. The majority of these lease agreements are with three creditors. During 1998, Winter Harbor obtained on behalf of the Company a letter of credit totaling $3,000,000 to guarantee payment on a new lease agreement providing for equipment purchases of up to $3,000,000. As of December 31, 1999 and 1998, the Company had acquired $3,000,000 and $1,144,066 in assets under this lease, respectively.

Agreements classified as operating leases have terms ranging from one to six years. The Company's rental expense for operating leases was approximately $3,270,000, $2,900,000 and $2,850,000 for 1999, 1998 and 1997, respectively. Future minimum rental payments required under non-cancelable capital and operating leases with initial or remaining terms in excess of one year consist of the following at December 31, 1999:

	Capital Leases	Operating Leases
Year ending December 31:		
2000	$ 1,658,000	$2,880,000
2001	282,000	2,662,000
2002	197,000	625,000
2003	197,000	515,000
2004	16,000	284,000
Thereafter	-	-
Total minimum payments	2,350,000	$6,966,000
Less amount representing interest	(424,319)	
Present value of net minimum lease payments	1,925,681	
Less current portion	(1,380,957)	
Long-term obligations under capital leases	$ 544,724	

In January 1999, the Company entered into an agreement with a national carrier to lease local access spans. The three-year agreement includes minimum usage commitments of $1,512,000 during the first year and $2,160,000 in the second and third years. If the Company were to terminate the agreement early, it would be required to pay 25 percent of any remaining second and third year minimum monthly usage requirements.

NOTE 10 - ACQUISITION OF SUBSIDIARIES

FAMILY TELECOMMUNICATIONS INCORPORATED

On January 13, 1997, pursuant to the terms of a Share Exchange Agreement, the Company acquired 100% of the outstanding stock of Family Telecommunications Incorporated (FTI), a Utah corporation, from the stockholders of FTI, namely Robert W. Edwards, Jr. and Jerald L. Nelson. John W. Edwards, a Director and Chief Executive Officer of the Company, and Robert W. Edwards, Jr., the principal shareholder of FTI, are brothers. The consideration ($2,415,000) for the transaction consisted of an aggregate of 400,000 shares of the Company's common stock.

NOTE 10 - ACQUISITION OF SUBSIDIARIES, CONTINUED

The acquisition has been accounted for using the purchase method of accounting. FTI is a FCC licensed long-distance carrier and provider of telecommunications services. FTI has been renamed "I-Link Communications, Inc."

The net purchase price was allocated to the tangible net liabilities of $135,000 (based on their fair market value) with the excess acquisition cost over fair value of assets acquired of $2,550,000 allocated to intangible assets. The intangible assets are being amortized over periods ranging between three and ten years. The fair values of assets acquired and liabilities assumed in conjunction with this acquisition were as follows:

Current assets (including cash of $435,312)	$1,740,000
Tangible long-term assets	1,166,000
Intangible long-term assets	2,550,000
Current liabilities	(1,330,000)
Long-term liabilities	(1,711,000)
Net purchase price	$2,415,000

MIBRIDGE, INC.

In 1997, the Company completed its acquisition of 100% of the outstanding stock of MiBridge, Inc. (MiBridge). The consideration ($8,250,000) for the transaction consisted of: (1) an aggregate of 1,000 shares of Series D preferred stock, which preferred stock is convertible into such a number of common shares as shall equal the sum of $6,250,000 divided by the lower of $9.25 or the average closing bid price of the Company's common stock for the five consecutive trading days immediately preceding the conversion date and (2) a note payable in the amount of $2,000,000 payable in cash in quarterly installments over two years. The acquisition was accounted for using the purchase method of accounting. MiBridge is the owner of patent and patent-pending audio-conferencing technology.

The acquisition cost of $8,250,000 (representing the fair value of the common stock into which the 1,000 shares of Series D preferred stock can be converted and the $2,000,000 note payable) was allocated, based on their estimated fair values, to tangible net assets ($552,760) acquired technology ($1,450,000), acquired in-process research and development ($4,235,830), employment contracts for the assembled workforce ($606,000) and excess acquisition cost over fair value of net assets acquired ($1,405,410). These assets are being amortized over three years, with the exception of the excess acquisition cost over fair value of net assets acquired which is being amortized over five years. Acquired in-process research and development was expensed upon acquisition, as the research and development had not reached the requirements for technological feasibility at the closing date. The fair value of assets acquired in conjunction with this acquisition were as follows:

Current assets (including cash of $79,574)	$ 534,074
Current liabilities	(54,473)
Tangible long-term assets	73,159
Intangible long-term assets	3,461,410
In-process research and development	4,235,830
Net purchase price	$8,250,000

NOTE 11 - INCOME TAXES

The Company recognized no income tax benefit from its losses in 1999, 1998 and 1997.

The reported benefit from income taxes varies from the amount that would be provided by applying the statutory U.S. Federal income tax rate to the loss from continuing operations before taxes for the following reasons:

	1999	1998	1997
Expected federal statutory tax benefit	$(8,384,158)	$ (9,505,747)	$ (10,151,958)
Increase (reduction) in taxes resulting from:			
State income taxes	(553,452)	(734,464)	(360,059)
Foreign loss not subject to domestic tax	353,083	-	-
Non-deductible interest on certain notes	2,473,160	2,516,700	915,136
Non-deductible intangible assets from acquisitions	-	-	5,561,039
Exercise of stock options issued for services	(60,428)	(583,743)	(47,998)
Change in valuation allowance	5,719,844	8,301,669	4,069,760
Other	451,951	5,585	14,080
	$ -	$ -	$ -

At December 31, 1999, the Company had net operating loss carryforwards for both federal and state income tax purposes of approximately $58,600,000. The net operating loss carryforwards will expire between 2006 and 2020 if not used to reduce future taxable income.

The components of the deferred tax asset and liability as of December 31, 1999 and 1998 are as follows:

	1999	1998
Deferred tax assets:		
Tax net operating loss carryforwards	$21,851,952	$17,267,294
Acquired in-process research and development And intangible assets	2,381,880	1,714,785
Amortization of deferred compensation on stock options	1,730,901	1,352,226
Reserve for loss on disposal of discontinued operations	54,370	138,235
Reserve for accounts receivable and inventory valuation	623,897	693,338
Accrued officers wages	134,910	235,969
Accrued vacation	48,490	-
Other	37,187	37,187
Valuation allowance	(26,708,116)	(20,988,271)
Total deferred tax asset	155,471	450,763
Deferred tax liability:		
Excess tax depreciation and amortization	(155,471)	(450,763)
Total deferred tax liability	(155,471)	(450,763)
Net deferred tax asset	$ -	$ -

The valuation allowance at December 31, 1999 and 1998 has been provided to reduce the total deferred tax assets to the amount which is considered more likely than not to be realized, primarily because the Company has not generated taxable income from its business communications services. The change in the valuation allowance is due primarily to the increase in net operating loss carryforwards. It is at least reasonably possible that a change in the valuation allowance may occur in the near term.

NOTE 12 - LEGAL PROCEEDINGS

On February 25, 2000, JNC Opportunity Fund, Ltd. ("JNC"), the sole holder of the Company's Series F preferred shares, filed suit against the Company in U.S. District Court in New York seeking to require the Company to redeem for cash its remaining Series F preferred shares. The controversy arose as a result of the failure of the Company's shareholders at a special shareholders' meeting held February 11, 2000, to approve the further conversion of Series F preferred shares at a conversion price below the market price for the Company's common shares as calculated on the original date of issuance of the Series F preferred shares ("below-market conversions"). The terms of the Series F preferred shares require shareholder approval for below-market conversions where any such further conversions would cause the aggregate number of common shares obtained upon below-market conversions of the Series F preferred shares to attain or exceed 20% of the total number of common shares outstanding on the original date of issuance of the Series F Preferred shares. At the February 11, 2000 Special Shareholders' Meeting, approximately 64% of the total votes cast were voted by Winter Harbor, LLC, the Company's largest equity holder, who voted against such approval. On March 10, 2000 the Company and JNC entered into a settlement and release agreement. Pursuant the settlement, the Company agreed to issue 531,968 shares of the company's common stock immediately, representing conversion of all remaining Series F shares outstanding at a conversion price equal to the market price of the Company's common shares on the original date of issuance of the Series F preferred shares. These settlement shares are subject to certain provisions restricting the amount that can be sold by JNC on any given trading day, and prohibiting any short sales of the Company's stock either directly or indirectly by JNC. In full settlement of all other claims for cash redemption of the Series F preferred shares, the Company also agreed to issue an additional 790,000 registered shares (increasing at 8.25 percent from February 1, 2000 until issued) (the "Additional Shares") of the Company's common stock (subject to the same sale restrictions) upon shareholder approval. As part of the settlement agreement, Winter Harbor, LLC agreed to vote all of its shares in favor of such approval. The Company will proceed immediately to hold a special shareholders meeting to request approval of the issuance of the additional 790,000 common shares. In addition to the "Additional Shares", the Company would be subject to other penalties to be paid in common shares (the "Late Shares") in the event the common shares are not issued by May 24, 2000. Further, if the Company fails to deliver any of the above shares by May 24, 2000, the Company must issue additional Late Shares ("Additional Late Shares") equal to the number of the Late Shares times a fraction the numerator of which equals the number of days from May 24, 2000 to the actual date of issuance of such undelivered shares and the denominator of which is 30. In the event that the common shares are not issued by May 23, 2000 (or June 28, 2000 in the event the Company has received a registration comment letter related to the registration of such shares prior to May 24, 2000), upon written notice from JNC, the Company would be required to pay JNC (in lieu of delivering the shares) the amount determined by multiplying the higher of the average closing share price of the common stock for the ten trading day period ending on the deadline (May 24 or June 28, 2000 as applicable) or the notice date by the number of undelivered shares.

The Company is also involved in litigation relating to claims arising out of its operations in the normal course of business, none of which is expected, individually or in the aggregate, to have a material adverse affect on the Company.

NOTE 13 - STOCKHOLDERS' EQUITY

PREFERRED STOCK

The Company's Articles of Incorporation provide for up to 240,000 shares of preferred stock as Series C Convertible Cumulative preferred stock (the "Series C preferred stock"). The Series C preferred stock has a par value of $10 per share and holders are entitled to receive cumulative preferential dividends equal to 8% per annum of the liquidation preference per share of $60.00. Unless previously redeemed, the Series C preferred stock is convertible into 24 shares of the Company's common stock ("Conversion Shares") at the option of the holder (subject to certain anti-dilution adjustments). The Series C preferred stock is redeemable at any time prior to September 6, 2000, at the option of the Company at a redemption price equal to $60 per share plus accrued and unpaid dividends, provided (i) the Conversion Shares are covered by an effective registration statement; and (ii) during the immediately preceding thirty (30) consecutive trading days ending within fifteen (15) days of the date of the notice of redemption, the closing bid price of the Company's common stock is not less than $8.00 per share. The Series C preferred stock is redeemable at any time after September 6, 2000, at the option of the Company at a

NOTE 13 - STOCKHOLDERS' EQUITY, CONTINUED

redemption price equal to $90 plus accrued and unpaid dividends, provided the Conversion Shares are covered by an effective registration statement or the Conversion Shares are otherwise exempt from registration. During the years ending December 31, 1999 and 1998, 10,374 and 70,908 shares, respectively, of Series C preferred stock were converted into common shares. At December 31, 1999 and 1998, 33,677 and 44,051 Series C preferred shares were outstanding.

In August 1997, the Company completed its acquisition of MiBridge. As partial consideration for 100 percent of the outstanding stock of MiBridge, the Company agreed to issue 1,000 shares of Series D preferred stock to the prior owners of MiBridge. The Series D preferred shares were issued in October 1997. During the years ending December 31, 1998 and 1997, 567 and 433 shares, respectively, of Series D preferred stock were converted into a total of 1,092,174 shares of common stock and as of December 31, 1999 and 1998 there were no Series D preferred shares outstanding.

On October 10, 1997, the Company closed an agreement with Winter Harbor pursuant to which Winter Harbor invested $12,100,000 in a new series of the Company's convertible preferred stock. Winter Harbor purchased approximately 2,545 shares of Series M redeemable Preferred Stock, originally convertible into approximately 2,545,000 shares of common stock, for an aggregate cash consideration of approximately $7,000,000 (equivalent to $2.75 per share of common stock). The agreement with Winter Harbor also provided for the purchase of approximately 1,855 additional shares of Series M redeemable preferred stock, originally convertible into approximately 1,855,000 shares of common stock. Such additional shares of Series M redeemable preferred stock were paid for by Winter Harbor exchanging $5,000,000 in outstanding notes payable and accrued interest of approximately $100,000. As additional consideration for its equity investment in Series M redeemable preferred stock, Winter Harbor was issued additional warrants by the Company to acquire 10,000,000 shares of common stock. The exercise price on each of the warrants has subsequently been reset to $2.033 (see Note 3). All of the warrants have demand registration rights and anti-dilution rights and contain cashless exercise provisions.

The Series M redeemable preferred stock is entitled to receive cumulative dividends in the amount of 10% per annum before any other Series of preferred (other than Series F) or common stock receives any dividends. Thereafter, the Series M redeemable preferred stock participates with the common stock in the issuance of any dividends on a per share basis. The Series M redeemable preferred stock will have the right to veto the payment of dividends on any other class of stock. The Series M redeemable preferred stock is convertible at any time prior to the fifth anniversary of its issuance, at the sole option of Winter Harbor, and automatically converts at that date if not converted previously.

If automatically converted on the fifth anniversary, the conversion price will be the lower of the reset conversion price of $2.033 per share or 50% of the average closing bid price of the common stock for the ten trading days immediately preceding the conversion date.

The basis for discretionary conversion, or the conversion price for automatic conversion, shall be adjusted upon the occurrence of certain events, including without limitation, issuance of stock dividends, recapitalization of the Company or the issuance of stock by the Company at less than the fair market value thereof. During December 31, 1999, the conversion price of the Series M redeemable preferred stock was reduced to $2.033 as a result of shares of Series F preferred shares being converted at that price. The Series M redeemable preferred stock will vote with the common stock on an as-converted basis on all matters which are submitted to a vote of the stockholders, except as may otherwise be provided by law or by the Company's Articles of Incorporation or By-Laws; provided, however, that the Series M redeemable preferred stockholders will have the right to appoint two members of the Company's board of directors. Furthermore, the Series M redeemable preferred stockholders shall have the right to be redeemed at fair market value in the event of a change of control of the Company, shall have preemptive rights to purchase securities sold by the Company, and shall have the right to preclude the Company from engaging in a variety of business matters without the concurrence of Winter Harbor, including without limitation: mergers, acquisitions and disposition of corporate assets and businesses, hiring or discharging key employees and auditors, transactions with affiliates, commitments in excess of $500,000, the adoption or settlement of employee benefit plans and filing for protection from creditors. As of December 31, 1999, all 4,400 shares of the Company's Series M redeemable preferred stock remain issued and outstanding.

Because the above redemption provisions are not entirely within the control of the Company, the Series M redeemable preferred stock is presented as a separate line item above stockholders' deficit.

NOTE 13 - STOCKHOLDERS' EQUITY, CONTINUED

On July 9, 1998 the Company obtained a $10 million equity investment, net of $530,000 in closing costs, from JNC Opportunity Fund Ltd. ("JNC"). Under the original terms of the equity investment, JNC purchased 1,000 shares of the Company's newly created 5% Series E convertible preferred stock, which were convertible into the Company's common shares at a conversion price of the lesser of 110% of the market price of the Company's publicly traded common shares as of the date of closing, and 90% of a moving average market price at the time of conversion. In addition, JNC obtained a warrant to purchase 250,000 shares of the Company's common stock at an exercise price of $5.873 (equal to 120% of the market price of the Company's publicly traded common shares as of the date of closing).

On July 28, 1998, the terms of the JNC equity investment were amended to provide a floor to the conversion price, and to effect the amendment the Company created a 5% Series F convertible preferred stock for which the Series E preferred shares originally issued to JNC were exchanged one for one. Pursuant to the amendment, the Series F preferred shares were originally convertible into common shares at a conversion price of the lesser of $4.00 per common share or 87% of the moving average market price of the Company's common shares at the time of conversion, subject to a $2.50 floor. The Series F preferred shares provide for adjustments in the initial conversion price and as of December 31, 1998 the conversion price had been adjusted to the lesser of $3.76 or 81% of a moving average market price of the Company's common shares at the time of conversion. In the event the market price remains below $2.50 for five consecutive trading days, the floor will be re-set to the lower rate, provided, however, that the floor shall not be less than $1.25. As of December 31, 1999, the floor had been reset to $2.033. JNC also received an additional warrant to purchase 100,000 shares of the Company's common stock at an exercise price of $4.00 per common share. The Series F preferred shares were convertable at any time, or would be automatically converted at the end of three years, and were subject to specific provisions that would prevent any issuance of I-Link common stock at a discount if and to the extent that such shares would equal or exceed in the aggregate 20 percent of the number of common shares outstanding on July 9, 1998, absent shareholder approval as contemplated by the Nasdaq Stock Market Non-Quantitative Designation Criteria.

JNC may not convert shares of Series F redeemable preferred stock (or receive related dividends in common stock) to the extent that the number of shares of common stock beneficially owned by it and its affiliates after such conversion or dividend payment would exceed 4.999% of the issued and outstanding shares following such conversion. This limitation applies to the number of shares of common stock held at any one time and does not prevent JNC from converting some of its shares of Series F redeemable preferred stock, selling the common stock received, then, subject to the aforementioned limitation, converting additional shares of Series F redeemable preferred stock. The 4.999% limitation may be waived by JNC upon 75 days notice to the Company. See "Note 12 - Legal Proceeding" for additional information relating to the Series F preferred stock and settlement with JNC.

In certain instances, including a change in control of the Company in excess of 33% and if the Company's common stock is not listed on NASDAQ or a subsequent market or is suspended for more than three non-consecutive trading days, the holders of the Series F preferred stock may require that the Company redeem their Series F preferred stock. Because these redemption provisions are not entirely within the control of the Company, the Series F preferred stock is presented as a separate line item above stockholders' deficit as of December 31, 1999.

In addition, the Company issued warrants to purchase 75,000 shares of the Company's common stock at a price of $4.89 per share to two individuals as a brokerage fee in connection with the JNC equity investment.

During 1999 and 1998, JNC converted 750 and two shares of Series F redeemable preferred stock into 3,518,051 and 10,004 shares of common stock, respectively. In addition, during 1999 and 1998, JNC was paid a stock dividend of 165,220 and 240 shares of common stock on the converted shares. As of December 31, 1999, 248 shares of Series F redeemable preferred stock remain issued and outstanding.

On July 23, 1999, the Company completed its offering of 20,000 shares of Series N preferred stock. The offering was fully subscribed through cash subscriptions and the Company exercising its rights to exchange notes payable to Winter Harbor of $8.0 million and $4.0 million, plus accrued interest. In total the Company received $7,281,086 in cash (before expenses of $486,679) and exchanged $12,718,914 in debt and accrued interest. The Series N conversion price was initially set at $2.78, but may be adjusted to the lowest of: (1) 110% of the average trading price for any 20 day period following the date that Series N preferred stock is first issued; (2) the price at which any new common stock or common stock equivalent is issued;

NOTE 13 - STOCKHOLDERS' EQUITY, CONTINUED

(3) the price at which common stock is issued upon the exercise or conversion of any new options, warrants, preferred stock or other convertible security; (4) the conversion price of the Series F preferred; and (5) a conversion price floor of $1.25. The Series N preferred stock votes with the common stock on an as converted basis and is senior to all other preferred stock of the Company, except that the Series N preferred stock will in all rights be equal in seniority to the already outstanding Series F preferred stock. Dividends will be paid on an as converted basis equal to common stock dividends.

During 1999, holders of the Series N preferred stock converted 3,685 of those shares into 1,413,369 shares of common stock at conversion prices ranging between $2.78 and $2.033.

As the conversion price of the Series N preferred stock at issuance was less than the market price, the Company recognized a $6,978,417 deemed preferred stock dividend in the third quarter of 1999.

On April 14, 1999, the shareholders approved an amendment to the Articles of Incorporation increasing the authorized common stock from 75,000,000 shares to 150,000,000 shares.

At December 31, 1999, 9,486,500 of the 10,000,000 shares of preferred stock authorized remain undesignated and unissued. Dividends in arrears at December 31, 1999 were $543,408, $179,456 and $2,973,877 for Series C, F and M preferred stock, respectively.

NOTE 14 - STOCK-BASED COMPENSATION PLANS

At December 31, 1999, the Company has several stock-based compensation plans, which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed option plans. On December 13, 1998, the Board of Directors approved a repricing of all options to purchase common stock with exercise prices above $3.90 held by current employees, directors and consultants of the Company. As a result, the exercise price on options to purchase 6,475,000 shares of Common Stock were reduced to $3.90. The options had original exercise prices of between $4.375 and $9.938. All other terms of the various option agreements remained the same. The closing price of the Company's common stock on December 13, 1998 was $2.56.

Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under the plans and based on the incremental fair value associated with the repricing of options consistent with the method outlined by SFAS 123, "Accounting for Stock-Based Compensation", the Company's net loss and loss per share would have been increased to the pro forma amounts indicated as follows:

	1999	1998	1997
Net loss as reported	$ (24,659,288)	$ (27,954,[illegible]	$ (29,858,701)
Net loss pro-forma	$ (33,442,845)	$ (38,[illegible]	$ (37,753,358)
Basic and diluted loss per share as reported	$ (1.57)	$ [illegible]	$ (10.17)
Basic and diluted loss per share pro-forma	$ (1.98)	$ [illegible]	$ (10.84)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 97%, 103% and 100% in 1999, 1998, and 1997, respectively, risk free rates ranging from 4.35% to 6.08%, 4.26% to 5.6[illegible] and 6.02% to 6.88% in 1999, 1998, and 1997, respectively, expected lives of 3 years for each year, and dividend yield of zero for each year.

NOTE 14 - STOCK-BASED COMPENSATION PLANS, CONTINUED

	1999		1998		1997	
	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	30,265,670	$4.54	20,998,872	$4.68	5,761,295	$5.14
Granted	12,138,246	2.18	9,978,671	5.48	15,526,000	4.45
Exercised	(74,280)	2.03	(399,540)	1.71	(79,923)	1.73
Expired	(301,462)	3.59	(145,834)	5.42	(14,584)	6.75
Forfeited	(83,083)	4.13	(166,499)	6.67	(193,916)	5.68
Outstanding at end of year	41,945,091	$2.67	30,265,670	$4.54	20,998,872	$4.68
Options and warrants exercisable at year end	37,074,871		24,479,374		14,873,577	
Weighted-average fair value of options and warrants granted during the year		$2.61		$4.69		$5.78

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

EXERCISE PRICE	OPTIONS AND WARRANTS OUTSTANDING AT 12/31/99	WEIGHTED AVERAGE REMAINING LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/99	WEIGHTED AVERAGE EXERCISE PRICE
$0.875 to $2.450	29,589,065	5.92	$2.03	29,234,732	$2.03
$2.563 to $3.531	2,844,487	7.23	2.76	1,318,736	2.65
$3.563 to $4.250	7,071,539	7 34	3 89	5,821,403	3.90
$4.656 to $7.000	2,440,000	2.96	6.72	700,000	6.37
	41,945,091	6.07	$2.67	37,074,871	$2.43

1997 RECRUITMENT STOCK OPTION PLAN

In October 1997, the shareholders of the Company approved the adoption of the 1997 Recruitment Stock Option Plan which provides for the issuance of incentive stock options, non-qualified stock options and stock appreciation rights (SARs) up to an aggregate of 4,400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events). The price at which shares of common stock covered by the option can be purchased is determined by the Company's Board of Directors; however, in all instances the exercise price is never less than the fair market value of the Company's common stock on the date the option is granted.

As of December 31, 1999, there were incentive stock options to purchase 1,602,709 shares of the Company's common stock and non-qualified stock options to purchase 1,314,167 shares of the Company's common stock outstanding. The outstanding options vest over three years at exercise prices of $2.125 to $4.91 per share. Options issued under the plan must be exercised within ten years of grant and can only be exercised while the option holder is an employee of the Company. The Company has not awarded any SARs under the plan. During 1999 and 1998, options to purchase 126,042 and 228,500 shares of common stock, respectively, were forfeited or expired.

DIRECTOR STOCK OPTION PLAN

The Company's Director Stock Option Plan authorizes the grant of stock options to directors of the Company. Options granted under the Plan are non-qualified stock options exercisable at a price equal to the fair market value per share of common stock on the date of any such grant. Options granted under the Plan are exercisable not less than six months or more than ten years after the date of grant.

NOTE 14 - STOCK-BASED COMPENSATION PLANS, CONTINUED

As of December 31, 1999, options for the purchase of 8,169 shares of common stock at prices ranging from $0.875 to $3.875 per share were outstanding, all of which are exercisable. In connection with the adoption of the 1995 Director Plan, the Board of Directors authorized the termination of future grants of options under the plan; however, outstanding options granted under the plan will continue to be governed by the terms thereof until exercise or expiration of such options.

1995 DIRECTOR STOCK OPTION AND APPRECIATION RIGHTS PLAN

The 1995 Director Stock Option and Appreciation Rights Plan (the "1995 Director Plan") provides for the issuance of incentive options, non-qualified options and stock appreciation rights to directors of the Company. The 1995 Director Plan provides for the grant of incentive options, non-qualified options, and SARs to purchase up to 250,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events).

The 1995 Director Plan also provides for the grant of non-qualified options on a discretionary basis to each member of the Board of Directors then serving to purchase 10,000 shares of common stock at an exercise price equal to the fair market value per share of the common stock on that date. The number of shares granted to each Board member was increased to 20,000 in 1998. In addition, the Board member will receive 5,000 options for each committee membership. Each option is immediately exercisable for a period of ten years from the date of grant. The Company has 190,000 shares of common stock reserved for issuance under the 1995 Director Plan. The Company granted 105,000 options to purchase common shares under this plan in 1997. As of December 31, 1999, options to purchase 170,000 shares of common stock at prices ranging from $1.00 to $1.25 per share are outstanding and exercisable. There were 20,000 options exercised under this plan during 1997 and 40,000 options exercised during 1996. No options were granted or exercised under this plan in 1998 or 1999.

1995 EMPLOYEE STOCK OPTION AND APPRECIATION RIGHTS PLAN

The 1995 Employee Stock Option and Appreciation Rights Plan (the "1995 Employee Plan") provides for the issuance of incentive options, non-qualified options, and SARs.

Directors of the Company are not eligible to participate in the 1995 Employee Plan. The 1995 Employee Plan provides for the grant of stock options which qualify as incentive stock options under Section 422 of the Internal Revenue Code, to be issued to officers who are employees and other employees, as well as non-qualified options to be issued to officers, employees and consultants. In addition, SARs may be granted in conjunction with the grant of incentive options and non-qualified options.

The 1995 Employee Plan provides for the grant of incentive options, non-qualified options and SARs of up to 400,000 shares of common stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events). To the extent that an incentive option or non-qualified option is not exercised within the period of exercisability specified therein, it will expire as to the then unexercisable portion. If any incentive option, non-qualified option or SAR terminates prior to exercise thereof and during the duration of the 1995 Employee Plan, the shares of common stock as to which such option or right was not exercised will become available under the 1995 Employee Plan for the grant of additional options or rights to any eligible employee. The shares of common stock subject to the 1995 Employee Plan may be made available from either authorized but unissued shares, treasury shares or both. The Company has 400,000 shares of common stock reserved for issuance under the 1995 Employee Plan. As of December 31, 1999, options to purchase 280,333 shares of common stock with exercise prices ranging from $1.125 to $3.90 are outstanding under the 1995 Employee Plan. During 1999 and 1998, options to purchase 45,834 and 23,833 shares of common stock were forfeited or expired and during 1997, options to purchase 25,000 shares of common stock were exercised.

OTHER WARRANTS AND OPTIONS

Pursuant to the terms of a Financial Consulting Agreement dated as of November 3, 1994 between the Company and JW Charles Financial Services, Inc., the Company issued a common stock purchase warrant (the "JWC Warrant") covering 250,000 (331,126 as adjusted) shares of common stock to JW Charles Financial Services as partial consideration for its rendering financial consulting services to the Company. The warrant is exercisable at a price of $1.51 per share and expires on November 3, 2001. During 1998, warrants to purchase 165,563 shares of common stock were exercised.

NOTE 14 - STOCK-BASED COMPENSATION PLANS, CONTINUED

In April 1996, the Company approved the issuance of 1,000,000 options to John Edwards at an option price of $7.00 per share (repriced to $3.90 on December 13, 1998) as part of his employment agreement. The options vest over a three-year period and expire in 2006.

On July 1, 1996, the Company approved the issuance of options to purchase 1,500,000 and 500,000 shares of common stock to Clay Wilkes and Alex Radulovic respectively as part of their employment agreements. Each option has an exercise price of $7.00 per share, vesting in 25% increments in the event that the average closing bid price of a share of the Company's common stock for five consecutive trading days exceeds $10, $15, $20 and $25, respectively. Each option becomes exercisable (to the extent vested) on June 30, 1997, vests in its entirety on June 30, 2001 and lapses on June 30, 2002. As of December 31, 1999, 500,000 of the options had vested.

In August 1996, Commonwealth Associates, the Placement Agent for the Company's offering of Series C preferred stock and 8% Convertible Notes, designated Joseph Cohen as its nominee for election to the Board of Directors. The Company issued options to purchase 64,000 shares of common stock to Mr. Cohen, exercisable at the fair market value of the common stock on September 30, 1996 of $5.25 (repriced to $3.90 on December 31, 1998). All options were vested and exercisable as of December 31, 1999 and expire in September 2006. In September 1996, the Company closed a private placement offering of Series C preferred stock. As a result of this transaction, the Company issued warrants to purchase 750,000 shares of common stock at an exercise price of $2.50 per share as compensation to the Placement Agent. These warrants expire on August 20, 2001. During 1999, 1998 and 1997, warrants to purchase 73,050, 46,477 and 34,923 shares of common stock were exercised, respectively.

John Edwards agreed to amend his employment contract on August 21, 1996, which reduced his salary. In consideration of the salary reduction, the Company granted him options, which vested immediately, to purchase 250,000 shares of common stock. The options have a term of 10 years and an exercise price of $4.875 per share (repriced to $3.90 on December 13, 1998) which was based on the closing price of the stock at grant date.

In October 1996 the Company agreed to issue options to purchase 250,000 shares of common stock each to William Flury and Karl Ryser Jr. pursuant to their employment agreements. The options were issued at $4.41 (repriced to $3.90 on December 13, 1998) based on the closing price of the stock at grant date. The options vest quarterly over a three-year period and expire in 2006. As of December 31, 1999, 41,670 options had been forfeited.

During 1996, the Company issued 120,000 warrants to non-employees at $4.00 per share. The warrants expired in 1999.

During 1997, the Company issued options to purchase 1,210,000 share of common stock (210,000 of which were issued under the 1997 recruitment stock option plan) to consultants at exercise prices ranging from $4.875 to $8.438 (repriced to $3.90 on December 13, 1998), which was based on the closing price of the stock at the grant date. The fair value of the options issued was recorded as deferred compensation of $4,757,134 to be amortized over the expected period the services were to be provided. As a result of the repricing, the Company recorded additional deferred compensation expense totaling $262,200 (of which $44,364 and $196,733 was expensed in 1999 and 1998, respectively), representing the incremental fair value of the repriced options over the original options. During 1999, 1998 and 1997, $852,714, $1,157,901 and $2,467,369, respectively, of the deferred compensation was amortized to expense. During 1999 and 1998, options to purchase 16,669 and 60,000, respectively, shares of common stock expired. The remaining options must be exercised within ten years of the grant date.

During 1997, the Company issued non-qualified options to purchase 2,295,000 shares of common stock to certain executive employees at exercise prices ranging from $4.875 to $5.188 (repriced to $3.90 on December 13, 1998), which was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date. During 1999, options to purchase 66,670 shares of common stock were forfeited.

During 1998, the Company issued non-qualified options to purchase 935,000 shares of common stock to certain executive employees at exercise prices ranging from $2.563 to $3.125, which price was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date. During 1999, options to purchase 58,333 shares of common stock were forfeited.

NOTE 14 - STOCK-BASED COMPENSATION PLANS, CONTINUED

During 1999, the Company issued non-qualified options to purchase 655,000 shares of common stock to certain executive employees at exercise prices ranging from $2.50 to $3.563, which price was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date.

During 1999, the Company issued options to purchase 200,000 share of common stock to consultants at an exercise price ranging from $3.00 which was based on the closing price of the stock at the grant date. The fair value of the options issued was recorded as deferred compensation of $300,000 to be amortized over the expected period the services were to be provided. During 1999 $162,500 of the deferred compensation was amortized to expense.

NOTE 15 - SEGMENT OF BUSINESS REPORTING

In 1998, the Company adopted SFAS 131. The prior year's segment information has been restated to present the Company's three reportable segments as follows:

- Telecommunications services - includes long-distance toll services and enhanced calling features such as V-Link. The telecommunications services products are marketed primarily to residential and small business customers.

- Marketing services - includes training and promotional materials to independent sales representatives (IRs) in the network marketing sales channel and WebCentre set-up and monthly recurring fees. Additionally, revenues are generated from registration fees paid by IRs to attend regional and national sales conferences (see Note 17).

- Technology licensing and development - provides research and development to enhance the Company's product and technology offerings. Products developed by this segment include V-Link, C4, and other proprietary technology. The Company licenses certain developed technology to third party users, such as Lucent, Brooktrout and others.

There are no intersegment revenues. The Company's business is conducted principally in the U.S.; foreign operations are not material. The table below presents information about net loss and segment assets used by the Company as of and for the year ended December 31:

	FOR THE YEAR ENDING DECEMBER 31, 1999			
	TELECOMMUNICATION SERVICES	MARKETING SERVICES	TECHNOLOGY LICENSING AND DEVELOPMENT	TOTAL REPORTABLE SEGMENTS
Revenues from external customers	$26,440,000	$3,673,000	2,507,000	$32,620,000
Interest revenue	-	-	-	-
Interest expense	51,000	-	-	51,000
Depreciation and amortization expense	2,128,000	115,000	115,000	2,358,000
Segment loss	(1,818,000)	(2,456,000)	(1,472,000)	(5,746,000)
Other significant non-cash items:				
Amortization of deferred compensation on stock options	163,000	557,000	-	720,000
Provision for doubtful accounts	3,703,000	-	-	3,703,000
Expenditures for segment assets	3,191,000	282,000	282,000	3,755,000
Segment assets	8,423,000	620,000	1,464,000	10,507,000

NOTE 15 - SEGMENT OF BUSINESS REPORTING, CONTINUED

FOR THE YEAR ENDING DECEMBER 31, 1998

	TELECOMMUNICATION SERVICES	MARKETING SERVICES	TECHNOLOGY LICENSING AND DEVELOPMENT	TOTAL REPORTABLE SEGMENTS
Revenues from external customers	$19,635,000	$4,548,000	$1,466,000	$25,649,000
Interest revenue	63,000	-	-	63,000
Interest expense	127,000	-	-	127,000
Depreciation and amortization expense	827,000	30,000	35,000	892,000
Segment loss	(5,258,000)	(1,332,000)	(1,823,000)	(8,413,000)
Other significant non-cash items:				
Amortization of deferred compensation on stock options	-	706,000	-	706,000
Provision for doubtful accounts	3,161,000	-	-	3,161,000
Expenditures for segment assets	1,012,000	46,000	56,000	1,114,000
Segment assets	7,006,000	115,000	883,000	8,004,000

FOR THE YEAR ENDING DECEMBER 31, 1997

	TELECOMMUNICATION SERVICES	MARKETING SERVICES	TECHNOLOGY LICENSING AND DEVELOPMENT	TOTAL REPORTABLE SEGMENTS
Revenues from external customers	$11,081,000	$ 2,637,000	$ 347,000	$14,065,000
Interest expense	118,000	-	-	118,000
Depreciation and amortization expense	596,000	31,000	9,000	636,000
Segment loss	(7,781,000)	(1,687,000)	(765,000)	(10,233,000)
Other significant non-cash items:				
Amortization of deferred Compensation on stock options	-	627,000	-	627,000
Provision for doubtful accounts	1,385,000	-	-	1,385,000
Expenditures for segment assets	925,000	104,000	14,000	1,043,000
Segment assets	5,067,000	99,000	383,000	5,549,000

NOTE 15 - SEGMENT OF BUSINESS REPORTING, CONTINUED

The following table reconciles reportable segment information to the consolidated financial statements of the Company:

	1999	1998	1997
Total interest revenue for reportable segments	$ -	$ 63,000	$ -
Unallocated interest revenue from corporate accounts	179,000	207,000	216,000
	$179,000	$270,000	$216,000
Total interest expense for reportable segments	$ 51,000	$ 127,000	$ 118,000
Unallocated amortization of discount on notes payable	3,361,000	7,405,000	2,372,000
Unallocated interest expense associated with issuance of convertible debt	-	-	320,000
Unallocated interest expense from related party debt	1,571,000	851,000	160,000
Other unallocated interest expense from corporate debt	103,000	21,000	53,000
	$5,086,000	$8,404,000	$3,023,000
Total depreciation and amortization for reportable segments	$2,358,000	$ 892,000	$ 636,000
Unallocated amortization expense from intangible assets	2,894,000	2,894,000	1,627,000
Other unallocated depreciation from corporate assets	231,000	407,000	286,000
	$5 483,000	$4,193,000	$2,549,000
Total segment loss	$(5,746,000)	$(8,413,000)	$(10,233,000)
Unallocated non-cash amount in consolidated net loss:			
Amortization of discount on notes payable	(3,361,000)	(7,405,000)	(2,372,000)
Loss on write-off and disposal of certain assets	(1,847,000)	-	(1,211,000)
Interest expense associated with issuance of convertible notes	-	-	(320,000)
Amortization of deferred compensation on stock options issued for services	(296,000)	(452,000)	(1,840,000)
Amortization of intangible assets	(2,894,000)	(2,894,000)	(1,627,000)
Acquired in-process research and development	-	-	(4,236,000)
Other corporate expenses	(10,016,000)	(8,616,000)	(6,829,000)
	$(24,160.000)	$(27,780,000)	$(28,668,000)
Total amortization of deferred compensation for reportable segments	$ 720,000	$ 706,000	$ 627,000
Unallocated amortization of deferred compensation	296,000	452,000	1,840,000
	$ 1,016,000	$1,158,000	$2,467,000
Expenditures for segment long-lived assets	$3,755,000	$1,114,000	$1,043,000
Unallocated expenditures for development of information systems	-	1,723,000	-
Other unallocated expenditures for corporate assets	703,000	422,000	906,000
	$4,458,000	$3,259,000	$1,919,000
Segment assets	$10,507,000	$ 8,004,000	$ 5,549,[illegible]
Intangible assets not allocated to segments	6,551,000	9,420,000	12,314,[illegible]
Furniture, fixtures and equipment not allocated to segments	1,240,000	1,496,000	1,15[illegible]
Software and information systems not allocated to segments	228,000	2,476,000	[illegible]
Net assets of discontinued operations	-	417,000	[illegible]
Other assets not allocated to segments	3,132,000	2,042,000	[illegible]
	$21,658,000	$23,855,000	$24,[illegible]

NOTE 16 - COMMITMENTS

EMPLOYMENT AND CONSULTING AGREEMENTS

The Company has entered into employment and consulting agreements with a consultant and eight employees, primarily executive officers and management personnel. These agreements generally continue over the entire term unless terminated by the employee or consultant of the Company, and provide for salary continuation for a specified number of months. Certain of the agreements provide additional rights, including the vesting of unvested stock options in the event a change of control of the Company occurs or termination of the contract without cause. The agreements contain non-competition and confidentiality provisions. As of December 31, 1999, if the contracts were to be terminated by the Company, the Company's liability for salary continuation would be approximately $1,450,000.

PURCHASE COMMITMENTS

The Company has commitments to purchase long-distance telecommunications capacity on lines from a national provider in order to provide long-distance telecommunications services to the Company's customers who reside in areas not yet serviced by the Company's dedicated telecommunications network. The Company's minimum monthly commitment is approximately $550,000. The agreement is effective through May 2000. Failure to achieve the minimum will require shortfall payments by the Company equal to 50% of the remaining monthly minimum usage amounts.

In January 1999, the Company entered into an agreement with a national carrier to lease local access spans. The three-year agreement includes minimum usage commitments of $1,512,000 during the first year and $2,160,000 in the second and third years. If the Company were to terminate the agreement early, it would be required to pay 25 percent of any remaining second and third year minimum monthly usage requirements.

In December 1999, the Company entered into an agreement with a national carrier to provide long-distance capacity in order to provide long-distance telecommunications services to the Company's customers who reside in areas not yet serviced by the Company's dedicated telecommunications network. The eighteen-month agreement includes minimum monthly usage commitments of $250,000 beginning in the sixth month of the agreement. Either party may terminate the agreement with 90 days notice.

NOTE 17 - SUBSEQUENT EVENTS

LINE OF CREDIT WITH WINTER HARBOR

On April 13, 2000, Winter Harbor, LLC, agreed to provide I-Link with a line of credit of up to an aggregate amount of $15,000,000. This commitment expires on the earlier of April 12, 2001 or the date I-Link has received net cash proceeds of not less than $15,000,000 pursuant to one or more additional financings or technology sales, as well as licensing or consulting agreements outside the normal and historical course of business. The $15,000,000 aggregate commitment will be reduced by the $1,300,000 (plus accrued interest at 8% per annum) advanced to I-Link in the first quarter of 2000 by Winter Harbor, interest accruing on any other advances under such commitment, as well as any net cash proceeds received by I-Link in the future from additional financings or technology sales as well as licensing or consulting agreements outside the normal and historical course of business. Any amounts outstanding under the loan will be due and payable no later than April 12, 2001. As part of this agreement, I-Link has agreed to use its best effort to consummate as soon as possible one or more additional financings, technology sales or licensing or consulting agreements and to repay amounts outstanding under the loan with any net cash proceeds received by it from any such transaction. The loan from Winter Harbor will bear interest at 12.5% per annum, be secured by substantially all of the assets of I-Link and may be converted into common stock of I-Link, at the option of Winter Harbor, at a fixed conversion price of $8.625 per share. If I-Link has not terminated the commitment and repaid all amounts outstanding thereunder by May 15, 2000, it will issue to Winter Harbor up to 750,000 warrants to purchase I-Link common stock, with the actual number of warrants issued to be equal to the product of 750,000 times a fraction, the numerator of which equals the sum of the outstanding commitment and unpaid balance under the loan on such date and the denominator of which is 15,000,000. The warrants will be exercisable at a fixed strike price of $8.625 per share and expire in five years

NOTE 17 -SUBSEQUENT EVENTS, CONTINUED

STRATEGIC MARKETING AND CHANNEL AGREEMENT WITH BIG PLANET

On February 15, 2000 the Company signed a strategic marketing and channel agreement with Big Planet, a wholly owned subsidiary of Nu Skin Enterprises, Inc. Under terms of the agreement, I-Link's independent network marketing sales force (the IR's) transitioned to Big Planet, and Big Planet was granted the exclusive worldwide rights to market and sell I-Link's products and services through the Network Marketing (sometimes referred to as "Multi-Level") sales channel to residential and small business users. Other I-Link sales channels into the residential, small business, and other markets are unaffected by the agreement with Big Planet. The impact on the results of operations will be a termination of marketing service revenues and marketing service costs effective February 15, 2000. Additionally, telecommunication service revenues will initially decrease as the Company sells its services to the same subscribers but through Big Planet at wholesale prices which will initially reduce telecommunication services revenues by approximately 40%. The reduction in telecommunications service revenues will also be partially offset by a reduction in commissions paid to IRs related to telecommunication services revenues, which accounted for approximately 13% of telecommunication network expense in 1999. However the Company believes the revenue reduction will be temporary and believes that this affiliation with Big Planet will have a positive strategic and overall long-term financial impact to the Company by increasing revenues, reducing expenses and increasing profit margins through new customer subscriptions to current and future I-link products and decreasing channel management expenses in the short and long term. The Company anticipates the future increase in revenues to be related to leveraging the larger consolidated sales force of IRs in Big Planet. However, there can be no assurance that this agreement will result in increased sales, decreased costs or increased profitability of the Company.

WHOLESALE SERVICE PROVIDER AND DISTRIBUTION AGREEMENT

On February 15, 2000 the Company entered into a wholesale service provider and distribution agreement with Big Planet, a wholly owned subsidiary of NuSkin Enterprises, Inc. Under the terms of the agreement, Big Planet will integrate the Company's independent network marketing representatives into the Big Planet sales force. In addition, Big Planet will acquire and provide the Company's products and services directly to I-Link's existing customers which were acquired through the I-Link network marketing channel. Big Planet will pay the Company a wholesale fee for products and services used by its customers. As a result, the Company anticipates that initially, its revenues from telecommunications revenue will decrease as a result from this change from retail to wholesale billing. Other existing I-Link customers will be retained and serviced by the Company. There will also be a decrease in costs associated with the customers transitioned to Big Planet as the Company will no longer have to pay commissions to IR's on the sale of telecommunications products and will be reimbursed by Big Planet for certain costs associated with servicing those customers. Also, after February 15, 2000 the Company will no longer receive revenues from the sale of network marketing products such as WebCentre and IR kits and will no longer incur the costs associated with maintaining that marketing channel. The Company believes this agreement with Big Planet will have a positive strategic and financial impact to the Company by increasing future revenues, reducing channel management and operating expenses and increasing profit margins through new customer subscriptions generated from the I-Link Worldwide LLC and Big Planet combined sales force.

LEASE FACILITY

In March 2000, the Company entered into a new lease facility with Cisco Systems Capital providing for equipment purchases of up to $5,000,000. The equipment will be used in expanding the Company's IP network. The lease agreement requires monthly payments over the three-year term.

OTHER ITEMS

During January and February 2000, the Company issued approximately 4,670,000 options to purchase the Company's common stock at exercise prices based on the closing price of the stock at the grant date. Of the options granted, 2,550,000 were to executives of the Company and as such 2,050,000 are subject to shareholder approval at the next annual meeting.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of I-Link Incorporated and Subsidiaries:

In our opinion, the accompanying financial statement schedule is fairly stated in all material respects in relation to the basic financial statements, taken as a whole, of I-Link Incorporated and subsidiaries for the years ended December 31, 1999, 1998 and 1997, which are covered by our report dated April 13, 2000. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

PricewaterhouseCoopers LLP
Salt Lake City, Utah
April 13, 2000

I-LINK INCORPORATED AND SUBSIDIARIES
SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS (a)	BALANCE AT END OF PERIOD
Allowance for doubtful accounts:				
December 31, 1997	-	1,385,000	-	1,385,000
December 31, 1998	1,385,000	3,160,621	2,604,621	1,941,000
December 31, 1999	1,941,000	3,703,077	3,855,077	1,789,000

(a) For the allowance for doubtful accounts represents amounts written off as uncollectible and recoveries of previously reserved amounts.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S DECEMBER 31, 1999 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR

DEC-31-1999
JAN-01-1999
DEC-31-1999
2,950,730
0
6,133,406
1,789,000
0
7,657,327
11,954,954
4,935,593
21,658,199
8,975,967
0
0
499,920
169,056
(11,718,873)
21,658,199
32,619,706
32,619,706
0
51,872,058
0
0
4,906,936
(24,159,288)
0
(24,159,288)
(500,000)
0
0
(24,659,288)
(1.57)
(1.57)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A#1

[X] ANNUAL REPORT UNDER SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

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

Commission File No. 0-17973

I-LINK INCORPORATED
(Name of registrant as specified in its charter)

Florida	52-2291344
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

13751 S. Wadsworth Park Drive, Suite 200, Draper, UT 84020 (801/576-5000)
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Exchange Act: None.

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, $.007 par value

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or for such period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of Common Stock held by non-affiliates based upon the closing bid price on April 12, 1999, as reported by The Nasdaq Stock Market, was approximately $47,800,000.

As of April 12, 1999, there were 19,535,172 shares of Common Stock, $.007 par value, outstanding.

Item 1. Description of Business.

Overview

I-Link Incorporated (the "Company") provides basic and enhanced telecommunications services to its customers and subscribers nationwide utilizing IP (Internet Protocol) -enabled technology developed by the Company that permits the delivery of these services in a manner that dramatically lowers cost and increases utility, while fully maintaining the high sound/transmission quality and reliability of calls placed over traditional telecommunications networks. The technology model that permits the Company to provide its services at lower cost and with increased utility is similar to the Internet and its capability to provide users virtually unlimited access to the Internet at costs that are a fraction of standard long distance rates; however, I-Link's technology and network infrastructure provide distinct enhancements and advantages to carrying communications traffic over the Internet. The Company is also engaged in the research and development of advanced telecommunications products and equipment, such as its line capacity expansion device, now in the final testing stage, that allows a single standard telephone line in a customer's home or office to simultaneously (1) create the capacity of multiple lines that can carry on simultaneous calls and other communications functions ("multiplexing"), (2) provide the inter-office/home functionality of a PBX, and (3) maintain a persistent Internet connection.

Through its wholly-owned subsidiaries I-Link Worldwide, LLC, I-Link Communications, Inc., and I-Link Systems, Inc., the Company provides telecommunications products and services to residential, business and wholesale customers. Through its wholly-owned subsidiaries MiBridge, Inc., and ViaNet Technologies Ltd., the Company undertakes the research and development of new telecommunications products and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. I-Link Incorporated and its subsidiaries are sometimes collectively referred to herein as the "Company" or "I-Link."

Unlike other providers of telecommunications services utilizing IP technology, I-Link does not use the Internet to deliver its services. Rather, I-Link's communications services and products are carried over a new telecommunications network established by I-Link (the "I-Link Network"). The I-Link Network is made up of multiple routing facilities or "Hubs" strategically established in large metropolitan areas nationwide. As of March 31, 1999 the Company has established seven Hubs in the following locations: Phoenix, Salt Lake City, Chicago, Orlando, Dallas, Los Angeles and Seattle. The hubs are comprised of sophisticated equipment and proprietary software containing I-Link's IP technology ("Communication Engines[TM]") and interconnected by leased telecommunications spans and lines (similar to the Internet, but private - an "Intranet"), complemented by access to the existing public switched telecommunications network where needed to complete the delivery of I-Link's services to geographic areas outside of I-Link's Intranet. From these Hubs, the I-Link Network spans out to other geographic areas via additional dedicated spans and lines.

In 1997 the Company started providing telecommunications products and services over the traditional public switched telephone network and began the creation of the I-Link Network through the deployment of its IP technology. Also in 1997, the Company launched it's direct-sales marketing company, I-Link Worldwide, LLC, to market its products and services to the residential and small business markets.

In August 1997 the Company acquired MiBridge, Inc. ("MiBridge"), a New Jersey-based communications technology company engaged in the design, development, integration and marketing of a range of software telecommunication products that support multimedia communications over the public switched telephone network (PSTN), local area networks (LAN), and the

Internet. Historically, MiBridge has concentrated its development efforts on compression systems such as voice and fax over IP. MiBridge has developed patent-pending technologies which combine sophisticated compression capabilities with IP telephony technology. The acquisition of MiBridge permitted I-Link to accelerate the development and deployment of its own IP technology and add strength and depth to its research and development team, and provides I-Link with the opportunity to generate income and develop industry alliances through the strategic licensing of its technologies to other companies within the industry, such as Lucent Technologies, Nortel, IDP and others. In late 1997 the Company formed ViaNet Technologies, Ltd., headquartered in Tel Aviv, Israel, to undertake advanced research and development of a device expanding the capacity of a single telephone line to multiple lines with persistent and contemporaneous connection capability (preliminarily called "C4" and described in greater detail below).

I-Link's technology enables the user to employ its existing telephone, fax machine, pager or modem (hereafter referred to as "conventional communications equipment") to achieve high-quality communications with other conventional communications equipment, while exploiting and advancing the capabilities of IP technology. Transmission takes place over the I-Link Network , which is comprised of traditional telecommunication facilities integrated with I-Link's private Intranet. The Intranet portion of the I-Link Network is comprised of leased and dedicated lines carrying telecommunications transmissions converted into a data format (TCP/IP). Network access points ("Gateways") comprised of sophisticated communications equipment and proprietary software, which I-Link calls Communication Engines[TM], are used to integrate the traditional segments of the I-Link Network with the Intranet segments. The resulting network allows for customers to send and receive communication via the I-Link Network at reduced rates and with much greater capabilities. The Communication Engine, including the software and firmware, represents I-Link's patent-pending technology. Through the Communication Engines the I-Link Network receives traffic from the public switched telephone network as a TDM stream (time division multiplexing) and converts it to IP (internet/intranet protocol) data packets. The data is converted from the PCM (pulse code modulation) format standard to traditional telephony to an I-Link proprietary coding. The I-Link proprietary coding can distinguish among and handle voice, fax and modem communications differently. Voice is compressed using a voice coder or codec, fax and modem traffic are demodulated/modulated. The data can then be stored (such as recording a message), altered (as in changing a fax call from 14400 BPS to 9600 BPS) or redistributed to multiple recipients (as in the case of conferencing). I-Link's Gateways are flexible such that the I-Link Network can readily integrate with other carrier's protocols and infrastructure. Accordingly, I-Link is also capable of leveraging the access infrastructure of other carriers, resellers, and Internet service providers (ISP's) and wholesaling its enhanced services to these providers and their customers while avoiding the need to build additional access infrastructure.

Unlike the traditional telecommunication network, the I-Link Network uses TCP/IP as its communication protocol. This is the same protocol used by the Internet for computer-to-computer communication. I-Link utilizes TCP/IP because of the potential for interoperability between diverse technologies. This provides the potential for the I-Link Network to integrate fax, voice, e-mail, websites, video conferencing, speech recognition servers, intelligent call processing servers, Internet Information servers, and other technologies in an efficient way. Not all of these technologies are currently implemented within the I-Link Network. However, because communication is being carried over a TCP/IP protocol these solutions can be integrated into I-Link's offerings at a fraction of the cost of traditional telecommunication implementations. The advantage of communication via the TCP/IP protocol is that it allows for efficient integration of many enhanced information services as noted above. I-Link doesn't need to build all of the services that are presented to the user; it can easily integrate additional services because the communication protocol offers interoperability between all types

of conventional communication equipment. The other advantage to TCP/IP is that the cost of integration is substantially less as a result of network design. New services, enhancements and updates can be enabled at a central location and linked automatically to a subscriber's packet of services, thus eliminating the costs and time restrictions of installing the enhancement at each physical facility. The result of these benefits is lower cost with higher capabilities.

I-Link's Products and Services

I-Link's basic enhanced services consist of the following:

Enhanced Local or Long Distance Service. Long distance calls can be made at significantly lower rates. The user is provided the ability to multi-task multiple operations within the session. Options include fax, voice, conference call, paging, fax to e-mail conversion, information retrieval, e-mail.

Single Number Service. Set up to ring a subscriber's office phone, home office phone, cellular phone (or any phone number the subscriber specifies) and pager simultaneously so that he may be reached wherever he is, and without the caller having to try multiple numbers or know his party's current location.

Call Screening. The subscriber can hear the name of the person calling before deciding to accept the call or send it to voice mail.

The Personal PBX. Enables the type of services used by a large business PBX, such as putting a caller on hold, music on hold, etc.

Conference Calling. Provides the ability to conference in up to 9 people at one time.

Portable Fax. The subscriber receives a fax to his Single Number Service, he is notified that there is a fax in his mailbox, and he can choose to route the fax to any fax machine, or to his e-mail through a fax-to-e-mail gateway.

Voice Mail. Enables callers to leave recorded messages which can be retrieved, saved, forwarded, etc.

Other Features. Other features are possible as I-Link continues to integrate services that it designs and builds as well as those that other providers design and build. One of the key strengths of the V-Link environment is the ability to integrate services from other providers. This integration typically results in systems that are easier to learn and use. Examples of current integration include news services, stock quotes, directory services, and address books.

V-Link[TM] Service

V-Link[TM] is a powerful telecommunication service offered by the Company to its customers that combines all of the basic and enhanced products and services described above, plus additional innovative and useful enhanced services. Subscribers access their V-Link service through an assigned local and/or toll-free (800) number (that also can become the single, convenient telephone number through which others call and fax the subscriber) . Once inside the V-Link enhanced communications environment, all of the subscriber's communications functions are handled over the I-Link Network, with its associated benefits and capabilities - irrespective of where the call is originated from. For example, long distance calls are routed primarily through I-Link's IP Intranet, and secondarily through the traditional public switched telephone network. In addition to long distance calling capability, entering the V-Link communications environment allows a

multitude of enhanced capabilities to the user without the need of any special equipment by the user. Once the communications session is established by logging-in to V-Link from any telephone, a subscriber has the ability to perform any number of multiple operations within the session (multiple long distance calls, call screening, voice mail, fax, conference calling, etc.) While there exist other services in the market place that combine some of the enhanced services offered by V-Link, what differentiates V-Link is the fact that it is IP-enabled and IP-implemented. This gives V-Link two distinct advantages - cost savings and flexible integration.

Cost Advantages. The cost advantages realized from the operation of V-Link in an IP-enabled/implemented environment are two-fold: (a) lower transmission costs, and (b) lower capital infrastructure costs. The transmission cost benefit of carrying communications traffic on an IP network has been described above. The benefit to capital infrastructure costs can be seen by recognizing that a traditional enhanced service platform (a "platform" is the equipment and software required to provide a particular service to customers) - a conference calling platform for example - must be purchased and installed by the communications provider to work alongside a traditional telecommunications switch (a "switch" is a large, sophisticated piece of telecommunications equipment through which calls are routed, and that has a given capacity of calls that can simultaneously be handled). The traditional switch, unable to process anything but low-level signals, must pass an incoming call for conferencing (in our example) to a special conference call switch for processing. These types of special switches are highly expensive, costing providers several hundreds of thousands of dollars each. Because the transmission within the V-Link service has been converted to an IP signal, the given enhanced service (conference calling in our example) occurs within a software-defined network handled through standard, industrial-strength personal computers, rather than a hardware- or equipment-defined network requiring special and redundant, costly telecommunications switches for each enhanced service offered. Thus, I-Link is able to provide the given service at one-tenth (or less) the cost of a traditional communication services provider, because it is able to avoid the capital expense of acquiring, installing and servicing an array of special switches. Lower costs in both the cost of transmission and the capital infrastructure to provide the services, results in lower costs to the customer.

Flexible integration. In addition to the conference calling service discussed above, consider now a provider that offers many combined services. In a traditional telecommunications network, each service - voice mail, fax mail, conference calling, single number, etc. - must be processed through one or more separate, non-integrated switches, with the customer being assigned a separate number for each service: "call this number to send me a fax, . . . call this number for my voice mail, . . . call this number for my conference call," etc. Again, because the V-Link services are provided in an IP environment and a software-defined network, all of these services can be easily integrated through one switch and function utilizing one customer number. V-Link's IP environment also provides for the easy integration of additional new services as they are developed and introduced.

Line Capacity Expansion Device - "C4"

Through its wholly-owned subsidiary ViaNet Technologies, Ltd., the Company has developed an innovative device that from a single standard telephone line can simultaneously (a) create the capacity of multiple lines that can carry on simultaneous calls and other communications functions ("multiple..ing"), (2) provide the inter-office/home functionality of a PBX, and (3) maintain a persistent Internet connection. In other words, through a single standard telephone wire and line, the customer and his or her family members or business associates can, from multiple phones, fax machines, and computers within the customer's home or business premises, simultaneously carry on multiple independent or conferenced telephone calls, receive or send faxes as if on one or more dedicated fax lines, and maintain a persistent

Internet connection, without any sacrifice of quality or functionality. This device, preliminarily referred to by the Company as "C4", provides the capacity of up to 24 lines using the existing telephone wires connected to the customer's home or office. With the C4 device connected to a single standard telephone line within the customer's home or business office, the customer obtains the following benefits:

Multiplexing. Multiple independent telephone calls and fax send/receive calls can be simultaneously carried on from multiple phones and fax machines within the customer's home or business office, with no degradation of quality.

Virtual PBX Functionality. The functionality of a PBX system, normally obtainable only through the acquisition of a costly equipment and software system, is achieved over the existing telephones within the customer's home or office. These include inter-home/office call conferencing, call forwarding, etc.

Persistent V-Link[TM] Connection. Through the C4 device, the customer is always connected to the V-Link enhanced services environment and can fully utilize all of the services provided by V-Link (and additional enhancements) without the need to dial into the V-Link service.

Persistent Internet Connection. Through the C4 device, the customer is able to maintain a persistent connection to the Internet, usually obtainable only through the purchase by the customer and on-site installation of specialized equipment (a router).

Because it obviates the need for the customer to purchase multiple telephone lines, a PBX system, and routing equipment, the C4 device will provide both substantial cost savings and increased functionality to the customer. It is anticipated that a larger version of the C4 device will be marketed to traditional telecommunications carriers to provide a low-cost and more functional alternative to the costly and functionally-limited switches now required within their infrastructure. The C4 device is currently in the final testing stage, and the Company anticipates it will begin marketing the C4 device during the second quarter of 1999.

Market Opportunities

Virtually every home and business in the United States today uses long-distance telephone services. Even though competition between the various providers of long distance telephone services is intense, I-Link believes the significant cost savings and the increased capabilities that are achieved through the utilization of the I-Link Network and technology, and the V-Link service make I-Link highly competitive in this marketplace. I-Link has initially targeted residential and small-business customers through I-Link Worldwide, L.L.C., a nationwide network marketing and sales program. As I-Link expands its targeted customers to include larger business users, the Company anticipates doing so through traditional sales representatives. I-Link wholesales its services on a non-branded basis to various distributors, aggregators, resellers and member organizations that then resell the products to both residential and business end-users.

Opportunity to Provide Substantial Savings to Users. Use of I-Link products and services afford the opportunity to substantially reduce the long distance telephone and data transmission charges presently borne by the current user of long distance telephone services. Charges for the use of landline networks traditionally used in long distance telecommunications are generally based on time of day (day time, evening, night or weekend) and distance, often resulting in substantial long distance charges. In contrast, customer charges for telecommunications services on IP communication networks (such as the Internet and the I-Link Network) are generally fixed regardless of time of day or distance. While the Company's rate for long distance calls

not originating or terminating on the I-Link Network is 8.9 cents per minute, the customer can obtain significant cost savings if the long distance call originates and terminates on the I-Link Network where the call rate is 4.9 cents per minute regardless of the time of day or distance.

Integration of Distinct Networks. There are currently a number of distinct information-transmission networks. Telephone, cable, wireless, and private and public networks are primary examples. Technologies supporting these networks will continue to integrate and evolve, allowing for previously unavailable opportunities for information distribution and access. The current business infrastructure presents impediments to the integrated use of these technologies and networks. For example, in the fax industry there is a proliferation of fax or fax-like communication technologies, including fax machines, fax servers, fax software and e-mail. But these technologies are not well integrated. A party wishing to send information to others may have to format and send the data several different ways depending on the messaging equipment and systems available to the recipients. The I-Link Network and technology leverages TCP/IP to integrate these technologies and networks and deliver these services to its users in an easy to use manner.

Opportunity to Deliver Enhanced Capabilities. TCP/IP networks such as the Internet ("IP Networks") offer substantially reduced cost and improved voice and data communication capabilities. However, as highlighted above, telephones and fax machines are not TCP/IP-enabled. In the past, in order to utilize an IP Network, such as the Internet, users had to own or have access to a computer and then obtain access to the IP Network through an Internet Service Provider. Therefore, IP Networks have not easily or effectively accommodated telecommunications traffic. In contrast, the I-Link Network and technology permit full utilization of the benefits of an IP Network for traditional telecommunications applications such as telephone, fax, etc. with no loss of quality, and increased capability of additional enhanced services - while maintaining the cost benefits of an IP Network.

Market Response. Many of the responses seen in the marketplace to the opportunities discussed above are problematic in that they are often computer-oriented. Solutions typically require that a user (i) own a personal computer; (ii) have access to an IP Network; and (iii) have software compatible with software other users own and use. This significantly limits the market for the solution. Moreover, the responses often follow a product approach rather than a service approach. The product approach, usually modeled after the same approach followed by computer software vendors, imposes further requirements on the user. This approach requires version management, with users required to ensure that their software is current; it requires training and re-training as procedures change; and gives a customer an interface-driven product that often has more capacity than a user needs. I-Link's strategic response to the market is to provide, above all, a true service-based approach, providing customers access to an IP Network via their existing conventional communications equipment and offering an array of enhanced services.

Another important limitation associated with current Internet telephony solutions is the problem of poor voice quality. I-Link's technology manages and compresses voice, fax, and modem traffic in such a way that calls made via the I-Link Network retain traditional telephone landline quality.

Also problematic in the market's current response to new internet protocol opportunities is that products and services are impeded by the delays, down times and intermittent slowness of the traditional Internet. By managing and controlling its Intranet, I-Link can ensure that communication is as "real-time" as customers have become dependent upon.

The Residential Market

I-Link, through its subsidiary, I-Link Worldwide, L.L.C., has targeted

all residential users, initially throughout the United States, through the establishment and implementation of a Network Marketing sales program, providing individuals the opportunity to earn commissions on the sale of the I-Link Services to their neighbors and acquaintances. A large amount of interest in I-Link has been generated throughout the network marketing industry, and I-Link believes a significant market opportunity exists through the exploitation of this marketing and sales channel to reach a large number of potential residential customers. I-Link formally launched its Network Marketing sales operation and began marketing in this channel in June 1997.

The Business Market

I-Link categorizes its domestic and international target business users as follows: (i) small office/home office (SOHO -- up to 10 employees); (ii) small and medium sized businesses (less than 500 employees); (iii) large businesses (500 or more employees), and (iv) vertical markets comprised of large businesses with numerous subsidiaries/affiliates. I-Link's current primary target business market is comprised of SOHO customers. As I-Link grows and matures as a company it will pursue channels which target the other business market segments.

I-Link has initially targeted the SOHO business market because small and medium-sized businesses often have a difficult time obtaining and using technology. Typically, they lack the resources and/or expertise needed to obtain strategic advantage from state-of-the-art technology. Although I-Link defines small and medium-sized businesses as businesses with less than 500 employees, it is also important to note that departments or offices within larger businesses may also be placed in this category. Larger businesses can dedicate resources and/or funds to technology customization or even technology development. Smaller businesses often must accept off-the-shelf solutions designed for general use. I-Link believes that its products and services are of significant strategic advantage to small and medium-sized businesses because they can be adopted and implemented without retraining or the acquisition of new and different equipment. Large businesses and high-end national accounts have significant long distance telephone and fax traffic. These businesses could also realize substantial savings from I-Link's product and services.

Distribution Plan

I-Link currently uses or intends to utilize the following distribution methods: (i) Network Marketing sales program; (ii) direct sales using independent sales agents; (iii) selling through an independent telephone company or "Telco" resellers; (iv) acquisition of smaller carriers with established customer bases; (v) selling through Internet Service Providers ("ISPs"); (vi) selling through cable/broadcasting companies; (vii) selling through direct sales organizations; (viii) direct sales to top national accounts and vertical market resellers ("VMRs"); (ix) selling through established channels of distribution in the retail computer/technology markets; (x) leveraging OEM channels; and (xi) telemarketing/telesales. Although the Company intends to use these other distribution methods, as of December 31, 1998 the Company principally uses only the Network Marketing Sales Program as discussed in more detail below.

Network marketing sales program overview. I-Link, through its affiliate I-Link Worldwide, L.L.C., has targeted all residential users, initially throughout the United States, through the establishment and implementation of a Network Marketing sales program, providing individuals the opportunity to earn commissions on the sale of the I-Link products and services to their neighbors and acquaintances. A large amount of interest in I-Link has been generated throughout the network marketing industry, and I-Link believes a significant market opportunity exists through the exploitation of this marketing and sales channel to reach a large number of potential residential

customers. I-Link formally launched its Network Marketing sales operation and began marketing in this channel in June 1997. Individuals are recruited by a word of mouth process and may become an independent sales representative "IR") upon entering into a standard written independent sales representative agreement with the Company and paying a fee of either $50 or $295 based on options selected for promotional and presentation materials. The initial term of the agreement is for twelve months. At the end of the twelve months the IR must submit a standard renewal form and pay the appropriate renewal fee (currently $35). The Company may refuse to accept an IR's renewal application in which case the IR's relationship with the Company terminates. The Company relies on its IRs to sponsor new IRs. While the Company provides, at cost, subscription forms, brochures, and other sales materials, IRs are primarily responsible for educating new IRs with respect to products, the compensation plan, and how to build a successful independent business.

IR commission plan. IRs receive commissions based upon sales of I-Link products and services to customers who become I-Link subscribers. Commissions range from 2% to 46% based upon the product sold or services utilized and the IR's seniority within the Network Marketing plan. IRs are not contractually obligated to purchase products or services, sign-up new customers or sponsor new IRs, although by doing so, they can increase their seniority within the Network Marketing plan. An additional commission from $210 to $370 can be earned by the IR based upon the IR's initial signing up of another IR and that new IR signing up users of I-Link products or services. IR's personally solicit potential individual and business customers via one to one sales presentations wherein customers sign order forms for I-Link telecommunication products and services.

Revenue growth through network marketing. The majority of the Company's revenue depends directly upon the efforts of IRs. Growth in revenue for both marketing services and telecommunications services requires an increase in the productivity of IRs and/or growth in the total number of IRs. There can be no assurance that the productivity or number of IRs will be sustained at current levels or increased in the future. The Company had approximately 12,700 and 12,600 IRs as of December 31, 1998 and 1997, respectively.

IR support. The Company is committed to providing high-level support services to IRs. Through its call center, national and regional conferences, personal contact with IRs, IR focus groups, newsletters and fax messaging the Company seeks to understand and satisfy the needs of each IR. As many IRs have limited number of hours each week to concentrate on their Network Marketing business, management believes that effective support of each IR has been and will continue to be important to the success of the Company.

Rules affecting IRs. The Company's standard IR agreement, policies and procedures, and compensation plan contained in promotional and presentation materials provided to every IR outline the scope of permissible IR marketing activities. The Company's IR rules and guidelines are designed to provide IRs with flexibility and opportunity within governmental regulations regarding network marketing and prudent business policies and procedures. IRs are thus prohibited from representing themselves as agents or employees of the Company. IRs are obligated to present the Company's products, services and business opportunity ethically and professionally. IRs agree that the presentation of the Company's business opportunity must be consistent with, and limited to, the product and service claims and representations made in literature distributed by the Company. IRs are prohibited from making earnings claims. IRs must obtain Company approval before using any form of media advertising to promote products and services. Literature used to promote Company products and services must be produced or approved by the Company. Generic business opportunity advertisements (without using the Company name) may be placed in

accordance with certain guidelines in some states. IRs may not use the Company's trademarks or other intellectual property without the Company's consent and approval. The Company systematically reviews alleged reports of IR misbehavior. If the Company determines that an IR has violated any of the IR policies or procedures, it may either terminate the IR's rights completely or impose sanctions such as warnings, probation, suspension, and fines or penalties until specified conditions are satisfied, or other appropriate injunctive relief. IR terminations based on violations of the Company's policies and procedures have aggregated less than 1.0% of the Company's IR force since inception. An IR may voluntarily terminate his/her distributorship at any time.

Technology Licensing

I-Link currently licenses certain pieces of MiBridge technology to other telecommunication companies such as Lucent, Nortel and others. These licensees license enabling technology, which augment their existing or future offerings. These licensees pay I-Link an up-front development fee and a recurring royalty. The Company may license its V-Link product to other telecommunication companies in a similar manner.

Competition

The market for business communications services is extremely competitive. I-Link believes that its ability to compete in this market successfully will depend upon a number of factors, including the pricing policies of competitors and suppliers; the capacity, reliability, availability and security of the I-Link Network infrastructure; market presence and channel development; the timing of introductions of new products and services into the marketplace; ease of access to and navigation of the Internet or other such IP Networks; I-Link's ability in the future to support existing and emerging industry standards; I-Link's ability to balance network demand with the fixed expenses associated with network capacity; and industry and general economic trends.

While I-Link believes there is currently no competitor in the North American market providing the same capabilities in the same manner as I-Link offers using the I-Link Network, there are many companies that offer communications services, and therefore compete with I-Link at some level. These range from large telecommunications companies and carriers such as AT&T, MCI, Sprint, LDDS/WorldCom, Excel, Level3 and Qwest, to smaller, regional resellers of telephone line access, and to companies providing Internet telephony. These companies, as well as others, including manufacturers of hardware and software used in the business communications industry, have announced plans to develop future products and services that may compete with those of I-Link on a more direct basis. These entities may be far better capitalized than I-Link and control significant market shares in their respective industry segments. In addition, there may be other businesses that are attempting to introduce products similar to I-Link's for the transmission of business information over the Internet. There is no assurance that I-Link will be able to successfully compete with these market participants.

Government Regulation

General. Traditionally, the Federal Communications Commission (the "FCC") has sought to encourage the development of enhanced services as well as Internet-based services by keeping such activities free of unnecessary regulation and government influence. Specifically in the area of telecommunications policy and the use of the Internet, the FCC has refused to regulate most online information services under the rules that apply to telephone companies. This approach is consistent with the passage of the Telecommunications Act of 1996 ("1996 Act"), which expresses a Congressional intent "to preserve the vibrant and competitive free market that presently

exists for the Internet and other interactive computer services, unfettered by Federal or State regulation."

Federal. Since 1980, the FCC has refrained from regulating value-added networks ("VANs"), software or computer equipment that offer customers the ability to transport data over telecommunications facilities. By definition, VAN operators purchase transmission facilities from "facilities-based" carriers and resell them packaged with packet transmission and protocol conversion services. Under current rules, such operators are excluded from regulation that applies to "telecommunications carriers" under Title II of the Communications Act.

In the wake of the 1996 Act, however, the FCC is revisiting many of its past decisions and could impose common carrier regulation on some of the transport and resold telecommunications facilities used to provide telecommunications services as a part of an enhanced or information service package. The FCC also may conclude that I-Link's protocol conversions, computer processing and interaction with customer-supplied information are insufficient to afford the Company the benefits of the "enhanced service" classification, and thereby may seek to regulate some of the Company's operations as common carrier/telecommunications services. The FCC could conclude that such decisions are within its statutory discretion, especially with respect to voice services.

I-Link has been moving its customers off the facilities of existing long distance carriers, and has increased its reliance on a proprietary Internet protocol network for transmission in the hope of enjoying minimal federal regulation under current rules. Historically, the FCC has not regulated companies that provide the software and hardware for Internet telephony, or other Internet data functions, as common carriers or telecommunications service providers. Moreover, in May 1997 the FCC concluded that information and enhanced service providers are not required to contribute to federal universal service funding mechanisms, a decision it reaffirmed in April of 1998 in a report to Congress.

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 the FCC has long-standing authority. The FCC's framework for "enhanced services" confirms that the FCC has authority to regulate computer-enriched services, but provides that carrier-type regulation would not serve the public interest. Only recently has this general approach been questioned within the industry.

In March 1996, for instance, America's Carriers Telecommunications Association ("ACTA"), a trade association primarily comprised of small and medium-size interexchange carriers, filed a petition with the FCC asking that the FCC regulate Internet telephony and Internet Protocol ("IP") telephony. ACTA argued that providers of software that enables real-time voice communications over the Internet should be treated as common carriers and subject to the regulatory requirements of Title II of the Communications Act. The FCC sought comment on the request and has not yet issued its decision.

Congress directed the FCC to submit a report by April 10, 1998, describing how its classification of information and telecommunications services is affecting contributions to universal service charge funds. In this report, the FCC reiterated its conclusions that information services, and Internet access services, in particular, are not subject to telecommunications service regulation or universal service contribution requirements. The FCC did, however, indicate its belief that certain gateway-based IP telephony services may be the functional equivalent to a telecommunications service. The FCC deferred a definitive resolution of this issue until it could examine a specific case of phone-to-phone IP telephony. U.S. Senators from several states with large rural areas have expressed concern that migration of voice services to the Internet could erode the

contribution base for universal service subsidies. There will likely be continuing pressure from those Senators to classify Internet telephony as a telecommunications service, rather than an information service, so that it can be subjected to a regulatory assessment for universal service contributions.

On April 5, 1999, US West filed a "Petition for Expedited Declaratory Ruling" with the FCC in which US West seeks to have interexchange carriers ("IXCs") that provide phone-to-phone IP telephony declared telecommunications service providers whose services are subject to access charges. The Petition claims principally that because there is no net protocol conversion in the message as sent and received and IXCs hold themselves out to provide voice telephony, IP telephony does not qualify as an enhanced service under FCC rules. The Commission is expected to issue a Public Notice to receive comments from interested persons prior to issuing a ruling. We cannot predict with certainty what the Commission will rule or when. If US West is successful in this petition, the FCC could rule that IP telephony service providers are obligated to pay interstate access charges to local telephone companies for originated and terminating interstate calls.

Any FCC determination that Internet-based service providers should be subject to some level of Title II regulation could affect the manner in which I-Link operates, to the extent it uses the Internet to provide facsimile or voice capabilities, as well as the costs of complying with federal common carrier requirements. With the passage of the 1996 Act, the precise dividing line or overlap between "telecommunications" and "information" services as applied to Internet-based service providers is uncertain. Consequently, I-Link's activities may be subject to evolving rules as the FCC addresses novel questions presented by the increased use of the Internet to offer services that appear functionally similar to traditionally-regulated telecommunications services. At this time, it is impossible to determine what effect, if any, such regulations may have on the future operation of the Company.

State. While states generally have declined to regulate enhanced services, their ability to regulate the provision of intrastate enhanced services remains uncertain. The FCC originally intended to preempt state regulation of enhanced service providers, but intervening case law has cast doubt on the earlier decision. Moreover, some states have continued to regulate particular aspects of enhanced services in limited circumstances, e.g., to the extent they are provided by incumbent local exchange carriers.

Whether the states within which I-Link makes its Intranet services capabilities available will seek to regulate I-Link's activities as a telecommunications carrier will depend largely on whether the states determine that there is a need for or other public benefits of such regulation. The staff of the Nebraska Public Service Commission, for example, recently informally concluded that an Internet telephony gateway service operated by a Nebraska Internet Service Provider was required to obtain state authority to operate as a telecommunications carrier. The FCC has authority to preempt state regulation that impedes competition; it has not, however, had occasion to consider this or similar decisions. On February 25, 1999, the FCC issued an order holding that dial-up telephone traffic directed to the Internet should be treated as interstate in nature for purposes of determining regulatory jurisdiction. This order is subject to several appeals now pending in the United States Court of Appeals for the District of Columbia Circuit. If upheld, the FCC could substantially reduce the ability of the states to regulate I-Link's Internet based services.

Delivery of Services over Existing Switched Telecommunications Networks

A portion of I-Link's communications services are delivered over existing switched telecommunications networks through I-Link Communications, Inc. ("ILC"). ILC is a long distance telecommunications carrier that provides long distance service to all states of the United States except Alaska.

Access to the switched telephone network is a necessary component of the I-Link Network in order for phone and fax transmissions to be routed to destinations in lesser-populated geographic areas that are not serviced by one of I-Link's CE Hubs. In addition, the access to the switched telephone network at favorable pricing permits I-Link to expand its customer bases in given geographic areas across the switched telephone network until such time as the size of the customer base in the area can support the transfer of the customers from the switched telephone network to the I-Link Network. The agreement with the Company's underlying carrier (Sprint) has minimum monthly purchase commitments of $550,000 through May 2000.

ILC was incorporated in 1996, and currently maintains traditional switch facilities in Dallas, Los Angeles, Phoenix, and Salt Lake City.

Item 2. Description of Property.

The Company leases approximately 15,100 square feet of space for its offices and other facilities in Draper, Utah pursuant to a commercial lease dated September 11, 1996. The term of the lease is seven years commencing November 5, 1996, subject to the right to extend for an additional five years. The initial base rent is approximately $12,600 per month. I-Link has delivered $162,000 in certificates of deposit to the landlord as a security deposit under the lease. In February 1999, the Company leased an additional 19,000 square feet of office space in Draper, UT. The lease term is four years and nine months, subject to a five-year extension. The initial base rent is approximately $18,600 per month. As security to the lease, the Company was required to make a $53,000 deposit with the lessor. I-Link also leases several other spaces to house its Communication Engines throughout the United States. Such spaces vary in size and are rented on a month-to-month basis.

ILC currently leases and occupies approximately 3,600 square feet of office space in Phoenix, Arizona, pursuant to a commercial lease dated March 18, 1996. The lease term is four years and two months commencing March 18, 1996 beginning with a base rent of $3,598 per month and escalating to $4,498 per month at the end of the lease. ILC also currently leases and occupies approximately 5,100 square feet of office space in Salt Lake City, Utah, pursuant to a commercial lease dated July 1, 1996. The lease term is five years commencing July 1, 1996 beginning with a base rent of $5,313 per month and escalating to $5,843 per month at the end of the lease.

MiBridge rents 3,662 square feet of office space in Eatontown, New Jersey under a five-year lease effective December 1, 1997 at a cost of $5,187 per month. The lease may be cancelled at the end of the third year under certain conditions. ViaNet Technologies leases approximately 1,400 square feet of office space in Tel Aviv, Israel at a cost of $2,200 per month. The lease term is for two years beginning in February 1998 with two one-year extensions.

Item 3. Legal Proceedings.

The Company is involved in litigation relating to claims arising out of its operations in the normal course of business, none of which is expected, individually or in the aggregate, to have a material adverse affect on the Company.

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

No matter was submitted during the fourth quarter of the fiscal year ended December 31, 1998, to a vote of the Company's security holders.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Price Range of Common Stock

The Company's Common Stock is traded on the Nasdaq SmallCap Market ("Nasdaq") tier of The Nasdaq Stock Market, Inc. under the symbol "ILNK." Although the Common Stock is currently listed for quotation on Nasdaq, there can be no assurance given that the Company will be able to continue to satisfy the requirements for maintaining quotation of such securities on Nasdaq or that such quotation will otherwise continue. The Company has no current plans to apply for listing of any preferred shares, warrants or any of its other securities for quotation on Nasdaq.

The following table sets forth for the period indicated the high and low bid prices for the Common Stock as quoted on Nasdaq under the symbol "ILNK" based on interdealer bid quotations, without retail markup, markdown, commissions or adjustments and may not represent actual transactions:

Quarter Ended	High Bid	Low Bid
March 31, 1997	$ 7.50	$3.63
June 30, 1997	15.50	4.00
September 30, 1997	10.56	4.00
December 31, 1997	10.00	4.19
March 31, 1998	$ 8.81	$4.75
June 30, 1998	7.50	4.94
September 30, 1998	5.13	2.38
December 31, 1998	3.22	2.00

On April 12, 1999, the closing price for a share of Common Stock was $2.688.

Dividend Policy

The Company must be current on dividends for it's Class M and F Preferred Stock in order to pay any dividends to Common Stock holders. Preferred stock dividends in the amount of $489 were paid in 1998 in common stock (non-cash) on the two converted shares of Class F redeemable preferred stock. Dividends on Class F redeemable preferred stock will continue to be paid in common stock as the holders convert their preferred stock into common stock. As of December 31, 1998, dividends in arrears (undeclared) on Class F, M and C preferred stock were $242,577, $1,481,836 and $472,709, respectively. The Company does not anticipate that it will pay dividends on its Common Stock in the foreseeable future.

Shareholders

As of April 12, 1999, the Company had approximately 475 stockholders of Common Stock of record and approximately 9,000 beneficial owners.

Item 6. Selected Financial Data.

The following selected consolidated financial data of the Company for each of the past five years including the period ended December 31, 1998, are derived from the audited financial statements and notes thereto of the Company, certain of which are included herein. The selected consolidated financial data should be read in conjunction with "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and

the Consolidated Financial Statements and Notes thereto of the Company.

	1998	1997	1996	1995	1994
Statement of Operations Data:					
Revenues:					
Telecommunications services	$ 19,634,681	$ 11,081,007	$ -	$ -	$ -
Marketing services	4,548,421	2,637,331	-	-	-
Technology licensing and development	1,466,315	346,875	-	-	-
Other	-	-	170,532	-	-
Total revenues	25,649,417	14,065,213	170,532	-	-
Operating expenses:					
Telecommunications network expenses	19,099,194	14,634,999	1,120,779	-	-
Marketing services costs	5,850,873	4,294,014	-	-	-
Selling, general, administrative and other	20,345,293	20,997,262	18,536,090	-	-
Total operating expenses	45,295,360	39,926,275	19,656,869	-	-
Operating loss	(19,645,943)	(25,861,062)	(19,486,337)	-	-
Other income (expense)	(8,134,130)	(2,806,630)	(2,677,640)	-	-
Loss from continuing operations	(27,780,073)	(28,667,692)	(22,163,977)	-	-
Loss from discontinued operations	(178,006)	(1,191,009)	(900,263)	(551,909)	(715,434)
Net loss	$(27,958,079)	$(29,858,701)	$(23,064,240)	$(551,909)	$(715,434)
Loss from continuing operations applicable to Common Stock	$(37,621,215)	$(118,360,731)	$(43,387,606)	$(128,669)	$(121,094)
Net loss per common share - basic and diluted:					
Loss from continuing operations	$ (2.13)	$ (10.07)	$ (6.40)	$ (0.07)	$ (0.08)
Loss from discontinued operations	(0.01)	(0.10)	(0.13)	(0.32)	(0.47)
Net loss per common share	$ (2.14)	$ (10.17)	$ (6.53)	$ (0.39)	$ (0.55)

	1998	1997	1996	1995	1994
Balance Sheet Data:					
Working capital	$(4,487,914)	$(2,955,180)	$ 1,305,814	$ -	$ -
Property and equipment, net	7,262,781	3,551,917	1,575,769	-	-
Net assets of discontinued operations	417,371	595,377	1,668,223	2,124,965	2,461,170
Total assets	23,855,363	24,252,876	9,864,696	2,124,965	2,461,170
Long-term obligations	8,371,933	1,921,500	236,705	669,799	525,380
Stockholders' equity (deficit)	(16,953,363)	814,376	6,298,617	1,455,166	1,935,790

In January 1997, the Company acquired I-Link Communications, an FCC-licensed long distance carrier. With the acquisition, the Company began its telecommunications services operations. Effective December 31, 1997 the Company made the decision to discontinue the operations of its Medical Imaging Division. The Company's Board of Directors approved the plan of disposal on March 23, 1998. The net operating activities and net assets from the Medical Imaging Division are presented separately as discontinued operations in the above table. In 1997, the Company launched operations of a network marketing program through I-Link Worldwide, L.L.C., to market its products. Through its wholly-owned subsidiaries MiBridge, Inc., and ViaNet Technologies Ltd., the Company undertakes the research and development of new telecommunications products and technologies, and the licensing of certain of these products and technologies to other telecommunications companies. MiBridge was acquired during the third quarter of 1997 and ViaNet Technologies Ltd. was formed in the first quarter of 1998.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Information

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. When used in this document, the words "anticipate," "believe," "estimate," "expect," and "intended" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company respecting future events and are subject to certain risks and uncertainties as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Among many factors that could cause actual results to differ materially from the forward looking statements herein include, without limitation, the following: the Company's ability to finance and manage expected rapid growth; the Company's ability to attract, support and motivate a growing number of independent representatives; impact of competitive services and pricing; the Company's ongoing relationship with its long distance carriers and vendors; dependence upon key personnel; subscriber attrition; the adoption of new, or changes in, accounting policies; litigation; federal and state governmental regulation of the long distance telecommunications and internet industries; the Company's ability to maintain, operate and upgrade its information systems network; the Company's

success in deploying its Communication Engine network in internet telephony; the existence of demand for and acceptance of the Company's products and services; as well as other risks referenced from time to time in the Company's filings with the SEC.

The Company undertakes no obligation and does not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

Operating results for 1998, 1997 and 1996 are not comparable due to changes in the operations of the Company. The operations of the Company in 1996 were related to (1) diagnostic and clinical services to healthcare facilities and sales of medical equipment through several subsidiaries of I-Link Incorporated (formerly Medcross, Inc.), and (2) operations of I-Link Systems, Inc (formerly I-Link Worldwide Inc.) which I-Link Incorporated acquired in February 1996. In January 1997 the Company acquired I-Link Communications (formerly Family Telecommunications, Inc. and referred to herein as "ILC") and in August 1997 the Company acquired MiBridge, Inc. In 1997, the Company launched operations of a network marketing program through I-Link Worldwide, L.L.C., to market its products. In March 1998, the Company made the decision to dispose of the operations of the subsidiaries of the Company operating in the healthcare industry in order to concentrate on its telecommunications and technology sectors. Accordingly, the healthcare operation during the three years ended December 31, 1998 has been reported as discontinued operations. Therefore, 1996 continuing operations includes only the operations of I-Link Systems, whereas 1997 and 1998 includes the operations of I-Link Communications Inc., I-Link Systems Inc., I-Link Worldwide, L.L.C., MiBridge Inc. and (in 1998 only) ViaNet Technologies, Inc.

As of December 31, 1998 the Company's telecommunication and marketing service revenues were primarily dependent upon the sales efforts of independent representatives (IRs) functioning within a Network Marketing channel of distribution which targets residential and small businesses in the United States. These revenue sources depend directly upon the efforts of IRs. IRs personally solicit potential individual and business customers via one to one sales presentations wherein customers sign order forms for I-Link telecommunications products and services (telecommunication service revenues).

An individual may also become an IR upon entering into a standard written independent sales representative agreement with the Company and paying a fee of either $50 or $295 based on options elected for promotional and presentation materials (included in market service revenues). The initial term of the agreement is for twelve months and may be renewed on a yearly basis thereafter. IRs receive commissions based upon sales of I-Link products and services to customer who become I-Link subscribers. Commissions range from 2% to 46% based upon the product sold or services utilized and the IR's seniority within the Network Marketing plan. An additional commission from $210 to $370 can be earned by the IR based on the IR's initial signing up of another IR and that new IR signing up users of I-Link products or services.

Growth in revenue for both telecommunications and marketing services requires an increase in the productivity of IRs and/or growth in the total number of IRs. There can be no assurance that the productivity or number of IRs will be sustained at current levels or increased in the future. The Company had approximately 12,700 and 12,600 IRs as of December 31, 1998 and 1997, respectively.

Year Ended December 31, 1998 Compared to the Year Ended December 31, 1997

Revenues

Net operating revenue of the Company in 1998 and 1997 included three primary sources of revenue which were: (1) telecommunications service; (2) marketing services which began in June 1997 and includes revenues from the Network Marketing channel, including revenues from independent representatives for promotional and presentation materials and national conference registration fees; and (3) technology licensing and development revenues which began in August 1997 upon the acquisition of MiBridge, Inc. which develops and licenses communications software that supports multimedia communications over the public switched and local area networks and the Internet.

Telecommunication service revenues increased $8,553,674 to $19,634,681 in 1998 as compared to $11,081,007 in 1997. The increase was primarily due to an increase of $13,830,000 from growth in the network marketing channel (started in June 1997). This increase was partially offset by a decrease of $5,275,000 in revenues from other channels of distribution as the Company determined that it would refocus the resources of the Company to concentrate on those channels of distribution of its products which had higher profit margins and accordingly terminated certain relationships. The increase in revenues is primarily due to increased usage as the average rate per minute did not change significantly from 1997 to 1998.

Marketing service revenues increased $1,911,090 to $4,548,421 in 1998 as compared to $2,637,331 in 1997. As this marketing channel began in June 1997, the increase was primarily due to twelve months of revenue in 1998 as compared to approximately seven months in 1997. Marketing service costs were greater than marketing service revenues for the year. As revenues in this marketing channel are intended to cover the marketing service costs, it is anticipated that as the base of independent representatives grows, marketing service revenues will approximate the related costs.

Technology licensing and development revenues increased $1,119,440 to $1,466,315 as compared to $346,875 in 1997. The increase was primarily due to increasing acceptance of the Company's products in the market place and as this source of revenue began with the acquisition of MiBridge, Inc. in August 1997, there are twelve months of revenue in 1998 as compared to approximately five months in 1997. This increase is not expected to continue in the future as the Company has decided to direct a greater portion of the MiBridge resources into research and development rather than technology licensing and development. Accordingly, revenues from technology licensing and development in 1999 are anticipated to be less than 1998.

Operating costs and expenses

Telecommunications network expenses increased $4,464,195 to $19,099,194 in 1998 as compared to $14,634,999 in 1997. The increase is related to the costs of continuing development and deployment of the Company's communication network and expenses related to the telecommunication service revenue. Moreover, the deployment of the Company's Communication Engines in 1998 and better pricing from our underlying carriers have allowed telecommunications revenues to grow at a rate significantly faster than the related telecommunication network expenses.

Marketing services costs increased $1,556,859 to $5,850,873 in 1998 as compared to $4,294,014 in 1997. These costs directly relate to the Company's marketing services revenue that began late in the second quarter of 1997 and include commissions and the costs of providing promotional and presentation materials and ongoing administrative support of the Network Marketing channel.

Selling, general and administrative expenses decreased $1,385,186 to $10,563,382 in 1998 as compared to $11,948,568 in 1997. The decrease was primarily due to (1) decreased legal fees associated with warrants granted to

the Company's outside general counsel in 1997 valued at $1,400,000 compared to $450,000 in 1998 and (2) the write off of certain intangible assets and losses on disposal of certain assets totaling $1,212,000 in 1997 which did not recur in 1998. These decreases were offset by general increases in corporate expenses, associated with growth of Company operations, such as salaries and wages.

The provision for doubtful accounts increased $1,775,621 to $3,160,621 in 1998 as compared to $1,385,000 in 1997. The increase is related directly to the growth in telecommunication service revenues, and increased bad debts from receivables in the channels which the Company decided to terminate in order to refocus the resources of the Company on those channels of distribution of its products which had higher profit margins.

Depreciation and amortization increased $1,642,892 to $4,192,174 in 1998 as compared to $2,549,282 in 1997. The increase is primarily due to approximately $600,000 increase in amortization related to the intangible assets acquired in the acquisition of MiBridge in August 1997 (twelve months of amortization in 1998 as compared to five months in 1997) and approximately $887,000 related to increased amortization of acquisition costs incurred in June 1997 with the release from escrow of shares of common stock associated with the acquisition of I-Link Worldwide Inc. Depreciation expense also increased due to the continued acquisition of other equipment.

Acquired in-process research and development was $4,235,830 in 1997. This amount was related to the acquisition of MiBridge in 1997. There was no such acquisition in 1998. This expense related to the specific acquisition of MiBridge in 1997 and as such is not of a recurring nature other than as may occur if the Company were to acquire other similar entities in the future.

Research and development increased $1,550,534 to $2,429,116 in 1998 as compared to $878,582 in 1997. The increase is associated with the Company's increased commitment to continuing telecommunication network research and development efforts. Approximately $700,000 of the increase is associated with the research and development occurring in the Company's Israeli subsidiary, ViaNet Technologies, which was formed in 1998.

Other income (expense)

Interest expense increased $5,381,799 to $8,404,418 in 1998 as compared to $3,022,619 in 1997. The increase is primarily due to the an increase of approximately $5,040,000 from the accretion of debt discounts (non-cash) related to certain warrants granted in connection with $7,768,000 in loans to the Company during 1998 as compared to warrants granted in connection with $5,000,000 in loans in 1997. In addition there was an increase in interest expense of approximately $670,000 on loans to the Company outstanding in 1998 as compared to 1997. The increases above were offset by $320,000 (non-cash) of interest expense in 1997 associated with the issuance of convertible notes issued at a discount in 1996 that did not recur in 1998.

Interest and other income increased $54,299 to $270,288 in 1998 as compared to $215,989 in 1997. The increase was primarily due to interest earned in 1998 on deposits with the Company's primary provider of long-distance telecommunications capacity.

Year Ended December 31, 1997 Compared to the Year Ended December 31, 1996

Revenues

Net operating revenue of the Company in 1997 included three new sources of revenue which were: (1) telecommunication service revenues of $11,081,007 which is a result of the acquisition of ILC in January 1997; (2) marketing services of $2,637,331 which began in June 1997 and includes revenues from

the Network Marketing channel, including revenues from independent representatives for promotional and presentation materials; and (3) technology licensing and development revenues of $346,875 which began in August 1997 upon the acquisition of MiBridge, Inc. which develops and licenses communications software that supports multimedia communications over the public switched and local area networks and the Internet. In 1996 the Company had other revenue of $170,532 which was associated with Internet Service Provider services the Company did not offer in 1997.

Operating costs and expenses

Telecommunications network expenses increased $13,514,220 to $14,634,999 in 1997 as compared to $1,120,779 in 1996. The increase is related to the costs of continuing development and deployment of the Company's communication network and expenses related to the telecommunication service revenue that began in 1997 with the acquisition of ILC.

Marketing services costs were $4,294,014 in 1997 and $0 in 1996. These costs directly relate to the Company's marketing services revenue that began late in the second quarter of 1997 and include commissions and the costs of providing promotional and presentation materials and ongoing administrative support of the Network Marketing channel.

Selling, general and administrative expenses increased $9,044,840 to $11,948,568 in 1997 as compared to $2,903,728 in 1996. The increase was primarily due to increased administrative expense associated with the launch of the Network Marketing channel and an increase in overhead and personnel expenses associated with growing the Company's telecommunication and technology licensing and development businesses. The increase in administrative expense in 1997 included $1,400,000 in legal fees associated with the value of warrants granted to the Company's outside general counsel and $1,212,000 from the write off of certain intangible assets and losses on disposal of certain assets. There were no similar costs in 1996.

The provision for doubtful accounts increased $1,369,004 to $1,385,000 in 1997 as compared to $15,996 in 1996. The increase is related directly to the growth in telecommunication service revenues, and, specifically, one marketer of the Company's services, which relationship was terminated in the first half of 1998.

Depreciation and amortization increased $1,858,362 to $2,549,282 in 1997 as compared to $690,920 in 1996. The increase is primarily due to increased amortization ($1,566,500) of intangible assets acquired in the acquisition of ILC and MiBridge in 1997 and the issuance in 1997 of the final one million shares of Common Stock associated with the acquisition of I-Link Worldwide Inc. in 1996. Depreciation expense also increased due to the acquisition of telecommunication equipment in late 1996 and throughout 1997.

Acquired in-process research and development decreased $10,342,112 to $4,235,830 in 1997 as compared to $14,577,942 in 1996. The $4,235,830 in 1997 was related to the acquisition of MiBridge in 1997 whereas the $14,577,942 in 1996 was related to the acquisition of I-Link Worldwide Inc. in February 1996. These amounts were expensed because technological feasibility of the in-process technology had not yet been established and the technology was deemed to have no alternative future use. These expenses related to specific acquisition of other companies and as such are not of a recurring nature other than as may occur if the Company were to acquire other similar entities in the future.

Research and development increased $531,078 to $878,582 in 1997 as compared to $347,504 in 1996. The increase is primarily associated with the Company's continuing telecommunication network research and development efforts.

Other income (expense)

Interest expense increased $1,010,277 to $3,022,619 in 1997 as compared to $2,012,342 in 1996. The increase is primarily due to the accretion in 1997 of $2,371,575 in debt discounts (non-cash) related to certain warrants granted in connection with $5,000,000 in loans to the Company during the year and interest of $103,000 on those loans. These loans were exchanged for equity during 1997 and accordingly all debt discounts were immediately expensed. The increase is also due to $320,000 (non-cash) of interest expense associated with the issuance of convertible notes issued at a discount in 1996.

Interest and other income increased $60,287 to $215,989 in 1997 as compared to $155,702 in 1996. The increase was primarily due to an increase in the average balance of cash on hand during 1997 as compared to 1996.

Litigation settlement expense of $821,000 occurred in 1996 only and was associated with the Company's settlement of the JW Charles litigation. The expense (non-cash) was directly related to issuance of 175,000 warrants (related to the settlement) to purchase Common Stock at an exercise price less than fair market value of the Common Stock at the date of issuance.

Liquidity and Capital Resources

Cash and cash equivalents as of December 31, 1998 were $1,311,003, short term certificates of deposits were $378,160 and the working capital deficit was $4,487,914. Cash used by operating activities during 1998 was $16,825,719 as compared to $12,008,526 in 1997 and $4,840,285 in 1996. The increase in cash used by operating activities in 1998 and 1997 was primarily due to operating losses as the Company continued to develop its network infrastructure and product base.

Net cash used by investing activities in 1998 was $1,602,974 as compared to $1,387,526 in 1997 and $2,573,486 in 1996. The net increase in cash used by investing activities in 1998 as compared to 1997 was primarily due to (1) an increase in purchases of furniture, fixtures and equipment of $1,309,332 which was partially offset by increased funds received from matured certificates of deposits of $1,291,715 and (2) receipt in 1998 of $310,000 in proceeds from sales of assets in its discontinued operation. In 1997 the Company received $514,886 from the acquisition of ILC and MiBridge which did not recur in 1998. The increase in cash used by investing activities in 1997 as compared to 1996 was primarily attributable to the increases in purchases of furniture, fixtures and equipment of $1,278,887 which was offset by cash received in connection with the acquisitions of ILC and MiBridge of $514,886 in 1997 and the purchase of certificates of deposit totaling $1,962,601 in 1996.

Financing activities in 1998 provided net cash of $18,069,765 as compared to $10,623,680 in 1997 and $11,834,682 in 1996. Cash provided in 1998 included $9,430,582 from issuance of preferred stock (net of offering costs), $11,009,712 in proceeds from loans to the Company, and $684,943 from exercise of stock options and warrants. Long term-debt and capital lease payments of $2,885,007 offset these sources of cash. Cash provided in 1997 included $5,000,000 in long-term debt, which was subsequently exchanged for equity, $6,618,888 of net proceeds from the sale of preferred stock and $137,933 from the exercise of warrants and options. During 1997 the Company repaid $1,079,585 of long-term debt and capital lease obligations. Cash provided in 1996 included $2,502,333 from long-term debt and $12,290,000 net proceeds from the sale of preferred stock. During 1996 the Company repaid $2,990,385 of long-term debt and capital lease obligations.

The Company incurred a net loss from continuing operations of $27,780,073 for the year ended December 31, 1998, and as of December 31, 1998 had an accumulated deficit of $84,942,815. The Company anticipates that

revenues generated from its continuing operations will not be sufficient during 1999 to fund the continued expansion of its private telecommunications network facilities, C4 development and manufacturing, and anticipated growth in subscriber base. The Company has entered into additional financing arrangements and proposes to issue additional preferred stock as described below in order to obtain the additional funds required for its continuing operations in 1999.

Current Position/Future Requirements

During 1999, the Company plans to use available cash to fund the development and marketing of I-Link products and services. The Company anticipates that revenues from all sources of continuing operations, except technology licensing and development, will grow in 1999 and will increasingly contribute to meetingthe cash requirements of the Company. In order to enhance future consolidated revenues, the Company has decided to direct a greater portion of the MiBridge resources into research and development rather than technology licensing and development. Accordingly, revenues from technology licensing and development in 1999 are anticipated to be less than 1998. The Company anticipates increased cash flow in 1999 primarily from the following sources:

- During the first quarter of 1999 the Company deployed its Communication Engines in an additional eight metropolitan areas in the United States and anticipates continued deployments during the remainder of 1999 to continue the build out of the Company's IP Telephony network. The anticipated effect of this expansion is increased revenues and profit margins for telecommunications services in the future.
- Anticipated increase in revenues from marketing of its C4 product.
- Release of V-Link 3.0 that will have increased functionality and ease of use thus increasing revenues from incremental sales and usage of V-Link enhanced services.
- New revenues will be generated from the Company's IR WebCenter product that was released in late March 1999.

However, the Company anticipates that in preparation for continued market penetration and deployment of I-Link products cash requirements for operations and the continued development and marketing of I-Link services will be at increasingly higher levels than those experienced in 1998.

In January 1999, the Company entered into an agreement with MCI WorldCom carrier to lease local access spans to continue the build out of the I-Link Network infrastructure. The three-year agreement includes minimum usage commitments of $1,512,000 during the first year and $2,160,000 in the second and third years. If the Company were to terminate the agreement early, it would be required to pay any remaining first year minimum monthly usage requirements and pay 25 percent of any remaining second and third year minimum monthly usage requirements.

In order to provide for capital expenditure and working capital needs, the Company entered into two agreements with Winter Harbor. The first agreement, finalized in January 1999, provides an additional $11,000,000 in financing (the "Winter Harbor Financing Arrangement"); including the issuance of warrants and a rights offering. The Winter Harbor Financing Arrangement consists of an $8,000,000 bridge loan facility (the "Bridge Loan") and a $3,000,000 standby letter of credit (the "Letter of Credit") to secure additional capital leases of equipment and telephone lines relative to the proposed expansion of the Company's telecommunications network. As of December 31, 1998, the Company had received advances under the bridge loan and letter of credit of $3,842,000 and $1,144,000, respectively. The remaining $4,158,000 of the Bridge Loan was received subsequent to year end. To the extent that the bridge loan is not exchanged into Series N Preferred stock (described below), the Bridge Loan matures and must be repaid by October 31, 1999.

Under the Winter Harbor Financing Arrangement, the Company is obligated to issue up to 20,000 shares of a new series of preferred stock (Series N preferred stock) as part of a rights offering which will be open to the Company's common and Series M Redeemable Preferred Stockholders. Each share of Series N preferred stock may be purchased for $1,000. The Company and Winter Harbor have agreed under the Winter Harbor Financing Arrangement that the Company can require Winter Harbor to exchange the outstanding balance of the Bridge Loan plus accrued interest for Series N preferred stock. Winter Harbor is entitled, but not obligated, to subscribe for any shares of Series N preferred stock which are subject to rights that are not exercised by other stockholders. Winter Harbor has indicated its intention to subscribe for all unexercised rights. Should all of the Series N Preferred Stock be sold and all $8 million be drawn on the Bridge Loan, the net proceeds to the Company after repayment of the Bridge Loan would be approximately $11.5 million.

On April 14, 1999, the Shareholders approved an amendment to the Articles of Incorporation increasing the authorized common stock from 75,000,000 shares to 150,000,000 shares. In addition, the shareholders voted to approve a plan of financing which includes issuing 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit should management elect to not repay the amounts owing prior to April 26, 1999. The Company does not anticipate repaying the loan before April 26, 1999.

In the second agreement, dated April 15, 1999, Winter harbor agreed to loan the Company up to $4 million under a note due September 30, 1999. The Loan will accrue interest at a variable rate of prime plus a spread beginning at 5 points through and including May 9, 1999, and increasing 1 point every three months thereafter, to a maximum of 7 points. The Company may cause the loan to be exchanged for Series N Preferred Stock. It is the Company's intention to exchange the loan for Series N Preferred Stock or repay this loan from proceeds of the Series N offering. As partial consideration for the loan, at its next meeting of its shareholders, the Company shall seek shareholder approval of a modification to the conversion terms of the Series N Preferred shares. The Company has the option to extend the due date to April 15, 2000, provided, that in the event the Company's shareholders fail to approve the modification to the conversion terms of the Series N Preferred shares, the Company shall be required to issue to Winter Harbor one warrant for each $1 of principal outstanding on the loan as of the date of such extension which warrants shall be issued on the same terms and conditions as the warrants issued in connection with the $8,000,000 Bridge Loan described above.

In addition, the due date of the Company's prior obligation to Winter Harbor in the amount of $7.768 million, which was due on demand, was extended to April 15, 2000.

While the Company believes that the aforementioned sources of funds will be sufficient to fund operations in 1999, the Company anticipates that additional funds will be necessary from public or private financing markets to successfully integrate and finance the planned expansion of the business communications services, product development and manufacturing, and to discharge the financial obligations of the Company. The availability of such capital sources will depend on prevailing market conditions, interest rates, and financial position and results of operations of the Company. There can be no assurance that such financing will be available, that the Company will receive any proceeds from the exercise of outstanding options and warrants or that the Company will not be required to arrange for additional debt, equity or other type of financing.

Other Items

The Company's activities have not been, and in the near term are not expected to be, materially affected by inflation or changing prices in general. However, the Company's revenues will continue to be affected by

competitive forces in the market place.

Effective January 1, 1999 the Company adopted Statement of Position No. 98-1 (SOP 98-1), "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use". The SOP was issued to address the diversity in practice regarding whether and under what conditions the costs of internal-use software should be capitalized. In accordance with SOP 98-1 the Company will capitalize material costs associated with developing computer software for internal use. Previously these costs were recognized as a current expense. Purchased computer software for internal use is capitalized and amortized over the expected useful life, usually three years. The impact of applying this standard is not expected to be material to the consolidated financial position or results of operations of the Company.

In 1998, the Company adopted Statement of Financial Accounting Standards (FAS) 131, "Disclosures about Segments of an Enterprise and Related Information." FAS 131 supersedes FAS 14, "Financial Reporting for Segments of a Business Enterprise", replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. FAS 131 also requires disclosures about products and services, geographic areas, and major customers. The adoption of FAS 131 did not affect results of operations or financial position but did affect the disclosure of segment information.

The Company has reviewed all other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on the results of operations or financial position of the Company. Based on that review, the Company believes that none of these pronouncements will have a significant effect on current financial condition or results of operations.

Impact of Year 2000

I-Link's Year 2000 ("Y2K") program is designed to minimize the possibility of serious Y2K interruptions. Possible worst case scenarios include the interruption of significant parts of I-Link's business as a result of critical telecommunication networks and/or information systems failure. Any such interruption may have a material adverse impact on future results. Since their possibility cannot be eliminated, I-Link formed a "Year 2000 Team" during 1998 to evaluate its information technology (IT) systems as well as its non-IT devices (such as building security, heating and air-conditioning, safety devices and other devices containing embedded electronic circuits). The Company does not believe its non-IT systems will be significantly affected by Y2K. Nevertheless, the Y2K project team is continuing to evaluate the readiness of all of the facilities the Company occupies to be certain that the non-IT systems will be compliant. The Company anticipates its IT and non-IT systems will be Y2K compliant by September 30, 1999.

State of Readiness. The Company's approach to the Y2K issue includes six major phases: Inventory, Assessment, Remediation, Testing, Implementation, and Contingency Planning. Several phases of this methodology are well underway. The Inventory and Assessment phases are nearly complete, and efforts have begun in Remediation and Testing. Based upon the results of the assessment, a significant portion of the Company's software and hardware already appears to be Y2K compliant, though the Company intends to confirm that opinion in the Testing phase. As the Company began operations in 1996, much of the hardware and software currently in use at the Company was Y2K compliant when acquired and implemented.

While the Company continues to assess various aspects of its Y2K vulnerability, the project team has begun the process of remediating or replacing systems and devices that do not appear to be fully compliant. Much

of this remediation effort involves readily available, simple upgrades to hardware and software components, or relatively minor changes to the Company's in-house developed systems. The Company intends to complete the Remediation phase, except for the billing system discussed below, by July 31, 1999. Total costs, past and future, of all remediations are not expected to exceed $225,000. The Company does not believe that its use of internal resources will significantly delay any other systems development efforts. The Company has initiated testing of some systems to confirm that they can process calendar dates after December 31, 1999.

The Company believes that reliance on other telecommunications providers represent the Company's greatest Y2K exposure and is the primary third-party relationship that is critical to the Company's on-going operations. While the Company has its own communications network to carry much of its traffic, the Company's network is dependent upon significant third-party carriers (such as Sprint) and all local exchange carriers (LECs), such as U.S. West and PacBell. These entities originate and terminate local and long-distance caller traffic which accesses the Company's communications network or services areas not covered by I-Link's network. This is substantially the same risk faced by other telecommunications providers. The Company is in the process of evaluating the Y2K preparedness of its carriers and the many LEC's. I-Link's carriers have indicated they intend to be Y2K compliant in public filings and other notifications. In the event that these carriers do not become Y2K compliant prior to December 31, 1999, the Company would need to switch to carriers who were Y2K compliant or face a significant impact on its ability to deliver telecommunications services. In the event the Company's current carriers do not become Y2K compliant and the Company is unable to switch to a carrier(s) that is Y2K compliant, the Company would not be able to deliver its services which would have a substantial negative impact on the Company and its results of operations, liquidity, and financial position. In the event that certain LEC's are not Y2K compliant, customers of the Company would not be able to originate or terminate a call in geographic areas serviced by the LEC, which would negatively impact the financial condition of the Company.

In order to assess the preparedness of third party vendors including I-Link's carriers and LEC's, the Company is surveying the vendors and their public statements and Web sites. At the conclusion of its internal and third party assessments, the Company intends to complete contingency plans to address various scenarios in which key vendors and suppliers may not be Y2K compliant.

The internal system the Company believes most vulnerable to Y2K problems is the existing billing system which: (1) gathers call detail records ("CDRs"); (2) processes the CDRs into billable CDRs; (3) rates the CDRs; (4) prepares invoices to customers; (5) and records payments received. The inability of the Company's billing system to operate in the Year 2000 would adversely impact the recognition and collection of revenue, and therefore, could negatively impact the results of operations and financial position. The current billing system contains some programs that are not Y2K compliant. The Company has contracted with an outside consulting company to design and implement a new operations and customer care software program, part of which would replace the existing billing system. This new software program is designed to be Y2K compliant and thus the Company anticipates the possibility of significant interruption of normal business related to the billing system is not significant. The Company anticipates the implementation of this system by August 1999. Nevertheless, in order to mitigate the risk that implementation schedules could slip, the Company is also currently making changes to the existing billing system that would reduce Y2K exposure if the enhanced billing system were unavailable for use by the end of the year. The cost of these modifications to the existing billing system would not exceed $30,000, and would involve internal resources only such as salaries and benefits.

Costs. The Company is primarily using internal resources to identify, assess, correct, test, and implement solutions for minimizing Y2K consequences, but expects to incur some additional consulting, upgrade, and other expenses. The total cost of modifications and conversions is not known at this time. However, the Company has already expended approximately $30,000 to date for upgrades, and approximately $20,000 on internal resources for Y2K preparation. The Company estimates the remaining expenditures for outside services and upgrades should not exceed $100,000 and internal resources should not exceed $75,000. The Company expects to fund such expenditures from investments or loans from outside parties.

Risks. The failure to correct a material Y2K problem could result in an interruption of normal business activities. Such a disruption could materially and adversely affect the Company's results of operations, liquidity, and financial condition. The Company's assessment of Y2K risk does not cover all possible catastrophic events, such as the failure of electrical power grids or the general telecommunications infrastructure. The following reasonably likely worst case scenario is based upon conceivable, though not probable, worst-case disruptions to the Company's revenue cycle.

The Company's revenue cycle is dependent on the ability to complete customer calls and integrate the related CDRs into the billing system described above. The Company's ability to complete calls is contingent upon the Y2K compliance of its underlying carriers and LECs, which have represented that they will be ready. Barring a long-term, catastrophic failure of electrical services or the telecommunications industry in general, the most likely worst-case scenario would be a general failure of the Company's own communications network, which carries its call traffic. In that case, the Company would not be able to provide enhanced services (such as V-Link) but customers could still complete long-distance calls as those calls would be routed over the Company's carriers networks. However unlikely, such an event would seriously and adversely affect operating margins, but operations could continue until reparations were made. Continuing on with the worst-case scenario, a failure of the Company's ability to collect CDRs might prevent the timely billing of services. Such a failure would result in a cash-flow exposure to the Company for as long as it may require to correct CDR collection programs. Since the billing process occurs two to three weeks after the close of any period, minor problems would probably have minimal financial impact. Nevertheless, if corrections required a significantly longer time period, customer billing, revenue collection and cash flows could be delayed and bad debts increased to the extent that material damages to the Company could result. The Company intends to test various components of this scenario to reduce exposure to this reasonably likely worst case scenario.

Milestones and implementation dates and the costs of the Company's Y2K readiness program are subject to change based on new circumstances that may arise or new information becoming available, that may alter underlying assumptions or requirements.

Item 8. Financial Statements.

See Consolidated Financial Statements beginning on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None

PART III

Item 10. Directors, Executive Officers, Promoters, and Control Persons; Compliance With Section 16(a) of the Exchange Act.

Name	Age	Title
John W. Edwards	44	Chairman of the Board, President and Chief Executive Officer
John M. Ames	39	Vice President of Operations
Karl S. Ryser, Jr.	43	Treasurer, Chief Financial Officer and Chief Accounting Officer
David E. Hardy	46	Secretary
Henry Y.L. Toh	41	Director and Assistant Secretary
Thomas A. Keenan	34	Director
David R. Bradford	48	Director
Joseph A. Cohen	51	Director

The Company's Articles of Incorporation provide that the number of directors of the Company shall not be less than five or more than nine. Currently, the Board of Directors has five members. The Company's Articles of Incorporation provide that the Board of Directors is divided into three classes and that each director shall serve a term of three years. The term of office of Mr. Keenan, the sole Class I Director, will expire at the next annual meeting of shareholders. The term of office of Messrs. Toh and Cohen, the Class II Directors, will expire at the 1999 annual meeting of shareholders, and the term of office of Mr. Edwards and Mr. Bradford, the Class III Directors, will expire at the annual meeting of shareholders in 2000. Mr. Cohen serves as the designee of Commonwealth , a previous underwriter for the Company, although he is no longer affiliated with Commonwealth. Commonwealth has the right to approve the Company's selection of one additional outside director pursuant to the terms of a sales agency agreement between the Company and Commonwealth. Mr. Keenan serves as the designee of Winter Harbor, and Winter Harbor has the right to designate one additional member of the Board of Directors pursuant to the Company's financing arrangements with Winter Harbor.

Biographical information with respect to the present executive officers, directors, and key employees of the Company are set forth below. There are no family relationships between any present executive officers and directors except that John W. Edwards and Robert W. Edwards, the Company's Vice President of Network Operations, are brothers.

John W. Edwards, Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Edwards was selected to fill a vacancy on the Board of Directors as a Class III director in June 1996. He was elected Chairman of the Board in August 1997. Mr. Edwards serves as the Chief

Executive Officer of I-Link and, as of September 30, 1996, serves as the President and Chief Executive Officer of the Company. Mr. Edwards served as Acting Chief Financial Officer of the Company from September 1996 to January 1997. Mr. Edwards served as President and a director of Coresoft, Inc., a

software company developing object-oriented computer solutions for small businesses from September 1995 to April 1996. During the period August 1988 through July 1995, Mr. Edwards served in a number of executive positions with Novell, Inc., a software company providing networking software, including Executive Vice President of Strategic Marketing, Executive Vice President of the Appware and Desktop Systems Groups and Vice President of Marketing of the NetWare Systems Group. Mr. Edwards was involved in the development of the NetWare 386 product line. Until May 1996, he was a visiting faculty member at the Marriott School of Management at Brigham Young University. Mr. Edwards received a B.S. degree in Computer Science from Brigham Young University and has taken graduate courses in Computer Science at Brigham Young University. Mr. Edwards was re-elected to the Board of Directors as a Class III Director at the 1997 Annual Meeting.

Karl S. Ryser, Jr., Treasurer and Chief Financial Officer of the Company. Mr. Ryser was elected Treasurer of the Company and Vice President of Finance in September 1996, and Chief Financial Officer of the Company in January 1997. Mr. Ryser was self-employed as a corporate financial consultant from May 1995 until September 1996, when he joined I-Link as its Treasurer. From July 1993 through April 1995, Mr. Ryser served as Vice President of Finance and Treasurer of Megahertz Corporation, a publicly held manufacturer of data communication products, in which position he served until U.S. Robotics Corporation acquired Megahertz. After earning his MBA, Mr. Ryser's work experience was concentrated in the investment banking field, working first with the Capital Markets Division of First Security Corporation and later with Dain Bosworth, Inc. Mr. Ryser holds a B.S. degree in Finance from the University of Utah in 1979, and an MBA from the University of San Diego in 1982.

John M. Ames, Vice President of Operations. Mr. Ames joined I-Link as Vice President of Operations in September of 1998. Between April and August 1997, Mr. Ames organized, developed and sold Time Key L.C., a company specializing in Time and Labor Management software and consulting. From June 1996 until April 1997, he was the Vice President and Chief Financial Officer of Neurex (now Elan Pharmaceutical), a Menlo Park, California based public biotech company. From August 1993 until June 1996 Mr. Ames managed various information services, finance and cost accounting, strategic partnering, international tax, and human resource functions as the Director of Corporate Services at TheraTech, a public Utah based pharmaceutical company. From April 1992 through August 1993, he was responsible for overseeing U.S. sites information services activities as the Corporate Director of Information Services with Otsuka Pharmaceutical, a large privately owned Japanese conglomerate. Prior to joining Otsuka, Mr. Ames spent over eight years with KPMG Peat Marwick as an auditor and consultant in the High Technology practice. He is a graduate from Brigham Young University with both a Bachelors and Masters (Macc) degree in accounting with emphasis in accounting information systems and management consulting.

David E. Hardy, Secretary of the Company. Mr. Hardy was appointed Secretary of the Company in December 1996. He is a founding partner of the law firm of Hardy & Allen, in Salt Lake City. From February 1993 to April 1995, Mr. Hardy served as Senior Vice President and General Counsel of Megahertz Corporation, a publicly held manufacturer of data communication products. Prior to his association with Megahertz Corporation, Mr. Hardy was a senior partner of the law firm of Allen, Hardy, Rasmussen & Christensen that was founded in 1982. Mr. Hardy holds a Bachelor of Arts degree from the University of Utah and a Juris Doctor degree from the University of Utah School of Law.

Henry Y.L. Toh, Director of the Company. Mr. Toh was elected by the Board of Directors as a Class II Director and as Vice Chairman of the Board of Directors in March 1992. Mr. Toh was elected President of the Company in May 1993, Acting Chief Financial Officer in September 1995 and Chairman of the Board in May 1996, and served as such through September 1996. He was

appointed Assistant Secretary of the Company in May 1997. Mr. Toh is a Director of Four M. Mr. Toh served as a senior tax manager in international taxation and mergers and acquisitions with KPMG Peat Marwick from March 1980 to February 17, 1992. He is a graduate of Rice University.

Thomas A. Keenan, Director of the Company. Mr. Keenan was appointed to serve as a Class I Director on September 1, 1998. Mr. Keenan was elected to fill this board seat pursuant to the right of Winter Harbor to designate up to two board members under the Stockholder Agreement dated September 30, 1997 between Winter Harbor and I-Link. Mr. Keenan is the principal of Wolfeboro Holdings, an investment fund based in Wellesley, Massachusetts. Mr. Keenan received a Juris Doctor degree from the University of Michigan Law School, and from September 1994 to August 1996 was employed by McKinsey & Company, an international management-consulting firm

David R. Bradford, Director of the Company. The Board of Directors elected Mr. Bradford as a Class III Director in January 1999. Mr. Bradford is senior vice-president and general counsel for Novell, Inc. Prior to joining Novell, Inc., he served as western region legal counsel for Prime Computer and spent several years as an associate attorney for Irselfd, Irsfeld and Younger and as the general manager for Businessland in Los Angeles. Mr. Bradford is past chairman of the board of the Business Software Alliance, the leading business software trade association representing Microsoft, Novell, Adobe and Autodesk, among others. Mr. Bradford also serves on the board of directors of Pervasive Software, Altius Heath, Found.com and Utah Valley State College. Mr. Bradford received his law degree from Brigham Young University and a master's degree in business administration from Pepperdine University.

Joseph A. Cohen, Director of the Company. Mr. Cohen was appointed a Class II Director of the Company in September 1996 as the designee of Commonwealth Associates. He has been the Chairman, Chief Executive Officer and Director of New Frontier Entertainment, Inc. ("New Frontier") since its formation in May 1995 and held the same positions since January 1993 in New Frontier's predecessor company, The Frondelle Company, Inc. He is also President of Leslie Group, Inc., a diversified company with holdings primarily in the music, film, home video and other entertainment-oriented businesses. He is also a Founder and President of Leslie/Linton Entertainment Inc., a merchant banking company that provides investment funds and assists in raising capital and debt for companies. Mr. Cohen also serves as President of Pickwick Communications, Inc., an independent music publishing company. From 1977 to 1986, Mr. Cohen served as Executive Vice President of the National Association of Recording Merchandisers, Inc. and Founder and Executive Vice President of Video Software Dealers Association, Inc., trade associations representing all segments of the recorded music and home video industries, respectively.

Each officer of the Company is chosen by the Board of Directors and holds his or her office until his or her successor shall have been duly chosen and qualified or until his or her death or until he or she shall resign or be removed as provided by the Bylaws.

Mr. Bradford and Mr. Cohen are the non-employee independent directors of the Company.

There are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than five percent of any class of voting securities of the Company, or any associate of any such director, officer, affiliate of the Company or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

Committees of the Board of Directors

Audit Committee. The Company's audit committee (the "Audit Committee") is responsible for making recommendations to the Board of Directors concerning the selection and engagement of the Company's independent certified public accountants and for reviewing the scope of the annual audit, audit fees, and results of the audit. The Audit Committee also reviews and discusses with management and the Board of Directors such matters as accounting policies and internal accounting controls, and procedures for preparation of financial statements. Its membership is currently comprised of Joseph A. Cohen (chairman), Henry Y.L. Toh and Thomas A. Keenan. The Audit Committee held three meetings during the last fiscal year.

Compensation Committee. The Company's compensation committee (the "Compensation Committee") approves the compensation for executive employees of the Company. Its membership is currently comprised of Joseph Cohen (chairman), Thomas A. Keenan and John Edwards. The Compensation Committee held four meetings during the last fiscal year.

Finance Committee. The Company's finance committee (the "Finance Committee") is responsible for reviewing and evaluating financing, strategic business development and acquisition opportunities. Its membership is currently comprised of Thomas A. Keenan (chairman), Joseph A. Cohen and John Edwards. The Finance Committee held four meeting during the last fiscal year.

The Company has no nominating committee or any committee serving a similar function.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of equity securities of the Company with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than ten percent shareholders are required by the SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely upon a review of Forms 3 and Forms 4 furnished to the Company pursuant to Rule 16a-3 under the Exchange Act during its most recent fiscal year and Forms 5 with respect to its most recent fiscal year, the Company believes that all such forms required to be filed pursuant to Section 16(a) of the Exchange Act were timely filed, as necessary, by the officers, directors, and security holders required to file the same during the fiscal year ended December 31, 1998, except that reports and transactions were filed late by the following persons: John M. Ames, 1 report; William Flury, 1 report, 2 transactions; Thomas Keenan, 1 report; Clay Wilkes, 4 reports, 12 transactions. In addition, the Company has received no copies of Forms 3, 4, or 5 for the following persons relating to the following number of transactions: Henry Y. L. Toh, 1 transaction, R. Huston Babcock, 1 transaction.

Item 11. Executive Compensation

The following table sets forth the aggregate cash compensation paid for services rendered to the Company during the last three years by each person serving as the Company's Chief Executive Officer during the last year and the Company's five most highly compensated executive officers serving as such at the end of the year ended December 31, 1998, whose compensation was in excess of $100,000.

Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compen-sation($)	Restricted Stock Awards($)	Securities Underlying Options/ SARs(#)	LTIP Payouts($)	All Other Compen-sation($)
		Annual Compensation			Long-Term Compensation: Awards		Payouts	
John W. Edwards	1998	133,333(1)	-	-	-	30,000	-	N/A
President and CEO	1997	98,292(1)	-	-	-	520,000	-	N/A
	1996	101,663(1)	-	-	-	1,250,000	-	N/A
Karl Ryser, Jr.	1998	125,000(2)	-	-	-	-	-	N/A
Treasurer and CFO	1997	125,000(2)	-	-	-	550,000	-	N/A
	1996	41,665(2)	-	-	-	250,000		N/A
John M. Ames Vice President of Operations	1998	37,369(3)	-	-	-	350,000	-	N/A

1 Mr. Edwards began his employment with I-Link in April 1996 and was appointed President and CEO as of September 30, 1996; his annual salary was $175,000 from April to August 21, 1996 and was voluntarily reduced to $96,000 for the balance of 1996 in exchange for options. Mr. Edwards' annual salary continued at $96,000 in 1997 until August, when it was increased to an annual salary of $150,000. In November 1997 Mr. Edwards again voluntarily reduced his annual salary to $35,000, for the balance of 1997 and until the Company's financial restraints are reduced. See "-- Employment Agreements." Mr. Edwards was paid at an annual rate of $125,000 commencing January 1, 1998. Mr. Edward's salary was increased to $200,000 effective May 1997, however the salary increase is to accrue but not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. Accordingly as of December 31, 1998, the accrued but unpaid salary to Mr. Edwards was $129,375.

2 Mr. Ryser began his employment with I-Link in September 1996; his annual salary during the 1996 and 1997 fiscal years was $125,000. See "-- Employment Agreements." Mr. Ryser's salary was increased to $175,000 effect May 1997, however the salary increase will not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. As of December 31, 1998, the accrued but unpaid salary to Mr. Ryser was $81,250.

3 Mr. Ames began his employment in September 1998; his annual salary during 1998 was $120,000. See "-- Employment Agreements."

Option/SAR Grants in Last Fiscal Year (1998)

The following table sets forth certain information with respect to the options granted during the year ended December 31, 1998, for the persons named in the Summary Compensation Table (the "Named Executive Officers"):

Name	Number of Securities Underlying Options/ SARs Granted(#)	Percent of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Grant Date Value(2)	Expiration Date
John W. Edwards(1)	30,000	1.7%	$3.900	$120,000	1/2/2008
Karl S. Ryser, Jr.(1)	-	-	-	-	-
John M. Ames	350,000	19.8%	3.125	789,000	8/31/2008

* Less than 1%.

1 On December 13, 1998 the Board of Directors authorized the repricing of all outstanding options of Mr. Edwards (options to purchase 1,800,000 shares of Common Stock) and Mr. Ryser (options to purchase 800,000 shares of Common Stock) as part of a general repricing of all outstanding options held by current employees, directors and consultants of the Company. The original exercise prices of between $7.00 and $4.88 were reduced to $3.90. Using the Black Scholes option pricing model the incremental fair value of the repriced options over the original options was approximately $351,000 and $119,000 for Mr. Edwards and Mr. Ryser, respectively.

2 Determined using the Black Scholes option pricing model.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth certain information with respect to options exercised during 1998 by the Named Executive Officers and with respect to unexercised options held by such persons at the end of 1998.

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Securities Underlying Unexercised Options/SARS at FY-End(#)		Value of Unexercised in the Money Options/SARs at FY-End($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John W. Edwards	-	-	1,258,328	541,672	-	-
Karl S. Ryser, Jr.	-	-	612,500	187,500	-	-
John M. Ames	-	-	33,333	316,667	-	-

1 The calculations of the value of unexercised options are based on the difference between the closing bid price on Nasdaq of the Common Stock on December 31, 1998, and the exercise price of each option, multiplied by the number of shares covered by the option. As the exercise price exceeds the closing bid price on December 31, 1998, no value is ascribed to unexercised options.

Director Compensation

During 1997, Directors of the Company then serving received options to purchase 10,000 shares of Common Stock on the first business day of January at an exercise price equal to the fair market value of the Common Stock on

the date of grant. Effective February 6, 1997 and the first business day of January of each year thereafter, each Director then serving will receive options, to purchase 10,000 shares (20,000 shares effective January 1, 1998) of Common Stock and, for each committee on which the Director serves, options to purchase 5,000 shares of Common Stock. The exercise price of such options shall be equal to the fair market value of the Common Stock on the date of grant. The Directors are also eligible to receive options under the Company's stock option plans at the discretion of the Board of Directors. In addition to the above options, Mr. Cohen received options to purchase 64,000 shares of Common Stock upon his appointment to the Board. On August 29, 1997 Mr. Cohen was also granted 150,000 options to purchase Common Stock, 50,000 of such options vested upon closing of the Winter Harbor equity investment in October 1997, 50,000 will vest when the Company reaches the break even point, and the balance will vest at such time as the Company has attained $50 million in annual sales.

Employment Agreements

In February 1996, the Company entered into a two-year employment agreement with Henry Y.L. Toh. The employment agreement was for an initial period ending on December 31, 1997 and is automatically renewable for successive one-year periods unless written notice to the contrary is given by the Company not less than 120 days prior to expiration of the term. Pursuant to the terms of the employment agreement, Mr. Toh is required to devote his time to the business and affairs of the Company as is required to fulfill the duties and responsibilities of his office. Mr. Toh is entitled under his employment agreement to receive compensation at the rate of $54,000 per year. Mr. Toh is entitled to an annual bonus at the discretion of the Board of Directors and may participate in fringe benefits, deferred compensation, stock benefits and option plans of the Company. In the event of termination of his employment by the Company other than for "cause" (as defined in the agreement) or by Mr. Toh upon "good reason" (as defined in the agreement), the Company is required to pay Mr. Toh, as liquidated damages or severance pay, monthly termination payments equal to the base salary in effect for a period of six months after such termination. The employment agreement contains confidentiality and non-solicitation provisions.

On April 8, 1996, I-Link entered into a three-year employment agreement with John W. Edwards, President, Chief Executive Officer and Director of the Company. Pursuant to the terms of the employment agreement, Mr. Edwards is employed as the Chief Executive Officer and a Director of I-Link, and is required to devote substantially all of his working time to the business and affairs of I-Link. Mr. Edwards is entitled under his employment agreement to receive compensation at the rate of $175,000 per year and is entitled to a profitability bonus at the discretion of the I-Link Board of Directors and to participate in fringe benefits of the Company as are generally provided to executive officers. In addition, Mr. Edwards was granted an option to purchase one million shares of Common Stock of the Company at an exercise price of $7.00 per share. Of such options, 83,333 vested immediately and 83,333 vest and become exercisable on the first calendar day of each quarter after April 8, 1996. In the event of termination by I-Link or in the event of a violation of a material provision of the agreement by I-Link which is unremedied for thirty (30) days and after written notice or in the event of a "change in control" (as defined in the agreement), Mr. Edwards is entitled to receive, as liquidated damages or severance pay, an amount equal to the Monthly Compensation (as defined in the agreement) for the remaining term of the agreement and all options shall thereupon be fully vested and immediately exercisable. The agreement contains non-competition and confidentiality provisions. Mr. Edwards agreed to amend his contract, effective August 21, 1996, to reduce his annual salary from $175,000 to $96,000; and in consideration of the salary reduction, the Company has agreed to grant him options to purchase 250,000 shares of Common Stock. Mr. Edwards was paid at an annual rate of $125,000 commencing January 1, 1998. Mr. Edward's salary was increased to $200,000 effect May 1997, however the salary increase will

accrue but not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. Accordingly as of December 31, 1998 accrued but unpaid salary to Mr. Edwards was $129,375. All of Mr. Edwards outstanding options were repriced to $3.90 as part of a general repricing of outstanding options held by current employees, directors and consultants of the Company effective December 13, 1998.

In October 1996, I-Link entered into a three-year employment agreement with Karl S. Ryser, Jr., Treasurer and Chief Financial Officer of the Company. Pursuant to the terms of the employment agreement, Mr. Ryser is required to devote all of his time to the business and affairs of the Company except for vacations, illness or incapacity. Mr. Ryser is entitled under his employment agreement to receive compensation at the rate of $125,000 per year and a bonus at the sole discretion of the Chief Executive Officer. Mr. Ryser may participate in fringe benefits, deferred compensation, stock benefits and option plans of the Company. In addition, Mr. Ryser is entitled to options to purchase 250,000 shares of Common Stock exercisable at an exercise price equal to the closing bid price on the date of the employment agreement. Options issuable to Mr. Ryser to purchase 25,000 shares vested immediately and the remaining options were to vest in quarterly increments of 20,455 commencing January 1, 1997. As partial consideration for Mr. Ryser's providing funds necessary to permit the Company to settle the JW Charles litigation, the Company modified the original vesting schedule of the 250,000 options in the employment agreement allowing for the immediate vesting of 100,000 of the non-vested options and the balance of the non-vested to vest evenly over four quarters. Mr. Ryser's salary was increased to $175,000 effective May 1997, however the salary increase will not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. As of December 31, 1998 accrued but unpaid salary to Mr. Ryser was $81,250. In the event of a change of control or upon termination of the employment agreement by the Company without cause all options shall thereupon be fully vested and immediately exercisable. In the event of termination by the Company other than for "cause" (as defined in the agreement), the Company is required to pay Mr. Ryser a lump sum severance payment equal to one year's then current salary. The employment agreement contains confidentiality and non-competition provisions. All of Mr. Ryser's outstanding options were repriced to $3.90 as part of a general repricing of outstanding options held by current employees, directors and consultants of the Company effective December 13, 1998.

In August 1998, I-Link entered into a two-year employment agreement (with a one-year renewal option) with John M. Ames, Chief Operating Officer and Vice President of Operations. Pursuant to the terms of the employment contract, Mr. Ames is required to devote all his time to the business and affairs of the Company except vacations, illness or incapacity. Mr. Ames is entitled under his employment agreement to receive compensation at the rate of $120,000 per year and a bonus commensurate with his performance and that of I-Link. In addition, Mr. Ames is entitled to options to purchase 200,000 shares of Common Stock at an exercise price equal to the closing bid price on the date of employment agreement and vesting 1/3 at the end of one year of employment and the balance over theratably subsequent eight quarters. Mr. Ames also is entitled to options to purchase 150,000 share of Common Stock at an exercise price equal to the closing bid price on the date of employment agreement which vest based upon certain incentive milestones. Mr. Ames may participate in fringe benefits, deferred compensation, and stock benefits and option plans of the Company.

Consulting Agreements

The Company entered into a Consulting Agreement with David E. Hardy effective February 6, 1997 and for a term of 36 months thereafter. Pursuant to the Agreement, Mr. Hardy shall provide legal services to the Company in

exchange for compensation at the rate of $10,417 per month for the term of the Agreement. In addition, in the event the Company increases the salary of its senior-level vice presidents, the consulting fee shall be equally increased and in the event the Company shall pay any Company performance-based bonuses to its senior level vice presidents, the Company shall pay an equal amount to Mr. Hardy. Mr. Hardy's fee was increased to $14,583 per month effect May 1997, however such increase is to accrue but not be paid until the Company has generated sufficient cash resources to enable the increase to be paid without creating an undue burden on the Company's cash resources. Accordingly as of December 31, 1998 accrued but unpaid fees to Mr. Hardy were $69,875. In addition, Mr. Hardy was granted options to purchase 250,000 shares of the Company's Common Stock at an exercise price equal to the closing price of the Company's publicly traded shares as of the effective date of the Agreement ($5.375 per share). The options vest as to 47,500 shares upon the execution of the Agreement and options relating to 20,250 shares were to vest at the commencement of each calendar quarter for ten quarters, with the first quarterly vesting to occur on April 1, 1997 and the final quarterly vesting to occur July 1, 1999. As partial consideration for Mr. Hardy's providing funds necessary to permit the Company to settle the JW Charles litigation, the Company modified the original vesting schedule of the 250,000 options in the Consulting Agreement allowing for the immediate vesting of 100,000 of the non-vested options and the balance of the non-vested to vest evenly over four quarters. In the event of the termination of the Agreement prior to the expiration of the full term for any reason other than as a result of a material, unremedied breach by Mr. Hardy which remains uncured following 30 days written notice, Mr. Hardy is entitled to a lump sum payment equal to the lesser of the monthly consulting fee payable through the end of the term of the Agreement or the monthly consulting fee payable over 12 months and all unvested options shall accelerate and immediately become fully vested and exercisable. All of Mr. Hardy's outstanding options were repriced to $3.90 as part of a general repricing of outstanding options held by current employees, directors and consultants of the Company effective December 13, 1998.

In September 1996, Joseph A. Cohen, a director, and the Company entered into a consulting agreement in the amount of $4,000 per month for a 36-month period. Mr. Cohen provided services including business management and financial consulting services. The consulting agreement was terminated effective March 1, 1999 and all unpaid balances ($78,000) were settled by the grant to Mr. Cohen of 100,000 options to purchase the Company's Common Stock at an exercise price of $3.00 per share and the additional obligation of the Company to pay Mr. Cohen an aggregate of $50,000 in installments beginning at such time as the Company reports positive cash flow of at least $150,000 in a fiscal quarter.

Repricing of Stock Options and Warrants

On December 13, 1998, the Board of Directors approved a repricing of all options to purchase Common Stock with exercise prices above $3.90 held by current employees, directors and consultants of the Company. As a result, the exercise price on options to purchase 6,475,000 shares of Common Stock was reduced to $3.90. The options had original exercise prices of between $4.375 and $9.938. All other terms of the various option agreements remained the same. The closing price of the Company's Common Stock on December 13, 1998 was $2.56

Director Stock Option Plan

The Company's Director Stock Option Plan (the "DSOP") authorizes the grant of stock options to directors of the Company. Options granted under the DSOP are non-qualified stock options exercisable at a price equal to the fair market value per share of Common Stock on the date of any such grant. Options granted under the DSOP are exercisable not less than six (6) months or more than ten (10) years after the date of grant.

As of December 31, 1998, options for the purchase of 8,169 shares of Common Stock at prices ranging from $.875 to $3.875 per share were outstanding. As of December 31, 1998, options to purchase 15,228 shares of Common Stock have been exercised. In connection with adoption of the 1995 Director Plans (as hereinafter defined) the Board of Directors authorized the termination of future grants of options under the DSOP; however, outstanding options granted under the DSOP will continue to be governed by the terms thereof until exercise or expiration of such options.

1995 Director Stock Option Plan

In October 1995, the stockholders of the Company approved adoption of the Company's 1995 Director Stock Option and Appreciation Rights Plan, which plan provides for the issuance of incentive options, non-qualified options and stock appreciation rights (the "1995 Director Plan").

The 1995 Director Plan provides for automatic and discretionary grants of stock options which qualify as incentive stock options (the "Incentive Options") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options which do not so qualify (the "Non-Qualified Options") to be issued to directors. In addition, stock appreciation rights (the "SARs") may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1995 Director Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs to purchase up to 250,000 shares of Common Stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1995 Director Plan, the shares of Common Stock as to which such option or right was not exercised will become available under the 1995 Director Plan for the grant of additional options or rights to any eligible employees. The shares of Common Stock subject to the 1995 Director Plan may be made available from either authorized but unissued shares, treasury shares, or both.

The 1995 Director Plan also provides for the grant of Non-Qualified Options on a non-discretionary basis pursuant to the following formula: each member of the Board of Directors then serving shall receive a Non-Qualified Option to purchase 10,000 shares of Common Stock at an exercise price equal to the fair market value per share of the Common Stock on that date. Pursuant to such formula, directors received options to purchase 10,000 shares of Common Stock as of October 17, 1995, options to purchase 10,000 shares of Common Stock on January 2, 1996, and will receive options to purchase 10,000 shares of Common Stock on the first business day of each January. The number of shares granted to each Board member was increased to 20,000 in 1998. In addition, the Board member will receive 5,000 options for each committee membership. Each option is immediately exercisable for a period of ten years from the date of grant. The Company has 190,000 shares of Common Stock reserved for issuance under the 1995 Director Plan. As of December 31, 1998, options exercisable to purchase 170,000 shares of Common Stock at prices ranging from $1.00 to $1.25 per share are outstanding under the 1995 Director Plan. As of December 31, 1998, options to purchase 60,000 shares have been exercised under the 1995 Director Plan.

1995 Employee Stock Option Plan

In October 1995, the stockholders of the Company approved adoption of the Company's 1995 Employee Stock Option and Appreciation Rights Plan (the "1995 Employee Plan"), which plan provides for the issuance of Incentive Options, Non-Qualified Options and SARs.

Directors of the Company are not eligible to participate in the 1995 Employee Plan. The 1995 Employee Plan provides for the grant of stock options which qualify as Incentive Stock Options under Section 422 of the Code, to be issued to officers who are employees and other employees, as well as Non-Qualified Options to be issued to officers, employees and consultants. In addition, SARs may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1995 Employee Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs of up to 400,000 shares of Common Stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1995 Employee Plan, the shares of Common Stock as to which such option or right was not exercised will become available under the 1995 Employee Plan for the grant of additional options or rights to any eligible employee. The shares of Common Stock subject to the 1995 Employee Plan may be made available from either authorized but unissued shares, treasury shares, or both. The Company has 400,000 shares of Common Stock reserved for issuance under the 1995 Employee Plan. As of December 31, 1998, options to purchase 351,167 shares of Common Stock with exercise prices of $1.125 to $6.75 per share have been granted under the 1995 Employee Plan.

1997 Recruitment Stock Option Plan

In October 1997, the stockholders of the Company approved adoption of the Company's 1997 Recruitment Stock Option and Appreciation Rights Plan, which plan provides for the issuance of incentive options, non-qualified options and stock appreciation rights (the "1997 Plan").

The 1997 Plan provides for automatic and discretionary grants of stock options which qualify as incentive stock options (the "Incentive Options") under Section 422 of the Code, as well as options which do not so qualify (the "Non-Qualified Options") to be issued to directors. In addition, stock appreciation rights (the "SARs") may be granted in conjunction with the grant of Incentive Options and Non-Qualified Options. No SARs have been granted to date.

The 1997 Plan provides for the grant of Incentive Options, Non-Qualified Options and SARs to purchase up to 4,400,000 shares of Common Stock (subject to adjustment in the event of stock dividends, stock splits and other similar events). The price at which shares of Common Stock covered by the option can be purchased is determined by the Company's Board of Directors; however, in all instances, the exercise price is never less than the fair market value of the Company's Common Stock on the date the option is granted. To the extent that an Incentive Option or Non-Qualified Option is not exercised within the period of exercisability specified therein, it will expire as to the then-unexercised portion. If any Incentive Option, Non-Qualified Option or SAR terminates prior to exercise thereof and during the duration of the 1997 Plan, the shares of Common Stock as to which such option or right was not exercised will become available under the 1997 Plan for the grant of additional options or rights to any eligible employees. The shares of Common Stock subject to the 1997 Plan may be made available from either authorized but unissued shares, treasury shares, or both. As of December 31, 1998, options to purchase 3,306,500 shares of Common Stock, with exercise prices of $2.25 to $3.90 per share have been granted under the 1997 Plan. As of December 31, 1998, no options have been exercised under the 1997 Plan.

Compensation Committee Interlocks and Insider Participation

John Edwards is Chairman of the Board and an executive officer of the Company. Joseph Cohen and Thomas A. Keenan are non-employee directors of the

Company. See "Executive Compensation" generally, and "Executive Compensation - Employment Agreements" and Executive Compensation - Director Compensation" as well as "Security Ownership of Certain Beneficial Owners and Management".

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The following table shows, as of March 19, 1999, all directors, executive officers, and, to the best of our knowledge, all other parties we know to be beneficial owners of more than 5% of the Common Stock, or beneficial owners of a sufficient number of shares of Class C preferred stock, Series F Redeemable Preferred Stock or Series M Redeemable Preferred Stock to be converted into at least 5% of the Common Stock. JNC Opportunity Fund Ltd. ("JNC") is the only holder of Series F Redeemable Preferred Stock; however, JNC is not listed on the table below because, under the terms of the Series F Redeemable Preferred Stock, JNC may not convert shares of Series F Redeemable Preferred Stock (or receive related dividends in Common Stock) to the extent that the number of shares beneficially owned by it and its affiliates after such conversion or dividend payment would exceed 4.999% of the issued and outstanding shares following such conversion. This limitation applies to the number of shares of Common Stock held at any one time and does not prevent JNC from converting some of its shares of Series F Redeemable Preferred Stock, selling the Common Stock received, then, subject to the aforementioned limitation, converting additional shares of Series F Redeemable Preferred Stock. The 4.999% limitation may be waived by JNC upon 75 days notice to the Company. However, if no effect were given to the 4.999% limitation, then JNC would be deemed to be the beneficial owner of approximately 4,157,350 shares of Common Stock, or 17.5% of the then-outstanding Common Stock of I-Link. As of March 19, 1999, there were 19,535,029 shares of Common Stock issued and outstanding, 40,218 shares of Class C preferred stock issued and outstanding, 859 shares of Series F Redeemable Preferred Stock issued and outstanding and 4,400 shares of Series M Redeemable Preferred Stock issued and outstanding.

Name and Address of Beneficial Owner (1)	Title of Class	Number of Shares Beneficially Owned	% of Common Stock Beneficially Owned(2)
John M.Ames	Common Stock	1,000	*
David P. Bradford	Common Stock	0	0%
Joseph A. Cohen	Common Stock Class C Preferred Stock	381,000(3) 3,000	1.9%
John W. Edwards	Common Stock	1,288,328(4)	6.2%
David E. Hardy	Common Stock	827,388(5)	4.1%
Thomas A. Keenan	Common Stock	105,000(6)	*
Karl S. Ryser, Jr.	Common Stock	654,679(7)	3.2%
Henry Y.L. Ton	Common Stock	243,501(8)	1.2%
Clay Wilkes 1077 E. Duffer Lane N. Salt Lake City, UT 84054	Common Stock	1,262,976(9)	6.3%
Winter Harbor, L.L.C. c/o First Media, L.P. 11400 Skipwith Lane Potomac, MD 20854	Common Stock Series M Redeemable Preferred Stock	44,139,479(10) 4,400	69.3%
All Executive Officers and Directors as a Group (8 people)	Common Stock Class C Preferred Stock	3,500,896(11) 3,000	15.2%

* Indicates less than one percent.

1 Unless noted, all of such shares of Common Stock are owned of record by each person or entity named as beneficial owner and such person or entity has sole voting and dispositive power with respect to the shares of Common Stock owned by each of them. All addresses are c/o I-Link Incorporated unless otherwise indicated.

2 As to each person or entity named as beneficial owners, such person's or entity's percentage of ownership is determined by assuming that any options or convertible securities held by such person or entity which are exercisable or convertible within 60 days from the date hereof have been exercised or converted, as the case may be.

3 Includes 309,000 shares of Common Stock issuable pursuant to options and 72,000 shares of Common Stock issuable to the Leslie Group, Inc. upon conversion of 3,000 shares of Class C preferred stock held of record by Leslie Group, Inc., of which Mr. Cohen is President.

4 Represents 833,330 shares of common stock subject to the vested portion of Mr. Edwards' option to purchase 1,000,000 shares of common stock and 454,998 shares of common stock subject to warrants and other options.

5 Includes 823,388 shares of common stock issuable pursuant to options and warrants.

6 Includes 35,000 shares of common stock subject to options and 70,000 shares of common stock held of record by members of Mr. Keenan's immediate family. Mr. Keenan serves on the Board of Directors as the designee of Winter Harbor. Mr. Keenan's wife is the beneficiary

of a trust which owns non-voting stock in the corporate general partner of First Media, L.P., the parent of Winter Harbor. For further information about Winter Harbor, see "Transactions with Winter Harbor, L.L.C.; Series M Redeemable Preferred Stock." Neither Mr. Keenan nor his wife has dispositive power or voting control over the securities of I-Link held by Winter Harbor; Mr. Keenan disclaims beneficial ownership of the securities held by Winter Harbor. See also footnote 10 below.

7 Represents shares of common stock issuable pursuant to options and warrants.

8 Represents shares of common stock issuable pursuant to options. Does not include shares held of record by Four M International, Ltd., of which Mr. Toh is a director. Mr. Toh disclaims any beneficial ownership of such shares.

9 Includes 375,000 shares of common stock which represents the exercisable portion of an option to purchase 1,500,000 shares of Common Stock.

10 Includes 6,778,524 shares of Common Stock issuable upon conversion of Series M Redeemable Preferred Stock, 3,820,955 shares of Common Stock issuable upon conversion of Series M Redeemable Preferred Stock which may be issued on conversion of promissory notes held by the named stockholder, and 18,640,000 shares of Common Stock issuable upon exercise of warrants. In addition, I-Link includes herein 5,000,000 shares of Common Stock issuable upon exercise of warrants which the named stockholder will be entitled to receive should it convert its promissory notes to Common Stock, and 9,900,000 shares of Common Stock issuable under warrants to be issued to Winter Harbor in the event that a bridge loan is not repaid by April 26, 1999. Winter Harbor is owned by First Media, L.P., a private media and communications company which is a private investment principally of Richard E. Marriott and his family. I-Link's general counsel, David E. Hardy, is a brother of Ralph W. Hardy, Jr. who is general counsel and a minority equity holder in Winter Harbor. David E. Hardy has no ownership in or association with Winter Harbor. Thomas A. Keenan's wife has an interest in First Media, L.P. (see footnote 6 above).

11 Represents 75,000 shares of Common Stock issued, 3,353,896 shares of Common Stock which may be obtained pursuant to options and warrants exercisable within 60 days of the date hereof and 72,000 shares of Common Stock into which 3,000 shares of Class C preferred stock are convertible.

Item 13. Certain Relationships and Related Transactions.

During the first quarter of fiscal year 1995, the Company received advances totaling $218,000 from Mortgage Network International ("MNI"). Henry Y.L. Toh, a Director of the Company, has management control over MNI. Payment in full of such advances and interest thereon was made in 1998.

The Company's management has been informed that Winter Harbor had purchased an ownership interest in Tenfold Corporation, the consulting company that is assisting in the development of the Company's new internal information system. In March 1999, Winter Harbor, LLC transferred ownership of the investment to First Media TF Holdings, LLC, an affiliate of WinterHarbor, LLC. First Media TF Holdings, LLC beneficially owns 10.6% of Tenfold's common stock. The Company's referral to Tenfold did not come through Winter Harbor, and Winter Harbor played no part in the negotiation of such consulting arrangement. The consulting agreement is a fixed price contract totaling $2,600,000 providing for development and licensing of a new telecommunications billing and customer care software system.

See Item 11 hereof for descriptions of the terms of employment and consulting agreements between the Company and certain officers, directors and other related parties.

Transactions With Winter Harbor, L.L.C.; Series M Redeemable Preferred Stock

Winter Harbor, L.L.C. ("Winter Harbor") is owned by First Media, L.P., a private media and communications company which is a private investment principally of Richard E. Marriott and his family. The Company's general counsel, David E. Hardy, is a brother of Ralph W. Hardy, Jr. who is general counsel and a minority equity holder in Winter Harbor. David E. Hardy has no ownership or association with Winter Harbor. As a result of this relationship, as well as personal relationships of David E. Hardy with the principals of Winter Harbor, discussions were initiated which led to Winter Harbor's investments in the Company, which are summarized below.

On June 5, 1997, the Company entered into a term loan agreement ("Loan Agreement") and promissory note ("Note") with Winter Harbor pursuant to which Winter Harbor agreed to loan to the Company the principal sum of $2,000,000 (the "Loan") for capital expenditures and working capital purposes. As further consideration for Winter Harbor's commitment to make the Loan, the Company granted to Winter Harbor a warrant ("Loan Warrant") to purchase up to 500,000 shares of Common Stock at an exercise price of $4.97 per share, subject to adjustment, pursuant to the terms of a Warrant Agreement between the parties. The Loan Warrant expires on March 11, 2002, and contains demand and piggyback registration rights and customary anti-dilution terms. The maturity date of the Note was October 15, 1998; however, the Loan Agreement anticipated an equity investment in the Company by Winter Harbor (the "Investment"). Upon closing of the Investment, all principal and accrued interest then due under the Note was credited toward payment of Winter Harbor's purchase price for the Investment and the Note was cancelled. The loan from Winter Harbor had an interest rate of prime plus 2%. In addition to the stated interest rate, the Company recognized the debt discount attributable to the warrants as interest expense over the life of the loan (maturity date was October 15, 1998). The Company expended significant time and effort pursuing various financing alternatives and determined that the Winter Harbor proposal was the best alternative available to the Company.

On August 18, 1997, the Company and Winter Harbor amended their agreement pursuant to which the Company borrowed an additional $3,000,000 bringing the total principal amount due under the Note to $5,000,000, and issued additional warrants to purchase an additional 300,000 shares at an exercise price of $6.38 per warrant to Winter Harbor in connection therewith.

The Company and Winter Harbor executed a Sales Purchase Agreement, dated as of September 30, 1997, and closed on October 10, 1997, pursuant to which Winter Harbor invested $12,100,000 in a new series of the Company's convertible preferred stock (the "Series M Redeemable Preferred Stock"). Winter Harbor purchased approximately 2,545 shares of Series M Redeemable Preferred Stock (convertible into 2,545,000 shares of Common Stock) for an aggregate cash consideration of approximately $7,000,000 (equivalent to $2.75 per share of Common Stock). The agreement with Winter Harbor provided for purchase of approximately 1,855 additional shares of Series M Redeemable Preferred Stock (convertible into 1,855,000 shares of Common Stock). Such additional shares of Series M Redeemable Preferred Stock were paid for by exchanging the $5,000,000 outstanding principal balance plus approximately $100,000 accrued interest due under the Note. As additional consideration for its equity financing commitments, Winter Harbor was issued additional warrants by the Company to acquire (a) 2,500,000 shares of Common Stock at an exercise price of $2.75 per share (the "Series A Warrants"), (b) 2,500,000 shares of Common Stock at an exercise price of $4.00 per share (the "Series B Warrants") and (c) 5,000,000 shares of Common Stock at an exercise price of $4.69 per share (the "Series C Warrants"). The respective exercise prices for the Series A Warrants, the Series B Warrants and the Series C Warrants (collectively, the "Investment Warrants"), shall be subject to adjustment. The Series A Warrants will be exercisable at any time for thirty months from the date of issuance, and the Series B Warrants and Series C Warrants will be exercisable at any time for sixty months from the date of issuance. All of

the Investment Warrants (i) have demand registration rights and anti-dilution rights and (ii) contain cashless exercise provisions.

The Series M Redeemable Preferred Stock is entitled to receive cumulative dividends in the amount of 10% per annum before any other class of preferred or Common Stock receives any dividends. Thereafter, the Series M Redeemable Preferred Stock will participate with the Common Stock in the issuance of any dividends on a per share basis. Moreover, the Series M Redeemable Preferred Stock will have the right to veto the payment of dividends on any other class of stock, except for cumulative dividends which accrue pursuant to the terms of the Class C Preferred Stock outstanding prior to the Winter Harbor investment. The Series M Redeemable Preferred Stock is convertible at any time prior to the fifth anniversary of its issuance, at the sole option of Winter Harbor, into shares of Common Stock on a one thousand-for-one basis; provided, however, that the Series M Redeemable Preferred Stock shall be automatically converted to Common Stock on the fifth anniversary of its issuance at no cost to Winter Harbor. The conversion price shall be, in the case of discretionary conversion, $2.75 per share of Common Stock, or, in the case of automatic conversion, the lesser of $2.75 per share or 50% of the average closing bid price of the Common Stock for the ten trading days immediately preceding the fifth anniversary of issuance. The basis for discretionary conversion, or the conversion price for automatic conversion, shall be adjusted upon the occurrence of certain events, including without limitation, issuance of stock dividends, recapitalization of the Company, or the issuance of stock by the Company at less than the fair market value thereof.

Upon completion of the Winter Harbor Investment, the Company included in its earnings per share calculation a (non-cash) preferred stock dividend in the fourth quarter of 1997 in the amount of $88,533,450. This amount was calculated as the difference between the exercise or conversion price per common share per the agreement as compared to the market price of the Common Stock on the date of the closing, plus the value of the warrants issuable in connection with the Investment.

During 1998, the Company obtained an aggregate of $7.768 million in new interim debt financing from Winter Harbor, L.L.C. As consideration for Winter Harbor's commitment to make the loan, the Company agreed to issue 6,740,000 warrants to purchase Common Stock of the Company at exercise prices ranging from $5.50 to $7.22 based upon 110% of the closing price of the Common Stock on the day loan funds were advanced. The warrants have exercise periods of 7.5 years from issuance. The Company also agreed to extend the exercise period on all warrants previously issued to Winter Harbor (10,800,000) to seven and one-half years. Pursuant to the terms of the loan agreement with Winter Harbor, the initial borrowings of $5,768,000 were payable upon demand by Winter Harbor no earlier than May 15, 1998, and were collateralized by essentially all of the assets of the Company's subsidiaries. As the loan was not repaid by May 15, 1998, the total loan, including additional borrowings of $2,000,000 obtained in the second quarter, continues on a demand basis with interest accruing at prime plus four percent. On April 15, 1999, Winter Harbor agreed that it will not demand payment under the notes prior to April 15, 2000. Additionally, Winter Harbor has the right at any time until the loan is repaid to elect to exchange the unpaid balance of the loan into additional shares of the Company's Series M Redeemable Preferred Stock, reduce the exercise price of the 6,74 ,000 Loan Warrants to $2.50 per share, and receive an additional 5,000,000 warrants to purchase Common Stock of the Company at an exercise price of $2.50 per share.

During 1998, the Company recorded $7,274,000 as a discount against the new $7.768 million debt representing the relative fair value attributed to the new warrants, the change of the exercise period on prior warrants and the equity instruments associated with the assumed conversion of the debt into equity. The debt discount was amortized over the original terms of the respective borrowings.

The exercise prices of the above warrants issued or issuable to Winter Harbor varied at the time of their respective issuance, however, all are subject to adjustment downward to equal the market price of Common Stock in the event the Common Stock market price is below the original exercise price at the time of exercise, subject to an exercise price lower limit of the lesser of the original exercise price or $2.75 per share.

On January 15, 1999, I-Link formalized an agreement with Winter Harbor for additional financing. The financing arrangement consists of an $8,000,000 bridge loan facility and a $3,000,000 standby letter of credit to secure additional capital leases of equipment and telephone lines relative to the expansion of the Company's telecommunications network. As of December 31, 1998, the amount borrowed in anticipation of the Bridge Loan was $3,841,712. Any unsatisfied obligations under the Bridge Loan will come due on October 31, 1999. The Company has the option to require that Winter Harbor exchange the Bridge Loan balance for shares of a new series of preferred stock (Series N Preferred Stock). This option is dependent upon the Company mailing the Series N Preferred Stock Rights Offering to its shareholders by the earlier of June 30, 1999 or the third business day following clearance from the Securities and Exchange Commission of the Series N registration statement ("Mailing Date"). In addition, the Company must complete the rights offering by the earlier of August 6, 1999 or the first business day following the 35th calendar day from the Mailing Date. The Bridge Loan accrues interest at a variable rate of prime plus a spread beginning at 4 points through and including February 9, 1999, and increasing 1 point every three months thereafter, to a maximum of 7 points.

As additional consideration for making the loan, the Company granted warrants to purchase Common Stock to Winter Harbor. Initially, Winter Harbor receives one warrant for every $10 borrowed from Winter Harbor including the standby letter of credit. If the loan is not repaid by April 26, 1999, the number of warrants will increase in total to 10 warrants for every $10 borrowed. The warrants have 7.5 year exercise periods with an exercise price of the lower of (a) $2.78, (b) the average trading price for any 20 day period subsequent to the issuance of the warrants, (c) the price at which new shares of Common Stock or Common Stock equivalents are issued, or (d) the exercise price of any new options, warrants, preferred stock or other convertible security. The exercise price is subject to a $1.25 floor. As of December 31, 1998, the Company has granted to Winter Harbor warrants to purchase 684,171 shares of Common Stock. On April 14, 1999, the shareholders voted to approve a plan of financing which includes issuing the full 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit should management elect to not repay the amounts owing prior to April 26, 1999. The Company does not anticipate repaying the loan before April 26, 1999. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Current Position/Future Requirements."

During 1998, the Company recorded $1,032,634 as a discount against the new $8.0 million Bridge Loan representing the relative fair value attributed to the Bridge Loan warrants and line of credit. The debt discount is being amortized over the term of the Bridge Loan or leases, as applicable. During 1998, $128,059 of debt discount was amortized.

On April 15, 1999, the Company entered into a new financing agreement with Winter Harbor. Winter Harbor agreed to loan to the Company up to $4 million under a note due September 30, 1999. The Loan will accrue interest at a variable rate of prime plus a spread beginning at 5 points through and including May 9, 1999, and increasing 1 point every three months thereafter, to a maximum of 7 points. The Company may cause the loan to be exchanged for Series N Preferred Stock. It is the Company's intention to exchange the loan for Series N Preferred Stock or repay this loan from proceeds of the Series N offering. As partial consideration for the loan, at its next meeting of its shareholders, the Company shall seek shareholder approval of a modification to the conversion terms of the Series N Preferred

Shares. The Company has an option to extend the due date to April 15, 2000 provided, that in the event the Company's shareholders fail to approve the modification to the conversion terms of the Series N Preferred shares, the Company shall be required to issue to Winter Harbor one warrant for each $1 of principal outstanding on the loan as of the date of such extension which warrants shall be issued on the same terms and conditions as the warrants issued in connection with the $8,000,000 Bridge Loan described above.

MiBridge Acquisition; Series D Preferred Stock

On August 12, 1997 the Company entered into an agreement with MiBridge, Inc., a New Jersey corporation ("MiBridge") and Mr. Dror Nahumi, the principal shareholder of MiBridge, pursuant to which the Company acquired all of the issued and outstanding stock of MiBridge (the "MiBridge Acquisition"). The MiBridge Acquisition subsequently closed on September 2, 1997. MiBridge is the owner of patent-pending audio-conferencing technology and is a leader in creating speech-encoding and compression algorithms designed to produce superior audio quality and lower delay over low-band networks. The Company agreed to pay the stockholders of MiBridge (the "MiBridge Stockholders") consideration consisting of (i) an aggregate $2,000,000 in cash, payable in quarterly installments over two years, and (ii) an aggregate 1,000 shares of a series of the Company's convertible preferred stock (the "Series D Preferred Stock"). The 1,000 shares of Series D Preferred Stock are convertible at the option of the MiBridge Stockholders, at any time during the nine months following the closing of the MiBridge Acquisition, into such number of shares of Common Stock as shall equal the sum of $6,250,000 divided by $9.25 (the "Series D Conversion Price"), which price was the closing bid price of the Company's Common Stock on June 5, 1997 (the date that the first letter agreement relating to the transaction was executed) or the average closing bid price for the five trading days immediately preceding the date the Company receives notice of conversion whichever is lower. As of December 31, 1998, all shares of the Series D Preferred Stock had been converted into Common Stock and the balance payable in cash to MiBridge stockholders was $500,000.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) The following financial statements and those financial statement schedules required by Item 8 hereof are filed as part of this report:

1. Financial Statements:

Report of Independent Accountants
Consolidated Balance Sheets as of December 31, 1998 and 1997
Consolidated Statements of Operations for the years ended December 31, 1998, 1997 and 1996
Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 1998, 1997 and 1996
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996
Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

Report of Independent Accountants
Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is presented in the Financial Statements or Notes thereto.

(b) On December 18, 1998 the Company filed a Current Report on Form 8-K disclosing the terms of an agreement in principal between the Company and Winter Harbor L.L.C. relating to financing arrangements.

(c) The following exhibits are filed as part of this Registration Statement:

Number	Title of Exhibit
2.2(2)	Stock Purchase Agreement, dated February 13, 1996, by and among Medcross, Inc, I-Link, Ltd., and GNet Enterprises, Inc.
2.3(6)	Share Exchange Agreement for the Acquisition of Family Telecommunications Incorporated by Medcross, Inc., effective as of January 1, 1997.
3.1(5)	Amended and Restated Articles of Incorporation of the Company, as further amended.
3.2(16)	Bylaws of the Company, as amended.
3.3(3)	Articles of Incorporation of I-Link Worldwide Inc.
3.4(3)	Bylaws of I-Link Worldwide Inc.
3.5(7)	Articles of Incorporation of Family Telecommunications Incorporated and Articles of Amendment to the Articles of Incorporation.
3.6(7)	Bylaws of Family Telecommunications Incorporated.
3.7(12)	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company.
3.8(14)	Articles of Amendment to the Company's Amended and Restated Articles of Incorporation, establishing the terms of Series F Redeemable Preferred Stock
4.4(7)	Placement Agent's Common Stock Warrant Agreement and Certificate.
4.5(7)	Consultant's Common Stock Warrant Agreement and Certificate.
4.7(8)	Option to purchase 160,000 shares of Class A Convertible Preferred Stock of Medcross, Inc., granted by Four M International, Ltd. to Commonwealth, dated February 21, 1996.
4.8(12)	Form of Hardy Group Warrant to purchase 175,000 shares of Common Stock.
4.9(11)	Securities Purchase Agreement by and between the Company and Winter Harbor, dated as of September 30, 1997.
4.10(17)	Amended and Restated Registration Rights Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor, amending Registration Rights Agreement dated October 10, 1997.
4.11(11)	Form of Shareholders Agreement by and among the Company and Winter Harbor and certain holders of the Company's securities, which constitutes Exhibit D to the Purchase Agreement.
4.12(11)	Form of Warrant Agreement by and between Medcross, Inc. and Winter Harbor, which constitutes Exhibit F to the Purchase Agreement.
4.13(9)	Warrant Agreement dated as of June 6, 1997, by and between the Company and Winter Harbor; and related Warrant Certificate.
10.3(3)*	Employment Agreement, dated February 4, 1996, between Medcross, Inc. and Henry Y.L. Toh.
10.4(3)*	Employment Agreement, dated January 1, 1996, between Medcross, Inc. and Dorothy L. Michon.
10.6(3)*	Employment Agreement, dated February 14, 1996, between I-Link Worldwide Inc. and Alex Radulovic.
10.7(3)*	Employment Agreement, dated January 1, 1996, between Medcross, Inc. and Stephanie E. Giallourakis.
10.8(3)*	1995 Director Stock Option and Appreciation Rights Plan.
10.9(3)*	1995 Employee Stock Option and Appreciation Rights Plan.
10.10(3)*	Employment Agreement, dated April 8, 1996, between I-Link Worldwide Inc. and John W. Edwards.
10.11(4)	Consulting Agreement, effective January 1, 1996, by and between Windy City, Inc. and the Company.
10.12(5)	Agreement for Terminal Facility Collocation Space, dated June 21, 1996, by and between I-Link Worldwide Inc. and MFS Telecom, Inc.

10.13(7) Consulting Agreement dated August 21, 1996 between the Company and Commonwealth Associates.
10.14(7) Sales Agency Agreement dated July 1, 1996 between the Company and Commonwealth Associates and Amendment No. 1 thereto.
10.15(7) Commercial Lease dated May 21, 1996 between I-Link Worldwide Inc. and Draper Land Partnership II and First Amendment dated July 22, 1996.
10.16(12) Commercial Lease dated September 11, 1996 between I-Link Worldwide Inc. and Draper Land Partnership II.
10.17(12)• Employment Agreement dated October 15, 1996, between I-Link Worldwide Inc. and Karl S. Ryser, Jr.
10.18(7) Term Lease Master Agreement dated May 19, 1996 by and between IBM Credit Corporation and I-Link Worldwide Inc.
10.19(7)* 1997 Recruitment Stock Option Plan.
10.20(7) Lease Agreement dated July 1, 1996 between Broadway Associates and ILC Communications.
10.21(7) Lease Between Phoenix City Square Partnership and Robert W. Edwards and Denise A. Edwards dated March 18, 1996.
10.22(7) Carrier Agreement between MCI Telecommunications Corporation and ILC, Inc. dated August 26, 1996.
10.23(7) Strategic Member Reseller Agreement between I-Link Worldwide Inc. and WealthNet Incorporated dated January 31, 1997.
10.24(7) Settlement Agreement between WealthNet Incorporated and Family Telecommunications Incorporated dated January 29, 1997.
10.25(12)* Employment Agreement, dated as of September 2, 1997, between Medcross, Inc. and Dror Nahumi.
10.26(12) Plan and Agreement of Merger of MiBridge, Inc. with and into I-Link Mergerco, Inc., a wholly-owned subsidiary of Medcross, Inc., dated as of August 12, 1997, by and among Medcross, Inc., I-Link Mergerco, Inc., MiBridge, Inc. and the stockholders of MiBridge, Inc.
10.27(13)* Employment Agreement dated August 29, 1997, between I-Link Worldwide, LLC and Jon McKillip.
10.28(14) Agreement dated April 14, 1998, by and between the Company and Winter Harbor.
10.29(14) Pledge Agreement dated April 14, 1998, by and between the Company and Winter Harbor.
10.30(14) Security Agreement dated April 14, 1998, by and among certain of the Company's subsidiaries and Winter Harbor.
10.31(14) Form of Promissory Notes issued to Winter Harbor.
10.32(15) Amended Form of Convertible Preferred Stock Purchase Agreement dated June 30, 1998 by and between the Company and JNC Opportunity Fund Ltd. ("JNC").
10.33(14) Registration Rights Agreement dated June 30, 1998 by and between the Company and JNC.
10.34(14) Warrant to purchase 250,000 shares of Common Stock of the Company, dated June 30, 1998, issued to JNC.
10.35(14) Exchange Agreement dated July 28, 1998 by and between the Company and JNC.
10.36(14) Warrant to purchase 100,000 shares of Common Stock of the Company, dated July 28, 1998, issued to JNC.

10.37(18)* Employment Agreement dated August 28, 1998, between the Company and John Ames.

10.38(17) Loan Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor.
10.39(17) First Amendment to Loan Agreement dated March 4, 1999 by and between the Company and Winter Harbor.
10.40(17) Promissory Note dated November 10, 1998, in principal amount of $8,000,000 executed by the Company in favor of Winter Harbor.
10.41(17) Series K Warrant Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor and form of Series K Warrant.
10.42(17) Subsidiary Guaranty dated as of January 15, 1999 executed by five of the Company's wholly-owned subsidiaries in favor of Winter Harbor.

10.43(17) Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor.

10.44(17) First Amendment to Security Agreement dated as of January 15, 1999, by and among the Company, five of its wholly-owned subsidiaries and Winter Harbor, amending Security Agreement dated April 14, 1997.

10.45(17) First Amendment to Pledge Agreement dated as of January 15, 1999, by and among the Company and Winter Harbor, amending Pledge Agreement dated April 14, 1997.

10.46(17) Series D, E, F, G, H, I and J Warrant Agreement dated as of January 15, 1999 by and between the Company and Winter Harbor, and related forms of warrant certificates.

21(15) Subsidiaries of the Registrant.

27(1) Financial data schedule.

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* Indicates a management contract or compensatory plan or arrangement required to be filed.

1 Filed herewith.

2 Incorporated by reference to the Company's Current Report on Form 8-K, dated February 23, 1996, file number 0-17973.

3 Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995, file number 0-17973.

4 Incorporated by reference to the Company's Current Report on Form 8-K, dated February 23, 1996, file number 0-17973.

5 Incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1996, file number 0-17973.

6 Incorporated by reference to the Company's Current Report on Form 8-K, dated January 13, 1997, file number 0-17973.

7 Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996, file number 0-17973.

8 Incorporated by reference to the Company's Registration Statement on Form SB-2, file number 333-17861.

9 Incorporated by reference to the Company's Current Report on Form 8-K, dated June 5, 1997, file number 0-17973.

10 Incorporated by reference to the Company's Pre-Effective Amendment No. 1 to Registration Statement on Form SB-2, file number 333-17861.

11 Incorporated by reference to the Company's Current Report on Form 8-K, dated September 30, 1997, file number 0-17973.

12 Incorporated by reference to the Company's Pre-Effective Amendment No. 3 to Registration Statement on Form SB-2, file number 333-17861.

13 Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, file number 0-17973.

14 Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1998, file number 0-17973.

15 Incorporated by reference to the Company's Registration Statement on Form S-1 filed September 3, 1998, file number 333-62833.

16 Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1998, file number 0-17973.

17 Incorporated by reference to the Company's Current Report on Form 8-K filed on March 23, 1999, file number 0-17973.

18 Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, file number 0-17973.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

I-LINK INCORPORATED
(Registrant)

Dated: June 23, 1999 By: /s/ John W. Edwards

John W. Edwards, Chairman of the Board,
President and Chief Executive Officer

In accordance with Section 13 of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John W. Edwards John W. Edwards	Chairman of the Board, President and Chief Executive Officer	June 23, 1999
/s/ Karl S. Ryser, Jr. Karl S. Ryser, Jr.	Treasurer, Chief Financial Officer and Chief Accounting Officer	June 23, 1999
/s/ David E. Hardy David E. Hardy	Secretary	June 23, 1999
/s/ Henry Y.L. Toh Henry Y.L. Toh	Director	June 23, 1999
/s/ Thomas A. Keenan Thomas A. Keenan	Director	June 23, 1999
/s/ David R. Bradford David R. Bradford	Director	June 23, 1999
/s/ Joseph A. Cohen Joseph A. Cohen	Director	June 23, 1999

FINANCIAL STATEMENTS & SUPPLEMENTAL SCHEDULES

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
I-Link Incorporated and Subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, and cash flows present fairly, in all materials respects, the financial position of I-Link Incorporated and its subsidiaries (the "Company") as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 17, Series M Redeemable preferred stock has been reclassified in the 1997 balance sheet.

PricewaterhouseCoopers LLP
Salt Lake City, Utah
April 15, 1999

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1998 AND 1997

ASSETS	1998	1997
Current assets:		
Cash and cash equivalents	$ 1,311,003	$ 1,643,805
Accounts receivable, less allowance for doubtful accounts of $1,941,000 and $1,385,000 as of December 31, 1998 and 1997, respectively	4,402,016	3,233,207
Certificates of deposit - restricted	378,160	1,628,500
Other current assets	293,789	321,488
Net assets of discontinued operations	417,371	-
Total current assets	6,802,339	6,827,000
Furniture, fixtures, equipment and software, net	7,262,781	3,551,917
Other assets:		
Intangible assets, net	9,420,383	12,314,080
Certificates of deposit - restricted	164,125	259,000
Other assets	205,735	705,502
Net assets of discontinued operations	-	595,377
	$ 23,855,363	$ 24,252,876
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,792,651	$ 4,833,452
Accrued liabilities	3,436,989	2,770,997
Current portion of long-term debt	3,987,569	1,008,416
Notes payable to related parties,	500,000	1,000,000
Current portion of obligations under capital leases	573,044	169,315
Total current liabilities	11,290,253	9,782,180
Long-term debt	-	1,354,341
Notes payable to related parties, net of discount	7,768,000	500,000
Obligations under capital leases	603,933	67,159
Total liabilities	19,662,186	11,703,680
Commitments and contingencies (notes 8, 11 and 15)		
Redeemable preferred stock - Class M (Note 17)	11,734,820	11,734,820
Redeemable preferred stock - Class F	9,411,720	-
	21,146,540	11,734,820

Continued

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 1998 AND 1997

	1998	1997
Stockholders' equity (deficit):		
Preferred stock, $10 par value, authorized 10,000,000 shares, issued and outstanding 44,051 and 115,526 as of December 31, 1998 and 1997, respectively, liquidation preference of $2,675,259 and $6,461,480 at December 31, 1998 and 1997, respectively	440,510	1,155,260
Common stock, $.007 par value, authorized 75,000,000 shares, issued and outstanding 18,762,596 and 16,036,085 at December 31, 1998 and 1997, respectively	131,338	112,251
Additional paid-in capital	68,632,195	58,820,877
Deferred compensation	(1,214,591)	(2,289,765)
Accumulated deficit	(84,942,815)	(56,984,247)
Total stockholders' equity (deficit)	(16,953,363)	814,376
	$ 23,855,363	$ 24,252,876

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
Revenues:			
Telecommunication services	$ 19,634,681	$ 11,081,007	$ -
Marketing services, net	4,548,421	2,637,331	-
Technology licensing and development	1,466,315	346,875	-
Other	-	-	170,532
Total revenues	25,649,417	14,065,213	170,532
Operating costs and expenses:			
Telecommunication network expenses	19,099,194	14,634,999	1,120,779
Marketing services costs	5,850,873	4,294,014	-
Selling, general and administrative	10,563,382	11,948,568	2,903,728
Provision for doubtful accounts	3,160,621	1,385,000	15,996
Depreciation and amortization	4,192,174	2,549,282	690,920
Acquired in-process research and development	-	4,235,830	14,577,942
Research and development	2,429,116	878,582	347,504
Total operating costs and expenses	45,295,360	39,926,275	19,656,869
Operating loss	(19,645,943)	(25,861,062)	(19,486,337)
Other income (expense):			
Interest expense	(8,404,418)	(3,022,619)	(2,012,342)
Interest and other income	270,288	215,989	155,702
Accrued litigation settlement	-	-	(821,000)
Total other expense	(8,134,130)	(2,806,630)	(2,677,640)
Loss from continuing operations	(27,780,073)	(28,667,692)	(22,163,977)
Discontinued operations:			
Loss from discontinued operations (less applicable income tax provision of $0 in 1998, 1997 and 1996)	-	(183,556)	(900,263)
Loss on disposal of discontinued operations, including provision in 1997 of $222,000 for operating losses during phase-out period (less applicable income tax provision of $0 in 1998 and 1997)	(178,006)	(1,007,453)	-
Loss from discontinued operations	(178,006)	(1,191,009)	(900,263)
Net loss	$(27,958,079)	$(29,858,701)	$(23,064,240)

Continued

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
Calculation of net loss per common share:			
Loss from continuing operations	$(27,780,073)	$(28,667,692)	$(22,163,977)
Cumulative preferred stock dividends not paid in current year	(2,065,894)	(1,159,589)	(343,629)
Deemed (non-cash) preferred stock dividend on Class C, E, F and M convertible cumulative preferred stock	(7,774,759)	(88,533,450)	(20,880,000)
Dividend paid on Class F redeemable preferred stock	(489)	-	
Loss from continuing operations applicable to Common Stock	$(37,621,215)	$(118,360,731)	$(43,387,606)
Basic and diluted weighted average shares outstanding	17,627,083	11,756,249	6,780,352
Net loss per common share - basic and diluted:			
Loss from continuing operations	$ (2.13)	$ (10.07)	$ (6.40)
Loss from discontinued operations	(0.01)	(0.10)	(0.13)
Net loss per common share	$ (2.14)	$ (10.17)	$ (6.53)

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 1995	207,500	$ 2,075,000	1,803,092	$ 12,622	$ 3,428,854	$ -	$(4,061,306)
Conversion of preferred stock into Common Stock	(200,000)	(2,000,000)	4,894,461	34,261	1,965,739	-	-
Exercise of stock options	-	-	189,637	1,327	354,686	-	-
Common stock issued for the acquisition of I-Link Worldwide, Inc.	-	-	3,000,000	21,000	12,579,000	-	-
Sale of Class C preferred stock for cash, net of offering costs of $2,110,000	240,000	2,400,000	-	-	9,890,000	-	-
Common stock issued for cancellation of notes payable payable	-	-	720,407	5,043	699,756	-	-
Issuance of stock warrants below market value of Common Stock	-	-	-	-	11,875	-	-
Interest expense associated with issuance of convertible notes	-	-	-	-	1,945,000	-	-
Net loss	-	-	-	-	-	-	(23,064,240)
Balance at December 31,1996	247,500	2,475,000	10,607,597	74,253	30,874,910	-	(27,125,546)

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), continued
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 1996	247,500	$ 2,475,000	10,607,597	$ 74,253	$30,874,910	$ -	$(27,125,546)
Conversion of preferred stock into Common Stock	(144,924)	(1,449,240)	3,948,565	27,639	1,421,601	-	-
Conversion of convertible promissory notes into Class C preferred stock	11,950	119,500	-	-	597,500	-	-
Interest expense associated with issuance of convertible notes	-	-	-	-	320,000	-	-
Stock options issued for service	-	-	-	-	4,757,134	(4,757,134)	-
Amortization of deferred compensation on stock options issued for service	-	-	-	-	-	2,467,369	-
Exercise of stock options	-	-	79,923	559	137,374	-	-
Common Stock issued for the acquisition of Family Telecommunications, Inc.	-	-	400,000	2,800	2,411,783	-	-
Class D preferred stock issued for the acquisition of MiBridge, Inc.	1,000	10,000	-	-	6,240,000	-	-
Common Stock issued for the acquisition of I-Link Worldwide, Inc.	-	-	1,000,000	7,000	8,868,000	-	-
Stock warrants issued to satisfy accrued litigation settlement	-	-	-	-	821,000	-	-

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

I-LINK INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), continued

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	Preferred Stock		Common Stock		Additional Paid-In	Deferred	Accumulated
	Shares	Amount	Shares	Amount	Capital	Compensation	Deficit
Warrants issued in connection with certain notes payable	-	-	-	-	2,371,575	-	-
Issuance ofClass M redeemable preferred stock, net of issuance costs of $365,180	4,400	44,000	-	-	11,690,820	-	-
Reclassification of Series M Redeemable preferred stock to mezzanine	(4,400)	(44,000)	-	-	(11,690,820)	-	-
Net loss	-	-	-	-	-	-	(29,858,701)
Balance at December 31, 1997	115,526	1,155,260	16,036,085	112,251	58,820,877	(2,289,765)	(56,984,247)

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), continued

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 1997	115,526	$ 1,155,260	16,036,085	$112,251	$58,820,877	$(2,289,765)	$(56,984,247)
Issuance of Class F redeemable preferred stock, net of issuance costs of $569,418	1,000	10,000	-	-	9,420,582	-	-
Reclassification of Class F redeemable preferred stock to mezzanine	(1,000)	(10,000)	-	-	(9,420,582)	-	-
Reclassification of Class F redeemable preferred stock from mezzanine due to conversion to common stock	2	20	-	-	18,842	-	-
Conversion of preferred stock into Common Stock	(71,477)	(714,770)	2,326,731	16,288	698,482	-	-
Common Stock dividend paid to holders of Class F redeemable preferred stock	-	-	240	2	487	-	(489)
Stock options issued for services	-	-	-	-	378,322	(356,322)	-
Amortization of deferred compensation on stock options issued for services	-	-	-	-	-	1,157,901	-
Forfeiture of stock options issued for services	-	-	-	-	(273,595)	273,595	-
Warrants issued in connection with certain notes payable	-	-	-	-	1,032,634	-	-
Warrants issued in connection with certain convertible notes payable	-	-	-	-	7,274,000	-	-
Exercise of stock options and warrants	-	-	399,540	2,797	682,146	-	-
Net loss	-	-	-	-	-	-	(27,958,079)
Balance at December 31, 1998	44,051	$ 440,510	18,762,596	$131,338	$68,632,195	$(1,214,591)	$(84,942,815)

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
Cash flows from operating activities:			
Net loss	$(27,958,079)	$(29,858,701)	$(23,064,240)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,192,174	2,549,282	690,920
Provision for doubtful accounts	3,160,621	1,385,000	-
Accrued litigation settlement	-	-	821,000
Amortization of discount on notes payable	7,402,059	2,371,575	-
Amortization of deferred compensation on stock options issued for services	1,157,901	2,467,369	-
Interest expense associated with issuance of convertible notes	-	320,000	1,945,000
Acquired in-process research and development	-	4,235,830	14,577,942
Write-off of intangible assets	-	860,305	-
Loss on disposal of assets	-	351,288	-
Other	-	-	14,155
Increase (decrease) from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(4,329,430)	(2,932,347)	19,490
Other assets	527,466	(718,096)	(294,067)
Accounts payable and accrued liabilities	(990,776)	5,769,611	(432,375)
Discontinued operations - noncash charges and working capital changes	12,345	1,190,358	881,890
Net cash used in operating activities	(16,825,719)	(12,008,526)	(4,840,285)
Cash flows from investing activities:			
Purchases of furniture, fixtures, equipment and software	(3,258,189)	(1,948,857)	(669,970)
Cash received from the purchase of MiBridge	-	79,574	-
Cash received from the purchase of I-Link Communications	-	435,312	-
Purchase of certificates of deposit - restricted	-	-	(1,962,601)
Proceeds from maturity of certificates of deposit - restricted	1,345,215	53,500	60,000
Investing activities of discontinued operations	310,000	(7,055)	(915)

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
Net cash used in investing activities	(1,602,974)	(1,387,526)	(2,573,486)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	11,009,712	5,000,000	2,502,333
Repayment of long-term debt	(2,700,904)	(892,307)	(2,860,086)
Payment of capital lease obligations	(184,103)	(187,278)	(130,299)
Proceeds from issuance of preferred stock, net of offering costs	9,430,582	6,618,888	12,290,000
Proceeds from exercise of Common Stock warrants and options	684,943	137,933	-
Financing activities of discontinued operations	(170,465)	(53,556)	32,734
Net cash provided by financing activities	18,069,765	10,623,680	11,834,682
Increase (decrease) in cash and cash equivalents	(358,928)	(2,772,372)	4,420,911
Cash and cash equivalents at beginning of year	1,727,855	4,500,227	79,316
Cash and cash equivalents at end of year:			
Continuing operations	1,311,003	1,643,805	4,407,465
Discontinued operations	57,924	84,050	92,762
Total cash and cash equivalents at end of year	$ 1,368,927	$ 1,727,855	$ 4,500,227

Continued

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

I-LINK INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
Supplemental schedule of non-cash investing and financing activities:			
Preferred stock and note payable issued inconnection with the acquisition of MiBridge, Inc.	-	$ 8,250,000	$ -
Common Stock issued in connection with theacquisition of Family Telecommunications, Inc.	-	2,414,583	-
Stock options issued for services	378,322	4,757,134	-
Conversion of preferred stock into Common Stock	714,770	1,449,240	1,000,000
Common Stock issued in connection with the acquisition of I-Link Worldwide, Inc.	-	8,875,000	12,600,000
Preferred stock issued in exchange of notes payable and accrued interest	-	5,115,932	-
Conversion of convertible promissory notes into preferred stock	-	717,000	704,799
Equipment acquired under capital lease obligations	1,124,606	-	605,609
Stock warrants issued to satisfy with litigation settlement	-	821,000	-
Supplemental cash flow information:			
Interest paid - continuing operations	$ 109,866	$ 286,935	$ -
Interest paid - discontinued operations	158,392	93,625	189,107

The accompanying notes are an integral part of these consolidated financial statement

Note 1 - Description of Business, Principles of Consolidation and Liquidity

The consolidated financial statements include the accounts of I-Link Incorporated and its subsidiaries (the "Company"). The Company's principal operation is the development, sale and delivery of enhanced communications products and services utilizing its own private intranet and both owned and leased network switching and transmission facilities. The Company provides unique communications solutions through its use of proprietary technology acquired in the acquisitions of I-Link Worldwide, Inc. and MiBridge, Inc. Telecommunications services are marketed primarily through independent representatives to subscribers throughout the United States. The Company's telecommunication services operations began primarily with the first quarter of 1997 acquisition of I-Link Communications, Inc., an FCC licensed long-distance carrier (see Note 9).

During the second quarter of 1997, the Company formed a new wholly-owned subsidiary, I-Link Worldwide, L.L.C., through which it launched a network marketing channel to market its telecommunications services and products. Previously, all marketing of telecommunications services was provided by third-party wholesale distributors through the Company's wholly-owned subsidiary I-Link Systems, Incorporated.

Through its wholly owned subsidiary, MiBridge, Inc. (MiBridge), the Company develops and licenses communications software that supports multimedia communications (voice, fax and audio) over the public switched network, local area networks and the Internet. MiBridge was acquired during the third quarter of 1997 (see Note 9).

Diagnostic and clinical service, consisting primarily of magnetic resonance imaging (MRI) and ultrasounds, were provided through the Company's wholly-owned subsidiaries Urological Ultrasound Services of Tampa Bay, Inc., Medcross Asia, Ltd, and Waters Edge Scanning Associates, Inc. and partially owned subsidiaries Medcross Imaging, Ltd. (81.75%) and Shenyang Medcross Huamei Medical Equipment Company, Ltd. (51%). On March 23, 1998, the Company's Board of Directors approved a plan to discontinue these operations (see Note 3).

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

The Company incurred a net loss from continuing operations of $27,780,073 for the year ended December 31, 1998, and as of December 31, 1998 had an accumulated deficit of $84,942,815 and negative working capital of $4,487,914. The Company anticipates that revenues generated from its continuing operations will not be sufficient during 1999 to fund ongoing operations and the continued expansion of its private telecommunications network facilities, development and manufacturing of its C4 product and anticipated growth in subscriber base. In order to provide funds towards working capital needs, the Company has entered into two additional financing arrangements with Winter Harbor. The first provides for short-term borrowings of up to $8,000,000 and a $3,000,000 standby letter of credit to guarantee payment on a new $3,000,000 equipment lease (see Notes 7 and 8). As of December 31, 1998, the Company had received advances under the short term bridge loan of $3,842,000 and had made equipment acquisitions on the new lease of $1,144,000. The remaining $4,158,000 on the Bridge Loan was received subsequent to year-end. Under the second agreement, finalized on April 15, 1999, Winter Harbor agreed to loan to the Company up to $4,000,000 under a note due September 30, 1999. The Company may cause the loan to be exchanged for Series N Preferred Stock. It is the Company's intention to exchange

Note 1 - Description of Business, Principles of Consolidation and Liquidity, continued

the loan for Series N Preferred Stock or repay this loan from proceeds of the Series N offering. The Company has an option to extend the due date on the $4,000,000 note to April 15, 2000 (see Note 16). In addition, the due date of the Company's prior obligation to Winter Harbor in the amount of $7,768,000, which was due on demand, was extended to April 15, 2000.

Under the $8,000,000 and $3,000,000 financing arrangements, the Company is obligated to offer up to 20,000 shares of a new series of preferred stock (Series N) as part of a rights offering which will be open to the Company's common and preferred stockholders. Each share of Series N preferred stock may be purchased for $1,000. The Company has the option to require that Winter Harbor exchange the outstanding balance on the $8,000,000 financing arrangement for Series N shares. This option is dependent upon the Company mailing the Series N Preferred Stock Rights Offering to its shareholders by the earlier of June 30, 1999 or the third business day following clearance from the Securities and Exchange Commission of the Series N registration statement ("Mailing Date"). In addition, the Company must complete the rights offering by the earlier of August 6, 1999 or the first business day following the 35th calendar day from the Mailing Date. The Company believes it is remote that the Series N Rights Offering will not be completed. Winter Harbor is entitled, but not obligated, to subscribe for any shares of Series N stock which are subject to rights which are not exercised by other stockholders. Winter Harbor has indicated its intention to subscribe for all unexercised rights. Should all of the Series N Preferred Stock be sold and all $8,000,000 be drawn on the financing arrangement, the net proceeds to the Company after repayment of loan would be approximately $11,500,000. Should the Series N Rights Offering not be completed, or not be fully subscribed to, the Company believes that it would be able to generate adequate cash flow to continue operations through 1999 by arranging alternative financing, reducing expenses and/or selling Company assets.

While the Company believes that the aforementioned sources of funds will be sufficient to fund operations into 2000, the Company anticipates that additional funds will be necessary from public or private financing markets to successfully integrate and finance the planned expansion of the business communications services, product development and manufacturing, and to discharge the financial obligations of the Company. The availability of such capital sources will depend on prevailing market conditions, interest rates, and financial position and results of operations of the Company. There can be no assurance that such financing will be available, that the Company will receive any proceeds from the exercise of outstanding options and warrants or that the Company will not be required to arrange for additional debt, equity or other type of financing.

Note 2 - Summary of Significant Accounting Policies

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents primarily with financial institutions in Utah, Arizona, New Jersey and Florida, and at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Note 2 - Summary of Significant Accounting Policies, continued

Furniture, fixtures, equipment and software

Furniture, fixtures and equipment and software are stated at cost. Depreciation is calculated using the declining balance method for medical equipment and the straight-line method for all other assets over the following estimated useful lives:

Telecommunications network equipment	4-6 years
Furniture, fixtures and office equipment	3-6 years
Software	3 years

Betterments and renewals that extend the life of the assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in income.

Intangible assets

The Company regularly evaluates whether events or circumstances have occurred that indicate the carrying value of its intangible assets may not be recoverable. When factors indicate the asset may not be recoverable, the Company compares the related undiscounted future net cash flows to the carrying value of the asset to determine if an impairment exists. If the expected future net cash flows are less than carrying value, impairment is recognized based on the fair value of the asset. During 1997, the Company wrote off $860,305 in unrecoverable intangible assets. The write off is included in selling, general and administrative expense. There were no such write offs for 1998 and 1996. Amortization of intangible assets is calculated using the straight-line method over the following periods:

Acquired technology	3 years
Excess acquisition cost over fair value of net assets acquired	5-10 years
Other intangible assets	3-5 years

Revenue recognition

Long-distance and enhanced service revenue is recognized as service is provided to subscribers.

During the second quarter of 1997 the Company launched a network marketing channel to market its telecommunication services. Marketing services revenues from the network marketing channel primarily include revenues recognized from independent representatives ("IRs") for promotional and presentation materials and national conference registration fees. IRs enter into a standard written independent sales representative agreement with the Company and pay a fee of either $50 or $295 based on selected options for sales and marketing materials and on-going administrative support. Revenue from the sale of promotional and presentation materials (included in Marketing services revenue) is recognized at the time the materials are shipped. The portion of the sign-up fee including a normal profit margin, relating to on-going administrative support is deferred and recognized over twelve months (the initial term of the IR agreement). Marketing services revenues are presented net of estimated refunds on returns of network marketing materials.

Note 2 - Summary of Significant Accounting Policies, continued

Technology licensing and development revenues are recognized as products are shipped (or used as in the case of royalties) or services are performed. Revenues on long-term development projects are recognized under the percentage of completion method of accounting and are based upon the level of effort expended on the project, compared to total costs related to the contract.

The Company recognized revenue from health care services (discontinued operations) at the time services were performed, net of contractual allowances based on agreements with third party payers.

Computer software costs

Effective January 1, 1999 the Company adopted Statement of Position No. 98-1 (SOP 98-1),"Accounting for the Cost of Computer Software Developed or Obtained for Internal Use". The SOP was issued to address the diversity in practice regarding whether and under what conditions the costs of internal-use software should be capitalized. In accordance with SOP 98-1, effective January 1, 1999, the Company will capitalize material costs associated with developing computer software for internal use. Previously these costs were recognized as a current expense. Purchased computer software for internal use is capitalized and amortized over the expected useful life, usually three years. The impact of applying this standard is not expected to be material to the consolidated financial position or results of operations of the Company.

Concentrations of Credit Risk

The Company's telecommunications subscribers are primarily residential subscribers and are not concentrated in any specific geographic region of the United States.

Income taxes

The Company records deferred taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The statement requires recognition of deferred tax assets and liabilities for the temporary differences between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements based upon the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Net loss per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Options, warrants, convertible preferred stock and convertible debt are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive. As the Company had a net loss from continuing operations for 1998, 1997 and 1996, basic and diluted loss per share are the same. Basic and diluted loss per common share for 1998, 1997 and 1996 were calculated as follows:

Note 2 - Summary of Significant Accounting Policies, continued

	1998	1997	1996
Loss from continuing operations	$(27,780,073)	$(28,667,692)	$(22,163,977)
Cumulative preferred stock dividends not paid in current year	(2,065,894)	(1,159,589)	(343,629)
Deemed preferred stock dividends on Class E and Class F convertible redeemable preferred stock	(7,774,759)	-	-
Deemed preferred stock dividend on Class M convertible cumulative redeemable preferred stock	-	(88,533,450)	-
Deemed preferred stock dividend on Class C convertible cumulative redeemable preferred stock	-	-	(20,880,000)
Dividend paid on Class F redeemable preferred stock	(489)	-	-
Loss from continuing operations applicable to Common Stock	$(37,621,215)	$(118,360,731)	$(43,387,606)
Loss from discontinued operations	$(178,006)	$(1,191,009)	$(900,263)
Weighted average shares outstanding	17,627,083	11,756,249	6,780,352
Loss from continuing operations	$ (2.13)	$ (10.07)	$ (6.40)
Loss from discontinued operations	(0.01)	(0.10)	(0 13)
Net loss per common share	$ (2.14)	$ (10.17)	$ (6.53)

The deemed preferred stock dividends on Class E and Class F convertible cumulative redeemable preferred stock equal the sum of the difference between the conversion price per common share per the agreements and the market price of the Common Stock as of the date the agreements were finalized and the difference between the fair value of the Class F redeemable preferred stock issued and the carrying value of the Class E stock at the date of redemption.

The deemed preferred stock dividend on Class C convertible cumulative redeemable preferred stock is calculated as the difference between the conversion price per common share per the private offering memorandum and the market price for the Common Stock on the date the preferred shares were sold. The deemed preferred stock dividend on Class M convertible cumulative redeemable preferred stock is calculated as the difference between the conversion price per common share per the agreement and the market price of the Common Stock as of the date the agreement was finalized, plus the fair value of the warrants issuable in connection with the preferred stock investment. The deemed dividends on Class C, E, F and M preferred stock are implied only and do not represent obligations to pay a dividend.

Note 2 - Summary of Significant Accounting Policies, continued

Potential common shares that were not included in the computation of diluted EPS because they would have been anti-dilutive are as follows as of December 31:

	1998	1997	1996
Assumed conversion of Class B preferred stock	-	-	183,542
Assumed conversion of Class C preferred stock	1,057,224	2,759,016	5,760,000
Assumed conversion of Class D preferred stock	-	383,108	-
Assumed conversion of Class F redeemable preferred stock	4,909,001	-	-
Assumed conversion of Class M redeemable preferred stock	5,951,795	4,400,000	-
Assumed conversion of convertible debt	3,820,954	-	-
Assumed conversion of warrants issued on convertible debt	5,000,000	-	-
Assumed exercise of options and warrants to purchase shares of Common Stock	30,265,670	20,998,872	5,761,295
	51,004,644	28,540,996	11,704,837

As of December 31, 1998, Winter Harbor, the sole holder of Series M Redeemable Preferred Stock, held warrants, exercisable at any time, for the purchase of up to 18,224,171 shares of Common Stock. In addition, should Winter Harbor elect to exchange its $7.768 million in promissory notes into additional shares of Series M Redeemable Preferred Stock, it is entitled to receive additional warrants to purchase 5,000,000 shares of Common Stock. The exercise prices of all of such warrants varied at the time of their respective issuance, however, all are subject to adjustment downward to equal the market price of Common Stock in the event the Common Stock market price is below the original exercise price at the time of exercise, subject to an exercise price lower limit of the lesser of the original exercise price or $2.75 per share.

Segment reporting

In 1998, the Company adopted Statement of Financial Accounting Standards (FAS) 131, "Disclosures about Segments of an Enterprise and Related Information". FAS 131 supersedes FAS 14, "Financial Reporting for Segments of a Business Enterprise", replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. FAS 131 also requires disclosures about products and services, geographic areas, and major customers. The adoption of FAS 131 did not affect results of operations or financial position but did affect the disclosure of segment information (see Note 14).

Note 2 - Summary of Significant Accounting Policies, continued

Use of estimates

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

Reclassifications

Certain balances in the December 31, 1997 and 1996 financial statements have been reclassified to conform to current year presentation. These changes had no effect on previously reported net loss, total assets, liabilities or stockholders' equity.

Note 3 - Discontinued operations

On March 23, 1998, the Company's Board of Directors approved a plan to dispose of the Company's medical services businesses in order to focus its efforts on the sale of telecommunication services and technology licensing. The Company has sold principally all of the fixed assets and intends to sell all of the remaining assets of the medical services subsidiaries, with the proceeds being used to satisfy outstanding obligations of the medical services subsidiaries. During 1998 the Company received $310,000 from the sale of assets from the medical services subsidiaries. In January 1999, the Company sold additional assets for $15,000 and a note receivable of $35,000. As of December 31, 1998, there were no significant revenue generating activities remaining from the medical services operations. On-going administrative costs include payroll and office rent associated with collecting outstanding accounts receivable and oversight of the final close out procedures. These anticipated costs had been previously accrued for as part of the expected ultimate loss on disposal.

The results of the medical services operations have been classified as discontinued operations for all periods presented in the Consolidated Statements of Operations. The assets and liabilities of the discontinued operations have been classified in the Consolidated Balance Sheets as "Net assets - discontinued operations". Discontinued operations have also been segregated for all periods presented in the Consolidated Statements of Cash Flows.

Net assets of the Company's discontinued operations (excluding intercompany balances which have been eliminated against the net equity of the discontinued operations) are as follows:

Note 3 - Discontinued operations, continued

	1998	1997
Assets:		
Current assets:		
Cash and cash equivalents	$ 57,924	$ 84,050
Accounts receivable	941,508	1,033,376
Inventory	555,291	555,939
Other	15,217	24,951
Total current assets	1,569,940	1,698,316
Furniture, fixtures and equipment, net	363,345	958,153
Intangible assets, net	-	391,757
Other non-current assets	6,230	8,706
Total assets	1,939,515	3,056,932
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	1,070,396	1,781,541
Notes payable	241,661	412,126
Total current liabilities	1,312,057	2,193,667
Other liabilities	210,087	267,888
Total liabilities	1,522,144	2,461,555
Net assets - discontinued operations	$ 417,371	$ 595,377

Revenues of the discontinued operations were $1,445,376, $2,309,099 and $2,212,544 for 1998, 1997 and 1996, respectively. The net assets of the discontinued operations as of December 31, 1998 are shown as current in the consolidated balance sheet as it is anticipated the remaining assets of the medical services businesses will be sold in the second quarter of 1999.

Note 4 - Certificates of deposit - restricted

As of December 31, 1998, the Company has $542,285 in restricted certificates of deposit (CDs). The CDs collateralize certain lease agreements, including equipment purchase and facilities leases. All of the CDs are held in escrow and bear interest which is paid to the Company. During 1998, restricted CDs totaling $1,345,215 were released to the Company in accordance with the lease agreements. Of the remaining CDs held in escrow, $378,160 will be released to the Company during 1999 and are classified as a current asset in the consolidated balance sheet.

Note 5 - Furniture, fixtures, equipment and software

Continuing operations

Furniture, fixtures, equipment and software relating to continuing operations consisted of the following at December 31:

	1998	1997
Telecommunications network equipment	$ 4,558,946	$ 2,628,422
Furniture, fixtures and office equipment	2,430,663	1,792,958
In-process system development costs	2,284,574	-
Software and information systems	351,728	195,188
	9,625,911	4,616,568
Less accumulated depreciation and amortization	(2,363,130)	(1,064,651)
	$ 7,262,781	$ 3,551,917

Included in telecommunications network equipment are $1,730,215 and $605,609 in assets acquired under capital lease at December 31, 1998 and 1997. Accumulated amortization on these leased assets was $538,954 and $341,602 at December 31, 1998 and 1997. At December 31, 1998, in-process system development costs of $2,284,574 have been capitalized and are not being amortized as the development is still in process.

The Company regularly evaluates whether events or circumstances have occurred that indicate the carrying value of its furniture, fixtures, equipment and software may not be recoverable. When factors indicate the asset may not be recoverable, the Company compares the related undiscounted future net cash flows to the carrying value of the asset to determine if an impairment exists. If the expected future net cash flows are less than carrying value, impairment is recognized based on the fair value of the asset. There were no such write-offs in 1998, 1997 or 1996.

As of April 1999 the Company is evaluating the functionality and progress of the billing and operations information system (in-process system development costs) being developed by an outside vendor. The Company is determining whether the system will ultimately meet its needs and whether to proceed with the project. Should the Company decide not to continue with the system development, the asset would be written down to its appropriate carrying value. The Company feels its current systems are adequate to continue supporting its operations in the event the Company determines to not proceed with the development.

Discontinued operations

Furniture, fixt:res and equipment relating to discontinued operations consisted of the following at December 31:

Note 5 - Furniture, fixtures, equipment and software, continued

	1998	1997
Medical services equipment	$ 836,885	$ 3,082,756
Furniture, fixtures and office equipment	383,269	388,191
	1,220,154	3,470,947
Less accumulated depreciation	(856,809)	(2,512,794)
	$ 363,345	$ 958,153

Note 6 - Intangible Assets

Intangible assets consisted of the following at December 31:

	1998	1997
Acquired technology	$ 1,450,000	$ 1,450,000
Excess acquisition cost over fair value of net assets acquired	11,072,138	11,072,138
Other intangible assets	1,203,200	1,203,200
	13,725,338	13,725,338
Less accumulated amortization	(4,304,955)	(1,411,258)
	$ 9,420,383	$ 12,314,080

Note 7 - Long-term debt

Continuing operations

Long-term debt relating to continuing operations, the carrying value of which approximates market, consists of the following at December 31:

	1998	1997
Note payable to MCI, interest at 7.0%, payable in monthly installments of $250,436	$ 987,301	$ 2,358,757
Notes payable to prior owners of MiBridge, interest at 8.0%, payable in quarterly installments of $250,000, collateralized by Common Stock of MiBridge	500,000	1,500,000
Note payable to Winter Harbor, payable April 15, 2000, interest at prime plus four percent (11.75% at December 31, 1998)	7,768,000	-
Bridge note payable to Winter Harbor, interest at prime plus four percent (11.75% at December 31, 1998), increasing to prime plus seven percent, principal balance due October 31, 1999, net of debt discount of $904,574	2,937,138	-
Note payable to a finance company, interest at 4.60% payable in monthly installments of $5,051	59,130	-
Other	4,000	4,000
	12,255,569	3,862,757
Less current portion	(4,487,569)	(2,008,416)
Long-term debt, less current portion	$ 7,768,000	$ 1,854,341

In May 1998, the Company and MCI agreed to restructure the existing note payable to provide for a fixed monthly payment of $250,436, instead of the original escalating monthly payment schedule which required a balloon payment in April 1999. All other terms of the note remained the same.

During 1998, the Company obtained an aggregate of $7.768 million in new interim debt financing from Winter Harbor, L.L.C. As consideration for Winter Harbor's commitment to make the loan, the Company agreed to issue 6,740,000 warrants to purchase Common Stock of the Company at exercise prices ranging from $5.50 to $7.22 (Loan Warrants) based upon 110% of the closing price of the Common Stock on the day loan funds were advanced. The warrants have exercise periods of 7.5 years from issuance. The Company also agreed to extend the exercise period on all warrants previously issued to Winter Harbor (10,800,000) to seven and one-half years. Pursuant to the terms of the loan agreement with Winter Harbor, the initial borrowings of $5,768,000 were payable upon demand by Winter Harbor no earlier than May 15, 1998, and were

Note 7 - Long-term debt, continued

collateralized by essentially all of the assets of the Company's subsidiaries. As the loan was not repaid by May 15, 1998, the total loan, including additional borrowings of $2,000,000 obtained in the second quarter, continued on a demand basis with interest accruing at prime plus four percent. On April 15, 1999, Winter Harbor agreed that it will not demand payment under the notes prior to April 15, 2000. Additionally, Winter Harbor has the right at any time until the loan is repaid to elect to convert the unpaid balance of the loan into additional shares of the Company's Series M Redeemable Preferred Stock, reduce the exercise price of the 6,740,000 Loan Warrants to $2.50 per share, and receive an additional 5,000,000 warrants to purchase Common Stock of the Company at an exercise price of $2.50 per share.

During 1998, the Company recorded $7,274,000 as a discount against the new Winter Harbor debt representing the relative fair value attributed to the new warrants, the change of the exercise period on prior warrants and the equity instruments associated with the assumed conversion of the debt into equity. The debt discount was amortized over the original terms of the respective borrowings.

On January 15, 1999, I-Link entered into a formal agreement with Winter Harbor for additional financing. Advances were made against the anticipated financing agreement prior to January 15, 1999. The financing arrangement consists of an $8,000,000 bridge loan facility (Bridge Loan) and a $3,000,000 standby letter of credit to secure additional capital leases of equipment and telephone lines relative to the expansion of the Company's telecommunications network (see Note 8). As of December 31, 1998, the amount borrowed under the Bridge Loan was $3,841,712. Any unsatisfied obligations under the Bridge Loan will come due on October 31, 1999. The Company has the option to require that Winter Harbor exchange the Bridge Loan balance for shares of a new series of preferred stock (see Note 1). The Bridge Loan accrues interest at a variable rate of prime plus a spread beginning at 4 points through and including February 9, 1999, and increasing 1 point every three months thereafter, to a maximum of 7 points.

As additional consideration for making the $8,000,000 Bridge Loan and $3,000,000 standby letter of credit, the Company granted warrants to purchase Common Stock to Winter Harbor. Initially, Winter Harbor receives one warrant for every $10 borrowed from Winter Harbor. If the loan is not repaid by April 26, 1999, the number of warrants will increase in total to 10 warrants for every $10 borrowed. The warrants have 7.5 year exercise periods with an exercise price of the lower of (a) $2.78, (b) the average trading price for any 20 day period subsequent to the issuance of the warrants, (c) the price at which new shares of Common Stock or Common Stock equivalents are issued, or (d) the exercise price of any new options, warrants, preferred stock or other convertible security. The exercise price is subject to a $1.25 floor. On April 14, 1999, the shareholders voted to approve a plan of financing which includes issuing the full 10 warrants for each $10 borrowed under the Bridge Loan and standby letter of credit should management elect to not repay the amounts owing prior to April 26, 1999 (see Note 16). The Company does not anticipate repaying the loan before April 26, 1999. Winter Harbor has waived certain debt covenant violations under the $8,000,000 Bridge Loan. As of December 31, 1998, the Company has granted to Winter Harbor warrants to purchase 684,171 shares of Common Stock based on borrowings under the Bridge Loan and standby letter of credit to that date.

During 1998, the Company recorded $1,032,634 as a discount against borrowings on the new $8,000,000 Bridge Loan representing the relative fair value

Note 7 - Long-term debt, continued

attributed to the Bridge Loan warrants issued in 1998. The debt discount is being amortized over the term of the Bridge Loan, or leases as applicable. During 1998, $128,059 of debt discount was amortized.

On June 6, 1997, the Company entered into a term loan agreement and promissory note with Winter Harbor, LLC, pursuant to which Winter Harbor agreed to loan to the Company the principal sum of $2,000,000 for capital expenditure and working capital purposes. As further consideration for Winter Harbor's commitment to make the loan, the Company granted to Winter Harbor a warrant to purchase up to 500,000 shares of Common Stock of the Company at a purchase price of $4.97 per share, subject to adjustment, pursuant to the terms of a warrant agreement between the parties. The loan warrant expires on March 11, 2002, and contains demand and piggyback registration rights and customary anti-dilution terms.

In August 1997, the Company amended the existing note allowing for additional borrowings of up to $3,000,000, for an aggregate borrowing of $5,000,000. The incremental borrowings under this amendment had a maturity date of February 15, 1998. The Company issued 300,000 warrants at the then current market price ($6.38 per share) in connection with the additional borrowings. All other provisions of the additional borrowings are the same as the note discussed above.

The entire amount of these two loans ($5.0 million) was exchanged for Series M Redeemable Preferred Stock on October 10, 1997 (see Note 12). A portion of the proceeds received was allocated based upon the relative fair value of the warrants issued in connection with these loans and reflected as a debt discount of $2,371,575, which was amortized to expense in 1997.

Discontinued operations

Long-term debt relating to discontinued operations, the carrying value of which approximates market, consists of the following at December 31:

Note 7 - Long-term debt, continued

	1998	1997
Note payable to a related party, interest at 10.5%, payable on demand	$ -	$ 175,682
Note payable to a bank, interest payable at 3/4% above prime rate (8.5% at December 31, 1997)	-	236,444
Note payable, interest at 12%, interest payable monthly principle balance due April 10, 1999, collateralized by accounts receivable and general assets of the Company	241,661	-
	241,661	412,126
Less current portion	(241,661)	(412,126)
Long-term debt, less current portion	$ -	$ -

Note 8 - Commitments under long-term leases

The Company leases a variety of equipment, fiber optics and facilities used in its operations. The majority of these lease agreements are with two creditors. During 1998, Winter Harbor obtained a letter of credit totaling $3,000,000 to guarantee payment on a new lease agreement providing for equipment purchases of up to $3,000,000. As of December 31, 1998, the Company had acquired $1,144,066 in assets under this lease. Payments to another creditor are collateralized by letters of credit totaling approximately $192,000 (see Note 4).

Agreements classified as operating leases have terms ranging from one to six years. The Company's rental expense for operating leases was approximately $2,900,000, $2,850,000 and $1,320,000 for 1998, 1997 and 1996, respectively.

Future minimum rental payments required under non-cancelable capital and operating leases with initial or remaining terms in excess of one year consist of the following at December 31, 1998:

Note 8 - Commitments under long-term leases, continued

	Capital Leases	Operating Leases
Year ending December 31:		
1999	$ 641,000	$ 2,251,000
2000	172,000	2,869,000
2001	172,000	2,645,000
2002	172,000	443,000
2003	172,000	354,000
Thereafter	-	-
Total minimum payments	1,329,000	$ 8,562,000
Less amount representing interest	(152,023)	
Present value of net minimum lease payments	1,176,977	
Less current portion	(573,044)	
Long-term obligations under capital leases	$ 603,933	

Subsequent to year-end, the Company acquired approximately $1,800,000 in additional assets under its new $3,000,000 lease agreement. The lease terms are for two and five years and will result in increased monthly payments of approximately $45,000.

In January 1999, the Company entered into an agreement with a national carrier to lease local access spans. The three-year agreement includes minimum usage commitments of $1,512,000 during the first year and $2,160,000 in the second and third years. If the Company were to terminate the agreement early, it would be required to pay any remaining first year minimum monthly usage requirements and pay 25 percent of any remaining second and third year minimum monthly usage requirements.

Note 9 - Acquisition of subsidiaries

I-Link Worldwide, Inc.

In February 1996, the Company closed its acquisition of all of the issued and outstanding Common Stock of I-Link Worldwide Inc., a Utah corporation from ILINK, Ltd., a Utah limited partnership, in exchange for the issuance of an aggregate of 4,000,000 shares of Common Stock of the Company. The acquisition was accounted for using the purchase method of accounting. The results of operations of the acquired enterprise are included in the consolidated financial statements beginning February 13, 1996. Pursuant to the terms of the stock purchase agreement, 1,400,000 shares of the Common Stock were issued at the time of acquisition. In August 1996, 1,600,000 shares of Common Stock were released from escrow upon the receipt of proceeds from the completion of the Company's offering of Class C Preferred Stock.

The acquisition cost relating to the first 3,000,000 shares issued of $12,600,000 and the assumed net liabilities of $2,003,000 was allocated to acquired in-process research and development and software technology. These were expensed as technological feasibility of the in-process technology had not yet been established and the software technology had no alternative

Note 9 - Acquisition of subsidiaries, continued

future use.

The remaining 1,000,000 shares of Common Stock were released from escrow in the second quarter of 1997 as the Company's annual revenues exceeded $1,000,000. The value of the Common Stock issued was $8,875,000 (based on the closing market price of the Company's Common Stock on June 30, 1997) and has been recorded in the consolidated financial statements as an intangible asset representing the excess cost over fair value of net assets acquired which is being amortized using the straight-line method over five years.

Family Telecommunications Incorporated

On January 13, 1997, pursuant to the terms of a Share Exchange Agreement the Company acquired 100% of the outstanding stock of Family Telecommunications Incorporated (FTI), a Utah corporation, from the stockholders of FTI, namely Robert W. Edwards, Jr. and Jerald L. Nelson. John W. Edwards, President, a Director and Chief Executive Officer of the Company, and Robert W. Edwards, Jr., the principal shareholder of FTI, are brothers. The consideration ($2,415,000) for the transaction consisted of an aggregate of 400,000 shares of the Company's Common Stock.

The acquisition has been accounted for using the purchase method of accounting. FTI is a FCC licensed long-distance carrier and provider of telecommunications services. FTI has been renamed "I-Link Communications, Inc."

The net purchase price was allocated to the tangible net liabilities of $135,000 (based on their fair market value) with the excess acquisition cost over fair value of assets acquired of $2,550,000 allocated to intangible assets. The intangible assets are being amortized over periods ranging between three and ten years. The fair values of assets acquired and liabilities assumed in conjunction with this acquisition were as follows:

Current assets (including cash of $435,312)	$ 1,740,000
Tangible long-term assets	1,166,000
Intangible long-term assets	2,550,000
Current liabilities	(1,330,000)
Long-term liabilities	(1,711,000)
Net purchase price	$ 2,415,000

MiBridge, Inc.

In the third quarter of 1997 the Company completed its acquisition of 100% of the outstanding stock of MiBridge, Inc. (MiBridge). The consideration ($8,250,000) for the transaction consisted of: (1) an aggregate of 1,000 shares of Series D Preferred stock, which preferred stock is convertible into such a number of common shares as shall equal the sum of $6,250,000 divided by the lower of $9.25 or the average closing bid price of the Company's Common Stock for the five consecutive trading days immediately preceding the conversion date and (2) a note payable in the amount of $2,000,000 payable in cash in quarterly installments over two years. The acquisition was accounted

Note 9 - Acquisition of subsidiaries, continued

for using the purchase method of accounting. MiBridge is the owner of patent and patent-pending audio-conferencing technology.

The acquisition cost of $8,250,000 (representing the fair value of the Common Stock into which the 1,000 shares of Series D Preferred stock can be converted and the $2,000,000 note payable) was allocated, based on their estimated fair values, to tangible net assets ($552,760) to acquired technology ($1,450,000), acquired in-process research and development ($4,235,830), employment contracts for the assembled workforce ($606,000) and excess acquisition cost over fair value of net assets acquired ($1,405,410). These assets are being amortized over three years, with the exception of the excess acquisition cost over fair value of net assets acquired which is being amortized over five years. Acquired in-process research and development was expensed upon acquisition, as the research and development had not reached the requirements for technological feasibility at the closing date. The fair value of assets acquired in conjunction with this acquisition were allocated as follows:

Current assets (including cash of $79,574)	$ 534,074
Current liabilities	(54,473)
Tangible long-term assets	73,159
Intangible long-term assets	3,461,410
In-process research and development	4,235,830
Net purchase price	$ 8,250,000

Note 10 - Income taxes

The Company recognized no income tax benefit from its losses in 1998, 1997 and 1996.

The reported benefit from income taxes varies from the amount that would be provided by applying the statutory U.S. Federal income tax rate to loss before taxes for the following reasons:

Note 10 - Income taxes, continued

	1998	1997	1996
Expected federal statutory tax benefit	$(9,505,747)	$(10,151,958)	$(7,841,842)
Increase (reduction) in taxes resulting from:			
State income taxes	(734,464)	(360,059)	(673,059)
Non-deductible litigation settlement expense	-	-	279,140
Non-deductible interest on certain notes	2,516,700	915,136	661,300
Non-deductible intangible assets from acquisitions	-	5,561,039	-
Exercise of stock options issued for services	(583,743)	(47,998)	-
Change in valuation allowance	8,301,669	4,069,760	7,559,551
Other	5,585	14,080	14,910
	$ -	$ -	$ -

At December 31, 1998 the Company had net operating loss carryforwards for both federal and state income tax purposes of approximately $46,300,000. The net operating loss carryforwards will expire between 2011 and 2019 if not used to reduce future taxable income.

The components of the deferred tax assets and liability as of December 31, 1998 and 1997 are as follows:

Note 10 - Income Taxes, continued

	1998	1997
Deferred tax assets:		
Tax net operating loss carryforwards	$ 17,267,294	$ 9,582,452
Acquired in-process research and development and intangible assets	1,714,785	1,047,675
Amortization of deferred compensation on stock options	1,352,226	920,329
Reserve for loss on disposal of discontinued operations	138,235	375,780
Reserve for accounts receivable and inventory valuation	693,338	458,404
Accrued officers wages	235,969	53,712
Accrued interest on related party debt	-	16,453
Reserve for product returns	-	243,047
Other	37,187	98,062
Valuation allowance	(20,988,271)	(12,686,602)
Total deferred tax asset	450,763	109,312
Deferred tax liability:		
Excess tax depreciation and amortization	(450,763)	(109,312)
Total deferred tax liability	(450,763)	(109,312)
Net deferred tax asset	$ -	$ -

The valuation allowance at December 31, 1998 and 1997 has been provided to reduce the total deferred tax assets to the amount which is considered more likely than not to be realized, primarily because the Company has not generated taxable income from its business communications services. The change in the valuation allowance is due primarily to the increase in net operating loss carryforwards. It is at least reasonably possible that a change in the valuation allowance may occur in the near term.

Note 11 - Legal proceedings

A complaint was filed on April 12, 1996 by JW Charles Financial Services, Inc. (JWC) against the Company in which JWC alleged that the Company breached the terms of a warrant to purchase 331,000 shares of the Company's Common Stock (JWC Warrant) by failing to prepare and file with the Securities and Exchange Commission (SEC) a registration statement covering the Common Stock underlying the JWC Warrant. JWC was seeking specific performance, i.e. registering the shares with the SEC, and monetary damages. On April 11, 1997 the Company reached an agreement in principle relating to the settlement of the lawsuit. The lawsuit was dismissed in the second quarter of 1997 upon payment of $600,000 to JWC in consideration for the JWC Warrant. The JWC Warrant was purchased by an investor group led by the Company's general counsel and its treasurer and chief financial officer. The Company's funds were not utilized. In connection with the purchase of the JWC Warrant, the Company granted certain additional consideration to the investor group,

Note 11 - Legal proceedings, continued

including new warrants to purchase 175,000 shares of Common Stock at an exercise price of $2.50 per share. The new warrants have registration rights and anti-dilution provisions. The Company recorded the settlement in 1996 as a charge against earnings in the amount of $821,000, representing the fair value of the new warrants.

Note 12 - Stockholders' equity

Preferred stock

In August 1996, the Company filed with the State of Florida an Amendment to the Articles of Incorporation amending the designation of 240,000 shares of preferred stock as Class C Convertible Cumulative Preferred Stock (the "Class C Preferred Stock"). The Class C Preferred Stock has a par value of $10 per share and holders are entitled to receive cumulative preferential dividends equal to 8% per annum of the liquidation preference per share of $60.00. Unless previously redeemed, the Class C Preferred Stock is convertible into shares of the Company's Common Stock ("Conversion Shares"), at any time commencing November 21, 1996, at the option of the holder, into such number of shares of the Company's Common Stock as shall equal $60 divided by the lower of (i) $2.50, or (ii) the closing bid price for any five consecutive trading days during the period commencing on September 6, 1996 and ending on March 5, 1998 (subject to certain anti-dilution adjustments). The Class C Preferred Stock is redeemable at any time prior to September 6, 2000, at the option of the Company at a redemption price equal to $60 per share plus accrued and unpaid dividends, provided (i) the Conversion Shares are covered by an effective registration statement; and (ii) during the immediately preceding thirty (30) consecutive trading days ending within fifteen (15) days of the date of the notice of redemption, the closing bid price of the Company's Common Stock is not less than $8.00 per share. The Class C Preferred Stock is redeemable at any time after September 6, 2000, at the option of the Company at a redemption price equal to $90 plus accrued and unpaid dividends, provided the Conversion Shares are covered by an effective registration statement or the Conversion Shares are otherwise exempt from registration. During the years ending December 31, 1998 and 1997, 70,908 and 125,041 shares, respectively, of Class C Preferred Stock had been converted into common shares. At December 31, 1998 and 1997, 44,051 and 114,959 Class C Preferred Shares were outstanding.

In August 1997, the Company completed its acquisition of MiBridge. As partial consideration for 100 percent of the outstanding stock of MiBridge, the Company agreed to issue 1,000 shares of Series D Preferred Stock to the prior owners of MiBridge. The Series D Preferred shares were issued in October 1997 after the October 7, 1997 annual meeting where the shareholders approved and adopted an amendment to the Company's articles of incorporation increasing the number of authorized shares of Preferred Stock from 500,000 to 10,000,000 and the number of authorized shares of Common Stock from 20,000,000 to 75,000,000. The preferred stock was convertible into such a number of common shares as shall equal the sum of $6,250,000 divided by the lower of $9.25 or the average closing bid price of the Company's Common Stock for the five consecutive trading days immediately preceding the conversion date. The Series D Preferred shares are not entitled to dividends. During the years ending December 31, 1998 and 1997, 567 and 433 shares, respectively, of Class D preferred stock were converted into a total of 1,092,174 shares of Common Stock. As of December 31, 1998 and 1997, 0 and 567 shares of Class D Preferred Stock remained unconverted and outstanding.

Note 12 - Stockholders' equity, continued

On October 10, 1997, the Company closed an agreement with Winter Harbor pursuant to which Winter Harbor invested $12,100,000 in a new series of the Company's convertible preferred stock. Winter Harbor purchased approximately 2,545 shares of Series M Redeemable Preferred Stock, originally convertible into approximately 2,545,000 shares of Common Stock, for an aggregate cash consideration of approximately $7,000,000 (equivalent to $2.75 per share of Common Stock). The agreement with Winter Harbor also provided for the purchase of approximately 1,855 additional shares of Series M Redeemable Preferred Stock, originally convertible into approximately 1,855,000 shares of Common Stock. Such additional shares of Series M Redeemable Preferred Stock were paid for by Winter Harbor exchanging $5,000,000 in outstanding notes payable and accrued interest of approximately $100,000. As additional consideration for its equity investment in Series M Redeemable Preferred Stock, Winter Harbor was issued additional warrants by the Company to acquire (a) 2,500,000 shares of Common Stock at an exercise price of $2.75 per share, (b) 2,500,000 shares of Common Stock at an exercise price of $4.00 per share, and (c) 5,000,000 shares of Common Stock at an exercise price of $4.69 per share. All of the warrants have demand registration rights and anti-dilution rights and contain cashless exercise provisions.

The Series M Redeemable Preferred Stock is entitled to receive cumulative dividends in the amount of 10% per annum before any other class of preferred (other than Class F) or Common Stock receives any dividends. Thereafter, the Series M Redeemable Preferred Stock participates with the Common Stock in the issuance of any dividends on a per share basis. The Series M Redeemable Preferred Stock will have the right to veto the payment of dividends on any other class of stock. The Series M Redeemable Preferred Stock is convertible at any time prior to the fifth anniversary of its issuance, at the sole option of Winter Harbor, and automatically converts at that date if not converted previously.

If automatically converted on the fifth anniversary, the conversion price will be the lower of $2.75 per share or 50% of the average closing bid price of the Common Stock for the ten trading days immediately preceding the conversion date.

The basis for discretionary conversion, or the conversion price for automatic conversion, shall be adjusted upon the occurrence of certain events, including without limitation, issuance of stock dividends, recapitalization of the Company or the issuance of stock by the Company at less than the fair market value thereof. As of December 31, 1998, the conversion price of the Series M Redeemable Preferred Stock was reduced to $2.033 as a result of shares of Series F preferred shares being converted at that price. The Series M Redeemable Preferred Stock will vote with the Common Stock on an as-converted basis on all matters which are submitted to a vote of the stockholders, except as may otherwise be provided by law or by the Company's Articles of Incorporation or By-Laws; provided, however, that the Series M Redeemable Preferred Stock will have the right to appoint two members of the Company's board of directors. Furthermore, the Series M Redeemable Preferred Stock shall have the right to be redeemed at fair market value in the event of a change of control of the Company, shall have preemptive rights to purchase securities sold by the Company, and shall have the right to preclude the Company from engaging in a variety of business matters without the concurrence of Winter Harbor, including without limitation: mergers, acquisitions and disposition of corporate assets and businesses, hiring or discharging key employees and auditors, transactions with affiliates, commitments in excess of $500,000, the adoption or settlement of employee

Note 12 - Stockholders' equity, continued

benefit plans and filing for protection from creditors. As of December 31, 1998, all 4,400 shares of the Company's Class M redeemable preferred stock remain issued and outstanding.

Because the above redemption provisions are not entirely within the control of the Company, the Series M Redeemable Preferred Stock is presented as a separate line item above stockholders' equity.

On July 9, 1998 the Company obtained a $10 million equity investment, net of $530,000 in closing costs, from JNC Opportunity Fund Ltd. ("JNC"). Under the original terms of the equity investment, JNC purchased 1,000 shares of the Company's newly created 5% Series E Convertible Preferred Stock, which were convertible into the Company's common shares at a conversion price of the lesser of 110% of the market price of the Company's publicly traded common shares as of the date of closing, and 90% of a moving average market price at the time of conversion. In addition, JNC obtained a warrant to purchase 250,000 shares of the Company's Common Stock at an exercise price of $5.873 (equal to 120% of the market price of the Company's publicly traded common shares as of the date of closing).

On July 28, 1998, the terms of the JNC equity investment were amended to provide a floor to the conversion price, and to effect the amendment the Company created a 5% Series F Convertible Preferred Stock for which the Series E Preferred Shares originally issued to JNC were exchanged one for one. Pursuant to the amendment, the Series F Preferred Shares were originally convertible into common shares at a conversion price of the lesser of $4.00 per common share or 87% of a moving average market price of the Company's common shares at the time of conversion, subject to a $2.50 floor. The Series F Preferred Shares provide for adjustments in the initial conversion price and as of December 31, 1998, the conversion price has been adjusted to the lesser of $3.76 or 81% of a moving average market price of the Company's common shares at the time of conversion. In the event the market price remains below $2.50 for five consecutive trading days, the floor will be re-set to the lower rate, provided, however, that the floor shall not be less than $1.25. As of December 31, 1998, the floor had been reset to $2.033. JNC also received an additional warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price of $4.00 per common share. The Series F Preferred shares may be converted at any time, are automatically converted at the end of three years, and are subject to specific provisions that would prevent any issuance of I-Link Common Stock at a discount if and to the extent that such shares would equal or exceed in the aggregate 20 percent of the number of common shares outstanding on July 9, 1998 absent shareholder approval as contemplated by the Nasdaq Stock Market Non-Quantitative Designation Criteria.

JNC may not convert shares of Series F Redeemable Preferred Stock (or receive related dividends in Common Stock) to the extent that the number of shares of Common Stock beneficially owned by it and its affiliates after such conversion or dividend payment would exceed 4.999% of the issued and outstanding shares following such conversion. This limitation applies to the number of shares of Common Stock held at any one time and does not prevent JNC from converting some of its shares of Series F Redeemable Preferred Stock, selling the Common Stock received, then, subject to the aforementioned limitation, converting additional shares of Series F Redeemable Preferred Stock. The 4.999% limitation may be waived by JNC upon 75 days notice to the Company.

Note 12 - Stockholders' equity, continued

In certain instances, including a change in control of the Company in excess of 33% and if stock is not listed on NASDAQ or a subsequent market or is suspended for more than three non-consecutive trading days, the holders of the Series F Preferred Stock may require that the Company redeem their Series F Preferred Stock. Because these redemption provisions are not entirely within the control of the Company, the Series F Preferred Stock is presented as a separate line item above stockholders' equity.

In addition, the Company issued warrants to purchase 75,000 shares of the Company's Common Stock at a price of $4.89 per share to two individuals as a brokerage fee in connection with the JNC equity investment.

On December 28, 1998, JNC converted two shares of Series F Redeemable Preferred Stock into 10,004 shares of Common Stock. In addition, JNC was paid a stock dividend of 240 shares of Common Stock on the two shares which were converted. As of December 31, 1998, 998 shares of Series F Redeemable Preferred Stock remain issued and outstanding. As of April 9, 1999, JNC had converted a total of 141 shares of Series F Redeemable Preferred Stock into Common Stock.

At December 31, 1997, 9,512,650 of the 10,000,000 shares of preferred stock authorized remain undesignated and unissued. Dividends in arrears at December 31, 1998 were $472,709, $242,577 and $1,481,836 for Class C, F and M Preferred Stock, respectively.

Note 13 - Stock-based compensation plans

At December 31, 1998 the Company has several stock-based compensation plans, which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed option plans. On December 13, 1998, the Board of Directors approved a repricing of all options to purchase Common Stock with exercise prices above $3.90 held by current employees, directors and consultants of the Company. As a result, the exercise price on options to purchase 6,475,000 shares of Common Stock were reduced to $3.90. The options had original exercise prices of between $4.375 and $9.938. All other terms of the various option agreements remained the same. The closing price of the Company's Common Stock on December 13, 1998 was $2.56.

Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under the plans and based on the incremental fair value associated with the repricing of options consistent with the method outlined by Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation", the Company's net loss and loss per share would have been increased to the pro forma amounts indicated as follows:

Note 13 - Stock-based compensation plans, continued

	1998	1997	1996
Net loss as reported	$(27,958,079)	$(29,858,701)	$(23,064,240)
Net loss pro-forma	$(38,224,529)	$(37,753,358)	$(25,563,988)
Basic and diluted loss per share as reported	$ (2.14)	$ (10.17)	$ (6.53)
Basic and diluted loss per share pro-forma	$ (2.73)	$ (10.84)	$ (6.90)

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 103%, 100% and 103% in 1998, 1997, and 1996, respectively, risk free rates ranging from 4.26% to 5.67%, 6.02% to 6.88%, and 5.70% to 6.85% in 1998, 1997, and 1996, respectively, expected lives of 3 years for each year, and dividend yield of zero for each year.

	1998		1997		1996	
	Options and Warrants	Weighted Average Exercise Price	Options and Warrants	Weighted Average Exercise Price	Options and Warrants	Weighted Average Exercise Price
Outstanding at beginning of year	20,998,872	$4.68	5,761,295	$5.14	850,169	$1.78
Granted	9,978,671	5.48	15,526,000	4.45	5,322,000	1.87
Exercised	(399,540)	1.71	(79,923)	1.73	(188,724)	2.02
Expired	(145,834)	5.42	(14,584)	6.75	-	-
Forfeited	(166,499)	6.67	(193,916)	5.68	(222,150)	2.82
Outstanding at end of year	30,265,670	$4.54	20,998,872	$4.68	5,761,295	$5.14
Options and warrants exercisable at year end	24,479,374		14,873,577		2,153,294	
Weighted-average fair value of options and warrants granted during the year		$4.69		$5.78		$5.45

Note 13 - Stock-based compensation plans, continued

The following table summarizes information about fixed stock options and warrants outstanding at December 31, 1998.

	Options and Warrants Outstanding at 12/31/98	Weighted Average Remaining Life(years)	Weighted Average Exercise Price	Number Exercisable at 12/31/98	Weighted Average Exercise Price
$0.875 to $2.250	351,398	3.59	$1.33	346,398	$1.31
$2.500 to $3.510	5,138,271	5.89	2.77	4,740,271	2.71
$3.875 to $4.894	15,779,334	7.14	4.19	12,021,038	4.26
$5.375 to $6.370	5,297,500	6.88	5.86	5,297,500	5.86
$6.625 to $7.720	3,699,167	5.10	7.02	2,074,167	7.02
	30,265,670	6.59	$4.54	24,479,374	$4.50

1997 Recruitment stock option plan

In October 1997, the shareholders of the Company approved the adoption of the 1997 Recruitment Stock Option Plan which provides for the issuance of incentive stock options, non-qualified stock options and stock appreciation rights (SARs) up to an aggregate of 4,400,000 shares of Common Stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events). The price at which shares of Common Stock covered by the option can be purchased is determined by the Company's Board of Directors; however, in all instances the exercise price is never less than the fair market value of the Company's Common Stock on the date the option is granted.

As of December 31, 1998, there were incentive stock options to purchase 1,391,500 shares of the Company's Common Stock and non-qualified stock options to purchase 1,915,000 shares of the Company's Common Stock outstanding. The outstanding options vest over three years at exercise prices of $2.25 to $3.90 per share. Options issued under the plan must be exercised within ten years of grant and can only be exercised while the option holder is an employee of the Company. The Company has not awarded any SARs under the plan. During 1998, options to purchase 228,500 shares of Common Stock were forfeited or expired.

Director stock option plan

The Company's Director Stock Option Plan authorizes the grant of stock options to directors of the Company. Options granted under the Plan are non-qualified stock options exercisable at a price equal to the fair market value per share of Common Stock on the date of any such grant. Options granted under the Plan are exercisable not less than six months or more than ten years after the date of grant.

As of December 31, 1998, options for the purchase of 8,169 shares of Common Stock at prices ranging from $0.875 to $3.875 per share were outstanding, all of which are exercisable. In connection with the adoption of the 1995 Director Plan, the Board of Directors authorized the termination of future grants of options under the plan; however, outstanding options granted under the plan will continue to be governed by the terms thereof until exercise or

Note 13 - Stock-based compensation plans, continued

expiration of such options.

1995 Director stock option plan

The 1995 Director Stock Option and Appreciation Rights Plan provides for the issuance of incentive options, non-qualified options and stock appreciation rights (the "1995 Director Plan") to directors of the Company. The 1995 Director Plan provides for the grant of incentive options, non-qualified options, and SARs to purchase up to 250,000 shares of Common Stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events).

The 1995 Director Plan also provides for the grant of non-qualified options on a discretionary basis to each member of the Board of Directors then serving to purchase 10,000 shares of Common Stock at an exercise price equal to the fair market value per share of the Common Stock on that date. The number of shares granted to each Board member was increased to 20,000 in 1998. In addition, the Board member will receive 5,000 options for each committee membership. Each option is immediately exercisable for a period of ten years from the date of grant. The Company has 190,000 shares of Common Stock reserved for issuance under the 1995 Director Plan. The Company granted 105,000 options to purchase common shares under this plan in 1997. As of December 31, 1998, options to purchase 170,000 shares of Common Stock at prices ranging from $1.00 to $1.25 per share are outstanding and exercisable. There were 20,000 options exercised under this plan during 1997 and 40,000 options exercised during 1996. No options were granted or exercised under this plan in 1998.

1995 Employee stock option plan

The 1995 Employee Stock Option and Appreciation Rights Plan (the "1995 Employee Plan") provides for the issuance of incentive options, non-qualified options, and SARs.

Directors of the Company are not eligible to participate in the 1995 Employee Plan. The 1995 Employee Plan provides for the grant of stock options which qualify as incentive stock options under Section 422 of the Code, to be issued to officers who are employees and other employees, as well as non-qualified options to be issued to officers, employees and consultants. In addition, SARs may be granted in conjunction with the grant of incentive options and non-qualified options.

The 1995 Employee Plan provides for the grant of incentive options, non-qualified options, and SARs of up to 400,000 shares of Common Stock (subject to adjustment in the event of stock dividends, stock splits, and other similar events). To the extent that an incentive option or non-qualified option is not exercised within the period of exercisability specified therein, it will expire as to the then unexercisable portion. If any incentive option, non-qualified option or SAR terminates prior to exercise thereof and during the duration of the 1995 Employee Plan, the shares of Common Stock as to which such option or right was not exercised will become available under the 1995 Employee Plan for the grant of additional options or rights to any eligible employee. The shares of Common Stock subject to the 1995 Employee Plan may be made available from either authorized but unissued shares, treasury shares or both. The Company has 400,000 shares of Common Stock reserved for issuance under the 1995 Employee Plan. As of December 31, 1998, options to purchase 351,167 shares of Common Stock with exercise prices

Note 13 - Stock-based compensation plans, continued

ranging from $1.125 to $6.75 are outstanding under the 1995 Employee Plan. During 1998, options to purchase 23,833 shares of Common Stock were forfeited or expired and during 1997, options to purchase 25,000 shares of Common Stock were exercised.

Other warrants and options

Pursuant to the terms of a Financial Consulting Agreement dated as of November 3, 1994 between the Company and JW Charles Financial Services, Inc., the Company issued a Common Stock purchase warrant (the "JWC Warrant") covering 250,000 (331,126 as adjusted) shares of Common Stock to JW Charles Financial Services as partial consideration for its rendering financial consulting services to the Company. The warrant is exercisable at a price of $1.51 per share and expires on November 3, 1999. During 1998, warrants to purchase 165,563 shares of Common Stock were exercised.

In April 1996 the Company approved the issuance of 1,000,000 options to John Edwards at an option price of $7.00 per share (repriced to $3.90 on December 31, 1998) as part of his employment agreement. The options vest over a three year period and expire in 2006.

On July 1, 1996 the Company approved the issuance of options to purchase 1,500,000 and 500,000 shares of Common Stock to Clay Wilkes and Alex Radulovic respectively as part of their employment agreements. Each option has an exercise price of $7.00 per share, vesting in 25% increments in the event that the average closing bid price of a share of the Company's Common Stock for five consecutive trading days exceeds $10, $15, $20 and $25, respectively. Each option becomes exercisable (to the extent vested) on June 30, 1997, vests in its entirety on June 30, 2001 and lapses on June 30, 2002.

In August 1996, Commonwealth Associates, the Placement Agent for the Company's offering of Class C Preferred Stock and 8% Convertible Notes, designated Joseph Cohen as its nominee for election to the Board of Directors. The Company issued options to purchase 64,000 shares of Common Stock to Mr. Cohen, exercisable at the fair market value of the Common Stock on September 30, 1996 of $5.25 (repriced to $3.90 on December 31, 1998). All options were vested and exercisable as of December 31, 1998.
In September 1996, the Company closed a private placement offering of Class C Preferred Stock. As a result of this transaction, the Company issued warrants to purchase 750,000 shares of Common Stock at an exercise price of $2.50 per share as compensation to the Placement Agent. These warrants expire on August 20, 2001. During 1998 and 1997, warrants to purchase 46,477 and 34,923 shares of Common Stock were exercised, respectively.

John Edwards agreed to amend his employment contract on August 21, 1996, which reduced his salary. In consideration of the salary reduction, the Company granted him options, which vested immediately, to purchase 250,000 shares of Common Stock. The options have a term of 10 years and an exercise price of $4.875 per share (repriced to $3.90 on December 31, 1998) which was based on the closing price of the stock at grant date.

In October 1996 the Company agreed to issue 250,000 shares of Common Stock each to William Flury and Karl Ryser Jr. pursuant to their employment agreements. The options were issued at $4.41 (repriced to $3.90 on December 31, 1998) based on the closing price of the stock at grant date. The options vest quarterly over a three-year period and expire in 2000.

Note 13 - Stock-based compensation plans, continued

During 1996, the Company issued 120,000 warrants to non-employees at $4.00 per share. The warrants expire in 1999.

During 1997, the Company issued options to purchase 1,210,000 share of Common Stock (410,000 of which were issued under the 1997 recruitment stock option plan) to consultants at exercise prices ranging from $4.875 to $8.438 (repriced to $3.90 on December 31, 1998), which was based on the closing price of the stock at the grant date. The fair value of the options issued was recorded as deferred compensation of $4,757,134 to be amortized over the expected period the services were to be provided. As a result of the repricing, the Company recorded additional deferred compensation expense totaling $262,200 (of which $196,733 was expensed in 1998), representing the incremental fair value of the repriced options over the original options. During 1998 and 1997, $1,157,901 and $2,467,369 of the deferred compensation was amortized to expense. During 1998, options to purchase 60,000 shares of Common Stock expired. The remaining options must be exercised within ten years of the grant date.

During 1997, the Company issued non-qualified options to purchase 2,200,000 shares of Common Stock to certain executive employees at exercise prices ranging from $4.875 to $5.188 (repriced to $3.90 on December 31, 1998), which was based on the closing price of the stock at the grant date. The options must be exercised within ten years of the grant date.

Note 14 - Segment of Business Reporting

In 1998, the Company adopted FAS 131. The prior year's segment information has been restated to present the Company's three reportable segments as follows:

* Telecommunications services - includes long-distance toll services and enhanced calling features such as V-Link. The telecommunications services products are marketed primarily to residential and small business customers.

* Marketing services - includes promotional and presentation materials sold To independent sales representatives (IRs) in the network marketing sales channel. Additionally, revenues are generated from registration fees paid by IRs to attend regional and national sales conferences.

* Technology licensing and development - provides research and development to enhance the Company's product and technology offerings. Products developed by this segment include V-Link, C4, and other proprietary technology. The Company licenses certain developed technology to third party users, such as Lucent, Brooktrout and others.

There are no intersegment revenues. The Company's business is conducted principally in the U.S.; foreign operations are not material. The table below presents information about net loss and segment assets used by the Company as of and for the year ended December 31:

Note 14 - Segment of Business Reporting, continued

	For the Year Ending December 31, 1998			
	Telecommunications Services	Marketing Services	Technology Licensing and Development	Total Reportable Segments
Revenues from external customers	$ 19,635,000	$ 4,548,000	$ 1,466,000	$ 25,649,000
Interest revenue	63,000	-	-	63,000
Interest expense	127,000	-	-	127,000
Depreciation and amortization expense	827,000	30,000	35,000	892,000
Segment loss	(5,258,000)	(1,332,000)	(1,823,000)	(8,413,000)
Other significant non-cash items:				
Amortization of deferred compensation on stock options	-	706,000	-	706,000
Provision for doubtful accounts	3,161,000	-	-	3,161,000
Expenditures for segment assets	1,012,000	46,000	56,000	1,114,000
Segment assets	7,006,000	115,000	883,000	8,004,000
Revenues from external customers	$ 11,081,000	$ 2,637,000	$ 347,000	$ 14,065,000
Interest expense	118,000	-	-	118,000
Depreciation and amortization expense	596,000	31,000	9,000	636,000
Segment loss	(7,781,000)	(1,687,000)	(765,000)	(10,233,000)
Other significant non-cash items:				
Amortization of deferred compensation on stock options	-	627,000	-	627,000
Provision for doubtful accounts	[illegible]	-	-	1,385,000
Expenditures for segment assets	[illegible]	104,000	14,000	1,043,000
Segment assets	[illegible]	99,000	383,000	5,549,000

The following table reconciles reportable segment information to the consolidated financial statements of the Company:

Note 14 - Segment of Business Reporting, continued

	1998	1997
Total interest revenue for reportable segments	$ 63,000	$ -
Unallocated interest revenue from corporate accounts	207,000	216,000
	$ 270,000	$ 216,000
Total interest expense for reportable segments	$ 127,000	$ 118,000
Unallocated amortization of discount on notes payable	7,405,000	2,372,000
Unallocated interest expense associated with issuance of convertible debt	-	320,000
Unallocated interest expense from related party debt	851,000	160,000
Other unallocated interest expense from corporate debt	21,000	53,000
	$ 8,404,000	$ 3,023,000
Total depreciation and amortization for reportable segments	$ 892,000	$ 636,000
Unallocated amortization expense from intangible assets	2,894,000	1,627,000
Other unallocated depreciation from corporate assets	407,000	286,000
	$ 4,193,000	$ 2,549,000
Total segment loss	$(8,413,000)	$(10,233,000)
Unallocated non-cash amount in consolidated net loss:		
Amortization of discount on notes payable	(7,405,000)	(2,372,000)
Loss on write-off and disposal of certain assets	-	(1,211,000)
Interest expense associated with issuance of convertible notes	-	(320,000)
Amortization of deferred compensation on stock options issued for services	(452,000)	(1,840,000)
Amortization of intangible assets	(2,894,000)	(1,627,000)
Acquired in-process research and development	-	(4,236,000)
Other corporate expenses	(8,616,000)	(6,829,000)
	$(27,780,000)	$(28,668,000)
Total amortization of deferred compensation for reportable segments	$ 706,000	$ 627,000
Unallocated amortization of deferred compensation	452,000	1,840,000
	$ 1,158,000	$ 2,467,000

Note 14 - Segment of Business Reporting, continued

	1998	1997
Expenditures for segment long-lived assets	$ 1,114,000	$ 1,043,000
Unallocated expenditures for development of information systems	1,723,000	-
Other unallocated expenditures for corporate assets	422,000	906,000
	$ 3,259,000	$ 1,949,000
Segment assets	$ 8,004,000	$ 5,549,000
Intangible assets not allocated to segments	9,420,000	12,314,000
Furniture, fixtures and equipment not allocated to segments	1,496,000	1,156,000
Software and information systems not allocated to segments	2,476,000	118,000
Net assets of discontinued operations	417,000	595,000
Other assets not allocated to segments	2,042,000	4,521,000
	$ 23,855,000	$ 24,253,000

The Company's operating segments during 1996 were the medical services divisions and the Internet Service Provider (ISP) customer accounts obtained in the I-Link Worldwide, Inc. acquisition. As previously discussed, the medical services business has been discontinued and is reported as discontinued operations in the consolidated financial statements. The ISP accounts were terminated in 1996 and revenues from this line of business did not continue into 1997. Accordingly, the only reportable segment for 1996 would be the ISP business, and is not included in the above analysis as it is insignificant to the on-going operations of the Company.

Note 15 - Commitments

Employment and consulting agreements

The Company has entered into employment and consulting agreements with a consultant and twelve employees, primarily executive officers and management personnel. These agreements generally continue over the entire term unless terminated by the employee or consultant of the Company, and provide for salary continuation for a specified number of months. Certain of the agreements provide additional rights, including the vesting of unvested stock options in the event a change of control of the Company occurs or termination of the contract without cause. The agreements contain non-competition and confidentiality provisions. As of December 31, 1998, if the contracts were to be terminated by the Company, the Company's liability for salary continuation would be approximately $1,490,000.

Purchase commitments

The Company has commitments to purchase long-distance telecommunications capacity on lines from a national provider in order to provide long-distance telecommunications services to the Company's customers who reside in areas

Note 15 - Commitments, continued

not yet serviced by the Company's dedicated telecommunications network. The Company's minimum monthly commitment is approximately $550,000. The agreement is effective through May 2000. Failure to achieve the minimum will require shortfall payments by the Company equal to 50% of the remaining monthly minimum usage amounts.

Note 16 - Subsequent Events

Shareholders' Meeting

On April 14, 1999, the Shareholders approved an amendment to the Articles of Incorporation increasing the authorized common stock from 75,000,000 shares to 150,000,000 shares. In addition, the shareholders voted to approve a plan of financing that includes the issuance of warrants to purchase up to 11,000,000 shares of common stock, with a variable exercise price ranging from $1.25 to $2.78 per share, to Winter Harbor, L.L.C. in the event that management elects not to repay the Bridge Loan debt owing to Winter Harbor on April 26, 1999 (see Note 7).

Financing Arrangement

On April 15, 1999, the Company entered into a new financing agreement with Winter Harbor. Winter Harbor agreed to loan to the Company up to $4 million under a note due September 30, 1999. The Loan will accrue interest at a variable rate of prime plus a spread beginning at 5 points through and including May 9, 1999, and increasing 1 point every three months thereafter, to a maximum of 7 points. The Company may cause the loan to be exchanged for Series N Preferred Stock. It is the Company's intention to exchange the loan for Series N Preferred Stock or repay this loan from proceeds of the Series N offering. As partial consideration for the loan, at its next meeting of its shareholders, the Company shall seek shareholder approval of a modification to the conversion terms of the Series N Preferred shares. The Company has an option to extend the due date to April 15, 2000 provided, that in the event the Company's shareholders fail to approve the modification to the conversion terms of the Series N Preferred shares, the Company shall be required to issue to Winter Harbor one warrant for each $1 of principal outstanding on the loan as of the date of such extension which warrants shall be issued on the same terms and conditions as the warrants issued in connection with the $8,000,000 Bridge Loan (see Note 7).

Note 17 - Reclassification of Preferred Stock

The Company has reclassified its 1997 balance sheet to reflect $11,734,820 of Series M Redeemable Preferred Stock as outside stockholders' equity as required by SEC reporting requirements. The Series M Redeemable Preferred contains provisions which allow for redemption by Winter Harbor on the occurrence of a change in control of the Company; which is not totally within the control of the Company (see Note 12). The reclassification had no effect on either net income for the year ended December 31, 1997 or on retained earnings at December 31, 1997.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of
I-Link Incorporated and Subsidiaries:

In our opinion, the accompanying financial statement schedule is fairly stated in all material respects in relation to the basic financial statements, taken as a whole, of I-Link Incorporated and subsidiaries for the years ended December 31, 1998, 1997 and 1996, which are covered by our report dated April 15, 1999. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

PricewaterhouseCoopers LLP
Salt Lake City, Utah

April 15, 1999

I-LINK INCORPORATED AND SUBSIDIARIES
SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions (a)	Balance at End of Period
Allowance for doubtful accounts:				
December 31, 1996	$ -	$ 15,996	$ 15,996	$ -
December 31, 1997	-	1,385,000	-	1,385,000
December 31, 1998	1,385,000	3,160,621	2,604,621	1,941,000
Valuation allowance for deferred tax assets:				
December 31, 1996	1,057,291	7,559,551	-	8,616,842
December 31, 1997	8,616,842	4,069,760	-	12,686,602
December 31, 1996	12,686,602	8,301,669	-	20,988,271

(a) For the allowance for doubtful accounts represents amounts written off as uncollectible and recoveries of previously reserved amounts.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS DATED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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DEC-31-1998
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EXHIBIT C

Certificate of Authority to Transact Business

State of Florida

Department of State

I certify from the records of this office that FAMILY TELECOMMUNICATIONS INCORPORATED, is a corporation organized under the laws of Utah, authorized to transact business in the State of Florida, qualified on September 12, 1996.

The document number of this corporation is F96000004702.

I further certify that said corporation has paid all fees and penalties due this office through December 31, 1996, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
Thirteenth day of September, 1996

Sandra B. Mortham
Secretary of State

CR2EO22 (1-95)