Vinson&Elkins
ATTORNEYS AT LAW
VINSON & ELKINS L.L.P.
ONE AMERICAN CENTER
SUITE 2700
600 CONGRESS AVENUE
AUSTIN, TEXAS 78701-3200
TELEPHONE (512) 495-8400
FAX (512) 495-8612

DEPOSIT D575 DATE JUL 25 1997

WRITER'S TELEPHONE
(512) 495-8526

July 24, 1997

970937-TI

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

Re: Application of International Exchange Networks, Ltd. for Authority to Provide Interexchange Telecommunications Service Within the State of Florida

Dear Sirs and Madames:

Please find enclosed an original and five (5) copies of International Exchange Networks, Ltd.'s Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida. Also enclosed is an application fee of $250.00.

Please acknowledge receipt of this filing by returning a date-stamped a copy of this transmittal letter in the enclosed self-addressed stamped envelope. If you have any questions regarding this application, please do not hesitate to give me a call.

Thank you for your prompt assistance.

Sincerely,

Mary Pape

Mary Pape
Counsel for International Exchange Networks, Ltd.

Enclosures

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: AA

DOCUMENT NUMBER-DATE
07527 JUL 25 ☐

FPSC-RECORDS/REPORTING

Vinson&Elkins

ATTORNEYS AT LAW

VINSON & ELKINS L.L.P.
ONE AMERICAN CENTER
SUITE 2700
600 CONGRESS AVENUE
AUSTIN, TEXAS 78701-3200
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Please acknowledge receipt of this filing by returning a date-stamped a copy of this transmittal letter in the enclosed self-addressed stamped envelope. If you have any questions regarding this application, please do not hesitate to give me a call.

Thank you for your prompt assistance.

Sincerely,

THE ORIGINAL DOCUMENT HAS A REFLECTIVE WATERMARK ON THE BACK. HOLD AT AN ANGLE TO VIEW WHEN CHECKING THE ENDORSEMENT

VINSON & ELKINS L.L.P.
ATTORNEYS AT LAW
600 CONGRESS AVENUE
AUSTIN, TX 78701-3200

VOID

CHECK NO.
956228

TEXAS COMMERCE BANK
SAN ANGELO, TEXAS

VOID AFTER 90 DAYS

DATE	AMOUNT
July 24, 1997	$***250.00

*PAY ***Two hundred fifty and 00/100 Dollars****

TO THE ORDER OF: Florida Public Service Commission

VINSON & ELKINS L.L.P.

DOCUMENT NUMBER-DATE
07527 JUL 25 97
FPSC-RECORDS/REPORTING

** **FLORIDA PUBLIC SERVICE COMMISSION** *

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

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

Instructions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   (x) **Original Authority** (New company).
   ( ) **Approval of Transfer** (To another certificated company).
   ( ) **Approval of Assignment of existing certificate** (To an uncertificated company).
   ( ) **Approval for transfer of control** (To another certificated company).

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

   International Exchange Networks, Ltd.

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

   IXNET, LTD. CO.

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

   88 Pine Street
   New York, New York 10005

6. Florida address (including street name & number, post office box, city, state and zip code): iXnet will not be maintaining an office in Florida. iXnet requests permission to maintain its books and records relating to Florida at its offices in New York.

7. Structure of organization;

   ( ) Individual (x) Corporation
   ( ) Foreign Corporation ( ) Foreign Partnership
   ( ) General Partnership ( ) Limited Partnership
   ( ) Other, ____________________

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

   (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.

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

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

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

9. If incorporated, please give:

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

Corporate charter number: 7867814

(b) Name and address of the company's Florida registered agent. C T Corporation System
1200 South Pine Island Road
Plantation, FL 33324

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

Fictitious name registration number: ________

(c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been: NO

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

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

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

(a) The application; Ms. Mary Pape
Vinson & Elkins L.L.P.
600 Congress, Suite 2700
Austin, TX 78701-3200

(b) Official Point of Contact for the ongoing operations of the company; Daniel Utevesky
Secretary and General Counsel
International Exchange Networks, Ltd.
88 Pine Street
New York, New York 10005

(c) Tariff;
William Walsh
Vice President - Marketing
International Exchange Networks, Ltd.; 88 Pine Street; New York New York 10005

(d) Complaints/Inquiries from customers;
Bradford Luts,
Manager, Customer Support; International Exchange Networks, Ltd.
88 Pine Street; New York, New York 10005

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.
New York, Texas
New Jersey, Massachusetts

(b) Has applications pending to be certificated as an interexchange carrier.
California Connecticut
Pennsylvania and Illinois

(c) Is certificated to operate as an interexchange carrier.
New York, New Jersey, Texas, and Massachusetts

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.
None

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

None

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

None

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

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

13. Do you have a marketing program? No

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

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

N/A

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

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

17. Please provide the following (if applicable):

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

iXnet will provide the billing for our services and iXnets name will appear on the bill.

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

N/A

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

A. Financial capability. See attached Exhibit B.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earnings.

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

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

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

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

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

If available, the financial statements should be audited financial statements.

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

B. Managerial capability. See attached Exhibit C

C. Technical capability. See attached Exhibit C

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed). See attached Exhibit D

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

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

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

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

___ MTS for pay telephone service providers

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

___ 800 Service (Toll free)

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

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

___ Travel Service
____ Method of access is 950
____ Method of access is 800

___ 900 service

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

Services included are:

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

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

CIC=1015320

22. ___ Other:

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

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

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

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

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

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

6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement.
   Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

UTILITY OFFICIAL: ______________________ June 20, 1997
Signature Date

DANIEL UTEVSKY
GENERAL COUNSEL / SECRETARY 213-858-7908
Title Telephone No.

FORM PSC/CMU 31 (11/95)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

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

UTILITY OFFICIAL: ______________________ Signature

June 20, 1997
Date

DANIEL UTEVSKY
GENERAL COUNSEL/SECRETARY
Title

212-858-7908
Telephone No.

** APPENDIX C **

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased. NONE

   1) 2)

   3) 4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased. NONE

   1) 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.

   NONE

   1) POP-to-POP TYPE OWNERSHIP

   2)

FG"D" in Lata 460, 939, 458, 952.

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

iXnet will not charge or augment the dialing pattern of end users for 0+ local or 0- calls.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not ( ) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

NONE

a) What services have been provided and when did these services begin?

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL: ______ Signature — June 20, 1997 Date

Daniel Utevsky

General Counsel / Secretary — 212-858-7908

Title — Telephone No.

FORM PSC/CMU 31 (11/95)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

EXHIBIT A

INTERNATIONAL EXCHANGE NETWORKS, LTD.
CERTIFICATE OF AUTHORITY TO OPERATE IN FLORIDA

CT CORPORATION SYSTEM

660 East Jefferson Street
Tallahassee, FL 32301
Tel. 904 222 1092
Fax 904 222 7615

April 16, 1997

Attn: Mr. Daniel Utevsky
IPC Information Systems, Inc.
88 Pine Street
Wall Street Plaza
New York, NY 10005

RE: Intenational Exchange Netowrks, Ltd.
Order #: 841926

Dear Mr. Utevsky:

As instructed, we enclose the following document(s), as issued by the State of Florida:

Evidence of Qualification with Certified Copy filed: 04-16-97

If you have any questions concerning this order, please contact Danielle Martin in our New York office. Thank you for this opportunity to be of service.

Very truly yours,

CT Tallahassee

Enclosure(s)

Via: Federal Express
/tf

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

April 24, 1997

CT CORPORATION SYSTEM

Qualification documents for INTERNATIONAL EXCHANGE NETWORKS, LTD. CO. doing business in Florida as IXNET, LTD. CO. were filed on April 24, 1997 and assigned document number F97000002163. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

The certification you requested is enclosed.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (904) 487-6091, the Foreign Qualification/Tax Lien Section.

Lee Rivers
Document Examiner
Division of Corporations

Letter Number: 097A00021176

Division of Corporations - P.O. BOX 6327 -Tallahassee, Florida 32314

State of Florida

Department of State

I certify the attached is a true and correct copy of the application by INTERNATIONAL EXCHANGE NETWORKS, LTD. CO. doing business in Florida as IXNET, LTD. CO., a Delaware corporation, authorized to transact business within the State of Florida on April 24, 1997 as shown by the records of this office.

The document number of this corporation is F97000002163.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
Twenty-fourth day of April, 1997

GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST

Sandra B. Mortham

Sandra B. Mortham
Secretary of State

CR2EO22 (1-95)

RESOLUTION OF BOARD OF DIRECTORS

(Please print or type)

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
97 APR 24 PM 12:23

I, the undersigned DANIEL UTEVSKY (Name), do hereby certify

that this Resolution of the Board of Directors of

INTERNATIONAL EXCHANGE NETWORKS, LTD. (Corporate Name)

a corporation duly organized and existing under the laws of the State of DELAWARE.

was duly adopted on APRIL 21, 1997.

Be it resolved, that INTERNATIONAL EXCHANGE NETWORKS, LTD (Corporate Name),

organized and existing in the State of DELAWARE, hereby adopts the name

IXNET, LTD for use in Florida.

Dated: APRIL 22, 1997

Signature of either Chairman, Vice Chairman or any officer

DANIEL UTEVSKY, GENERAL COUNSEL/SECRETARY
Type or print name

INHS19(4/96)

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. International Exchange Networks, Ltd. Co.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION", or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Delaware
(State or country under the law of which it is incorporated)

3. 13-3706327
(FEI number, if applicable)

4. March 8, 1993
(Date of incorporation)

5. Perpetual
(Duration: Year corp. will cease to exist or "perpetual")

6. Upon Qualification
(Date first transacted business in Florida. (See sections 607.1501, 607.1502, and 817.156, F.S.))

7. 88 Pine Street, New York, New York 10005
(Current mailing address)

8. See attached purpose clause
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent:

Name: C T Corporation System

Office Address: c/o C T Corporation System, 1200 South Pine Island Road

Plantation, Florida, 33324
(Zip Code)

10. Registered agent acceptance:
Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application. I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligation of my position as registered agent.

C T Corporation System

Connie Bryan
CONNIE BRYAN
SPECIAL ASSISTANT SECRETARY
(Registered agent's signature) (Officer)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors:

A. DIRECTORS

Chairman: Russell G. Kleinknecht

Address: 88 Pine Street

New York, New York 10005

Vice Chairman: ______

Address: ______

______

Director: See attached list of directors

Address: ______

______

Director: ______

Address: ______

______

B. OFFICERS

President: David Walsh

Address: 88 Pine Street

New York, New York 10005

Vice President: ______

Address: ______

______

Secretary: Daniel Utevsky

Address: 88 Pine Street

New York, New York 10005

Treasurer: ______________________________

Address: ______________________________

____

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. ______________________________
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Daniel Utevsky, Secretary
(Typed or printed name and capacity of person signing application)

Purpose Clause of International Exchange Networks, Ltd.

The nature of the business is to provide telecommunications services and to engage in any lawful act or activity for which corporations may be organized.

Appendix to Florida
Application by Fgn. Corp. for Authorization to Transact Business in Florida

Directors of International Exchange Networks, Ltd.

---

1. Russell G. Kleinknecht
   88 Pine Street
   New York, New York 10005

2. Richard P. Kleinknecht
   88 Pine Street
   New York, New York 10005

3. Peter J. Kleinknecht
   88 Pine Street
   New York, New York 10005

4. David Walsh
   88 Pine Street
   New York, New York 10005

5. Anthony Servidio
   88 Pine Street
   New York, New York 10005

EXHIBIT B

TAB 1	SUMMARY OF FINANCIAL QUALIFICATIONS
TAB 2	SEPTEMBER 30, 1996 AND 1995 10Ks OF IPC INFORMATION SYSTEMS
TAB 3	UNAUDITED FINANCIAL STATEMENTS OF INTERNATIONAL EXCHANGE NETWORKS, LTD FOR THE YEAR ENDED SEPTEMBER 30, 1996
TAB 4	PROJECTED STATEMENT OF OPERATIONS FOR FLORIDA FOR THE PERIOD FROM SEPTEMBER 1997 TO SEPTEMBER 1998

SUMMARY OF FINANCIAL QUALIFICATIONS

ıXnet is a subsidiary of IPC Information Systems ("IPC"). In June of 1995, IPC acquired a controlling interest in ıXnet. IPC is incorporated in the State of Delaware and is in good standing under the laws of that state. IPC is a publicly-traded corporation, the stock of which is traded in the over-the-counter market on the NASDAQ National Market Systems.

ıXnet has sufficient financial resources to provide the services for which it is requesting authorization, properly and continuously. ıXnet is relying on IPC to support its financial ability to provide the services for which it is requesting authorization. IPC is an established telecommunications equipment manufacturer with more than sufficient resources to support ıXnet's business. Attached at Tab 2 is a copy of IPC's September 30, 1996 and September 30, 1995 10Ks. Also attached at Tab 3 are the unaudited financial statements of ıXnet for first complete year of operations as a subsidiary of IPC. Also attached at Tab 4 are the projected statement of operations for ıXnet's operations in Florida for the period from September 1997 to August 1998.

These current financial statements demonstrate that ıXnet has access to sufficient financial resources to meet its commitments in Florida.

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 1996 Commission file number 0-25492

IPC INFORMATION SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	58-1636502
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
Wall Street Plaza 88 Pine Street New York, New York	10005
(Address of Principal Executive Offices)	Zip Code

(212) 825-9060
(Registrant's Telephone Number, Including Area Code)

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

Securities registered pursuant to Section 12(g) of the Act:

Title of Class: Common Stock, $.01 Par Value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the 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 the voting stock held by non-affiliates of the Registrant as of November 29, 1996, was approximately $75.3 million based upon the last sale price reported for such date on the Nasdaq Stock Market.

The number of shares of the Registrant's Common Stock outstanding as of November 29, 1996 was 10,650,172.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders of IPC Information Systems, Inc. (the "Proxy Statement"), scheduled to be held on February 14, 1997, are incorporated by reference in Part III of this Report on Form 10-K.

anywhere in the world with the same high performance characteristics presently available only on expensive dedicated private networks. Currently, the IXNET Network has network nodes in New York, London, Paris, Chicago and Frankfurt servicing customer access nodes in 17 countries.

The Company was established in 1973 as Interconnect Planning Corporation to provide telephone equipment specifically designed to perform in the demanding environment of the financial trading community. In 1986, the Company, then owned by Contel Corporation and known as Contel IPC, opened its current manufacturing facility in the United States and commenced operations in the United Kingdom. In October 1991, the Company was acquired by Richard and Peter Kleinknecht (the "Principal Stockholders") and certain others and renamed IPC Information Systems, Inc. On October 3, 1994 the Company completed its initial public offering of 3,250,000 shares of common stock at $15.00 per share.

The Industry

Turrets

The turret industry is characterized by a small number of manufacturers of highly specialized telecommunications systems sold primarily to companies in the financial services industry. Turret systems must be exceptionally reliable because of the time sensitive nature of trading activity. Trading floors may contain in excess of 1,000 turrets, each with access to hundreds of telephone lines. Although turrets are installed in addition to, and communicate with, the internal corporate telephone system (the "PBX"), turrets have a multiplicity of enhanced features when compared to the PBX, including, (i) superior speed and reliability, (ii) non-blocking capabilities even under the busiest trading conditions; (iii) log-on/log-off features to allow for trader mobility; (iv) line assignability to access additional direct telephone lines as needed, and (v) multiple programmable speakers.

International Telecommunications

The international telecommunications marketplace has experienced a significant transformation over the last decade. Improved technology and increased competition due in part to regulatory reform in numerous international markets and privatization of state owned communications monopolies have contributed to the rapid expansion of international telecommunications usage. The financial services industry has grown significantly, while at the same time individual firms have expanded operations internationally to compete more efficiently in the global marketplace. While these firms are investing heavily in communications network technology and infrastructure to remain competitive in this networked environment, readily available alternatives do not address the specific needs for globally supported high performance international communications between the various trading partners.

To date, financial trading firms have had two alternatives for addressing these exacting telecommunications demands: (i) building private networks, incurring both substantial development and ongoing costs (these private networks historically have been created for intra-company communications); or (ii) utilizing the broad based common carriers' public switched networks, which consist of numerous non-homogeneous systems and services offered in each market by a multiplicity of local providers. Presently, a large portion of international communications is conducted through a mesh of disparate public networks that do not offer comparable quality, services, reliability or timeliness of delivery as would be available through a dedicated private network. However, the Company believes that internal dedicated private networks do not address the significant international telecommunications traffic that occurs among financial trading firms.

MX Compact. During 1994, the Company determined that a less costly version of TRADENET MX® was required for smaller sized locations. In June 1994, the Company introduced the MX Compact, designed with a capacity of 40 turrets with comparable features of TRADENET MX®. The MX Compact is packaged in a single cabinet and competitively priced for branch offices in smaller markets. The current list price range for the MX Compact is $5,000 to $7,000.

Exchangefone®. Exchangefone® is an extremely ruggedized key telephone specifically designed for use on exchange floors. Exchangefone® uses distributed microprocessor technology to provide ease of feature customization and a significant reduction in the cable between the trading floor and the backroom switching equipment. The current list price range for Exchangefone® is $5,000 to $7,000.

Open Line Speaker Systems. The Company manufactures open line, digital, turnkey speaker systems for the financial services industry. These speaker systems provide full-duplex communications over two-wire or four-wire circuits that enable brokers to react instantaneously when trading. From a single microphone, brokers can broadcast simultaneously to numerous customers. Additionally, these speaker systems contain digital signal processor software which enables the speaker systems to be utilized at increased volumes with minimal distortion, echo, feedback and sidetone. The current list price range for such systems is $5,000 to $9,000.

During April 1995, the Company acquired the assets of Bridge Electronics Inc. ("IPC Bridge"), a recognized leader in the design, manufacture and marketing of specialized open-line speaker systems used by the foreign exchange community and other traders in the financial services industry and the industry's only provider of digital speaker systems.

The Company also manufactures multi-button key telephone sets and intercom systems sold in conjunction with turret positions. Additionally, IPC remarkets various other related products including, among others, PBX systems, video conferencing equipment and voice logging and recorder devices.

Turret Service. Following a standard one year warranty period after installation of a turret system, a customer generally enters into an annual or multi-year service contract, paid either monthly or quarterly in advance. In addition, turret services include moves, additions and changes to system configurations.

The IXNET Network

IXNET was formed in 1993 and during the first 18 months, its current senior management team focused on researching the international telecommunications requirements of the financial trading industry and related regulatory trends. This research led to IXNET's plans for a value-added network serving the international financial trading industry. Key findings which highlighted the opportunity included: rapid changes in technology requiring constant reevaluation of previous technology decisions and new investments to remain competitive; internal telecommunications departments focused on intra-firm communications via private networks rather than on communications with trading counterparts; an unsatisfied demand for high performance communications between firms; difficulties in dealing with multiple vendors, particularly in international markets; significant disparity between the pricing and underlying costs of international communications traffic; and no uniform global technology platform for international communications.

PART I

ITEM 1. BUSINESS

IPC Information Systems, Inc. (the "Company" or "IPC") is a worldwide industry leader in providing globally integrated telecommunications products and services to the financial services industry. The financial services industry includes securities and investment banking firms, merchant and commercial banks, inter-dealer and foreign exchange brokers, securities and commodities exchanges and insurance companies. The Company focuses on serving the financial trading environment: the provisioning of products and services that facilitate the execution of purchase and sale transactions involving equity and debt securities, commodities, currencies and other financial instruments. The Company designs, manufactures, installs and services trading room voice communication workstations and installs and services comprehensive LANs which provide the financial trader more efficient access to data and industry specific value-added features. In addition, recognizing that financial trading has become a global industry, IPC, with its recently acquired subsidiary, International Exchange Networks, Ltd. ("IXNET"), has implemented a facilities-based global network designed for the specialized international telecommunications requirements of the financial services industry.

IPC's goal is to be the preferred single source provider of integrated voice, data and video communications solutions and services to the financial trading industry on a worldwide basis. IPC has developed strong customer relationships over the past two decades by providing and servicing the specialized telecommunications products which are utilized to support trading operations. An increasing number of financial services institutions in the United States and abroad operate globally, trading in the major financial markets around the world regardless of time zones or national boundaries. The Company believes that the global telecommunications requirements specific to the financial services industry are not being addressed. Such requirements include: maximum reliability, consistently high quality transmission, bandwidth on demand, capacity for high speed data transmission, rapid service provisioning, dedicated customer service, continuous attention to service enhancement and new services development. Presently, a large portion of international communications are conducted through a mesh of disparate public networks that do not offer similar quality, services, reliability or timeliness of delivery as would be available through a dedicated private network. In addition, the Company believes that internal dedicated private networks do not address the significant international telecommunications traffic that occurs among financial trading firms. The Company intends to leverage its existing extensive customer relationships to provide a continually growing portion of their customers' global telecommunications requirements through a combination of products and services developed by IPC and IXNET and, in particular, through the continued deployment of a facilities-based global network and the integration of the network with IPC's product offerings.

The Company's highly reliable, customized telecommunications systems are used on financial trading floors where they are known as "turrets" or "dealerboards." IPC, with a presence in over 30 countries, has the world's largest installed base of turrets. IPC's turret systems are capable of providing high speed access to as many as 23,000 telephone lines and incorporate many features designed to increase the trader's productivity, speed and quality of communication. In 1993, leveraging its existing customer relationships, the Company launched its Information Transport Systems ("I.T.S.") business to provide and support the design and implementation of cabling infrastructures and an expanded product offering including local and wide area network hubs and routers. IPC also provides its customers with network planning and design, project management, asset management, and on-going facilities service and support.

IXNET has implemented a facilities-based global network that comprises a uniform technology platform, switching hubs located in New York and London, network access nodes and customer premise nodes in other financial centers, dedicated circuits connecting customers to the network and software applications specifically designed for the financial trading industry. The design of the network enables the Company to expand capacity (in response to, as opposed to in advance of) increased customer traffic. The IXNET Network offers desktop-to-desktop connectivity within and among different firms connected to the IXNET Network anywhere in the world with the same high performance characteristics presently available only on expensive dedicated private networks. Currently, the IXNET Network has network nodes in New York, London, Paris, Chicago and Frankfurt servicing customer access nodes in 17 countries.

The Company was established in 1973 as Interconnect Planning Corporation to provide telephone equipment specifically designed to perform in the demanding environment of the financial trading community. In 1986, the Company, then owned by Contel Corporation and known as Contel IPC, opened its current manufacturing facility in the United States and commenced operations in the United Kingdom. In October 1991, the Company was acquired by Richard and Peter Kleinknecht (the "Principal Stockholders") and certain others and renamed IPC Information Systems, Inc. On October 3, 1994 the Company completed its initial public offering of 3,250,000 shares of common stock at $15.00 per share.

The Industry

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International Telecommunications

The international telecommunications marketplace has experienced a significant transformation over the last decade. Improved technology and increased competition due in part to regulatory reform in numerous international markets and privatization of state owned communications monopolies have contributed to the rapid expansion of international telecommunications usage. The financial services industry has grown significantly, while at the same time individual firms have expanded operations internationally to compete more efficiently in the global marketplace. While these firms are investing heavily in communications network technology and infrastructure to remain competitive in this networked environment, readily available alternatives do not address the specific needs for globally supported high performance international communications between the various trading partners.

To date, financial trading firms have had two alternatives for addressing these exacting telecommunications demands: (i) building private networks, incurring both substantial development and ongoing costs (these private networks historically have been created for intra-company communications); or (ii) utilizing the broad based common carriers' public switched networks, which consist of numerous non-homogeneous systems and services offered in each market by a multiplicity of local providers. Presently, a large portion of international communications is conducted through a mesh of disparate public networks that do not offer comparable quality, services, reliability or timeliness of delivery as would be available through a dedicated private network. However, the Company believes that internal dedicated private networks do not address the significant international telecommunications traffic that occurs among financial trading firms.

Information Transport Systems

Integrated high speed internal data communications networks have become critical to financial services companies. Companies are installing increasingly complex computing environments that consist of networked desktop personal computers and workstations, printers, file servers, facsimile machines and LAN and WAN connections. The increased need for information distribution and the advances in network design require companies to develop and maintain internal expertise or to outsource their needs to independent specialists. In response to its awareness of this increasing demand, the Company implemented its I.T.S. business to provide voice, data and video networking infrastructures and connectivity to all of the customer owned devices which require it.

Products and Services

Turrets

A turret is a sophisticated telephone system consisting of desktop consoles and backroom switching equipment for personnel involved in activities that require rapid access to telephone lines, and a high degree of reliability, such as the trading activity of a financial services company. A turret is installed in addition to, and communicates with, the PBX, but has enhanced features and reliability compared to a PBX. Turrets are used by organizations that have critical communications needs, in which personnel must have rapid access to a large number of lines to deliver or receive essential information. For example, on a trading floor, a lost connection could result in a lost transaction. A turret system must be completely "non-blocking" and allow all users to be on the telephone at the same time even under the busiest conditions. In sharp contrast, a typical PBX configuration accommodates only approximately 20% of users speaking at the same time.

A turret system installation involves extensive planning to ensure that all materials and labor are coordinated to achieve an on-time, within-budget completion. Detailed analysis is performed, defining all required features and lines. The cabling infrastructure is installed and tested prior to delivery of backroom switching equipment, usually a month before "cut-over" (the time when the system use begins). About two weeks prior to cut-over, the desktop consoles are installed and the complete system is rigorously tested. Currently, the largest trading floors have in excess of 1,200 turret positions with access to 8,000-10,000 telephone lines and can take up to a year to complete.

System architecture is a major advantage of IPC's turret products. IPC's current turret systems have a distributed architecture with microprocessor units distributed throughout the circuitry, such that no single fault in the current systems can cause a failure of the entire system.

TRADENET MX®. TRADENET MX®, a fully digital, distributed architecture product, was designed on a patented mesh-switching fault tolerant network, which is not vulnerable to isolated component failure. Its totally distributed design avoids the disadvantages of centralized processing by equipping each circuit card with two SPARC microprocessors, providing a combined 25 MIPS of processing power per circuit board. TRADENET MX® is designed as a platform combining hardware and software upon which new features and applications can be added to enhance the product. Because they are mainly software based, these enhancements can be made quickly to enable the Company to respond rapidly to developments in the market or to a customer's specific requests. The customer can have a continually up-to-date system by gradual upgrading of software. The TRADENET MX® platform is designed with the capability to switch data and video as well as voice. The current list price range for the TRADENET MX® is $8,500 to $15,000 depending on the configuration and features required.

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IXNET has implemented a facilities based global network specifically designed for the financial services industry. Significant features of the IXNET Network include the following:

- Uniform Equipment Platforms: IXNET has selected Northern Telecom Ltd.'s digital carrier platform for all switching nodes in the international network. This will provide for all services to be available universally, call-set-up time to be minimized and one network management and control system to optimize network performance. In addition, IXNET has selected Newbridge Networks Corporation to supply nodal bandwidth management and customer site equipment throughout the worldwide network. The uniform platform will provide high performance, advanced features and global network management which allows for rapid provisioning and end-to-end network diagnostics. The Company will continue to investigate additional manufacturers and to test, evaluate and deploy open standard products to optimize the IXNET Network.

- Transport: IXNET utilizes multiple carriers to provide access facilities from customer premises to the IXNET facility. Such carriers include local exchange carriers, competitive access providers and competitive local exchange carriers. In all cases, access from the customer sites is via a digital facility. In addition, the Company leases and acquires bandwidth from regional and international common carriers to link its network locations. Diverse multiple routing is utilized to increase reliability beyond the service level of any individual facility provider.

- Network Operation Centers ("NOCs"): The Company currently has fully operational NOCs in New York City and London, which house the specialized equipment necessary for managing the network. The NOCs contain workstation based software systems allowing for the display of alarms for all equipment conditions, testing of all adverse conditions, re-routing of traffic to other equipment or networks, management notification of critical conditions and provisioning of customer bandwidth. While the New York City NOC will act as the overall operations control center for the entire IXNET Network, each NOC can independently support the IXNET Network. Additional NOCs will be deployed to major financial centers based on customer demand.

IXNET Services

IXNET services include the following:

IXGlobal. IXGlobal provides a seamless global private network to the financial services community over a single common global platform offering calling among all IXNET member firms worldwide with the same high performance characteristics presently available only on expensive dedicated private networks. Features of IXGlobal include: (i) on-net calling privileges to all network participants; (ii) fast call setup and enhanced features; (iii) "virtual" automatic ring down service which eliminates the need for costly private lines; (iv) flexible network design and configuration; (v) rapid end-to-end provisioning of circuits and network architecture; and (vi) global network control and account management.

IXLink. IXLink is IXNET's dedicated private line service. The service features include: (i) high quality digital connectivity worldwide; (ii) end-to-end circuits which eliminate the need to deal with multiple vendors; and (iii) circuits available from "voice grade" to "T1/E1" capacity.

MXConnect. MXConnect provides seamless integration between the IXNET Network and the IPC TRADENET MX® digital turret. This digital private line service is being developed to enhance the functionality and performance of both the turret and the IXNET Network when interconnected. Current service offerings include specialized digital open conferencing capabilities for trading positions at multiple sites, commonly referred to as "Hoot 'n Holler." Additional feature enhancements are currently under development.

IXPrime. IXPrime is IXNET's off-network long distance telephone service. Features of IXPrime include switched or dedicated access and simplified pricing for calls, eliminating confusing multiple calling plans.

All IXNET services provide flexible billing format and media, including clear and concise calendar month invoicing which allows the user to see actual costs, without confusing discount plans. IXNET also offers optional local currency billing.

Information Transport Systems

The Company markets the design, implementation and maintenance of high speed data networks as I.T.S. This business line includes four major product and service areas: network implementation and support, value-added services, networking products and cabling infrastructure. Customers purchase these products and services on a stand alone basis or in bundled combinations.

Network Implementation and Support. The Company offers a full line of technical and network implementation and support services to customers on a project basis or as part of a long-term technical services contract. The purpose of the long-term contract is to allow the customer to have continuous access to high quality technical expertise. Such customers will have access to a wide range of IPC technical and operational resources, including network engineering analysis, help desk support, user training and cabling and reconfiguration.

Value-Added Services. The Company provides a wide range of value-added services including coordination of trading room design, consulting, engineering implementation, project management, the staging and burn-in of workstations, technology and operational outsourcing.

Networking Products. The Company markets and services a full line of third party manufactured networking system products including local area network hubs, adapters, bridges, routers, network management software and protocol converters. The Company sells these products on a stand alone basis or fully installed, configured and integrated with customer systems.

Cabling Infrastructure. Cabling infrastructure provides physical connectivity among all communications devices, such as telephone switching equipment (turret or PBX), facsimile machines, computer networks and video conference facilities. Providing a customer with cabling infrastructure includes several distinct phases: network design, documentation, installation, certification and ongoing service and maintenance. The Company offers its cabling infrastructure customers design input on various system elements, including diversity of cable routing, uninterruptable power systems, security safeguards and cable management systems. The Company places special emphasis on the testing and certification phases of the project since today's high speed networks demand that products be installed in accordance with strict manufacturer specifications. Upon certification, the Company guarantees cabling infrastructure installations as to transmission characteristics against defects for a period of five years. The Company also offers extensive documentation of the network infrastructure, cable layouts and all device connections.

Marketing

The Company presently markets its turret and I.T.S. products and services domestically and in key international financial centers. This is accomplished through a combination of distribution channels including both direct and distributor sales. The Company presently has direct sales and service locations in New York, London, Atlanta, Boston, Chicago, Cincinnati, Dallas, Houston, Los Angeles, New Jersey, Philadelphia, Pittsburgh, San Francisco, Stamford, St. Louis, and Toronto, Canada. The Company also has an extensive network of established distribution partners in Argentina, Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Greece, Hong Kong, Indonesia, Ireland, Italy, Japan, Kuwait, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Peru, the Philippines, South Africa, Singapore, Switzerland, Taiwan, Thailand and Turkey. The IPC distributor network was established to enable IPC to sell and service systems globally. The distributors have expertise in turret sales and LAN design and installation, and provide resident qualified systems engineers to support customers.

IXNET services are presently marketed and sold by a team of experienced network sales professionals dedicated to the IXNET service offering. IXNET currently has network sales professionals in New York and London and will add sales people in other key locations globally as its expansion continues.

Team Approach

IPC and IXNET use a team approach in their sales and account management. Each customer is assigned a team consisting of individuals with responsibility for sales, client services and project management, with a team leader responsible for overall coordination. IXNET account managers are being integrated into each team in order to leverage existing IPC customer relationships, present a unified Company approach, and coordinate service offerings.

Global Services

IPC recently structured sales and operations globally under separate functional organizations. In addition to facilitating the "team approach" to sales and account management, this alignment promotes closer relationships with customers who have significant global operations and complex telecommunication needs. This represents a departure from the historical location-by-location and project-by-project approach taken by turret vendors and reflects the trend toward a consolidation of trading firms and a growing preference by the firms to utilize common technology standards throughout the organization. Objectives of the global account program are to improve customer service levels and response time, increase customer efficiency and productivity, standardize service deliverables across all locations, improve customer business processes and improve the customer's overall communications and control of its communications infrastructure. Each Global Services team will include individuals dedicated to account management, operations and implementation, business/finance and professional services.

Marketing

IPC maintains a high profile in the financial services market by publicizing contracts won, utilizing placement of advertising in industry publications and participation in relevant industry trade shows. The Company also actively participates in industry seminars to communicate IPC's capabilities to prospective customers and maintains a staff of experienced marketing professionals who generate promotional brochures and training materials.

Customers

The principal industries served by IPC include: financial services, banking and stock/commodity exchanges and insurance. The financial services industry includes securities and investment banking firms, merchant and commercial banks, inter-dealer and foreign exchange brokers, securities and commodities exchanges and insurance companies. Historically, almost all of the Company's revenues have been derived from sales to customers in the financial services industry. In fiscal 1996, approximately 13% of total revenues were from one customer.

Backlog

As of September 30, 1996, the Company had a backlog of purchase contracts representing approximately $77.9 million of future revenues, as compared with approximately $72.5 million as of September 30, 1995. Due to the size and lead time of orders, which can vary substantially, and because the Company generally recognizes revenue upon the completion of an installation, the amount of backlog at any date may not be indicative of actual sales for any subsequent period. The Company's backlog includes only orders for new installations and does not reflect annual or multi-year service contracts or orders for the reconfiguration, alteration or expansion of existing systems, as such orders are normally completed within one month.

Research and Development

IPC continues to be a market leader with the TRADENET MX® product family which sets a high standard for reliability, performance, and functionality. IPC works closely with its customers to understand their future requirements and to ensure its products address their needs. During 1997, IPC intends to continue to invest in the TRADENET MX® family as well as its next generation of products to sustain the Company's leadership position in voice-based trading system products. Recent additions to the TRADENET MX® product line include the TradePhone MX, enhanced Integrated Services Digital Network ("ISDN") connectivity and call processing, and digital voice recording support.

In addition to developing new TRADENET MX® features and functionality, IPC intends to strongly emphasize product integration with IXNET'S global network. This integration removes the traditional facilities based trading floor boundaries and enables customers to build virtual trading environments that are geographically distributed. These solutions are anticipated to include functionality such as line networking, global hoot and holler, and global intercom. Market requirements such as disaster recovery and shared tenant or Centrex turret services will also be targeted.

Interoperability and integration of the traders' desktop systems will remain a strategic focus. IPC intends utilize its core competencies in call processing, Application Programming Interface development, Computer Telephony Integration, and fault tolerant switching to provide solutions to improve trader productivity. Tighter coupling and integration between desktop systems, front office systems and back office systems will be pursued utilizing key relationships with partners in the video, trader workstation and market data delivery arenas.

Manufacturing

The Company manufactures its products at a leased 85,000 square foot building in Westbrook, Connecticut. The facility houses production lines, a repair department, inventory, a training center and various support functions, including production scheduling, purchasing and quality assurance personnel and production lines for circuit board assembly.

Management believes that the manufacturing facility and its resources are capable of handling expected demand for the foreseeable future. The Company believes that there are adequate supplies of labor in the immediate area of the Westbrook facility.

Most turret components have a relatively short lead time of approximately 30 days. However, there are a few long lead time items, specifically displays and buttons, that need up to 24 weeks order time. The Company purchases certain key product components that are made to order from single source suppliers. Materials are ordered to a production forecast that is derived by constantly monitoring sales activity. Furthermore, IPC has developed an extensive "point-of-use" program whereby its suppliers pre-position their inventory in IPC's warehouse and IPC does not take ownership until the components are needed. The Company believes that its relationships with its suppliers are good and it has not experienced supply difficulties.

Competition

The markets for sophisticated communications equipment and I.T.S. are highly competitive. Although some of the Company's competitors are substantially larger and have greater resources, management believes that IPC's strong market position is the result of its consistent ability to produce high quality products, its established reputation for the highest quality service, strong relationships with customers and experienced management sales and technical staffs.

In the worldwide market for trading turrets, IPC's main competitors are V Band Corporation and British Telecommunications plc ("BT"). The Company also competes with Hitachi Ltd., Telaid Industries Inc., Etrali S.A., Telenorma GmbH (a division of Robert Bosch GmbH) and LM Ericsson Ltd. Management believes it has significant advantages over its competitors by providing superior quality products and outstanding customer service on a global basis.

Direct competition to IPC in the I.T.S. business is difficult to identify due to the level of fragmentation. Although a number of companies compete for parts of what the Company includes in its customer solutions (for example, cable installation), management believes that its expertise and capability to support the full range of I.T.S. requirements of large national and international customers provide it with significant competitive advantages.

International Telecommunications Competition

The institutional structure of international telecommunications is changing dramatically. These changes may have significant implications for how telecommunications providers will operate in international markets in the future and may create new regulatory issues. Three major interrelated trends are apparent.

The first is a trend toward market liberalization and the introduction of facilities-based competition. This trend is accelerating a shift from single national carriers, whether government or privately owned, to multiple carriers and more competitive markets. To further this trend, a working group within the new World Trade Organization, which replaced the General Agreement on Tariffs and Trade, has been negotiating market-opening measures concerning trade in basic and value-added telecommunications services and networks. The negotiations recently have been extended until February 1997, to reach agreement on measures to open national telecommunications markets to international competition.

The second trend is increased private sector ownership of telecommunications providers, manifested most notably in the privatization of national carriers. This trend is spurred by (i) the growing recognition that investment requirements for expansion of telecommunications infrastructures will require access to private sector capital and (ii) concerns that government controlled carriers cannot keep pace with rapidly changing technology and market demands.

The third trend is the increasing participation among major international carriers in global alliances. Such alliances, which may be based on either equity or non-equity relations, are attempting to provision global products through single points of contact to global markets. The trend toward alliances has been further spurred by the carriers' desire to protect and enhance the profitability of international traffic, the pricing of which reflects a system of settlement rates among international telecommunications carriers.

Most global alliances are still new and not fully developed, either in terms of corporate form or market strategy. To date, revenues to the alliances from target markets, which include the global provision of enhanced services to multinational corporations, are small relative to traditional international voice traffic revenue. Nonetheless, such alliances are of significance because they represent individual national carriers attempting to learn how to work together in non-traditional ways and on a much greater geographic scale.

The Company believes that it has certain competitive advantages over existing carriers and the developing alliances, including its network design and its ability to execute its business plan, for several reasons. The participants in the alliances, as common carriers, have designed broad based networks for providing service to the public at large. These networks utilize a variety of hardware and software, making it difficult to implement a uniform global telecommunications system and offer a common set of services with features and performance characteristics demanded by the financial services industry. While the alliances are a response to customer demand for a single point of contact, by their nature the alliances have difficulty implementing projects and servicing customers across corporate and national borders. The IXNET Network is designed to meet the specific performance standards demanded by the financial services industry. This single market focus and the Company's ability to integrate its products and services allow the Company to provide comprehensive single source solutions for its customers, a competitive advantage over global alliances.

The key global alliances include the following: Concert Communications Company (MCI Communications Corp., BT), Global One (Sprint Corp., France Telecom, Deutsche Telecom AG), World-Partners (AT&T Corp., Singapore Telecom, KDD Corp. (Japan), and Uniworld), Uniworld (AT&T Corp., Telia AB, Swiss Telecom PTT, Koninkl_ke PTT Nederland, Telefonica de España, S.A.), and The Cable and Wireless Federation.

Regulatory Environment

Government Regulation

Telecommunications services provided by the Company are subject to regulation by international entities as well as by United States federal, state and local government agencies. The primary regulatory policy of the United States is to promote effective competition in the United States telecommunications service market, particularly the market for international services. It is the view of the United States government that competitive international markets will provide incentives for further market entry both in the United States and foreign markets. Competitive markets will also stimulate technological innovation by United States suppliers of information technology.

The existing international telecommunications service regulatory environment is very different than that which exists for United States domestic telecommunications services. For domestic services, the FCC and State Public Utility Commissions have direct jurisdiction, granted by statute, over all aspects of the service. With international traffic, however, the United States' regulatory structure is limited to the origination or termination of service in the United States. As a result, the United States and each foreign country share jurisdiction over policies and regulations controlling international telecommunications services between the two. Thus, the United States cannot unilaterally implement a regulatory policy for international telecommunications, thereby limiting the impact a domestic statute, such as the Communications Act of 1934, as amended ("the Communications Act") can have in developing a new structure for international telecommunications.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings except for claims and lawsuits arising in the normal course of business. The Company does not believe that these claims or lawsuits will have a material adverse effect on the Company's financial condition or results of operations. See Note 9 to "Notes to the Consolidated Financial Statements".

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

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is listed on the Nasdaq Stock Market (Nasdaq - IPCI). The following table sets forth the high and low sales prices reported by the Nasdaq. The common stock began trading on September 27, 1994.

	For the year ended September 30,			
	1996		1995	
	High	Low	High	Low
First Quarter	19 1/4	13 1/2	15 1/4	11
Second Quarter	26 1/4	16 1/2	14	11 1/4
Third Quarter	25	17 1/16	15 1/2	11 1/2
Fourth Quarter	21	13 1/2	18 3/4	12

As of November 30, 1996 there were 92 holders of record of the Company's stock.

To date, the Company has not paid any cash dividends to its stockholders. Any future payment of cash dividends will depend upon the Company's earnings and financial condition, capital requirements and other relevant factors. The Company does not intend to pay cash dividends in the foreseeable future but intends to retain its earnings for use in its business.

ITEM 6. SELECTED FINANCIAL DATA (unaudited)
(amounts in thousands, except per share amounts)

	For the year ended September 30, 1996	1995	1994		1993	For the eleven months ended September 30, 1992
Statement of Operations:						
Revenues	$249,508	$206,254	$163,671		$112,714	$68,687
Gross profit	76,818	63,173	48,043		31,152	20,346
Net Income (loss)	12,129	13,267	16,549	(1)	1,753	(3,478)
Earnings per share	$1.15	$1.26				
Weighted average shares outstanding	10,590	10,506				
Pro forma earnings per share			$1.11	(2)		
Pro forma weighted average shares			8,535	(2)		
Supplemental pro forma earnings per share			0.88	(3)		

Balance Sheet Data:	September 30, 1996	1995	1994	1993	1992
Working capital	$50,268	$46,851	$27,661	$16,696	$7,077
Total Assets	140,957	128,036	110,702	70,120	44,488
Notes payable	13,900		1,411	1,411	1,411
Long-term debt			10,663	12,916	5,338
Long-term lease commitments	3,429				
Stockholders' equity	71,715	58,504	21,122	7,328	5,985

(1) Net income includes the cumulative effect of the Company's termination of its S corporation status which resulted in a tax benefit of $3,295.

(2) Pro forma earnings per share was computed by dividing pro forma net income (income before provision for income taxes less pro forma provision for income taxes) by pro forma weighted average number of shares outstanding. The pro forma provision for income taxes assumes that IPC-US was subject to corporate federal income taxes for the year and excludes the tax benefit associated with the termination of the Company's S corporation status (See (1) above). Pro forma weighted average number of shares outstanding is the historical weighted average number of shares outstanding during the past year adjusted to give effect to the number of shares whose proceeds were necessary to pay the remaining S corporation distribution to pre-Offering stockholders.

(3) Effective October 1, 1994, and in connection with the Company's initial public offering, IPC converted from an S corporation to a C corporation. Supplemental pro forma earnings per share for 1994 has been calculated using the Company's reported income before taxes and giving effect for both the Company's fiscal 1995 effective tax rate and weighted average shares outstanding.

Presently, the Company is required to file tariffs listing the terms, conditions and rates for its services for both its intrastate and international services. In addition, the Company is required to obtain FCC authorization to provide international telecommunications services. Under the Communications Act, the FCC has the authority to forbear from imposing any regulations it deems unnecessary, including requiring non-dominant carriers to file tariffs.

IXNET currently holds an FCC authorization to resell private lines that are not interconnected to the public switched telephone network for communication services between the United States and numerous international points. IXNET also holds an FCC authorization to resell private lines interconnected to the public switched telephone network for communication services between the United States and the United Kingdom, Canada and Sweden. IXNET has received a reciprocal authorization from the United Kingdom to resell private lines interconnected to the public switched network between the United States and the United Kingdom.

State regulatory commissions exercise jurisdiction over intrastate services. Intrastate services are communications that originate and terminate in the same state. IXNET holds a certificate of public convenience and necessity to resell forms of telephone service within New York State. IXNET is in the process of obtaining similar authorizations from other states. As the regulatory regimes change in the United States and elsewhere, the authorizations held by the Company also may need to be adjusted.

International Regulatory Considerations

The regulation of IXNET services in foreign jurisdictions will differ from country to country depending on the progress each country has made in developing a competitive market for telecommunications services. For instance, the United Kingdom has established a market structure that encourages the operation of new competitive telecommunication service providers. IXNET has been granted a license by the U.K. Department of Trade and Industry to offer international simple resale and facility-based services. This allows IXNET to offer such services from the United Kingdom. There are a number of other countries that have liberalized or are in the process of liberalizing their telecommunications environments. IXNET is in the process of obtaining the appropriate authorizations in a number of these jurisdictions.

Other foreign jurisdictions take the position that all telecommunication services are under the exclusive jurisdiction of the state-sanctioned monopoly. In these countries competition is strictly prohibited. However, even in these countries, IXNET may have a special status that would enable it to provide service. A number of countries will allow so-called "closed user groups" ("CUGs") to operate outside the state-sanctioned monopoly. CUGs are communities of interest that are common among a company and its subsidiaries or group of companies. The European Union definition of CUGs looks to see if the link between the members of the group is a "common business activity." IXNET fits this definition of CUGs in several countries. This is because IXNET is not like the large, international telecommunications service providers that market to the public at large. Rather, its marketing efforts and network design are focused on the needs of institutions within the financial community, with this focus narrowed even further to trading room telecommunications services. The CUG categorization may enable IXNET to provide service where it would otherwise be prohibited.

In those countries where IXNET is strictly prohibited from offering service, IXNET may enter into a relationship with the state sanctioned telecommunications monopoly so that its services can be offered in that jurisdiction. In these situations, the local telecommunications service provider would provide the facilities and offer local services to IXNET customers. It is likely that services would be of higher cost in these situations. There are, however, certain countries which do not require licensing for the provision of telecommunications network services.

IXNET is in the process of obtaining the necessary authorizations to provide service in a number of European and Asian countries and is exploring the regulatory environment in additional countries targeted for service. It intends to establish its services either through licensing as a telecommunications service provider, CUG or through bilateral agreements with a telecommunications monopoly. As the regulatory regimes change, IXNET will adjust its regulatory strategy.

Intellectual Property

The Company relies on a combination of patents, trade secrets, trademarks, copyrights and other intellectual property law, nondisclosure agreements and other protective measures to protect its proprietary rights. The Company currently has 13 United States patents, including design patents, and five more pending patent applications for its technologies. The Company also relies on unpatented know-how and trade secrets and employs various methods, including confidentiality agreements with employees and consultants, to protect its trade secrets and know-how. The Company also may desire to develop, produce and market commercially viable new products, such as personal communications systems, that may require new or renewed licenses from others.

Employees

As of September 30, 1996, the Company had 741 full-time, non-union employees worldwide, including 615 in the United States and 126 in the United Kingdom. Of these, 69 were engaged in marketing and sales, 90 in research, development and product engineering, 131 in finance, branch and corporate administration, 221 in manufacturing and 230 in operations.

An additional 465 United States workers are represented by collective bargaining units, including 413 within the New York metropolitan area provided under labor pooling agreements between the Company and two of its affiliates. Contracts with unions are negotiated every three years. Current agreements expiring through June 11, 1998 provide benefits, wage rates, wage increases and grievance and termination procedures. The Company has never experienced a work stoppage. Management believes that current relations with labor are good and that existing union contracts will be renewed.

Environmental Matters

The Company is subject to various federal, state and local environmental laws and regulations, including those governing the use, discharge and disposal of hazardous substances in the ordinary course of its manufacturing process. Although management believes that its current manufacturing operations comply in all material respects with applicable environmental laws and regulations, there is no assurance that environmental legislation may not in the future be enacted or interpreted to create environmental liability with respect to the Company's facilities or operations.

ITEM 2. PROPERTIES

The Company leases its manufacturing facility in Westbrook, Connecticut, its executive offices and network switching facility in New York City, its research and development facility in Stamford, Connecticut and its branch offices and sales offices in the United States, Canada and in the United Kingdom. The Company believes that its current facilities are adequate for its near-term requirements and does not anticipate the need for significant expansion in the foreseeable future.

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

The following tables set forth certain statements of operations data and its percentage to total revenues for the periods indicated:

(Dollars in Thousands)	For the year ended September 30, 1996	1995	1994
Revenues:			
Turret sales and installation	$109,659	$100,851	$70,166
Turret service	55,484	50,057	51,433
Information Transport Systems sales, installation and service	78,842	55,346	42,072
Network services	5,523	-	-
Total revenues	249,508	206,254	163,671
Cost of revenues	172,690	143,081	115,628
Gross profit	76,818	63,173	48,043
Research and development expenses	11,467	10,108	7,654
Selling, general and administrative expenses	45,143	31,038	23,727
Income from operations	20,208	22,027	16,662
Interest (expense)/income, net	(678)	233	(1,568)
Gain on renegotiation of lease obligation on vacant facilities	-	-	517
Other income/(expense), net	591	226	65
Income before provision for income taxes	20,121	22,486	15,676
Provision/(benefit) for income taxes	7,992	9,219	(873)
Net income	$12,129	$13,267	$16,549
Revenues:			
Turret sales and installation	44.0 %	48.9 %	42.9 %
Turret service	22.2	24.3	31.4
Information Transport Systems sales, installation and service	31.6	26.8	25.7
Network services	2.2	-	-
Total revenues	100.0	100.0	100.0
Cost of revenues	69.2	69.4	70.6
Gross profit	30.8	30.6	29.4
Research and development expenses	4.6	4.9	4.7
Selling, general and administrative expenses	18.1	15.0	14.5
Income from operations	8.1	10.7	10.2
Interest (expense)/income, net	(0.3)	0.1	(1.0)
Gain on renegotiation of lease obligation on vacant facilities	-	-	0.3
Other income/(expense), net	0.2	0.1	0.0
Income before provision for income taxes	8.1	10.9	9.6
Provision/(benefit) for income taxes	3.2	4.5	(0.5)
Net income	4.9 %	6.4 %	10.1 %

Overview

IPC is a worldwide industry leader in providing globally integrated telecommunications services to the financial services industry. The Company's highly reliable, customized telecommunications systems are used on financial trading floors where they are known as "turrets" or "dealerboards." In 1993, the Company launched its I.T.S. business to provide and support the design and implementation of cabling infrastructures and an expanded product offering including LAN and WAN hubs and routers, and video conferencing systems. IPC, with its recently acquired subsidiary, IXNET, has implemented a facilities-based global network (the "IXNET Network") designed for the specialized international telecommunications requirements of the financial services industry.

IPC's goal is to be the preferred single source provider of integrated voice, data and video communications solutions and services to the financial trading industry on a worldwide basis. The Company intends to leverage its existing extensive customer relationships to provide a continually growing portion of their customers' global telecommunications requirements through a combination of products and services developed by IPC and IXNET. This is to be accomplished through the continued deployment of a facilities-based global network and the integration of the network with IPC's product offerings.

The Company's operations are separated into three lines of business: turret systems, I.T.S. and network services (IXNET). The Company accounts for sales of turret systems to distributors and direct sales and installations of turret systems as "turret sales and installation." The Company accounts for revenues from turret system maintenance, including annual and multi-year service contracts, and from moves additions and changes to existing turret system installations as "turret service." The Company accounts for revenues from I.T.S. design, integration and implementation projects, from sales of intelligent network products, such as hubs, bridges and routers, from on-site maintenance of customer I.T.S., including annual and multi-year contracts, and from the provision of outsourcing services for the support, expansion and upgrading of existing customer networks as "I.T.S. sales, installation and service." Additionally, the Company accounts for revenues derived from the IXNET Network as "network services."

Revenue from turret and I.T.S. sales and installation is recognized upon completion of the installation, except for revenue from sales of turret systems to distributors, which is recognized upon shipment of turret products by IPC. Invoices are submitted during various stages of the installation. The revenue attributable to such advance payments is deferred until system installation is completed. In addition, contracts for annual recurring turret and I.T.S. services are generally billed in advance, and are recorded as revenues ratably (on a monthly basis) over the contractual periods. Revenue from moves, additions and changes to turret systems is recognized upon completion, which usually occurs in the same month or the month following the order for services. Revenue from network services are recognized in the month the service is provided.

Due to the substantial sales price of the Company's large turret and I.T.S. installations and the Company's recognition of revenue only upon completion of installations, revenues and operating results could fluctuate significantly from quarter to quarter. However, the Company's service business generates a more consistent revenue stream than sales and installation and, consequently, these fluctuations could be somewhat diminished in the future as the Company's service business expands.

Comparison of the year ended September 30, 1996 to the year ended September 30, 1995

Revenues. Total revenues increased by \$43.3 million or 21.0%, to \$249.5 million in the year ended September 30, 1996 from \$206.3 million in the year ended September 30, 1995.

Turret installation and related service revenues increased by \$14.2 million, or 9.4%, to \$165.1 million in the year ended September 30, 1996 from \$150.9 million in the year ended September 30, 1995. This increase is primarily attributable to the increased acceptance of TRADENET MX®. Management expects that sales of TRADENET MX® will continue to generate the majority of turret sales and installation revenue for the foreseeable future.

Revenues from I.T.S. sales and related service increased by \$23.5 million, or 42.5% to \$78.8 million in the year ended September 30, 1996 from \$55.3 million in the year ended September 30, 1995. These increases were attributable to the continuing development and expansion of the I.T.S. business.

Revenues from network services of \$5.5 million for the year ended September 30, 1996 resulted from IXNET's implementation of its international telecommunication network during 1996, achieving recurring monthly revenues at an annualized rate exceeding \$10 million at fiscal year end.

Cost of Revenues. Cost of Revenues (as a percentage of revenues) decreased to 69.2% for the year ended September 30, 1996 from 69.4% for the year ended September 30, 1995. This decrease is due to continued installation efficiencies and manufacturing cost reductions.

Research and Development Expenses. Research and development expenses increased by \$1.4 million, or 13.4%, to \$11.5 million in the year ended September 30, 1996 from \$10.1 million in the year ended September 30, 1995. The increase was due to the development of new products and enhancements to existing products. Also, research and development expenses for the year ended September 30, 1996 include expenses by IPC Bridge. Bridge Electronics, Inc., now known as IPC Bridge, was acquired by the Company in April 1995. The Company believes that development of new products and enhancements to existing products are essential to its continuing success, and management intends to continue to devote substantial resources to research and product development in the future.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$14.1 million, or 45.4%, to \$45.1 million in the year ended September 30, 1996 from \$31.0 million in the year ended September 30, 1995. These increases are attributable to an increase in headcount and other expenses to support higher business levels, start up costs associated with IXNET and the continued development and geographic expansion of the Company's I.T.S. business. As the Company deploys its international network, management anticipates that selling and administrative expenses will increase. These expenses will likely be incurred prior to the realization of revenues.

Interest Income / (Expense). Interest income / (expense) decreased to \$0.7 million in expense for the year ended September 30, 1996 from \$0.2 million in income for the year ended September 30, 1995. This decrease was primarily due to the Company's' utilization of its line of credit during fiscal 1996. Total interest expense for the fiscal year ended 1996 was \$1.1 million compared to \$.4 million in the fiscal year ended 1995.

Provision for Income Taxes. The Company's effective tax rate, excluding minority interest, for the year ended September 30, 1996 was 41.0 %.

Comparison of the year ended September 30, 1995 to the year ended September 30, 1994

Revenues. Total revenues increased by $42.6 million or 26.0%, to $206.3 million in the year ended September 30, 1995 from $163.7 million in the year ended September 30, 1994.

Revenues from turret installation and related service increased by $29.3 million, or 24.1%, to $150.9 million in the year ended September 30, 1995 from $121.6 million in the year ended September 30, 1994. This increase was primarily attributable to the increased acceptance of TRADENET MX®.

Revenues from I.T.S. sales and related service increased by $13.3 million, or 31.6% to $55.3 million in the year ended September 30, 1995 from $42.1 million in the year ended September 30, 1994. This increase was attributable to the continuing development and expansion of the I.T.S. business.

Gross Profit. The gross profit as a percentage of total revenues increased to 30.6% for the year ended September 30, 1995 from 29.4% for the year ended September 30, 1994. This increase in gross profit percentage is due to continued installation efficiencies and manufacturing cost reductions.

Research and Development Expenses. Research and development expenses increased by $2.5 million, or 32.1%, to $10.1 million in the year ended September 30, 1995 from $7.7 million in the year ended September 30, 1994. The increase was due to the ongoing development of new products and enhancements to existing products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $7.3 million, or 30.8%, to $31.0 million in the year ended September 30, 1995 from $23.7 million in the year ended September 30, 1994. As a percentage of revenues, expenses increased to 15.0% for the year ended September 30, 1995, from 14.5% for the year ended September 30, 1994. This increase was attributable to a rise in headcount and other expenses to support higher business levels and the continued development and expansion of the Company's I.T.S. business.

Interest Income / (Expense). Interest income / (expense) increased to $0.2 million in income for the year ended September 30, 1995 from $1.6 million in expense for the year ended September 30, 1994. This increase was due to the repayment of long-term debt from the proceeds of the Company's initial public offering in October 1994 and interest earned on temporary cash investments and short-term investments throughout fiscal 1995.

Gain on Renegotiation of Lease Obligation on Vacant Facilities. The Company renegotiated its obligation in connection with certain vacant facilities resulting in a $0.5 million gain for the year ended September 1994.

Provision for Income Taxes. The Company's effective tax rate for the year ended September 30, 1995 was 41%. Effective October 1, 1994, the Company terminated its S corporation status and, as a result, was subject to corporate federal income taxes in fiscal 1995. Accordingly, the year ended September 30, 1995 reflects an increase in the provision for income taxes as the comparable prior year's tax provision was based on the Company's S corporation status. On a comparable basis, assuming the same effective tax rate and number of shares outstanding after the Company's October 1994 initial public offering, net income would have been $9.2 million or $0.88 per share for the year ended September 30, 1994.

Liquidity and Capital Resources

Net cash used in operations was $14,737 for the year ended September 30, 1996 which resulted primarily from changes in accounts receivable and customer advances and deferred revenue offset, in part, by changes in depreciation and amortization and net income. Accounts receivable increased during the period due to higher business volumes and the timing of customer billings. The decrease in customer advances and deferred revenue was due to jobs in progress at September 30, 1996 being at an earlier stage of completion when compared to 1995.

Net cash provided by operations was $7.3 million for the year ended September 30, 1995. Net cash provided by operations resulted from operating profits and inventory decreases from production efficiencies, offset by increases in trade receivables primarily from higher sales levels.

Net cash provided by operations was $7.3 million in the year ended September 30, 1994. Increases in inventory due to higher product demands and increases in trade receivables due to higher sales levels were more than offset by funds provided by increases in customer advances and deferred revenue and accounts payable and higher operating profits.

Cash used in investing activities was $12.7 million, $8.5 million and $1.2 million for the years ended September 30, 1996, 1995 and 1994, respectively. Cash was used in investing activities for acquisition payments for IPC Bridge and property, plant and equipment expenditures, primarily composed of machinery and equipment and leasehold improvements. This cash use was offset in part by proceeds from the sale of a short-term investment.

In April 1996, the Company signed a promissory note with a bank increasing the Company's line of credit from $15,000 to $25,000. At September 30, 1996, $13,900 of the line is outstanding. The weighted average interest rate on borrowings for fiscal year 1996 was 6.31%. At September 30, 1995 there was no amount outstanding on the line of credit.

In connection with the implementation of the IXNET Network, IXNET has entered into capital lease agreements totaling approximately $4.6 million for certain network switching equipment.

On October 3, 1994, the Company completed an initial public offering (the "Offering") of 3,250,000 shares of common stock at $15.00 per share and received Offering proceeds of $45,337, net of underwriting discounts and commissions. During the year ended September 30, 1995, Offering proceeds were used to repay long-term debt of $10,663, repay notes payable to stockholders of $1,411 and pay an S corporation distribution of $18,530 to pre-Offering stockholders. The remaining proceeds were invested in temporary cash investments and short term investments.

The Company believes that cash flows from operations and existing credit facilities will be sufficient to meet its working capital and capital expenditure needs for the near future.

Quarterly Fluctuations and the Effects of Inflation

The size and lead time of new orders can vary substantially and, since the Company generally recognizes revenue from the sale and installation of turret systems and Information Transport Systems on the completion of an installation, the Company's quarterly results of operations may fluctuate significantly. Management does not believe that inflation has a significant effect on the Company's results.

Foreign Exchange

The Company's shipments to foreign distributors are generally invoiced in US Dollars. As a result, the Company believes its foreign exchange transaction exposure caused by these shipments is insignificant. Sales to the Company's customers in the United Kingdom are denominated in British Pounds Sterling. The Company does not hedge its net asset exposure to fluctuations in the US Dollar/British Pound Sterling exchange rate. Accordingly, the Company is subject to risks associated with such fluctuation. However, adjustments to the Company's financial position as a result of currency fluctuations have not been significant.

This Report on Form 10-K contains certain forward-looking statements concerning, among other things, the Company's plans and objectives for future operations, planned products and services, potential expansion into new markets, and anticipated customer demand for our existing and future products and services. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage the inclusion of prospective information so long as those statements are accompanied by meaningful cautionary statements identifying factors that could cause actual results to differ materially. Among the factors that could cause actual results, performance or achievement to differ materially from those described or implied in the forward-looking statements are general economic conditions, competition, potential technology changes, changes in or the lack of anticipated changes in the regulatory environment in various countries, changes in customer purchasing policies and practices, the ability to raise additional capital to finance expansion, and the risks inherent in new product and service introductions and the entry into new geographic markets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Financial Statements and Financial Statement Schedule beginning on page 25.

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

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND OTHER OFFICERS OF THE REGISTRANT

a. Identification of Directors:

The information required by this Item is incorporated herein by reference to the information contained under the caption, "Election of Directors" in the Proxy Statement which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K (the "Proxy Statement"). Such information is incorporated by reference pursuant to General Instruction G(3).

b. Identification of Executive Officers:

The information required by this Item is incorporated herein by reference to the information contained under the captions "Election of Directors" and "Management" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information contained under the caption "Executive Compensation" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the information contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated herein by reference to the information contained under the caption "Certain Transactions and Relationships" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

PART IV

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

(a)(1) Financial Statements

	Page(s)
Report of Independent Accountants	25
Consolidated Balance Sheets as of September 30, 1996 and 1995	26
Consolidated and Combined Statements of Operations for the Years Ended September 30, 1996, 1995 and 1994	27
Consolidated and Combined Statements of Cash Flows for the Years Ended September 30, 1996, 1995 and 1994	28
Consolidated and Combined Statements of Stockholders' Equity for the Years Ended September 30, 1996, 1995 and 1994	29
Notes to Consolidated and Combined Financial Statements	30-41

(a)(2) Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts	42

Schedules not listed have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated and Combined Financial Statements or notes thereto.

(a)(3) Exhibits

Exhibit No.	Exhibit Title
3.1*	Restated Certificate of Incorporation.
3.2*	Amended and Restated Bylaws of Registrant.
4.1*	Specimen Common Stock of the Registrant.
10.2*	Employment Agreement, dated May 9, 1994, between the Registrant and Richard P. Kleinknecht.
10.2.1**	Letter Agreement, dated October 17, 1995, amending the Employment Agreement between the Registrant and Richard P. Kleinknecht.
10.3*	Employment Agreement, dated May 9, 1994, between the Registrant and Peter J. Kleinknecht.
10.3.1**	Letter Agreement, dated October 17, 1995, amending the Employment Agreement between the Registrant and Peter J. Kleinknecht.
10.4*	Employment Agreement, dated August 29, 1994, between the Registrant and Jeffrey M. Gill.
10.4.1**	Letter Agreement, dated October 17, 1995, amending the Employment Agreement between the Registrant and Jeffrey M. Gill.
10.13*	Registration Rights Agreement between the Registrant and Richard P. Kleinknecht and Peter J. Kleinknecht.
10.14**	Employment Agreement, dated as of October 17, 1995, between the Registrant and Steven Terrell Clontz.
21.3	Subsidiaries of the Registrant.
23	Consent of Coopers & Lybrand L.L.P.
27	Financial Data Schedule (for SEC use).

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* Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 (No. 33-78754) or Amendment No. 1, Amendment No. 2, or Amendment No. 3 to the Registration Statement, and incorporated herein by reference.

** Previously filed as an exhibit to the Registrant's Report on Form 8-K, filed November 30, 1995, and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of 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, thereunto duly authorized.

IPC INFORMATION SYSTEMS, INC.

Date: December 27, 1996

By: /s/ Terry Clontz
Terry Clontz
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD P. KLEINKNECHT Richard P. Kleinknecht	Chairman	December 27, 1996
/s/ PETER J. KLEINKNECHT Peter J. Kleinknecht	Vice Chairman	December 27, 1996
/s/ TERRY CLONTZ Terry Clontz	Chief Executive Officer, President and Director (Principal Executive Officer)	December 27, 1996
/s/ KEVIN M. ESPOSITO Kevin M. Esposito	Chief Accounting Officer (Principal Financial Officer) (Principal Accounting Officer)	December 27, 1996
/s/ ROBERT J. MCINERNEY Robert J. McInerney	Director	December 27, 1996

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders
of IPC Information Systems, Inc.:

We have audited the consolidated and combined financial statements and the financial statement schedule of IPC Information Systems, Inc. listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IPC Information Systems, Inc. as of September 30, 1996 and 1995 and the consolidated results of their operations and their cash flows for the years ended September 30, 1996 and 1995 and the combined results of their operations and their cash flows for the year ended September 30, 1994, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
December 11, 1996

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)

	September 30, 1996	September 30, 1995
ASSETS:		
Current assets:		
Cash and temporary cash investments	$2,306	$15,786
Trade receivables, less allowance of $1,521 and $1,572	66,468	50,513
Inventories	36,367	35,111
Prepaid expenses and other current assets	7,284	9,526
Total current assets	112,425	110,936
Property, plant and equipment, net	21,867	9,236
Other assets, net	6,665	7,864
Total assets	$140,957	$128,036
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Note payable	$13,900	
Accounts payable	14,369	$14,807
Accrued liabilities	13,502	19,366
Customer advances and deferred revenue	19,446	29,912
Short-term lease commitments	940	
Total current liabilities	62,157	64,085
Long-term lease commitments	3,429	
Other liabilities	3,656	5,447
Total liabilities	69,242	69,532
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $0.01 par value, authorized 10,000,000 shares, none issued and outstanding		
Common stock - $0.01 par value, authorized 25,000,000 shares; issued 10,860,000 and 10,763,740 shares at September 30, 1996 and 1995, respectively	109	107
Paid-in capital	46,831	45,853
Retained earnings	25,493	13,262
Less treasury stock, at cost, 242,185 shares	(718)	(718)
Total stockholders' equity	71,715	58,504
Total liabilities and stockholders' equity	$140,957	$128,036

See Notes to Consolidated and Combined Financial Statements

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Per Share Amount)

	For the year ended September 30,		
	1996 Consolidated	1995 Consolidated	1994 Combined
Revenues:			
Product sales and installation	$178,513	$139,947	$103,529
Service	70,995	66,307	60,142
	249,508	206,254	163,671
Cost of revenues:			
Product sales and installation	122,897	95,174	74,233
Service	49,793	47,907	41,395
	172,690	143,081	115,628
Gross profit	76,818	63,173	48,043
Research and development expenses	11,467	10,108	7,654
Selling, general and administrative expenses	45,143	31,038	23,727
Income from operations	20,208	22,027	16,662
Interest income/(expense), net	(678)	233	(1,568)
Gain on renegotiation of lease obligation on vacant facilities			517
Other income/(expense), net	591	226	65
Income before provision for income taxes	20,121	22,486	15,676
Provision/(benefit) for income taxes	7,992	9,219	(873)
Net income	$12,129	$13,267	$16,549
Earnings per share	$1.15	$1.26	
Weighted average shares outstanding	10,590	10,506	
Pro forma data (unaudited) (See Note 7):			
Pro forma provision for income taxes			$6,184
Pro forma earnings per share			$1.11
Pro forma weighted average shares outstanding			8,535

See Notes to Consolidated and Combined Financial Statements.

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the year ended September 30,		
	1996 Consolidated	1995 Consolidated	1994 Combined
Cash flows from operating activities:			
Net income	$12,129	$13,267	$16,549
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,351	2,058	2,317
Other amortization	2,037	1,782	1,971
Provision for doubtful accounts	240	861	786
Deferred income taxes	674	(1,084)	(4,256)
Gain on renegotiation of lease obligation			(517)
Changes in operating assets and liabilities:			
Trade receivables	(16,385)	(11,804)	(11,783)
Inventories	(1,678)	15,440	(23,100)
Prepaid expenses and other current assets	(288)	(1,606)	(3,545)
Other assets	130	(342)	142
Accounts payable	(950)	(717)	3,044
Accrued liabilities and other liabilities	(4,691)	(630)	3,190
Customer advances and deferred revenue	(10,306)	(9,882)	22,455
Net cash (used in) provided by operating activities	(14,737)	7,343	7,253
Cash flows from investing activities:			
Capital expenditures	(11,747)	(6,499)	(1,173)
Purchase of short-term investment		(2,007)	
Proceeds from sale of short-term investment	2,007		
Acquisition of Bridge Electronics, Inc.	(2,997)		
Net cash (used in) investing activities	(12,737)	(8,506)	(1,173)
Cash flows from financing activities:			
Net proceeds from note payable	13,900		
Proceeds from long-term debt			123,211
Principal payments on capital leases	(221)		
Repayment of long-term debt		(10,663)	(125,464)
Repayment of notes payable to affiliates		(1,411)	
Proceeds from the exercise of stock options	106		
Proceeds from the sale of common stock		45,337	
Purchase of treasury stock		(396)	(72)
S corporation distribution		(18,530)	(2,470)
Net cash provided by (used in) financing activities	13,785	14,337	(4,795)
Effect of exchange rate changes on cash	209	(4)	(243)
Net (decrease) increase in cash	(13,480)	13,170	1,042
Cash and temporary cash investments, beginning of period	15,786	2,616	1,574
Cash and temporary cash investments, end of period	$2,306	$15,786	$2,616
Supplemental disclosures of cash flow information:			
Cash paid during the year for-			
Income taxes	$6,863	$9,876	$1,390
Interest	$ 756	$ 18	$1,157
Non-cash investing and financing activities-			
Capital lease obligations	$4,369		
Issuance of stock for the acquisition of Bridge Electronics, Inc.	$ 700		

See Notes to Consolidated and Combined Financial Statements.

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

	Common stock	Paid-in capital	Retained earnings (deficit)	Treasury stock	Total stockholders' equity
Combined balance, September 30, 1993	$75	$8,986	($1,483)	($250)	$7,328
Translation adjustment			(213)		(213)
Net income			16,549	-	16,549
Purchase of treasury stock				(72)	(72)
S corporation distribution			(2,470)		(2,470)
Combined balance, September 30, 1994	75	8,986	12,383	(322)	21,122
Translation adjustment			(34)		(34)
Net income			13,267		13,267
Net proceeds from initial public offering	32	42,219			42,251
Issuance of common stock under employment contract		824			824
Purchase of treasury stock				(396)	(396)
S corporation distribution		(6,176)	(12,354)		(18,530)
Consolidated balance, September 30, 1995	107	45,853	13,262	(718)	58,504
Translation adjustment			102		102
Net income			12,129		12,129
Issuance of common stock in acquisition	1	699			700
Issuance of common stock under stock purchase plan	1	171			172
Issuance of common stock under stock option plan		108			108
Consolidated balance, September 30, 1996	$109	$46,831	$25,493	($718)	$71,715

See Notes to Consolidated and Combined Financial Statements

1. The Company:

IPC Information Systems, Inc. ("the Company") provides globally integrated telecommunications products and services to the financial services industry primarily in the United States and United Kingdom. The Company is in the business of designing, manufacturing, installing and servicing trading room voice communication workstations and installing and servicing comprehensive Local Area Networks. In addition, International Exchange Networks Ltd. ("IXNET"), a subsidiary of the Company, has implemented a facilities-based global network designed for the specialized international telecommunications requirements of the financial services industry.

2. Summary of Significant Accounting Policies:

Principles of Consolidation and Combination

The consolidated financial statements include the accounts of IPC Information Systems, Inc. and its subsidiaries. The combined financial statements include the accounts of IPC-US and its affiliated company, IPC-UK. Intercompany balances and transactions have been eliminated.

Revenue Recognition

Revenue from product sales and installation is recognized upon completion of the installation except for revenue from sales to distributors, which is recognized upon shipment. Under contract provisions, customers are progress-billed prior to the completion of the installations. The revenue related to these advance payments is deferred until the system installations are completed. Contracts for maintenance are billed in advance, and are recorded as deferred revenue and recognized ratably over the contractual periods. Revenue from network services are recognized in the month the related service is provided.

Cash and Temporary Cash Investments

The Company places cash with several high quality financial institutions and thereby limits the amount of credit exposure to any single financial institution. Temporary cash investments with original maturities of less than three months are considered cash equivalents and consist of high grade municipal bond funds and time deposits. Temporary cash investments are stated at cost, which approximates fair value. These investments are not subject to significant market risk.

Trade Receivables

Trade accounts receivable potentially expose the Company to concentrations of credit risk, as a large volume of business is conducted with several major financial institutions, primarily companies in the brokerage, banking and financial services industries. To help reduce this risk, customers are progress-billed prior to the completion of the contract.

Inventories

Inventories are stated at the lower of FIFO (first in, first out) cost or market. Inventory costs include all direct manufacturing costs and applied overhead.

Property, Plant and Equipment
Property, plant and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. Network switching equipment are stated at cost. Various costs are capitalized during the installation and expansion of the network. Depreciation is calculated using the straight line method over the estimated useful lives beginning in the year the asset was placed into service.

Capitalized Product Development Costs
Capitalized product development costs represent costs incurred after technological feasibility is established for the related product. The amortization of capitalized product development costs is, the greater of the amounts computed based on the estimated revenue distribution over the products revenue-producing lives, or the straight-line basis, not to exceed four years, beginning when the product becomes available for general release to customers. No product development costs were capitalized in the years ended September 30, 1996 and 1995. There are no unamortized product development costs at September 30, 1996. Unamortized product development costs at September 30, 1995 was $626 and is included in other assets. Amortization expense for each of the years ended September 30, 1996, 1995 and 1994 was $626.

Intangible Assets
Intangible assets, which are carried at cost less accumulated amortization, consist primarily of acquired technology and goodwill. Goodwill represents the excess of the cost over the fair value of the identifiable tangible and intangible assets acquired in various acquisitions. Costs allocated to technology and goodwill acquired in acquisitions are amortized on a straight-line basis over the periods benefited, principally 7 to 10 years. The Company measures the recoverability of acquired technology and goodwill based on anticipated gross operating income.

Research and Development
Research and development expenditures are charged to expense as incurred.

Income Taxes
In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), the Company recognizes deferred income taxes for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is "more likely than not" to be realized. Provision for income taxes is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(Dollars in Thousands, Except Per Share Amounts)

Foreign Currency Translation Adjustment

The balance sheets and statements of operations of IPC's UK subsidiary ("IPC-UK") are measured using the local currency as the functional currency. Assets and liabilities of IPC-UK are translated at the year end exchange rate. Revenue and expense amounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the cumulative translation adjustment account in stockholders' equity.

Earnings Per Share

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period, computed in accordance with the treasury stock method. Historical earnings per share was $2.27 for the year ended September 30, 1994.

3. Acquisitions:

During June 1995, the Company acquired a controlling interest in International Exchange Networks, Ltd. ("IXNET"). The Company acquired 80% of IXNET for providing $5,500 in working capital. The acquisition was accounted for using the purchase method of accounting. Included in other assets is $1,041 and $1,222 at September 30, 1996 and 1995, respectively, representing the excess of the cost over the fair value of the identifiable tangible assets acquired, allocated to acquired technology.

During April 1995, the Company acquired the assets of Bridge Electronics, Inc. ("IPC Bridge"). The terms of the acquisition included a payment in January 1996 of $2,025 in cash and 76,923 shares of the Company's common stock, valued at $700. Additionally, during fiscal 1996, the Company made $1,000 in contingent acquisition payments based on IPC Bridge's performance. The acquisition was accounted for using the purchase method of accounting. Included in other assets is $3,202 and $2,501 at September 30, 1996 and 1995, respectively, representing the excess of the cost over the fair value of the identifiable tangible and intangible assets acquired.

4. Inventories:

	September 30,	
	1996	1995
Components and manufacturing work in process	$13,913	$ 9,245
Inventory on customer sites awaiting installation	12,503	18,984
Parts and maintenance supplies	9,951	6,882
	$36,367	$35,111

(Dollars in Thousands, Except Per Share Amounts)

5. Property, Plant and Equipment:

	September 30, 1996	September 30, 1995
Machinery and Equipment	$19,479	$13,027
Furniture and Fixtures	2,006	1,654
Leasehold Improvements	5,424	2,789
Network Switching Equipment	1,600	
Network Switching Equipment under capital leases	4,619	—
Total depreciable property, plant and equipment	33,128	17,470
Less, accumulated depreciation and amortization	(13,376)	(9,037)
	$19,752	$8,433
Land	329	329
Construction in Progress	1,786	474
	$21,867	$ 9,236

6. Note Payable:

In April 1996, the Company signed a promissory note with a bank increasing the Company's line of credit from $15,000 to $25,000. At September 30, 1996, $13,900 of the line was outstanding and is payable upon demand. The weighted average interest rate on borrowings for fiscal year 1996 was 6.31%. At September 30, 1995 there was no amount outstanding on the line of credit.

7. Initial Public Offering:

The Company completed an initial public offering (the "Offering") of 3,250,000 shares of common stock at $15.00 per share on October 3, 1994. In connection with the Offering, on May 9, 1994, the Company's stockholders approved a change in the Company's capital stock to authorize 25,000,000 shares of $.01 par value common stock and 10,000,000 shares of $.01 par value preferred stock. Pre-Offering stockholders exchanged their shares for new common shares on a 620.991 for 1 basis prior to consummation of the Offering. The financial statements reflect this change in capitalization.

Pro Forma Information

Pro forma provision for income taxes for 1994 assumes that IPC was subject to corporate federal income taxes for the year and excludes the tax benefit associated with the termination of the Company's S corporation status (see Note 11). The pro forma weighted average number of shares outstanding is the historical weighted average number of shares outstanding during the year adjusted to give effect to the number of shares, at the initial offering price of $15.00 per share, whose proceeds were necessary to pay the remaining S corporation distribution. The pro forma net income per share has been computed by dividing pro forma net income (income before provision for income taxes less pro forma provision for income taxes) by the pro forma weighted average number of shares outstanding.

(Dollars in Thousands, Except Per Share Amounts)

8. Deferred Compensation and Other Benefit Plans:

The Company has assumed responsibility for deferred compensation agreements with certain past key officers and employees. Amounts to be paid range from $20-$75 per individual per annum and are non-interest-bearing, with the payments commencing on specified dates. Payments began in 1992 and continue through 2019. The gross and discounted present value (using an interest rate of 7.5%), net of cash payments, of the amounts to be paid under these agreements, aggregated $7,300 and $3,732 at September 30, 1996 and $7,450 and $3,606 at September 30, 1995, respectively.

Approximate payments for subsequent annual periods related to the deferred compensation agreements, at September 30, 1996, are as follows:

1997	$187
1998	225
1999	280
2000	320
2001	390
Thereafter	5,898
	$7,300

In April 1995, IPC terminated its participation in a defined contribution plan sponsored by Kleinknecht Electric Company ("KEC"), an affiliated company, and adopted its own plan for all eligible US employees. According to plan provisions, IPC contributions are discretionary and are subject to approval by the Board of Directors. Eligible employees may contribute up to 15% of their annual compensation. IPC contributed $556 and $520 for the years ended September 30, 1996 and 1995, respectively. For the year ended September 30, 1994, the Company elected not to contribute to the plan.

IPC-UK has a defined contribution plan covering all UK employees. Employee contributions are limited by statute, generally not to exceed 17.5% of base salary. IPC-UK contributions, net of forfeitures, for the years ended September 30, 1996, 1995 and 1994 were $229, $92 and $76, respectively.

The Company paid to KEC and Kleinknecht Electric Company - New Jersey ("KEC-NJ"), also an affiliated company, in accordance with labor pooling agreements, approximately $7,750, $5,074 and $4,744 for the years ended September 30, 1996, 1995 and 1994, respectively, representing pass through contributions to various union sponsored pension plans.

(Dollars in Thousands, Except Per Share Amounts)

Stock Option and Incentive Plan

The following table summarizes stock option plan activity:

	Shares Under Option	Option Prices
Balance, September 30, 1994		
Granted	263,500	\$13.50 - \$18.00
Canceled	(16,000)	\$15.00
Balance, September 30, 1995	247,500	\$13.50 - \$18.00
Granted	573,000	\$14.125 - \$19.00
Granted	25,000	\$25.00
Granted	25,000	\$40.00
Exercised	(8,964)	\$13.75 - \$15.00
Canceled	(35,335)	\$13.75 - \$19.00
Balance, September 30, 1996	826,201	
Exercisable, September 30, 1996	66,535	

Employees generally vest in stock options over a period of three to five years. As of September 30, 1996, the Company had reserved 1,579,337 shares of common stock for the exercise of options.

The option plan also provides for the issuance of stock appreciation rights and restricted stock features under which shares of common stock may be issued to eligible employees. No such awards have been made.

During October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation." The disclosure requirements under this Standard will affect the Company beginning in fiscal 1997 for all of its stock options granted after September 30, 1995. The Statement allows alternate accounting methods and the Company intends to account for stock options as in the past under Accounting Principles Board Opinion No. 25. The Company will disclose certain pro forma information required by the Statement beginning with the Company's next annual report.

Employee Stock Purchase Plan

In 1994, the Company adopted an employee stock purchase plan and reserved 526,813 shares of common stock for issuance thereunder. Under the stock purchase plan, the Company's employees may purchase shares of common stock at a price per share that is the lesser of the common stock fair market value on the first business day of the purchase period or 90% of the common stock fair market value on the last day of the purchase period, but in no event less than 85% of the common stock fair market value on either the option grant date or option exercise date. Through September 30, 1996, 10,373 shares have been issued and 516,440 shares are reserved for future issuances under this plan.

(Dollars in Thousands, Except Per Share Amounts)

9. Commitments and Contingencies:

Litigation

Knight Ventures, Inc. ("KVI"), a company principally owned by Richard P. Kleinknecht and Peter J. Kleinknecht (the "Principal Stockholders"), and the former parent of the Company, agreed to settle its litigation with Contel Corporation ("Contel") over, among other claims, responsibility for taxes, tax liens, tax assessments and tax warrants with respect to Contel IPC, for periods prior to the acquisition of the Company from Contel.

As of May 9, 1994, the Company, KVI and the Principal Stockholders entered into a Tax Allocation and Indemnification Agreement (the "Tax Agreement") relating to their respective income tax liabilities and certain related matters as a consequence of the Company's termination of its S Corporation status and its initial public offering. In addition, the Company, KVI and the Principal Stockholders agreed, to the extent that either KVI or the Principal Stockholders receives any cash proceeds or other benefit in the form of a reduction in amounts payable to Contel, as a consequence of the litigation, they will pay to the Company the lesser of (i) such benefit or (ii) the amount paid by the Company for taxes and related charges subject to the dispute, plus the amount of any expenses of such litigation incurred by the Company following the consummation of the Company's initial public offering.

As of May 15, 1996, Contel, KVI, the Principal Stockholders and the Company, although not a party to the litigation, entered into a settlement agreement and mutual releases. In connection with this settlement agreement, KVI has executed, and the Principal Stockholders have guaranteed, a note payable to the Company, in the amount of $1,300, to fulfill obligations under the Tax Agreement.

Operating Leases

The Company has entered into various operating leases for real estate, equipment and automobiles.

Rental expenses under operating leases (excluding rentals on vacant facilities) were $6,513, $5,587 and $5,252 for the years ended September 30, 1996, 1995 and 1994, respectively. Future minimum annual rental payments required under noncancellable operating leases (including rentals on vacant facilities) at September 30, 1996 are as follows:

1997	$5,688
1998	4,707
1999	3,270
2000	2,757
2001	2,474
Thereafter	4,282
	$23,178

The Company has accrued for the minimum annual rental and estimated building operating costs under noncancellable operating leases for vacated facilities. These leases extend through May 1998. The gross and discounted present value of the accrued liability, net of payments made, approximated $1,224 and $1,200 at September 30, 1996 and $1,958 and $1,844 at September 30, 1995, respectively. The discount rate applied was 6.8%.

(Dollars in Thousands, Except Per Share Amounts)

Capital Leases
IXNET has entered into two capital leases during fiscal 1996 to purchase certain network switching equipment used for IXNET's international private network.

Future minimum lease payments required under noncancellable capital leases at September 30, 1996 are as follows:

1997	$1,326
1998	1,327
1999	1,208
2000	850
2001	638
	5,349
Less, amount representing interest	(980)
Present value of net minimum lease payments under capital leases	$4,369

Employment Agreements
The Company has executed employment contracts for future services, that vary in length up to 5 years, with certain senior executives for which the Company has a minimum commitment aggregating approximately $6,466 at September 30, 1996.

10. Related Party Transactions:

Services Provided
Affiliated companies performed various services and provided certain equipment to the Company. Services and/or equipment provided by affiliates are billed to the Company and settled through a periodic cash transfer to the respective affiliate. Approximately $52,592, $38,666 and $36,293 of technical labor, and $2,327, $2,083 and $1,767 of administrative labor was provided through agreements with KEC and KEC-NJ during the years ended September 30, 1996, 1995 and 1994, respectively.

Effective October 1, 1993, the Company formalized in writing existing arrangements with KEC and KEC-NJ with respect to a pool of field technicians utilized by all three companies. KEC and KEC-NJ are responsible for administering the payroll and related services for these technical and clerical workers and the Company reimburses all compensation and benefits paid by KEC and KEC-NJ attributable to services performed for the Company plus a fee equal to 2.5% of such costs. For the years ended September 30, 1996, 1995 and 1994, KEC and KEC-NJ billed the Company payroll administrative services of $1,374, $1,024 and $922, respectively.

A portion of the Company's New York branch operation is co-located with KEC in a building owned by the Principal Stockholders. For each of the years ended September 30, 1996, 1995 and 1994, the Company was charged approximately $430 for rent expense. In addition, for the years ended September 30, 1996, 1995 and 1994, the Company rented on a month to month basis, two other facilities from entities controlled by the Principal Stockholders for which the Company was charged approximately $30, $55 and $130, respectively.

(Dollars in Thousands, Except Per Share Amounts)

Equipment Rentals

Equipment rentals from an affiliated company were $898, $975 and $1,201 for the years ended September 30, 1996, 1995 and 1994, respectively.

Subcontracts and Other

The Company and other companies controlled by the Principal Stockholders periodically subcontract certain work to one another. Amounts charged to companies controlled by the Principal Stockholders under subcontracts with IPC for the years ended September 30, 1996, 1995 and 1994 were approximately $993, $2,220 and $128, respectively, while amounts charged to IPC under subcontracts with companies controlled by the Principal Stockholders were approximately $703, $587 and $993, respectively.

In addition to the foregoing, the Company, KEC and KEC-NJ entered into a 20 year agreement dated as of May 9, 1994, with respect to business opportunities regarding cabling of communication infrastructures. KEC and KEC-NJ have agreed not to bid for or accept cabling jobs in competition with the Company, if it intends to bid or accept such work. In addition, because the Company is not a licensed electrical contractor, it has agreed to refrain from bidding for or accepting without the consent of KEC or KEC-NJ, as the case may be, all opportunities that combine both electrical and cabling work. The Company has also agreed to continue to refer to KEC and KEC-NJ certain electrical contracting bid opportunities identified from time to time. Pursuant to such agreement, all estimates for cabling work shall be generated by the Company on behalf of KEC, and KEC will pay the Company a nominal amount for preparing such estimates.

The Company and companies controlled by the Principal Stockholders also charge each other certain miscellaneous expenses, including, but not limited to, office equipment rentals and certain other administrative expenses.

11. Income Taxes:

Pretax earnings consisted of the following:

	For the year ended September 30,		
	1996	1995	1994
Pretax earnings:			
United States	$10,020	$17,158	$ 9,760
Foreign	10,101	5,328	5,916
Total pretax earnings	$20,121	$22,486	$15,676

Effective October 1, 1992, IPC-US elected to be treated as an S corporation for federal income tax purposes. In the year ended September 30, 1994 the Company was not subject to federal income taxes. The Company's income was passed through and taxed directly to the stockholders.

(Dollars in Thousands, Except Per Share Amounts)

On September 29, 1994, IPC-US filed a notification terminating its S corporation status, effective October 1, 1994. For the years ended September 30, 1996 and 1995, the Company was subject to corporate federal income taxes.

The provision (benefit) for income taxes consisted of the following:

	For the year ended September 30,		
	1996	1995	1994
Current:			
Federal	$1,844	$ 5,887	
State and local	1,967	2,558	$1,160
Foreign	3,507	1,858	2,223
	7,318	10,303	3,383
Deferred:			
Termination of S corporation status			(3,295)
Federal	513	(673)	
State and local	207	(359)	(744)
Foreign	(46)	(52)	(217)
	674	(1,084)	(4,256)
Income tax provision / (benefit)	$7,992	$ 9,219	$ (873)

The components of net deferred tax assets are as follows:

	September 30,					
	1996			1995		
	US	Foreign	Total	US	Foreign	Total
Deferred tax assets:						
Excess of book over tax depreciation	917	59	976	$1,133	$ 26	$1,159
Amortization of intangibles	66		66	25		25
Inventory and receivables	2,172	221	2,393	2,602	214	2,816
Accrued expenses	1,228	5	1,233	1,570		1,570
Total deferred tax assets	4,383	285	4,668	5,330	240	5,570
Deferred tax liabilities:						
Amortization of intangibles				(227)	(1)	(228)
Total deferred tax liabilities				(227)	(1)	(228)
Net deferred tax assets	$4,383	$285	$4,668	$5,103	$239	$5,342

These net deferred tax assets arise from temporary differences related to depreciation, the amortization of intangible assets, the allowance for doubtful accounts, inventory valuation and the Company's various accruals. No valuation allowance was required at September 30, 1996 and 1995.

(Dollars in Thousands, Except Per Share Amounts)

A reconciliation between the statutory US federal income tax rate and the Company's effective tax rate, excluding minority interest, is as follows:

	For the year ended September 30,	
	1996	1995
Statutory US federal tax rate	35.0%	35.0%
State and local income taxes, net of federal benefit	6.8	6.4
Tax exempt interest income		(0.5)
Other, net	(0.8)	0.1
	41.0%	41.0%

12. Operations by Geographic Areas:

Information about the Company's operations by geographic area is as follows:

	For the year ended September 30,		
	1996	1995	1994
Revenues:			
United States	$ 202,926	$ 186,355	$ 142,130
United Kingdom	46,582	19,899	21,541
	$ 249,508	$ 206,254	$ 163,671
Operating Profits:			
United States	$ 24,485	$ 30,714	$ 20,371
United Kingdom	9,745	4,192	5,345
Corporate	(14,022)	(12,879)	(9,054)
	$20,208	$22,027	$16,662
Identifiable Assets:			
United States	$111,829	$ 98,228	$ 94,530
United Kingdom	17,547	25,417	8,799
Corporate	11,581	4,391	7,373
	$140,957	$128,036	$110,702

Included in the United States revenues are export sales to unaffiliated customers of $16,126, $17,063 and $12,849 for the years ended September 30, 1996, 1995 and 1994, respectively. Transfers from the United States to the United Kingdom, eliminated in consolidation, were $12,681, $7,999 and $6,764 for the years ended September 30, 1996, 1995 and 1994, respectively.

For the year ended September 30, 1996, approximately 13% of total revenues were from one customer. Corporate assets are principally prepaids, intangibles and other assets.

(Dollars in Thousands, Except Per Share Amounts)

13. Quarterly Financial Information (unaudited)

The following tables set forth unaudited quarterly financial information for the years ended September 30, 1996 and 1995:

	Quarter Ended			
	December 31	March 31	June 30	September 30
Year Ended September 30, 1996:				
Net Revenues	$59,750	$62,198	$69,424	$58,136
Gross Profit	18,537	19,279	20,740	18,262
Net earnings	3,482	3,641	3,701	1,305
Earnings per Share	$0.33	$0.34	$0.35	$0.12
Year Ended September 30, 1995:				
Net Revenues	$47,716	$50,528	$52,458	$55,552
Gross Profit	14,511	15,415	16,138	17,109
Net earnings	3,068	3,268	3,486	3,445
Earnings per Share	$0.29	$0.31	$0.33	$0.33

The quarterly earnings per share information is computed separately for each period. Therefore, the sum of such quarterly per share amounts may differ from the total for the year.

IPC INFORMATION SYSTEMS, INC.

Schedule II

VALUATION AND QUALIFYING ACCOUNTS

(Dollars in Thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
For the Year September 30, 1994 Provision for Doubtful Accounts	$ 823	$ 786		$ 278 (1)	$ 1,331
Provision for Inventory Obsolescense	$ 3,925	$ 2,062		$ 427 (2)	$ 5,560
For the Year September 30, 1995 Provision for Doubtful Accounts	$ 1,331	$ 861		$ 620 (1)	$ 1,572
Provision for Inventory Obsolescense	$ 5,560	$ 3,052		$ 1,123 (2)	$ 7,489
For the Year September 30, 1996 Provision for Doubtful Accounts	$ 1,572	$ 240		$ 291 (1)	$ 1,521
Provision for Inventory Obsolescense	$ 7,489	$ 1,143		$ 2,267 (2)	$ 6,365

(1) Doubtful Accounts Written Off, Net of Cash Recovered

(2) Inventory Written Off

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 1995 Commission file number 0-25492

IPC INFORMATION SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	58-1636502 (I.R.S. Employer Identification No.)
Wall Street Plaza 88 Pine Street New York, New York (Address of Principal Executive Offices)	10005 Zip Code

(212) 825-9060
(Registrant's Telephone Number, Including Area Code)

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

Securities registered pursuant to Section 12(g) of the Act:

Title of Class: Common Stock, $.01 Par Value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the 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 the voting stock held by non-affiliates of the Registrant as of November 30, 1995, was approximately $47.1 million based upon the last sale price reported for such date on the Nasdaq National Market.

The number of shares of the Registrant's Common Stock outstanding as of November 30, 1995 was 10,521,555.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders of IPC Information Systems, Inc. (the "Proxy Statement"), scheduled to be held on February 14, 1996, are incorporated by reference in Part III of this Report on Form 10-K.

PART I

ITEM 1. BUSINESS

IPC Information Systems, Inc. ("IPC" or the "Company") is a worldwide industry leader in providing global specialized voice, video and data solutions to the financial services industry. IPC, with a presence in over 30 countries, has the world's largest installed base of trading positions. IPC, with its subsidiary International Exchange Networks, Ltd. ("IPC iXnet"), is implementing a virtual trading environment to meet the financial industry's highly specialized global communication requirements.

The Company was established in 1973 as Interconnect Planning Corporation to provide telephone equipment specifically designed to perform in the demanding environment of the financial trading community. In 1984, the Company, then known as IPC Communications, Inc., sold shares of its common stock to the public. In 1986, the Company was purchased by Contel Corporation ("Contel") of Atlanta, Georgia, and became known as Contel IPC (the "Predecessor Company"). Also in that year, the Company opened its manufacturing facility in the United States and commenced operations in the United Kingdom. Contel, including the Predecessor Company, was acquired by GTE Corporation in early 1991. In October 1991, the Predecessor Company was acquired (the "Acquisition") and renamed IPC Information Systems, Inc.. In 1992, the Company elected to separate its operations in the United Kingdom from its operations in the United States ("IPC-US") for tax planning purposes. IPC-US also elected to be treated as an S corporation for federal income tax purposes. IPC Information Systems currently operates in the United Kingdom as a United Kingdom unlimited liability company ("IPC-UK"), and is 50% percent owned by each of HNG Corp. and RIE Corp.. HNG Corp. and RIE Corp. are direct wholly owned subsidiaries of IPC-US. On October 3, 1994 the Company completed an Initial Public Offering (the "Offering") of 3,250,000 shares of common stock at a price of $15.00 per share. Effective October 1, 1994, prior to completing the Offering, the Company terminated its S corporation status and became subject to corporate federal income taxes.

During June, 1995 the Company acquired an 80% interest in IPC iXnet, which is building an international virtual private network to provide seamless global connectivity on a common technology platform and value added functionality that is tailored to the financial service industry's unique communications needs. System capabilities will include linkage of IPC's Tradenet MX digital voice communication systems, emulation of direct, private lines, dial-up video, automatic routing and other value-added services, features and products.

The Company's highly reliable, customized telecommunications systems are capable of providing high speed access to as many as 23,000 telephone lines and incorporate many features designed to increase user productivity, speed and quality of communication. The Company's systems are used on financial trading floors (where they are known as "turrets" or "dealerboards"), and in "command and control" systems by utilities and emergency service providers. IPC provides a high level of support for its products through annual or multi-year service contracts with its customers. The Company has also expanded into the design, integration, implementation and support of local ("LAN") and wide area networks ("WAN") to provide voice, data and video networking solutions for its customers, marketed as Information Transport Systems.

During April, 1995 the Company acquired Bridge Electronics, Inc. ("IPC Bridge"), a recognized leader in the design, manufacture and marketing of specialized open-line speaker systems used by the foreign exchange community and other traders in the financial services industry and the industry's only provider of digital speaker systems.

The Industry

Global Virtual Private Network. In fiscal 1996, IPC iXnet will provide an international virtual private network specifically designed for the financial services industry. An international virtual private network is a network, operating on a global basis, in which the user has all the services, capabilities and performance of a dedicated private network, but it is provided on a shared, switched network. The network will provide seamless global connectivity on a common technology platform and value added network functionality that is tailored to the financial services industry's unique communication needs. System capabilities will include linkage of IPC's Tradenet MX digital voice communication systems, emulation of direct private lines, dial up video, automatic routing, and other value-added services, features and products.

Information Transport Systems. As opposed to the monolithic network designs developed in the past, in which large mainframe computers served numerous "dumb" terminals, today's heterogeneous, distributed computing environment consists of networked desktop personal computers and workstations, print, facsimile and file servers, facsimile machines and LAN and WAN connections.

These components may have different communication protocols to be interfaced, and may involve hardware or software from a variety of vendors. In a heterogeneous, distributed computing environment, a wide range of physical media options, such as copper, coaxial or fiber optic cable, and physical and logical architectures may be present. Designing a network that optimally balances efficient, high-speed data flow, minimizes the cost of installation and ongoing maintenance and provides both maximum responsiveness and flexibility to the user can be extremely challenging. Selecting the best physical media and associated components for the network has become increasingly critical in network design. While devices such as intelligent hubs, routers and bridges have been developed to enable efficient data traffic flow throughout a network and increase network capacity, these devices only work to their optimum capabilities when all aspects of the network are properly designed. In choosing the physical media and associated components, network designers must allow not only for current use but also for network upgrade, expansion and reconfiguration.

Communications networks have become critically important as companies have realized that the worldwide distribution of information across their entire personnel base is vital to the success of the enterprise. For example, the distribution of market information in a financial services firm is no longer restricted to personnel on the trading floor. This increased need for information distribution and the advances in network design require companies to develop and maintain internal expertise or to outsource their needs to independent specialists. In response to its awareness of this increasing demand the Company implemented its Information Transport Systems program specifically designed to provide voice, data and video networking infrastructures to provide connectivity to all of the customer owned devices which require it. These systems are designed by the Information Transport Systems engineers, in accordance with industry standards, to be flexible and expandable. The Company's expertise in this field encompasses network design, integrating hubs, routers, bridges and similar components from various suppliers and all available physical media, including copper, fiber optic and coaxial cable.

Turrets. The turret industry is characterized by a relatively small number of manufacturers of highly specialized telecommunications systems sold primarily to companies in the financial services industry. These systems must be exceptionally reliable to accommodate the time critical nature of trading activity. Trading floors may contain in excess of 1,000 turrets, each with access to as many as 600 telephone lines. Although turrets are installed in addition to, and communicate with the internal corporate telephone system (the "PBX"), turrets have a multitude of enhanced features when compared to the PBX, including: (i) superior speed and reliability; (ii) non-blocking capabilities even under the busiest trading conditions; (iii) log-on/log-off features to enable trader mobility; (iv) line assignability to access additional direct telephone lines as needed; and (v) multiple programmable speakers.

Products and Services

Global Virtual Private Network

In fiscal 1996, IPC iXnet will provide an international virtual private network specifically designed for the financial services industry. An international virtual private network is a network, operating on a global basis, in which the user has all the services, capabilities and performance of a dedicated private network, but it is provided on a shared, switched network. The network will provide seamless global connectivity on a common technology platform and value added network functionality that is tailored to the financial services industry's unique communication needs. System capabilities will include linkage of IPC's Tradenet MX digital voice communication systems, emulation of direct private lines, dial up video, automatic routing, and other value-added services, features and products.

Initially, the network will provide customers certain benefits, including significantly faster connect times and global network management resulting from using a common equipment platform throughout the network, mitigating private line costs as a result of these faster connect times, and enhanced flexibility by providing customers with access on demand to better handle periods of increased network traffic, resulting in further savings to network users. Subsequently, software enhancements will be added to provide value added features specific to the financial services industry's application requirements.

Information Transport Systems

The Company markets its expertise in the design, implementation and maintenance of high speed data networks as Information Transport Systems. This business line includes three major product and service areas: structured wiring systems, networking products and network implementation and value added services. Information Transport Systems customers purchase these products and services on a stand alone basis or in bundled combinations.

Structured Wiring Systems. Structured wiring systems provide physical connectivity among all communications devices, such as telephone switching equipment (turret or PBX), facsimile machines, computer networks and video conference facilities. These structured wiring systems are designed in accordance with industry standards to be flexible and expandable. Structured wiring systems employ a combination of fiber optic, coaxial and copper cabling systems. Providing a customer with a structured wiring system includes several distinct phases: network design, documentation, installation, certification and ongoing service and maintenance. The Company offers its structured wiring system customers design input on various system elements, including diversity of cable routing, uninterruptable power systems, security safeguards and cable management systems. The Company places special emphasis on the testing and certification phases of the project since today's high speed networks demand that products be installed in accordance with strict manufacturer specifications. Upon certification, the Company guarantees structured wiring system installations as to transmission characteristics against defects for a period of five years. The Company also offers extensive documentation of the network infrastructure, cable layouts and all device connections. This information is provided on hard copy and in computerized media. In computerized form, the customer can maintain detailed records of all changes and reconfigurations to the network.

Networking Products. In addition to structured wiring systems, the Company markets and services a full line of networking system products. These include local area network hubs, adapters, bridges, routers, network management software and protocol converters.

The Company sells these products on a stand alone basis or fully installed, configured and integrated with customer systems. These products and services allow the customer to choose the best technology from a wide variety of vendors and integrate these technologies to address the business needs of the organization.

Network Implementation and Support. Complementing the structured wiring and networking products offerings, the Company offers a full line of technical and network implementation and support services. These services are available to customers on a project basis or as part of a long-term technical services contract. The purpose of the long term contract is to allow the customer to have continuous access to high quality technical expertise. These services enable customers to focus their resources on core business activities rather than internal systems support. Such customers will have access to a wide range of IPC technical and operational resources, including network engineering analysis, help desk support, user training and cabling and reconfiguration. These services provide the customers with a single point of access to a wide variety of technical services.

Value Added Services. The Company provides a wide range of value added services including, total turnkey, virtual trading rooms with coordination of trading room design, consulting, engineering implemention, project management, the staging and burn-in of workstations, technology and operational outsourcing.

Turrets

A turret is designed to be a sophisticated telephone system consisting of desktop consoles and backroom switching equipment for personnel involved in activities that require rapid access to telephone lines, and a high degree of reliability, such as the trading activity of a financial services company, and is installed in addition to, and communicates with, the PBX. The turret system has enhanced features and is highly reliable compared to a PBX. The desk console often has multiple handsets and provides access to a much larger number of telephone lines (up to 600). Turrets are used by organizations that have mission critical communications systems, in which personnel need to have rapid access to a large number of lines to deliver or receive critical information. For example, on a trading floor a lost connection could result in a lost transaction. The system must be completely "non-blocking" and allow all users to be on the telephone at the same time even under the busiest conditions. In sharp contrast, a typical PBX is designed to accommodate only approximately 20% of users speaking at the same time.

A turret system installation project involves extensive planning to ensure that all materials and labor are coordinated to achieve an on time, on budget completion. Detailed research is performed, defining all required features and lines. The cabling infrastructure is installed and tested prior to delivery of backroom switching equipment, usually a month before "cut-over" (the time when the system use begins). About two weeks prior to the cut-over, the desk consoles are installed and the complete system is rigorously tested. Currently, the largest trading floors have in excess of 1,200 turret positions with access to 8,000-10,000 telephone lines and can take up to a year to complete.

IPC's design architecture is a major advantage of IPC's turret products. IPC's current systems have a totally distributed architecture with microprocessor units distributed throughout the circuitry. As a result, there is no single point in its turret system that can cause a failure of the entire system.

Tradenet MX. Tradenet MX, a fully digital, distributed architecture product, was designed on a patented mesh-switching fault tolerant network, which is not vulnerable to isolated component failure. Its totally distributed design avoids the disadvantages of centralized processing by equipping each circuit card with two SPARC microprocessors, providing a combined 25 MIPS of processing power per circuit board. Tradenet MX is designed as a platform combining hardware and software upon which new features and applications can be added to enhance the product. Because they are mainly software based, these enhancements can be made quickly to enable the Company to respond rapidly to developments in the market or to a customer's specific requests. The customer can have a continually up-to-date system by gradually upgrading. The Tradenet MX platform is designed with the capability to switch data and video as well as voice.

MX Compact. During 1994, the Company determined that a more compact and less costly version of Tradenet MX was required for smaller sized locations, both in the financial services industry, and for utilities and emergency service providers. In June 1994, the Company introduced the MX Compact, designed with a capacity of 40 turrets with comparable features of Tradenet MX. The MX Compact is packaged in a single cabinet and competitively priced for smaller branch offices in smaller markets.

Tradenet. The Tradenet turret is an analog system which was introduced in 1989 and which incorporated significant advancements from previous-generation turrets in a number of areas. First, the Tradenet's console was upgraded to contain larger line and feature keys and a bright electroluminescent display. Additionally, the Tradenet was made easier to program and contained more features than previous turrets. Finally, the Tradenet was much smaller than the turrets it replaced, and allowed market data terminals to be placed on top of the turret console without obstructing line of sight between traders.

Exchangefone. Exchangefone, introduced in 1983, is an extremely ruggedized key telephone specifically designed for use on exchange floors. Exchangefone uses distributed microprocessor technology to provide ease of feature customization and a significant reduction in the cable between the trading floor and the backroom switching equipment.

Open Line Speaker Systems. The Company manufactures open line, digital, turnkey speaker systems for the financial services industry. These speaker systems provide full-duplex communications over two-wire or four-wire circuits that enable brokers to react instantaneously when trading. From a single microphone, brokers can broadcast simultaneously to numerous customers. Additionally, these speaker systems contain Digital Signal Processor software. This software enables the speaker systems to be utilized at increased volumes with minimal distortion, echo, feedback and sidetone.

The Company also manufactures multi-button key telephone sets and intercom and speaker systems sold in conjunction with turret positions. Additionally, IPC remarkets various other related products including, among others, PBX systems, video conferencing equipment and voice logging and recorder devices.

Turret Service. Following a standard one year warranty period after installation of a turret system, a customer generally enters into an annual or multi-year service contract, paid either monthly or quarterly in advance. In addition, turret services include moves, additions and changes to system configurations.

Product	Year Introduced	Innovations	Current List Price Range
Tradenet MX MX Compact	1992 1994	Fully digital switch and turret, digital line interface, enhanced system management, mesh switching, programmable speakers, multiple optional features, reduced back room	$ 8,500-15,000 $ 4,250-7,000
Tradenet	1989	Advanced analog switch with enhanced feature set and console ergonomics, electroluminescent display, touch screen module	$ 7,500-12,500
Exchangefone	1983	Rugged design, microprocessor control, reduced cabling	$ 5,000-7,000
Open Line Speaker Systems	1995	Digital open-line with digital signal processor echo canceled.	$ 5,000-9,000

Marketing and Sales

The Company presently markets its products domestically and internationally through various distribution channels.

The Company has direct sales and service locations in New York, London, Atlanta, Boston, Chicago, Cincinnati, Dallas, Houston, Los Angeles, New Jersey, Philadelphia, Pittsburgh, San Francisco, St. Louis, Toronto, Canada and Washington D.C. The Company also has a strong network of established distribution partners in Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, France, Germany, Greece, Hong Kong, Indonesia, Ireland, Italy, Japan, Kuwait, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Singapore, Switzerland, Thailand and Turkey. In order to provide both turret and Information Transport Systems sales and service at each of these locations, IPC has increased the requirements for its distributors to include expertise in LAN design and installation. At a minimum, each distributor will provide a resident qualified systems engineer and will utilize IPC's proprietary system testing equipment at each location.

IPC maintains a high profile in the financial services market, and increasingly in the utilities and emergency services markets, by using strategic advertising in industry publications and participating in relevant trade shows. The Company actively participates in industry seminars to communicate IPC's capabilities to prospective customers.

For information about the Company's geographic segments, see Note 11 to the Consolidated and Combined Financial Statements. Such information is set forth herein on page 36 of this Form 10-K.

Customers

The principal industries served by IPC include: financial services, banking and stock/commodity exchanges. Other targeted industries may include utilities, pharmaceutical, health care, fashion, emergency services and insurance. Historically, almost all of the Company's revenues have been derived from sales to customers in the financial services industry. No single customer accounted for more than 10% of the Company's total revenues in fiscal 1995 or 1994.

Backlog

As of September 30, 1995, the Company had a backlog of purchase contracts representing approximately $72.5 million of future revenues, as compared with approximately $70.5 million as of September 30, 1994. Due to the size and lead time of orders, which can vary substantially, and because the Company generally recognizes revenue upon the completion of an installation, the amount of backlog at any date may not be indicative of actual sales for any subsequent period. The Company's backlog includes only orders for new installations and does not reflect annual or multi-year service contracts or orders for the reconfiguration, alteration or expansion of existing systems, as such orders are normally completed within one month.

Research and Development

Since 1973, IPC has designed several generations of products that have been market leaders in both functionality and reliability and continues to work closely with its customers to understand their future requirements. The capabilities of Tradenet MX to switch data and video as well as voice signals provide opportunities for the Company to integrate all of those services to the trader's desk. IPC also holds patents that it believes will enable it to provide important and marketable features to traders when certain ISDN facilities become widely available in the future. In addition, the Company is researching the provision of full motion video to the trading desk.

ATM is an emerging technology that represents a new method of switching and transporting data across disparate LANs and WANs. ATM offers two primary advantages over current networking technologies. First, ATM can move a wide range of data types, such as voice, video, data and graphics, at speeds of up to 2 gigabits per second. ATM provides a point-to-point connection between any two network nodes that makes available the full network bandwidth. Second, ATM allows the dynamic reconfiguration of networks to adapt to the constantly changing needs of workgroups. Today, LANs require the geographic proximity of workgroups to a LAN server while ATM allows the creation of logical networks independent of the location of the individual nodes. ATM is expected to provide low cost connectivity and the high bandwidth necessary to take advantage of the most advanced applications, such as video conferencing and interactive multimedia communications.

The Company is a member of the ATM Forum, a select group of technology companies that exchange development information regularly in order to enhance the participants' knowledge of the technology. IPC has already begun research on enhancements to its current digital switch that will enable it to connect to an ATM network.

Manufacturing

The Company manufactures its products at a leased 85,000 square foot building in Westbrook, Connecticut. The facility houses production lines, a repair department, inventory, a training center and various support functions, including production scheduling, purchasing and quality assurance personnel and production lines for circuit board assembly.

Management believes that the manufacturing facility and its resources are capable of handling expected demand for the foreseeable future. The Company believes that there are adequate supplies of labor in the immediate area of the Westbrook facility.

Most components have a relatively short lead time of approximately 30 days. However, there are a few long lead time items, specifically displays and buttons, that need up to 24 weeks order time. The Company purchases certain key product components that are made to order from single source suppliers. Materials are ordered to a production forecast that is derived by constantly monitoring sales activity. The Company believes that its relationships with its suppliers are good, and it has not experienced supply difficulties due to a supplier not being able to produce goods.

Competition

The markets for sophisticated communications equipment and Information Transport Systems are highly competitive. Although some of the Company's competitors are substantially larger and have greater resources, management believes that IPC's strong market position is the result of its consistent ability to produce high quality products, its established reputation for the highest quality service, strong relationships with customers, experienced management and sales and technical staff.

In the worldwide market for trading turrets, IPC's main competitors are V Band Corporation and British Telecommunications plc. The Company also competes with Hitachi Ltd., Telaid, Etrali S.A., Telenorma Gmbh (a division of Robert Bosch Gmbh) and LM Ericsson. Management believes it has significant advantages over its competitors by providing superior quality products and outstanding customer service.

Direct competition to IPC in the Information Transport Systems business is difficult to identify. Although a number of companies can compete for parts of what the Company includes in its customer solutions (for example, cable installation), management believes that its expertise and global capability to support the full range of Information Transport Systems requirements of large national and international customers provide it with significant competitive advantages.

Direct competition to IPC iXnet is also difficult to identify. Although a large number of companies provide global telecommunication services, management believes that IPC iXnet will provide a unique value added service to the financial services industry that will provide IPC iXnet with significant competitive advantages.

Intellectual Property

The Company relies on a combination of patents, trade secrets, trademarks, copyrights and other intellectual property law, nondisclosure agreements and other protective measures to protect its proprietary rights. The Company currently has 13 United States patents, including design patents, and five more pending patent applications for its technologies. The Company also relies on unpatented know-how and trade secrets and employs various methods, including confidentiality agreements with employees and consultants, to protect its trade secrets and know-how. The Company also may desire to develop, produce and market commercially viable new products, such as personal communications systems, that may require new or renewed licenses from others.

Employees

As of September 30, 1995, the Company had 598 full-time, non-union employees worldwide, including 512 in the United States and 86 in the United Kingdom. Of these, 56 were engaged in marketing and sales, 73 in research, development and product engineering, 106 in finance, branch and corporate administration, 178 in manufacturing and 185 in operations.

An additional 464 United States workers are represented by collective bargaining units, including 427 within the New York metropolitan area provided under labor pooling agreements between the Company and two of its affiliates. Contracts with unions are negotiated every three years. Current agreements expiring through June 11, 1998 provide benefits, wage rates, wage increases and grievance and termination procedures. The Company has never experienced a work stoppage. Management believes that its current relations with labor are good and that existing union contracts will be renewed.

Environmental Matters

The Company is subject to various federal, state and local environmental laws and regulations, including those governing the use, discharge and disposal of hazardous substances in the ordinary course of its manufacturing process. Although management believes that its current manufacturing operations comply in all material respects with applicable environmental laws and regulations, there is no assurance that environmental legislation may not in the future be enacted or interpreted to create environmental liability with respect to the Company's facilities or operations.

ITEM 2. PROPERTIES

The Company leases its manufacturing facility in Westbrook, Connecticut, its executive offices in New York City, its research and development facility in Stamford, Connecticut and its branch offices and sales offices in the United States and in the United Kingdom.

The Company believes that its current facilities are adequate for its immediate and short-term requirements and does not anticipate the need for significant expansion in the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings and administrative actions, all of which are of an ordinary or routine nature incidental to the operations of the Company. In the opinion of the Company's management, such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on the Company's financial condition or results of operations. See "Certain Transactions and Relationships -- Contel Litigation" contained in the Proxy Statement, for a discussion of certain pending legal proceedings, to which the Company is not a party, involving the Acquisition of the Predecessor Company.

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

None

PART II

ITEM 5. M. RKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is listed on the Nasdaq Stock Exchange (Nasdaq - IPCI). The following table sets forth the high and low sales prices reported by the Nasdaq. The common stock began trading on September 27, 1994.

For the year ended:

	September 30, 1995		September 30, 1994	
	High	Low	High	Low
First Quarter	15 1/4	11	N/A	N/A
Second Quarter	14	11 1/4	N/A	N/A
Third Quarter	15 1/2	11 1/2	N/A	N/A
Fourth Quarter	18 3/4	12	16 1/4	15

As of November 30, 1995 there were 56 holders of record of the Company's stock.

To date, the Company has not paid any cash dividends to its stockholders. Any future payment of cash dividends will depend upon the Company's earnings and financial condition, capital requirements and other relevant factors. The Company does not intend to pay cash dividends in the foreseeable future but intends to retain its earnings for use in its business.

ITEM 6. SELECTED FINANCIAL DATA (unaudited)

(amounts in thousands, except earnings per share)

	For the year ended September 30, 1995	For the year ended September 30, 1994	For the year ended September 30, 1993	For the eleven months ended September 30, 1992	Predecessor Company — For the ten months ended October 29, 1991
Statement of Operations:					
Revenues	$206,254	$163,671	$112,714	$ 68,687	$58,371
Gross Profit	63,173	48,043	31,152	20,346	16,185
Net income (loss)	13,267	16,549 (1)	1,753	(3,478)	(5,496)
Earnings per share	$ 1.26				
Weighted average shares outstanding	10,506				
Pro forma earnings per share		$ 1.11 (2)			
Pro forma weighted average shares outstanding		8,535 (2)			
Supplemental pro forma earnings per share		0.88 (3)			

Balance Sheet Data:	September 30, 1995	September 30, 1994	September 30, 1993	September 30, 1992	October 29, 1991
Working capital	$ 46,851	$ 27,661	$ 16,696	$7,077	$ 11,597
Total Assets	128,036	110,702	70,120	44,488	35,434
Long-term debt		10,663	12,916	5,338	
Notes payable to stockholders		1,411	1,411	1,411	
Stockholders' equity	58,504	21,122	7,328	5,985	20,506

(1) Net income includes the cumulative effect of the Company's termination of its S corporation status which resulted in a tax benefit of $3,295.

(2) Pro forma earnings per share was computed by dividing pro forma net income (income before provision for income taxes less pro forma provision for income taxes) by pro forma weighted average number of shares outstanding. The pro forma provision for income taxes assumes that IPC-US was subject to corporate federal income taxes for the year and excludes the tax benefit associated with the termination of the Company's S corporation status (See (1) above). Pro forma weighted average number of shares outstanding is the historical weighted average number of shares outstanding during the year adjusted to give effect to the number of shares whose proceeds were necessary to pay the remaining S corporation distribution to pre-Offering stockholders.

(3) Effective October 1, 1994, and in connection with the Company's initial public offering, IPC converted from an S corporation to a C corporation. Supplemental pro forma earnings per share for 1994 has been calculated using the Company's reported income before taxes and giving effect for both the Company's fiscal 1995 effective tax rate and weighted average shares outstanding.

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

The following tables set forth certain statements of operations data and its percentage to total revenues for the periods indicated:

	For the year ended September 30,		
	1995	1994	1993
Revenues:			
Turret sales and installation	$100,851	$70,166	$54,973
Turret service	50,057	51,433	45,586
Information Transport Systems sales and installation	39,096	33,363	8,678
Information Transport Systems service	16,250	8,709	3,477
Total revenues	206,254	163,671	112,714
Cost of revenues	143,081	115,628	81,562
Gross profit	63,173	48,043	31,152
Research and development expenses	10,108	7,654	7,703
Selling, general and administrative expenses	31,038	23,727	19,542
Income from operations	22,027	16,662	3,907
Interest income/(expense), net	233	(1,568)	(1,404)
Gain on renegotiation of lease obligation on vacant facilities	-	517	451
Other income/(expense), net	226	65	74
Income before provision for income taxes	22,486	15,676	3,028
Provision/(benefit) for income taxes	9,219	(873)	1,275
Net income	$13,267	$16,549	$1,753
Revenues:			
Turret sales and installation	48.9 %	42.9 %	48.8 %
Turret service	24.3	31.4	40.4
Information Transport Systems sales and installation	18.9	20.4	7.7
Information Transport Systems service	7.9	5.3	3.1
Total revenues	100.0	100.0	100.0
Cost of revenues	69.4	70.6	72.4
Gross profit	30.6	29.4	27.6
Research and development expenses	4.9	4.7	6.8
Selling, general and administrative expenses	15.0	14.5	17.3
Income from operations	10.7	10.2	3.5
Interest income/(expense), net	0.1	(0.9)	(1.2)
Gain on renegotiation of lease obligation on vacant facilities	-	0.3	0.4
Other income/(expense), net	0.1	0.0	0.0
Income before provision for income taxes	10.9	9.6	2.7
Provision/(benefit) for income taxes	4.5	(0.5)	1.1
Net income	6.4 %	10.1 %	1.6 %

Comparison of the year ended September 30, 1995 to the year ended September 30, 1994

Revenues. Total revenues increased by $42.6 million or 26.0 %, to $206.3 million in the year ended September 30, 1995 from $163.7 million in the year ended September 30, 1994.

Revenues from turret installation and related service increased by $29.3 million, or 24.1%, to $150.9 million in the year ended September 30, 1995 from $121.6 million in the year ended September 30, 1994. This increase is primarily attributable to the increased acceptance of Tradenet MX. Management anticipates that sales of Tradenet MX will generate the majority of turret sales and installation revenue for the foreseeable future.

Revenues from Information Transport Systems sales and related service increased by $13.3 million, or 31.6% to $55.3 million in the year ended September 30, 1995 from $42.1 million in the year ended September 30, 1994. These increases were attributable to the continuing development and expansion of the Information Transport Systems business. Management expects its Information Transport Systems business will continue to grow more rapidly than the turret business and will represent an increasing proportion of total revenues.

Gross Profit. The gross profit as a percentage of total revenues increased to 30.6% for the year ended September 30, 1995 from 29.4% for the year ended September 30, 1994. This increase in gross profit percentage is due to continued installation efficiencies and manufacturing cost reductions.

Research and Development Expenses. Research and development expenses increased by $2.5 million, or 32.1%, to $10.1 million in the year ended September 30, 1995 from $7.7 million in the year ended September 30, 1994. The increase was due to the ongoing development of new products and enhancements to existing products. The Company believes that development of new products and enhancements to existing products are essential to its continuing success, and management intends to continue to devote substantial resources to research and product development in the future.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $7.3 million, or 30.8 %, to $31.0 million in the year ended September 30, 1995 from $23.7 million in the year ended September 30, 1994. As a percentage of revenues, expenses increased to 15.0% for the year ended September 30, 1995, from 14.5% for the year ended September 30, 1994. These increases are attributable to a rise in headcount and other expenses to support higher business levels and the continued development and expansion of the Company's Information Transport Systems business.

Interest Income / (Expense). Interest income / (expense) increased to $0.2 million in income for the year ended September 30, 1995 from $1.6 million in expense for the year ended September 30, 1994. This increase was due to the repayment of long-term debt from the proceeds of the Company's initial public offering in October 1994 and interest earned on temporary cash investments and short-term investments throughout fiscal 1995.

Gain on Renegotiation of Lease Obligation on Vacant Facilities. The Company renegotiated its obligation in connection with certain vacant facilities resulting in a $0.5 million gain for the year ended September 1994.

Provision for Income Taxes. The Company's effective tax rate for the year ended September 30, 1995 was 41%. Effective October 1, 1994, the Company terminated its S corporation status and, as a result, was subject to corporate federal income taxes in fiscal 1995. Accordingly, the year ended September 30, 1995 reflects an increase in the provision for income taxes as the comparable prior year's tax provision was based on the Company's S corporation status. On a comparable basis, assuming the same effective tax rate and number of shares outstanding after the Company's October, 1994 initial public offering, net income would have been $9.2 million or $0.88 per share for the year ended September 30, 1994.

Comparison of the Year Ended September 30, 1994 to the Year Ended September 30, 1993

Revenues. Total revenues increased by $51.0 million or 45.2%, to $163.7 million in the year ended September 30, 1994 from $112.7 million in the year ended September 30, 1993.

Revenues from turret sales and installation increased by $15.2 million, or 27.6%, to $70.2 million in the year ended September 30, 1994 from $55.0 million in the year ended September 30, 1993. This increase is primarily attributable to the increased acceptance of Tradenet MX and the continuing level of activity in the financial services industry. Management anticipates that sales of Tradenet MX will generate the majority of turret sales and installation revenue for the foreseeable future.

Revenues from turret service increased by $5.8 million, or 12.8%, to $51.4 million in the year ended September 30, 1994 from $45.6 million in the year ended September 30, 1993. The increase was due to a higher level of moves, adds and changes to existing installations.

Revenues from Information Transport Systems sales and installation increased by $24.7 million, or 284.5% to $33.4 million in the year ended September 30, 1994 from $8.7 million in the year ended September 30, 1993. Revenues from Information Transport Systems service increased by $5.2 million, or 150.5%, to $8.7 million in the year ended September 30, 1994 from $3.5 million in the year ended September 30, 1993. These increases were attributable to the continuing development and expansion of the Information Transport Systems business. Management expects its Information Transport Systems business will continue to grow more rapidly than the turret business and will represent an increasing proportion of total revenues. Management expects that service revenue from Information Transport Systems will experience growth as the sales and installation of Information Transport Systems products continue to increase.

Gross Profit. Total gross profit increased by $16.9 million or 54.2%, to $48.0 million in the year ended September 30, 1994 from $31.2 million in the year ended September 30, 1993. The improvement was primarily due to an increase in gross profit from turret sales and installation. The high level of market acceptance of Tradenet MX led to increased unit volumes and allowed the Company to reduce the level of discounts. This combined with continuing cost reduction and installation efficiency helped to increase gross profit margins for turret sales and installation.

The gross profit as a percentage of total revenues increased to 29.4% for the year ended September 30, 1994 from 27.6% for the year ended September 30, 1993. The increase in the gross profit percentage in turret sales and installation described above was partially offset by an increase in the proportion of total revenues attributable to the Information Transport Systems business which generally provide a lower margin. To establish the Company's Information Transport Systems business with certain large customers, the Company accepted several installations at lower margins which had an adverse effect on margins in the year ended September 30, 1994.

Research and Development Expenses. Research and development expenses remained relatively stable at $7.6 million in the year ended September 30, 1994 compared to $7.7 million in the year ended September 30, 1993 . The slight decrease resulted from a lower utilization of independent consultants. The Company believes that development of new products and enhancements to existing products are essential to its continuing success, and management intends to continue to devote substantial resources to research and product development in the future.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $4.2 million or 21.4%, to $23.7 million in the year ended September 30, 1994 from $19.5

million in the year ended September 30, 1993. As a percentage of revenues, such expenses were reduced to 14.5% for the year ended September 30, 1994, from 17.3% for the year ended September 30, 1993, as a result of increased revenues and controlled expenditure growth . A portion of the increase in the year ended September 30, 1994 relates to a $0.8 million charge relating to an employment agreement for a senior executive in connection with efforts associated with the Company's Offering and a $0.9 million charge for administrative service fees pursuant to labor pooling agreements entered into as of October 1, 1993. In addition, expenses have increased due to personnel additions to support expanding business levels.

Interest Income / (Expense). Interest income /(expense) increased to $1.6 million in net expense for the year ended September 30, 1994 from $1.4 million in net expense for the year ended September 30, 1993, due to increased usage of the Company's line of credit necessitated by the growth in its business and increased interest rates.

Gain on Renegotiation of Lease Obligation on Vacant Facilities. The Company renegotiated its obligation in connection with certain vacant facilities resulting in a $0.5 million gain for both the years ended September 1994 and 1993.

Provision for Income Taxes. For the years ended September 30, 1994 and 1993, IPC-US was an S corporation for United States federal tax purposes. On September 29, 1994, IPC-US filed a notification terminating its S corporation status, effective October 1, 1994, and will be subject to corporate federal income taxes in fiscal 1995. The benefit for income taxes for the year ended September 30, 1994 of $0.9 million results from a tax benefit in the amount of $3.3 million in connection with the Company's termination of its S corporation status partially offset by a provision for state taxes and the taxes of IPC-UK. For the year ended September 30, 1994 the provision for income taxes of $1.3 million relates primarily to taxes payable for the taxable income of IPC-UK.

Liquidity and Capital Resources

On October 3, 1994 the Company completed its Offering of 3,250,000 shares of common stock at $15.00 per share and received Offering proceeds of $45,337, net of underwriting discounts and commissions. During the year ended September 30, 1995, Offering proceeds were used to repay long-term debt of $10,663, repay notes payable to stockholders of $1,411 and pay an S corporation distribution of $18,530 to pre-Offering stockholders. The remaining proceeds were invested in temporary cash investments and short term investments

Net cash provided by operations was $7.3 million for the year ended September 30, 1995. Net cash provided by operations resulted from operating profits and inventory decreases from production efficiencies, offset by increases in trade receivables primarily from higher sales levels.

Net cash provided by operations was $7.3 million in the year ended September 30, 1994. Increases in inventory due to higher product demands and increases in trade receivables due to higher sales levels were more than offset by funds provided by increases in customer advances and deferred revenue and accounts payable and higher operating profits.

Net cash used in operations was $5.2 million in the year ended September 30, 1993 primarily from the funding of inventory purchases required by increasing sales in the latter part of the fiscal year, which was partially offset by funds provided by accounts payable and customer advances and deferred revenue.

Cash used in investing activities was $8.5 million, $1.2 million and $1.5 million for the years ended September 30, 1995, 1994 and 1993, respectively. Net cash flows used in investing activities resulted from property, plant and equipment expenditures, primarily composed of machinery and equipment and leasehold improvements. In connection with the Bridge Electronics, Inc. ("IPC Bridge") acquisition payment scheduled for January, 1996 the Company purchased $2.0 million of short-term investments during 1995.

In December, 1994 the Company signed a promissory note with a bank for a line of credit up to $15 million. This line of credit was not utilized during the year ended September 30, 1995.

In June of 1995, the Company acquired a controlling interest in International Exchange Networks, Ltd. ("IPC iXnet"). The Company acquired 80% of IPC iXnet for providing $5.5 million in working capital. The acquisition was accounted for using the purchase method of accounting.

In April of 1995, the Company acquired the assets of IPC Bridge. The terms of the acquisition include a future payment of $2 million in cash, 76,923 shares of the Company's common stock and possible additional payments contingent on future performance. The acquisition was accounted for using the purchase method of accounting.

The Company believes that cash flows from operations and existing credit facilities will be sufficient to meet its working capital and capital expenditure needs for the near future.

Quarterly Fluctuations and the Effects of Inflation

The size and lead time of new orders can vary substantially and, since the Company generally recognizes revenue from the sale and installation of turret systems and Information Transport Systems on the completion of an installation, the Company's quarterly results of operations may fluctuate significantly. Management does not believe that inflation has a significant effect on the Company's results.

Foreign Exchange

The Company's shipments to foreign distributors are generally invoiced in US Dollars. As a result, the Company believes its foreign exchange transaction exposure caused by these shipments is insignificant.

Sales to the Company's customers in the United Kingdom are denominated in British Pounds Sterling. The Company does not hedge its net asset exposure to fluctuations in the US Dollar/British Pound Sterling exchange rate. Accordingly, the Company is subject to risks associated with such fluctuation. However, adjustments to the Company's financial position as a result of currency fluctuations have not been significant.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Financial Statements and Financial Statement Schedule beginning on page 21.

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

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND OTHER OFFICERS OF THE REGISTRANT

a. Identification of Directors:

The information required by this Item is incorporated herein by reference to the information contained under the caption, "Election of Directors" in the Proxy Statement which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-K (the "Proxy Statement"). Such information is incorporated by reference pursuant to General Instruction G(3).

b. Identification of Executive Officers:

The information required by this Item is incorporated herein by reference to the information contained under the captions "Election of Directors" and "Management" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information contained under the caption "Executive Compensation" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the information contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated herein by reference to the information contained under the caption "Certain Transactions and Relationships" in the Proxy Statement. Such information is incorporated by reference, pursuant to General Instruction G(3).

PART IV

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

(a)(1) Financial Statements

(a)(2) Financial Statement Schedule

Schedules not listed have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated and Combined Financial Statements or notes thereto.

(a)(3) Exhibits

Exhibit No.	Exhibit Title
*3.2	Amended and Restated Bylaws of Registrant
*10.2.1	Letter Agreement, dated October 17, 1995, by and between the Registrant and Richard P. Kleinknecht amending the Employment Agreement, dated May 9, 1994, by and between the Registrant and Richard P. Kleinknecht.
*10.3.1	Letter Agreement, dated October 17, 1995, by and between the Registrant and Peter J. Kleinknecht amending the Employment Agreement, dated May 9, 1994, by and between the Registrant and Peter J. Kleinknecht.
*10.4.1	Letter Agreement, dated October 17, 1995, by and between the Registrant and Jeffrey M. Gill amending the Employment Agreement dated August 29, 1994, by and between the Registrant and Jeffrey M. Gill.
*10.14.1	Employer Agreement, dated as of October 17, 1995, by and between the Registrant and Steven Terrell Clontz.
21.2	Subsidiaries of the Registrant

* Filed as an exhibit to the Registrant's Report on Form 8-K, filed November 30, 1995, and incorporated herein by reference.

(b) Reports on Form 8-K

No Reports on Form 8-K were filed with the Securities and Exchange Commission during the fourth quarter of the fiscal year covered by this report.

SIGNATURES

Pursuant to the requirements of 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, thereunto duly authorized.

IPC INFORMATION SYSTEMS, INC.

Date: December 29, 1995

By: /s/ RICHARD P. KLEINKNECHT
Richard P. Kleinknecht
Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD P. KLEINKNECHT Richard P. Kleinknecht	Chairman and Director	December 29, 1995
/s/ PETER J. KLEINKNECHT Peter J. Kleinknecht	Vice Chairman and Director	December 29, 1995
/s/ TERRY CLONTZ Terry Clontz	Chief Executive Officer, President and Director (Principal Executive Officer)	December 29, 1995
/s/ JEFFREY M. GILL Jeffrey M. Gill	Chief Operating Officer	December 29, 1995
/s/ GREGORY RIEDEL Gregory Riedel	Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	December 29, 1995
/s/ THEODORE J. JOHNSON Theodore J. Johnson	Director	December 29, 1995
/s/ ROBERT J. MCINERNEY Robert J. McInerney	Director	December 29, 1995
/s/ PETER M. STEIN Peter M. Stein	Director	December 29, 1995

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders
of IPC Information Systems, Inc.:

We have audited the consolidated and combined financial statements and the financial statement schedule of IPC Information Systems, Inc. listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of IPC Information Systems, Inc. as of September 30, 1995 and 1994, respectively, and the consolidated results of their operations and their cash flows for the year ended September 30, 1995 and the combined results of their operations and their cash flows for the years ended September 30, 1994 and 1993, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

New York, New York
December 8, 1995

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)

	September 30, 1995 Consolidated	September 30, 1994 Combined	September 30 1994 Pro Forma See Note 1 (unaudited)
ASSETS:			
Current assets:			
Cash and temporary cash investments	$15,786	$2,616	$17,389
Trade receivables, less allowance of $1,572 and $1,331	50,513	39,450	39,450
Inventories	35,111	50,426	50,426
Prepaid expenses and other current assets	9,526	8,117	5,032
Total current assets	110,936	100,609	112,297
Property, plant and equipment, net	9,236	4,797	4,797
Other assets, net	7,864	5,296	5,296
Total assets	$128,036	$110,702	$122,390
LIABILITIES AND STOCKHOLDERS' EQUITY:			
Current liabilities:			
Accounts payable	$14,807	$15,542	$15,542
Accrued liabilities	19,366	16,164	16,164
Customer advances and deferred revenue	29,912	39,831	39,831
Notes payable to stockholders		1,411	
Total current liabilities	64,085	72,948	71,537
Long-term debt		10,663	
Other liabilities	5,447	5,969	5,969
Total liabilities	69,532	89,580	77,506
Commitments and contingencies			
Stockholders' equity:			
Preferred stock - $0.01 par value, authorized 10,000,000 shares, none issued and outstanding			
Common stock - IPC-US: $0.01 par value, authorized 25,000,000 shares; issued 10,763,740 and 7,451,883 shares at September 30, 1995 and 1994, respectively; IPC-UK: £ 1 par value, authorized, issued and outstanding 100 ordinary shares at September 30,1994	107	75	105
Paid-in capital	45,853	8,986	45,101
Retained earnings	13,262	12,383	
Less treasury stock, at cost, 242,185 shares in 1995 and 195,611 shares in 1994	(718)	(322)	(322)
Total stockholders' equity	58,504	21,122	44,884
Total liabilities and stockholders' equity	$128,036	$110,702	$122,390

See Notes to Consolidated and Combined Financial Statements.

IPC INFORMATION SYSTEMS, INC.

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Amount)

	For the year ended		
	Sept 30, 1995 Consolidated	Sept 30, 1994 Combined	Sept 30, 1993 Combined
Revenues:			
Product sales and installation	$139,947	$103,529	$63,651
Service	66,307	60,142	49,063
	206,254	163,671	112,714
Cost of revenues:			
Product sales and installation	95,174	74,233	48,294
Service	47,907	41,395	33,268
	143,081	115,628	81,562
Gross profit	63,173	48,043	31,152
Research and development expenses	10,108	7,654	7,703
Selling, general and administrative expenses	31,038	23,727	19,542
Income from operations	22,027	16,662	3,907
Interest income/(expense), net	233	(1,568)	(1,404)
Gain on renegotiation of lease obligation on vacant facilities		517	451
Other income/(expense), net	226	65	74
Income before provision for income taxes	22,486	15,676	3,028
Provision/(benefit) for income taxes	9,219	(873)	1,275
Net income	$13,267	$16,549	$1,753
Earnings per share	$ 1.26		
Weighted average shares outstanding	10,506		
Pro forma data (unaudited) (See Note 1):			
Pro forma provision for income taxes		$ 6,184	
Pro forma earnings per share		$ 1.11	
Pro forma weighted average number of shares outstanding		8,535	

See Notes to Consolidated and Combined Financial Statements.

IPC INFORMATION SYSTEMS, INC.

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the year ended		
	Sept 30, 1995 Consolidated	Sept 30, 1994 Combined	Sept 30, 1993 Combined
Cash flows from operating activities:			
Net income	$13,267	$16,549	$1,753
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,058	2,317	2,151
Other amortization	1,782	1,971	2,063
Provision for doubtful accounts	861	786	450
Deferred income taxes	(1,084)	(4,256)	2
Gain on renegotiation of lease obligation		(517)	(451)
Changes in operating assets and liabilities:			
Trade receivables	(11,804)	(11,783)	(16,188)
Inventories	15,440	(23,100)	(12,325)
Prepaid expenses and other current assets	(1,606)	(3,545)	758
Other assets	(342)	142	(514)
Accounts payable	(717)	3,044	6,591
Accrued liabilities and other liabilities	(630)	3,190	1,666
Customer advances and deferred revenue	(9,882)	22,455	8,884
Net cash provided by (used in) operating activities	7,343	7,253	(5,160)
Cash flows from investing activities:			
Capital expenditures	(6,499)	(1,173)	(1,494)
Purchase of short-term investment	(2,007)		
Net cash (used in) investing activities	(8,506)	(1,173)	(1,494)
Cash flows from financing activities			
Proceeds from long-term debt		123,211	91,145
Repayment of long-term debt	(10,663)	(125,464)	(83,567)
Repayment of notes payable to affiliates	(1,411)		
Proceeds from the sale of common stock	45,337		
Purchase of treasury stock	(396)	(72)	(250)
S corporation distribution	(18,530)	(2,470)	
Net cash provided by (used in) financing activities	14,337	(4,795)	7,328
Effect of exchange rate changes on cash	(4)	(243)	(62)
Net increase in cash	13,170	1,042	612
Cash, beginning of period	2,616	1,574	962
Cash, end of period	$15,786	$2,616	$1,574
Supplemental cash flow information:			
Income taxes paid	$ 9,876	$ 1,390	$ 335
Interest paid	$ 18	$ 1,157	$ 913

See Notes to Consolidated and Combined Financial Statements.

IPC INFORMATION SYSTEMS, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

	Par Value	Paid in Capital	Retained earnings (deficit)	Treasury stock	Total stockholders' equity
Consolidated balance, September 30, 1992	$75	$8,986	($3,076)		$5,985
Translation adjustment			(160)		(160)
Net income			1,753		1,753
Purchase of treasury stock				($250)	(250)
Combined balance, September 30, 1993	75	8,986	(1,483)	(250)	7,328
Translation adjustment			(213)		(213)
Net income			16,549		16,549
Purchase of treasury stock				(72)	(72)
S corporation distribution			(2,470)		(2,470)
Combined balance, September 30, 1994	75	8,986	12,383	(322)	21,122
Translation adjustment			(34)		(34)
Net income			13,267		13,267
Net proceeds from initial public offering	32	42,219			42,251
Issuance of common stock under employment contract		824			824
Purchase of treasury stock				(396)	(396)
S corporation distribution		(6,176)	(12,354)		(18,530)
Consolidated balance, September 30, 1995	$107	$45,853	$13,262	($718)	$58,504

See Notes to Consolidated and Combined Financial Statements.

1. Change in Capitalization:

The Company completed an initial public offering (the "Offering") of 3,250,000 shares of common stock at $15.00 per share on October 3, 1994. In connection with the Offering, on May 9, 1994, the Company's stockholders approved a change in the Company's capital stock to authorize 25,000,000 shares of $.01 par value common stock and 10,000,000 shares of $.01 par value preferred stock. Pre-Offering stockholders exchanged their shares for new common shares on a 620.991 for 1 basis prior to consummation of the Offering. The financial statements reflect this change in capitalization.

Pro Forma Information

An unaudited pro forma balance sheet as of September 30, 1994 is presented with the historical balance sheets. The pro forma balance sheet includes adjustments for: (a) recording the proceeds of the Offering of $45,337, (b) charging the deferred costs of the Offering of $3,086 against the proceeds from the Offering and (c) payment of notes to stockholders of $1,411, long-term debt of $10,663 and the distribution of $18,530 to the pre-Offering stockholders from the proceeds of the Offering.

Pro forma provision for income taxes for 1994 assumes that IPC-US was subject to corporate federal income taxes for the year and excludes the tax benefit associated with the termination of the Company's S corporation status (see Note 10). The pro forma weighted average number of shares outstanding is the historical weighted average number of shares outstanding during the year adjusted to give effect to the number of shares, at the initial offering price of $15.00 per share, whose proceeds were necessary to pay the remaining S corporation distribution. The pro forma net income per share has been computed by dividing pro forma net income (income before provision for income taxes less pro forma provision for income taxes) by the pro forma weighted average number of shares outstanding.

2. Summary of Significant Accounting Policies:

Principles of Consolidation and Combination

The consolidated financial statements include the accounts of IPC Information Systems, Inc. and its subsidiaries, substantially all of which are wholly-owned. The combined financial statements include the accounts of IPC-US and its affiliated company, IPC-UK. Intercompany balances and transactions have been eliminated.

Revenue Recognition

Revenue from product sales and installation is recognized upon completion of the installation except for revenue from sales to distributors, which is recognized upon shipment. Under contract provisions, customers are progress-billed prior to the completion of the installations. The revenue related to these advance payments is deferred until the system installations are completed. Revenues from "time and material" orders and other services are recognized upon completion of the services performed. Contracts for maintenance are billed in advance, and are recorded as deferred revenue and recognized ratably over the contractual periods.

Cash and Temporary Cash Investments
The Company places cash with several high quality financial institutions and thereby limits the amount of credit exposure to any single financial institution. Temporary cash investments with original maturities of less than three months are considered cash equivalents and consist of high grade municipal bond funds and time deposits. Temporary cash investments are stated at cost, which approximates fair value. These investments are not subject to significant market risk.

Trade Receivables
Trade accounts receivable potentially expose the Company to concentrations of credit risk, as a large volume of business is conducted with several major financial institutions, primarily companies in the brokerage, banking and financial services industries. To help reduce this risk, customers are progress-billed prior to the completion of the contract.

Inventories
Inventories are stated at the lower of FIFO (first in, first out) cost or market. Inventory costs include all direct manufacturing costs and applied overhead.

Property, Plant and Equipment
Property, plant and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives. When property or equipment are sold, retired or otherwise disposed of, the asset cost and related accumulated depreciation are removed from the accounts; gains and losses on such dispositions are reflected in current operations.

Capitalized Product Development Costs
Capitalized product development costs represent costs incurred after technological feasibility is established for the related product. The amortization of capitalized product development costs is, the greater of the amounts computed based on the estimated revenue distribution over the products revenue-producing lives, or the straight-line basis, not to exceed four years, beginning when the product becomes available for general release to customers. No product development costs were capitalized in the years ended September 30, 1995 and 1994. Unamortized capitalized product development costs, which relate solely to the Tradenet MX product, were $626 and $1,251 at September 30, 1995 and 1994, respectively, and are included in other assets. Amortization expense for each of the years ended September 30, 1995, 1994 and 1993 was $626.

Intangible Assets
Intangible assets, which are carried at cost less accumulated amortization, consist primarily of acquired technology and goodwill. Goodwill represents the excess of the cost over the fair value of the identifiable tangible and intangible assets acquired in various acquisitions. Costs allocated to technology and goodwill acquired in acquisitions are amortized on a straight-line basis over the periods benefited, principally 4 to 10 years. The Company measures the recoverability of acquired technology and goodwill based on anticipated gross operating income.

Research and Development
Research and development expenditures are charged to expense as incurred.

Income Taxes

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), the Company recognizes deferred income taxes for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is "more likely than not" to be realized. Provision for income taxes is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Foreign Currency Translation Adjustment

The balance sheets and statements of operations of IPC-UK are measured using the local currency as the functional currency. Assets and liabilities of IPC-UK are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the cumulative translation adjustment account in stockholders equity.

Earnings Per Share

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period, computed in accordance with the treasury stock method. Historical earnings per share were $2.27 and $0.24 for the years ended September 30, 1994 and 1993, respectively.

Reclassifications

Certain reclassifications have been made to the previous years' financial statements in order to conform to the current period's presentation.

3. Acquisitions

During June, 1995 the Company acquired a controlling interest in International Exchange Networks, Ltd. ("IPC iXnet"). The Company acquired 80% of IPC iXnet for providing $5,500 in working capital. The acquisition was accounted for using the purchase method of accounting. Included in other assets at September 30, 1995 is $1,222, representing the excess of the cost over the fair value of the identifiable tangible assets acquired allocated to acquired technology.

During April, 1995 the Company acquired the assets of Bridge Electronics, Inc. ("IPC Bridge"). The terms of the acquisition include a scheduled future payment in January, 1996 of $2,025 in cash, 76,923 shares of the Company's common stock, valued at $700, scheduled to be issued in January, 1996 and possible additional payments contingent on future performance. The acquisition was accounted for using the purchase method of accounting. Included in other assets at September 30, 1995 is $2,501, representing the excess of the cost over the fair value of the identifiable tangible and intangible assets acquired.

(Dollars in Thousands, Except Per Share Amounts)

4. Inventories:

	September 30, 1995	September 30, 1994
Components and manufacturing work in process	$ 9,245	$17,851
Inventory on customer sites awaiting installation	18,984	27,253
Parts and maintenance supplies	6,882	5,322
	$35,111	$50,426

5. Property, Plant and Equipment:

	September 30, 1995	September 30, 1994
Land	$ 329	$ 329
Machinery and equipment	13,501	8,561
Furniture and Fixtures	1,654	1,366
Leasehold improvements	2,789	1,520
	18,273	11,776
Less, accumulated depreciation and amortization	9,037	6,979
	$ 9,236	$ 4,797

6. Long-Term Debt:

At September 30, 1994 the Company had outstanding debt from a revolving loan and credit agreement, as amended, which provided for revolving credit of up to $13,500. Borrowings bore interest at Chemical Bank's announced prime rate plus 2.75% per annum; the interest rate at September 30, 1994 was 10.5%. In October 1994, the Company repaid its debt in full from the proceeds of the Offering and terminated the agreement under which the debt was incurred. In December 1994, the Company signed a promissory note with a bank for a line of credit up to $15,000 of which none is outstanding at September 30, 1995.

7. Deferred Compensation and Other Benefit Plans:

The Company has assumed responsibility for deferred compensation agreements with certain past key officers and employees. Amounts to be paid range from $20-$75 per individual per annum and are non-interest-bearing, with the payments commencing on specified dates. Payments began in 1992 and continue through 2019. The gross and discounted present value (using an interest rate of 7.5%), net of cash payments, of the amounts to be paid under these agreements, aggregated $7,450 and $3,606 at September 30, 1995 and $7,600 and $3,491 at September 30, 1994, respectively.

(Dollars in Thousands, Except Per Share Amounts)

Approximate payments for subsequent annual periods related to the deferred compensation agreements, at September 30, 1995, are as follows:

1996	$150
1997	188
1998	225
1999	280
2000	320
Thereafter	6,287
	$7,450

In April 1995, IPC-US terminated its participation in a defined contribution plan sponsored by Kleinknecht Electric Company ("KEC"), an affiliated company, and adopted its own plan for all eligible US employees. According to plan provisions, IPC-US contributions are discretionary and are subject to approval by the Board of Directors. Eligible employees may contribute up to 15% of their annual compensation. IPC-US contributed $520 for the year ended September 30, 1995. For the years ended September 30, 1994 and 1993, the Company elected not to contribute to the plan.

IPC-UK has a defined contribution plan covering all UK employees. Employee contributions are limited by statute, generally not to exceed 17.5% of base salary. IPC-UK contributions, net of forfeitures, for the years ended September 30, 1995, 1994 and 1993 were $92, $76 and $47, respectively.

The Company paid to KEC and Kleinknecht Electric Company - New Jersey ("KEC-NJ"), also an affiliated company, in accordance with labor pooling agreements, approximately $5,074, $4,744 and $2,803 for the years ended September 30, 1995, 1994 and 1993, respectively, representing pass through contributions to various union sponsored pension plans.

Stock Option and Incentive Plan

In 1994 the Company adopted a stock option and incentive plan. There are a total of approximately 791,000 shares of common stock reserved for issuance under the Company's stock option plan at September 30, 1995. At September 30, 1995, 248,000 shares have been granted, net of 16,000 shares cancelled, at prices ranging from $13.50 to $18.00. There are 5,000 shares exercisable at September 30, 1995. At September 30, 1995, an aggregate of approximately 543,000 shares remain available for grant.

The option plan also provides for the issuance of stock appreciation rights and restricted stock features under which shares of common stock may be issued to eligible employees. No such awards have been made.

Employee Stock Purchase Plan

In 1994, the Company adopted an employee stock purchase plan. There are a total of 526,813 shares of common stock reserved for issuance under the Company's employee stock purchase plan at September 30, 1995. The first plan year under the employee stock purchase plan will expire as of December 31, 1995 and shares of common stock will be issued thereunder during January 1996.

8. Commitments and Contingencies:

Litigation

Knight Ventures, Inc. ("KVI"), a company principally owned by Peter J. Kleinknecht and Richard P. Kleinknecht (the "Principal Stockholders"), and the former parent of the Company, is currently in litigation with Contel Corporation ("Contel") over among other claims, responsibility for approximately $3,300 of taxes, tax liens, tax assessments and tax warrants with respect to Contel IPC (the "Predecessor Company"), for periods prior to the acquisition of the Company from Contel. As a result of the above dispute, KVI has withheld payment on a note in the amount of $4,548 (the "Note") to Contel associated with KVI's acquisition of the Company.

The Note is guaranteed by KEC, and the Principal Stockholders. The Note, originally due on January 31, 1992, bears interest at 9% per annum, except in default, in which case the interest rate increases to 12% per annum. Since the Company is not a guarantor of the Note, and its assets are not pledged as collateral for the Note, the Note and related accrued interest have not been reflected in the financial statements.

During 1992, Contel sought summary judgment on the Note and on the executed guarantees. KEC, the Principal Stockholders, and KVI cross-moved for an order granting summary judgment declaring that, among other things, Contel is responsible for all pre-closing taxes of the Company in excess of $338, as specified in the Tax Allocation Agreement entered into as part of the purchase agreement between KVI and Contel.

In September 1992, Contel's motion for summary judgment was denied, the cross motion was declared premature and the parties were directed to serve formal pleadings. Included in other assets is $1,014 at September 30, 1995 and $989 at September 30, 1994 which represent amounts due, pursuant to the Tax Allocation Agreement, from Contel for pre-closing taxes paid by the Company. In addition, the Company has a receivable of $115 at both September 30, 1995 and 1994 which is included in other assets, for insurance premiums owed to the Company by Contel.

Management and outside legal counsel believe Contel is fully responsible for the above-mentioned $3,300 and all related costs and expenses and that the aggregate receivable of $1,129, at September 30, 1995, is fully recoverable from Contel.

Tax Allocation and Indemnification Agreement

As of May 9, 1994, the Company, KVI and the pre-Offering stockholders entered into a Tax Allocation and Indemnification Agreement (the "Tax Agreement") relating to their respective income tax liabilities and certain related matters as a consequence of the Offering. The Tax Agreement generally provides that the pre-Offering stockholders will be indemnified by the Company with respect to federal and state income taxes (plus interest and penalties) shifted from a C corporation taxable year to a taxable year in which the Company was an S corporation, and that the Company will be indemnified by the pre-Offering stockholders with respect to federal and state income taxes (plus interest and penalties) shifted from an S corporation taxable year to a C corporation taxable year. However, in the case of the pre-Offering stockholders' obligation to indemnify the Company, such obligation shall be limited to the tax benefit, if any, derived by the pre-Offering stockholders due to the shift of taxable income from a taxable year in which the

(Dollars in Thousands, Except Per Share Amounts)

Company was an S corporation to a C corporation taxable year. Any payment made by the Company to the pre-Offering stockholders pursuant to the Tax Agreement may be considered by the Internal Revenue Service or the state taxing authorities to be nondeductible by the Company for income tax purposes. In addition, the Company, KVI, and the Principal Stockholders have agreed, to the extent that either KVI or the Principal Stockholders receive any cash proceeds or other benefit in the form of a reduction in amounts payable on the Note to Contel as a consequence of such litigation, the Principal Stockholders will pay to the Company the lesser of (i) such benefit or (ii) the amount paid by the Company for taxes and related charges subject to the dispute, plus the amount of any expenses of such litigation incurred by the Company following the consummation of the Offering. The Tax Agreement also provided that KVI assign to the Company certain benefits and rights of KVI with respect to KVI's right of first refusal to purchase certain businesses which may compete with the Company. In consideration of the Principal Stockholders' agreement to make such payments and KVI's assignment of such rights, the Company will pay any and all expenses incurred in connection with such litigation between KVI and Contel and will not proceed independently against or receive any amount directly from Contel.

Leases

The Company has entered into various operating leases for real estate, equipment and automobiles.

Rental expenses under operating leases (excluding rentals on vacant facilities) were $5,587, $5,252 and $4,323 for the years ended September 30, 1995, 1994 and 1993, respectively. Future minimum annual rental payments required under noncancellable operating leases (including rentals on vacant facilities) at September 30, 1995 are as follows:

1996	$4,482
1997	4,581
1998	3,637
1999	2,488
2000	2,065
Thereafter	1,688
	$18,941

The Company has accrued for the minimum annual rental and estimated building operating costs under noncancellable operating leases for vacated facilities. These leases extend through May 1998. The gross and discounted present value of the accrued liability, net of payments made, approximated $1,958 and $1,844 at September 30, 1995 and $3,367 and $3,086 at September 30, 1994, respectively. The discount rate applied was 6.8%.

Employment Agreements

The Company has executed employment contracts for future services, that vary in length up to 5 years, with certain senior executives for which the Company has a minimum commitment aggregating approximately $9,300 at September 30, 1995.

9. Related Party Transactions:

Services Provided

Affiliated companies performed various services and provided certain equipment to the Company. Services and/or equipment provided by affiliates are billed to the Company and settled through a periodic cash transfer to the affiliate. Approximately $38,666, $36,293 and $22,395 of technical labor, and $2,083, $1,767 and $1,746 of administrative labor was provided through agreements with KEC and KEC-NJ during the years ended September 30, 1995, 1994 and 1993, respectively.

Effective October 1, 1993, the Company formalized in writing existing arrangements with KEC and KEC-NJ with respect to a pool of field technicians utilized by all three companies. KEC and KEC-NJ are responsible for administering the payroll and related services for these technical and clerical workers and the Company reimburses all compensation and benefits paid by KEC and KEC-NJ attributable to services performed for the Company plus a fee equal to 2.5% of such costs. For the years ended September 30, 1995 and 1994, KEC and KEC-NJ billed the Company payroll administrative services of $1,024 and $922, respectively.

Approximately $2,986 of subcontract labor was provided by KEC during the year ended September 30, 1993. For the year ended September 30, 1993, KEC billed the Company administrative services of $200.

A portion of the Company's New York branch operation is co-located with KEC in a building owned by the Principal Stockholders. For each of the years ended September 30, 1995, 1994 and 1993, the Company was charged approximately $430 for rent expense. In addition, for the years ended September 30, 1995, 1994 and 1993, the Company rented on a month to month basis two other facilities from entities controlled by the Principal Stockholders for which the Company was charged approximately $55, $130 and $98, respectively.

Equipment Rentals

Equipment rentals from an affiliated company were $975, $1,201 and $754 for the years ended September 30, 1995, 1994 and 1993, respectively.

Subcontracts and Other

The Company and other companies controlled by the Principal Stockholders periodically subcontract certain work to one another. Amounts charged to companies controlled by the Principal Stockholders under subcontracts with IPC for the years ended September 30, 1995 and 1994 were approximately $2,220 and $128, respectively, while amounts charged to IPC under subcontracts with companies controlled by the Principal Stockholders were approximately $587 and $993, respectively.

In addition to the foregoing, the Company, KEC and KEC-NJ entered into a 20 year agreement dated as of May 9, 1994, with respect to business opportunities regarding cabling of communication infrastructures. KEC and KEC-NJ have agreed not to bid for or accept cabling jobs in competition with the Company, if it intends to bid or accept such work. In addition, because the Company is not a licensed electrical contractor, it has agreed to refrain from bidding for or accepting without the consent of KEC or KEC-NJ, as the case may be, all opportunities that combine both electrical and cabling work. The Company has also agreed to continue to refer to KEC and KEC-NJ certain electrical contracting bid opportunities identified from time to time. Pursuant to such agreement, all estimates for cabling work shall be generated by the Company on behalf of KEC, and KEC will pay the Company a nominal amount for preparing such estimates.

(Dollars in Thousands, Except Per Share Amounts)

The Company and companies controlled by the Principal Stockholders also charge each other certain miscellaneous expenses, including, but not limited to, office equipment rentals and certain other administrative expenses.

10. Income Taxes:

Pretax earnings consisted of the following:

	For the Year Ended September 30, 1995	For the Year Ended September 30, 1994	For the Year Ended September 30, 1993
Pretax earnings:			
United States	$17,158	$ 9,760	$ 191
Foreign	5,328	5,916	2,837
Total pretax earnings	$22,486	$15,676	$3,028

Effective October 1, 1992, IPC-US elected to be treated as an S corporation for federal income tax purposes. In the years ended September 30, 1994 and 1993 the Company was not subject to federal income taxes. The Company's income was passed through and taxed directly to the stockholders.

On September 29, 1994, IPC-US filed a notification terminating its S corporation status, effective October 1, 1994. For the year ended September 30, 1995, the Company was subject to corporate federal income taxes.

The provision (benefit) for income taxes consisted of the following:

	For the Year Ended September 30, 1995	For the Year Ended September 30, 1994	For the Year Ended September 30, 1993
Current:			
Federal	$ 5,887		
State and local	2,558	$1,160	$ 265
Foreign	1,858	2,223	1,012
	10,303	3,383	1,277
Deferred:			
Termination of S corporation status		(3,295)	
Federal	(673)		
State and local	(359)	(744)	(32)
Foreign	(52)	(217)	30
	(1,084)	(4,256)	(2)
Income tax provision / (benefit)	$9,219	$ (873)	$1,275

(Dollars in Thousands, Except Per Share Amounts)

The components of net deferred tax assets are as follows:

	September 30,					
	1995			1994		
	U.S.	Foreign	Total	U.S.	Foreign	Total
Deferred tax assets:						
Excess of book over tax depreciation	$1,133	$ 26	$1,159	$1,257	$ 30	$1,287
Amortization of intangibles	25		25	23		23
Inventory and receivables	2,602	214	2,816	1,598	158	1,756
Accrued expenses	1,570	—	1,570	1,626	—	1,626
Total deferred tax assets	5,330	240	5,570	4,504	188	4,692
Deferred tax liabilities:						
Investment income					(1)	(1)
Amortization of intangibles	(227)	(1)	(228)	(433)		(433)
Total deferred tax liabilities	(227)	(1)	(228)	(433)	(1)	(434)
	$5,103	$239	$5,342	$4,071	$187	$4,258

These net deferred tax assets arise from temporary differences related to depreciation, the amortization of intangible assets, the allowance for doubtful accounts, inventory valuation and the Company's various accruals. No valuation allowance was required at September 30, 1995 and 1994.

A reconciliation between the statutory U.S. federal income tax rate and the Company's effective tax rate is:

	September 30, 1995
Statutory U.S. federal tax rate	35.0%
State and local income taxes, net of federal benefit	6.4
Tax exempt interest income	(0.5)
Other, net	0.1
	41.0%

(Dollars in Thousands, Except Per Share Amounts)

11. **Operations by Geographic Areas:**

Information about the Company's operations by geographic area is as follows:

	For the Year Ended September 30, 1995	For the Year Ended September 30, 1994	For the Year Ended September 30, 1993
Revenues:			
United States	$186,355	$142,130	$ 94,135
United Kingdom	19,899	21,541	18,579
	$206,254	$163,671	$112,714
Operating Profits:			
United States	$30,714	$20,371	$ 3,220
United Kingdom	4,192	5,345	8,099
Corporate	(12,879)	(9,054)	(7,412)
	$22,027	$16,662	$ 3,907
Identifiable Assets			
United States	$ 98,228	$ 94,530	$56,688
United Kingdom	25,417	8,799	8,024
Corporate	4,391	7,373	5,408
	$128,036	$110,702	$70,120

Included in the United States revenues are export sales to unaffiliated customers of $17,063, $12,849 and $3,167 for the years ended September 30, 1995, 1994 and 1993, respectively. Transfers from the United States to the United Kingdom, eliminated in consolidation, were $7,999, $6,764 and $6,117 for the years ended September 30, 1995, 1994 and 1993, respectively.

No single customer accounted for 10% or more of total revenues. Corporate assets are principally prepaids, intangibles and other assets.

12. Quarterly Financial Information (unaudited)

The following tables set forth unaudited quarterly financial information for the years ended September 30, 1995 and 1994:

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(in thousands, except per share amounts)			
Year Ended September 30, 1995:				
Total revenues	$ 47,716	$ 50,528	$ 52,458	$ 55,552
Gross profit	14,511	15,415	16,138	17,109
Net income	3,068	3,268	3,486	3,445
Earnings per share	$ 0.29	$ 0.31	$ 0.33	$ 0.33
Year Ended September 30, 1994:				
Total revenues	$ 38,313	$ 39,719	$ 40,096	$ 45,543
Gross profit	11,122	11,548	11,796	13,577
Net income	4,051	2,930	2,679	6,889

Net income in the fourth quarter of 1994 includes the cumulative effect of the Company's termination of its S corporation status which resulted in a tax benefit of $3,295.

Schedule II

IPC INFORMATION SYSTEMS, INC.

VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at	Additions			
Description	Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
For the Year September 30, 1993					
Provision for Doubtful Accounts	$ 532	$ 450		$ 159 (1)	$ 823
Provision for Inventory Obsolescense	$7,515	$ 1,715		$ 5,305 (2)	$ 3,925
For the Year September 30, 1994					
Provision for Doubtful Accounts	$ 823	$ 786		$ 278 (1)	$ 1,331
Provision for Inventory Obsolescense	$3,925	$ 2,062		$ 427 (2)	$ 5,560
For the Year September 30, 1995					
Provision for Doubtful Accounts	$1,331	$ 861		$ 620 (1)	$ 1,572
Provision for Inventory Obsolescense	$5,560	$ 3,052		$ 1,123 (2)	$ 7,489

(1) Doubtful Accounts Written Off, Net of Cash Recovered
(2) Inventory Written Off

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BALANCE SHEET

September 30, 1996

IXNET

LONG TERM & OTHER ASSETS	IXNET US	IXNET UK	CONSOLIDATED
Long Term Assets:			
Machinery & Equipment	803,533.15	136,231.93	939,765.08
Machinery & Equipment at Cust. Premise	-	69,378.14	69,378.14
Furniture & Fixtures	50,448.29	120,041.71	170,490.00
Leasehold Improvements	383,045.41	672,914.02	1,055,959.43
Switch & Facility Equipment	3,381,571.02	2,837,670.58	6,219,241.60
Construction In Progress - Ixnet US	361,793.28	-	361,793.28
* Construction In Progress - Ixnet Germany	-	43,711.28	43,711.28
* Construction In Progress - Ixnet France	-	128,453.32	128,453.32
* Construction In Progress - Ixnet Switzerland	-	139,978.95	139,978.95
Total Fixed Assets	4,980,391.15	4,168,379.93	9,148,771.08
Accum. Depr. - Machinery & Eqpt.	79,436.06	19,457.64	98,893.70
Accum. Depr. - Furniture & Fixtures	5,044.83	15,274.15	20,318.98
Accum. Depr. - Leasehold Impr.	19,877.49	38,188.72	58,066.21
Accum. Depr. - Switch & Fac. Eqpt.	329,010.38	282,897.37	611,907.75
	433,368.76	355,817.88	789,186.64
Net Fixed Assets	4,547,022.39	3,812,562.05	8,359,584.44
Other Assets:			
Security Deposits	50,854.74	-	50,854.74
Capitalized Software	15,425.70	-	15,425.70
Total Other Assets	66,280.44	-	66,280.44
TOTAL LONG TERM & OTHER	4,613,302.83	3,812,562.05	8,425,864.88
TOTAL ASSETS	$ 4,901,694.90	$ (40,855.42)	$ 4,860,839.48

* Reclassified from Intercompany accounts to C.I.P. Represents equipment awaiting installation at above noted locations.

BALANCE SHEET
September 30, 1996

IXNET

LIABILITIES & STOCKHOLDERS EQUITY

CURRENT LIABILITIES	IXNET US	IXNET UK	CONSOLIDATED
Accounts Payable:			
Accounts Payable	363,118.15	-	363,118.15
Accounts Payable Accruals	210,775.88	17,329.26	228,105.14
Total Net Accounts Payable	573,894.03	17,329.26	591,223.29
Accrued Compensation & Benefits:			
Accrued Salaries & Wages	11,339.57	-	11,339.57
Accrued Executive Commissions	291,348.05	-	291,348.05
Accrued Sales Commissions	66,119.34	-	66,119.34
Accrued Incentive Compensation	98,281.08	19,608.06	117,889.14
Accrued Taxes - Other	831.59	-	831.59
Total Accrued Comp. & Benefits	467,919.63	19,608.06	487,527.69
Accrued Expenses:			
Sales Tax Payable - NY	662.61	-	662.61
Sales Tax Payable - CT	16,350.54	-	16,350.54
Sales Tax Payable - NJ	1,243.90	-	1,243.90
Federal Excise Tax Payable	20,670.73	-	20,670.73
NY Gross Receipts Tax Payable	27,216.96	-	27,216.96
NY Excise Tax Payable	(1,145.22)	-	(1,145.22)
Other Taxes Payable	5,019.74	-	5,019.74
Accrued Professional Services	-	4,684.20	4,684.20
Accrued Other	40,239.16	172,490.37	212,729.53
Accrued Other - Vat Recoverable	-	(311,827.82)	(311,827.82)
Accrued Expense - Free Rent	93,491.82	-	93,491.82
Total Accrued Expenses	203,752.26	(134,653.25)	69,099.01
Income Tax Payable			
Accrued State Income Tax	(300.00)	-	(300.00)
Total Accrued Income Tax	(300.00)	-	(300.00)
Commitments Payable:			
GE Lease Commitments Payable	465,835.50	473,834.85	939,670.35
Total Commitments Payable	465,835.50	473,834.85	939,670.35
TOTAL CURRENT LIABILITIES	1,711,101.42	376,118.92	2,087,220.34

BALANCE SHEET
September 30, 1996

LONG TERM LIABILITES	IXNET US	IXNET UK	CONSOLIDATED
Commitments Payable:			
GE lease Commitments Payable	2,251,795.31	1,177,511.85	3,429,307.16
Total Commitments Payable	2,251,795.31	1,177,511.85	3,429,307.16
TOTAL LONG TERM LIABILITES	2,251,795.31	1,177,511.85	3,429,307.16
EQUITY			
Retained Earnings	(4,330,132.61)	(1,580,238.19)	(5,910,370.80)
Common Stock - Ixnet	28.00		28.00
Paid in Capital - Ixnet	5,290,472.00		5,290,472.00
Cumulative Translation Adjustments	(21,569.22)	(14,248.00)	(35,817.22)
TOTAL EQUITY	938,798.17	(1,594,486.19)	(655,688.02)
TOTAL LIABILITES & EQUITY	$ 4,901,694.90	$ (40,855.42)	$ 4,860,839.48

IXNET

Income Statement
For the Year Ended September 30, 1996

Revenue		$3,711,044
Cost of Goods Sold		2,529,568
Gross Profit		$1,181,476
Expenses		
	Payroll and Commisions	3,334,506
	Travel and Entertainment	360,798
	Facilities	2,071,258
	Other	843,306
Total		6,609,868
Other Income		106,252
Net Income (Loss)		($5,322,140)

I hereby affirm that these financial statements are true and correct.

Controller Ronald F Shames

President [signature]

IXNET

PROJECTED STATEMENT OF OPERATIONS - FLORIDA
SEPTEMBER 1997 - SEPTEMBER 1998

Revenue		$	400,000
Less: Cost of Sales			
Direct	250,000		
Indirect	10,000		
Total Cost of Sales	260,000		260,000
Gross Profit			140,000
Less: Selling, General and Administrative			95,000
Net Income		$	45,000

EXHIBIT C

TAB 1 **SUMMARY OF TECHNICAL AND MANAGERIAL QUALIFICATIONS**

TAB 2 **RESUMES OF DAVID WALSH, ROBERT WOOG AND WILLIAM WALSH**

SUMMARY OF TECHNICAL AND MANAGERIAL QUALIFICATIONS

iXnet has a competent and experienced management staff. David Walsh, iXnet's President, has worked in senior management positions in the telecommunications and financial industries since 1983. He has extensive experience in developing and implementing closed user group telecommunications networks both in the United States and internationally and has significant experience supervising and overseeing the operations of a large company and staff.

Robert D. Woog, Vice President—Business Development for iXnet, has over twenty-five years experience in the telecommunications business, including over ten years with AT&T-affiliated entities. Mr. Woog has designed and implemented various telecommunications systems for a variety of companies.

Attached at Tab 2 are the resumes of David Walsh and Robert Woog.

David A. Walsh
President - IPC IXnet
Wall Street Plaza
88 Pine Street
New York, NY 10005
Phone: (212) 825-9060
Fax: (212) 858-7990

Mr. Walsh is President of *IPC IXnet*, a New York-based company formed in 1993 to address the increasing market demand in the financial community for premium international communications services provided over a transparent, end-to-end managed infrastructure. The company is constructing a true global virtual private network for the financial community. Numerous customer connectivity and transport features will be accommodated, each specifically aimed at delivering an unrivaled level of quality, inter-operability and ease of use.

Previously, Mr. Walsh served as a consultant to the New York Commodities Exchanges (Commodity Exchange, Inc.; The Coffee, Sugar & Cocoa Exchange, Inc.; The New York Cotton Exchange, and the New York Futures Exchange). Among his responsibilities, Mr. Walsh directed the development of an 8,000-line network for the Exchanges and their member firms and a market-data management information system to monitor a $50 million trading information "ticker" network. In addition, he was senior manager for a design of technological systems for a new trading and office facility for the Exchanges. Other concurrent consulting projects included the design and installation of two international private networks in Moscow, Russia and Sao Paulo, Brazil for an international carrier. These networks were designed to meet emerging telecommunications opportunities in third-world countries.

While consulting, Mr. Walsh formed Voyager Networks, an international value-added carrier which has grown 100% per year since its inception. Voyager provides managed network services to many large and small companies on a global basis.

Prior to the Commodities Exchanges assignment, Mr. Walsh was the Director of Technology within a large, diversified financial firm, Mills & Allen. Mills & Allen is a holding company for the following brokerage houses: Garban, GIMB, Garvin Guybutler, Gintelco, Harlow Meyer Savage, MKI and Titus Donnelly. Mills & Allen was the holding company for the following technology companies: GIS Information Systems, Garban Computer Inc., Radar Trading Systems and Direct Financial Services. Mr. Walsh headed strategic technological developments for the firm. Major projects which were completed included: New York City Fiber Optic Network, consisting of 2000 circuits, 1000 lines, 20 nodes, T1 backbone international network and a worldwide multi-tasking computer workstation LAN.

From 1986 to 1988, Mr. Walsh was the Director of Technology for Drexel Burnham Lambert Trading Corporation. While with Drexel, Mr. Walsh built and managed its entire domestic and international trading network.

From 1983 to 1985, Mr. Walsh worked with PSI Telecommunications. As the General Manger for PSI, Mr. Walsh was responsible for the design, procurement, installation and maintenance of many telecommunication systems. Client management included financial accounts such as Central

National Bank and Greenfield Arbitrage. A diversity of systems were managed including networks, key, hybrid, PBX, turret, speaker, call accounting and ACD.

Mr. Walsh received his B.B.A. from Valdosta State College and an MPS Degree in Telecommunications from New York University.

Robert D. Woog
230 North Wyoming Avenue
South Orange, New Jersey 07079
(201) 761-7316

EDUCATION:

- B.S.E.E. with honors (3.33/4.00) - Worcester Polytechnic Institute
- Operations Research Summer Course - University of Michigan
- Various Bell System Technical and Management Programs
- IBM Executive Seminars: 360/370 Operating Systems, IMS, VS
- Computer Programming Courses - UNIX, Fortran

WORK EXPERIENCE:

July 1995 to present:
IXNET- **Vice President - Global Operations**

- Responsible for all international operations, including planning of network expansion, strategic allia ces, regulatory and legal implications, and selection and negotiation of partners and vendors. Determines all carrier selection and negotiates all major agreements. Supervises all operations personnel until separate business units are established. Assesses all new technologies and negotiates vendor pricing, terms, etc. Selects all international locations and supervises activation of equipment and services. Manages special projects as assigned by the President.

April, 1988 to June, 1995:
POSITRON INDUSTRIES, INC. - **Vice President - Operations**

- Responsible for directing all engineering and product development of turret and related products. Initiates and manages all vendor relationships for related products marketed as part of the Positron product line. Oversees manufacturer and distributor service and technical support capabilities for both new installations and installed sites. Performs technical sales presentations for both domestic and international customers and distributors.

June, 1986 to December, 1987:
COMMUNICATIONS TECHNIQUES, INC. - **Director of Quality Assurance**

- Revamped the Quality Control department into a fully functional Quality Assurance Organization. Instituted corrective action programs in all facets of operations including a disciplined product flow and effective feedback systems. Instituted a Failure Analysis and Product Improvement System by devising and supervising a systems of analysis, feed-back, and control for all manufactured units utilizing computerized databases.

March, 1985 to May, 1986:
DIGITAL TRANSERVICE CORPORATION - **Executive Vice President**

- Responsible for overall design of all telecommunications systems including selection of all equipment and negotiations with vendors for price, terms and conditions. Formulated the deployment strategy and techniques for all transmission, switching, cabling, and interfacing to customer equipment. Determined the technical feasibility of all new services and engineered their implementation. Managed and supervised all field installation and maintenance organizations and activities including network control, service provisioning, and customer support.

May, 1982 to February, 1985:
AT&T COMMUNICATIONS - **District Manager - Planning and Design Laboratories**

- Responsible for the complete development of cost effective prototype and production system designs for use in operation and control of central office equipment and in the provision of new customer services. Managed an organization of forty engineers and computer scientists who design, develop, field test, and support microprocessor based communications systems. Projects included: Primary Alert System for the North American Aerospace Defense Command (NORAD), a mobile communications van for use with Airborne Command Aircraft, a packet switch and PAD, network teleconferencing bridges, and a complete control console for High Seas radio service.

January, 1979 to April, 1982:
AT&T LONG LINES - **District Data Systems Manager - Advanced Office Systems**

- Responsible to manage AT&T's internal investigation into the "Office of the Future." Responsible for strategies, standards, project management, equipment purchases, software selection, networking, designation of test sites, etc. reporting to an Interdepartmental Vice-Presidential Steering Committee. Managed the development and deployment of an AOS prototype through volume testing with over five hundred users at nearly one hundred sites, including evaluation of human factors, and psychological/sociological implications. Functionally the system encompassed Electronic Messaging, Teleconferencing, Text Management, Information Storage and Retrieval, Decision Support, and Personal Support Systems. This UNIX based system has now grown to a production environment supporting over thirteen thousand AT&T managers.

October, 1975 to December, 1978:
TELECOMMUNICATIONS COMPANY OF IRAN - **Assistant Director General**

- Fully responsible to provide long distance services to the Iranian Military Forces by directing all appropriate agencies in TCI, Ministry of PT&T, and Military Organizations. Result in one year was a tenfold increase in the usable military network both in number of circuits and bases served. Also directly responsible for all communication needs of the "head of state" as well as the U.S. Embassy. Supervised the Microwave Installation Organization for radio, multiplex, UHF, power, and toll terminal equipment for foreign contractors and Iranian technicians. Supervised the Microwave Network Control Center responsible for Network Control and Restoration. Served as prime adviser in all facets of maintenance and operations.

June, 1973 to October, 1975:
AT&T LONG LINES - **Manager of Technical Support - Engineering Computer System Applications**

- Project managed a team of Bell Labs and outside consultant Operations Research Ph.D.s to create a feasible heuristic technique to automate the engineering planning process of the AT&T multiplex network. As a result, significant efficiencies of equipment deployed was realized; the entire Engineering Data Systems process was revamped.

April, 1972 to May, 1973:
AT&T LONG LINES - **Supervising Engineer - Fundamental Planning**

- Successfully negotiated a new conceptual maintenance plan with three separate Bell companies including specific implementations. Resulted in significant realigning of functions and personnel between AT&T and Bell companies creating consistency in maintenance and operations.

October, 1970 to March, 1972:
AT&T LONG LINES - **District Operations Supervisor - Overseas Traffic Operations**

- Supervised all staff functions for the organization responsible for all overseas traffic to and from the United States to Italy, Iran, Columbia, Switzerland, Scandinavia, and several other countries. Devised new computer systems that reduced staff by fifty percent and initiated new concepts in force management and results analysis.

July, 1969 to October, 1970:
AT&T LONG LINES - **Plant Manager**

- Implemented own study to improve long distance service in the metropolitan Newark Area. Managed this organization from inception supervising all changes in procedures, controls, training, force deployment, etc. for a force of seven supervisors and sixty technicians. Results showed significant measurable improvement in quality and speed of delivery as well as cost and productivity improvement.

June, 1968 to June, 1969:
AT&T LONG LINES - **Senior Engineer - Customer Service**

- Supervised a team of engineers to design special circuits and to implement facility and circuit re-routes. Acted as coordinator for the Autovan Military Network and the FTS Government Network for the Northeastern Area of the United States.

EXHIBIT D

TARIFF OF INTERNATIONAL EXCHANGE NETWORKS, LTD.

FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

TARIFF APPLICABLE TO

INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA
PROVIDED BY
INTERNATIONAL EXCHANGE NETWORKS, LTD.

FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION
2540 SHUMARD OAK BLVD.
GUNTER BUILDING
TALLAHASSEE, FLORIDA 32399-0850

TITLE SHEET

This tariff contains the descriptions, regulations, and rates applicable to interexchange telecommunications services provided by International Exchange Networks, Ltd. ("IXnet"). This tariff applies to services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission and copies may be inspected during normal business hours at IXnet's principal place of business at 88 Pine Street, New York, New York 10005.

TARIFF CHECKING SHEET

Current sheets in this tariff are as follows:

Sheet	Revision
Title	Original
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original

TABLE OF CONTENTS

TABLE OF SYMBOLS

EXPLANATION OF SYMBOLS -- When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised sheet(s) through the use of the following symbols:

(D) -- Delete or Discontinue.

(I) -- Change Resulting in an Increase to a Customer's Bill.

(M) -- Moved from Another Tariff Location.

(N) -- New.

(R) -- Change Resulting in a Reduction to a Customer's Bill.

(T) -- Change in Text or Regulation but no Change in Rate or Charge.

TARIFF FORMAT SHEETS

A. Sheet Numbering -- Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc., the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

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

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

TARIFF FORMAT SHEETS

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

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

1.1 DEFINITIONS

1.1.1. ıXnet - International Exchange Networks, Ltd.

1.1.2. Access Line - an access line provided by the Local Exchange Company in accordance with its tariffs.

1.1.3. Affiliate of an Entity - an entity which controls, is controlled by or is under common control with such entity.

1.1.4. Customer - a person, firm, corporation or other entity which contracts with ıXnet for the provision of services offered by ıXnet.

1.1.5. Service Order - the ıXnet order form describing the services which the Customer wishes to obtain from ıXnet.

SECTION 2 - RULES AND REGULATIONS

2.1 Application of Tariff

This tariff sets forth the rates, terms and conditions applicable to the interLATA intrastate long distance resale service and high-speed digital private line service provided by ıXnet in Florida. Long distance resale service is a telecommunication service for hire that includes providing both interstate and intrastate interexchange carrier service to Customers through the resale of WATS and MTS-like services. Services will be furnished in accordance with these tariff schedules. As more fully described herein, services are provided by ıXnet to Customers located in areas served by ıXnet.

The rates and rules contained herein are subject to change pursuant to the statutes, rules and regulations of the State of Florida.

2.2 Territory

ıXnet renders interLATA service throughout the territory it serves as shown in its tariff schedule.

2.3 Limitations of Service

2.3.1. Services are offered subject to the availability of the necessary facilities and subject to the terms and conditions of this tariff.

2.3.2. Service may not be used for any unlawful purpose.

2.3.3. There is no limit on the number of calls placed or the length of individual calls.

2.4 Customer Application for Service

Businesses wishing to obtain service may apply to ıXnet in writing by completing a Service Order. A Service Order shall be deemed accepted upon counter execution by an authorized ıXnet representative.

ıXnet will not be providing service to residential Customers.

2.5 Establishment and Reestablishment of Credit

ıXnet reserves the right to examine the credit record and check the references of all applicants and Customers. ıXnet may examine the credit profile/record of any applicant prior to accepting the Service Order. Such prior examinations of an applicant's credit record will not obligate ıXnet to provide service if a later check of applicant's credit record is, in the opinion of ıXnet, contrary to ıXnet's best interest.

ıXnet will not collect deposits nor will it collect payments for services more than one month in advance.

2.6 Notices

Any notice ıXnet may give to a Customer will be written notice mailed to the Customer's billing address or to such address as the Customer may subsequently provide to ıXnet.

Except for cancellation of service, or as otherwise provided by these rules, any notice from any Customer may be given by the Customer or any authorized representative of ıXnet's business office or by written notice mailed to ıXnet's business office.

2.7 Rendering and Payment of Invoices

2.7.1. Invoices for service will be rendered monthly to each Customer. Payment will be due within 20 days following the receipt of ıXnet's invoice. If payment is not received within 20 days of the receipt of ıXnet's invoice, then ıXnet reserves the right to charge interest, at a rate equal to two percent (2%) per month, or the maximum allowed by law, on the outstanding balance of the Customer's account. A Customer's service may be terminated if service is not paid for by the twentieth day after receipt of ıXnet's invoice, provided that ıXnet has given the Customer written notice of such termination prior to such date.

2.7.2. Invoices may be paid by mail or in person at any agency duly authorized to receive such payments. Payment may be made by check, money order or cashier's check.

2.7.3. ıXnet is not responsible for local telephone charges incurred by the Customer in gaining access to ıXnet's network.

2.7.4. An invoice shall not include any previously unbilled charge for service furnished prior to three months immediately preceding the date of the invoice, except charges for collect calls, credit card calls, third party calls and "error file" calls (those calls which cannot be billed, due to the unavailability of complete billing information to the Company) which shall have a five-month back billing period. In cases of fraud, a back billing period of no more than three years will apply.

2.7.5. Customer is responsible for the payment of invoices for all calls or services, including any calls or services:

2.7.5.A. Originated at the Customer's number(s);

2.7.5.B. Accepted at the Customer's number(s)(e.g., Collect Calls);

2.7.5.C. Billed to the Customer's number via third number billing if the Customer is found to be responsible for such call or service;

2.7.5.D. Billed to the Customer's number via the use of a calling card or the use of a special billing number; or

2.7.5.E. Incurred at the request of the Customer.

2.8 Discontinuance of Service

2.8.1. Cancellation for Cause by ıXnet

In the event of non-payment of any sum due, or upon violation of the provisions governing the furnishing of service under this tariff, ıXnet may, upon written notification, without incurring liability, either temporarily deny service or terminate service within 30 days.

2.8.2. Cancellation of Service by Customer

2.8.2.A. Cancellation of Private Line Service by Customer. If a Customer cancels an order for private line service after the service begins, Customer will pay ıXnet all charges for private line service through the effective date of such cancellation plus a cancellation charge determined as follows:

(i) if the commitment period for the canceled private line service is one(1) year or less, then the cancellation charge will be the balance of the monthly charges that otherwise would have become due for the unexpired balance of the commitment period;

(ii) if the commitment period for the canceled private line service is longer than one (1) year and such cancellation becomes effective prior to the completion of the first year of the commitment period, then the cancellation charge will be the balance of the monthly charges that otherwise would have become due for the unexpired portion of the fist year of the commitment period plus (1) month's charge for each of the remaining years in the commitment period.

(iii) if the commitment period for the canceled private line service is longer than one (1) year and such cancellation becomes effective after completion of the first year of the commitment period, then the cancellation charge will be the balance of the monthly charges that otherwise would have become due for the unexpired prior to of the year in which the cancellation took effect plus one (1) month's charge for each of the remaining years in the commitment period.

The Customer may also be levied a charge for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by iXnet.

2.8.2.B. Cancellation of Switched Services by Customer. If a Customer cancels an order for switched service after the service begins, Customer will pay iXnet all charges for switched service through the effective date of such cancellation plus a cancellation charge determined as follows: the cancellation charge will be the balance of the monthly charges (calculated at the Customer's minimum volume level) that otherwise would have become due for the unexpired balance of the commitment period.

The Customer may also be levied a charge for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by ıXnet.

2.9 Restoration Procedure

If service has been suspended as a consequence of the breach, fault, or omission of the Customer, ıXnet may, at its option, charge the Customer a reasonable fee for recommencement of the service and may require that the customer reimburse ıXnet for all reasonable costs and expenses incurred to implement such suspension and/or recommencement of service.

2.10 Information to be Provided to the Public

A copy of this tariff schedule will be available for public inspection at ıXnet's business office during regular business hours.

Copies of ıXnet's tariff schedules are available at a nominal cost to recover photocopying, postage and/or transmission expenses.

2.11 Continuity of Service

Where practicable, ıXnet shall give seven (7) days prior written notice to Customers of all scheduled service maintenance, alterations or suspensions which may affect the service provided by ıXnet.

2.12 Limitation of Liability

Liability of ιXnet

2.12.1. The liability of ιXnet and its Affiliates, agents and suppliers (collectively, the "ιXnet Suppliers") in connection with providing the service under this tariff shall in no event exceed the amount actually paid for the service by the Customer to ιXnet pursuant to this tariff and the applicable Service Order in the month in which the event giving rise to liability occurred.

2.12.2. The ιXnet Suppliers shall not be liable for any act or omission of any other entity furnishing to the Customer facilities or equipment used with the service or service equipment, nor shall the ιXnet Suppliers be liable for damages or losses due to any negligent or willful acts or omission of the Customer, its agents, employees or suppliers or due to the malfunction or failure of Customer equipment or facilities.

2.12.3. ιXnet shall not be liable for loss or damage sustained by reason of failure in or breakdown of facilities of third parties not under its control. In no event shall ιXnet's liability for any failure, breakdown, or interruption in services exceed the charges applicable under this tariff to such service.

2.12.4. ιXnet shall not be liable and shall be indemnified and saved harmless by any Customer, end user, or other entity from all loss, claims, demands, suits, or other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, end user, or any other entity for any person injury to, or death of, any person or persons and for any loss, damage, defacement or destruction of the premises of any Customer, end user or any other entity or any other property whether owned or controlled by the Customer, end user, or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, end user, or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by ıXnet which is not the direct result of ıXnet's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of ıXnet.

2.12.5. ıXnet shall not be liable for any failure of performance due to causes beyond its control, including, but not limited to, acts of God, fires, lightning, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, any failure of local exchange company lines or delays caused by the local exchange company or the Customer or end user, and any law, order, regulation or other action of any governing authority or agency thereof.

2.12.6. ıXnet shall be indemnified and held harmless by the Customer against:

Claims for libel, slander, invasion of privacy or infringement of copyright arising out of the material, data, information or other content transmitted over ıXnet's facilities.

All other claims arising out of any act or omission of the Customer in connection with any service or facility provided by ıXnet.

2.12.7 The Customer is required to notify ıXnet of any changes to Customer's equipment, including software controlling the equipment's function. ıXnet is not liable for interruption in service caused by Customer's failure to notify ıXnet prior to any such change.

2.13 Change of Discount on Switched Service

If a Customer receives a discount on switched service because of a volume commitment, ıXnet will extend to the Customer a grace period of three (3) months from the commencement date of the switched service to reach the volume commitment. After the grace period, ıXnet may calculate the Customer's average volume switched service in any two (2) month period. In the event such average volume does not equal Customer's volume commitment, ıXnet shall adjust the discount extended to Customer to reflect the applicable discount for actual service volume.

2.14 Overpayment

ıXnet shall remit to a Customer any overpayment by such Customer if (1) through ıXnet's normal internal auditing practices, ıXnet discovers the overpayment; or (2) customer submits a written claim, which with substantiating evidence supplied by Customer, ıXnet is able to verify.

2.15 Disclaimer of Warranties

Except as expressly provided in this tariff, ıXnet makes no understanding, agreements, representation or warranties, express or implied (including any warranties of merchantability or fitness for a particular purpose).

2.16 Refunds for Interruptions of Private Line Service

It shall be the obligation of the Customer to immediately notify ıXnet of any service interruption. No credit will be granted for the first thirty (30) minutes of any interruption of private line service. For interruption of private line service exceeding thirty (30) minutes, a Customer may request a credit according to the following schedule:

Elapsed Time After Receipt of Notice by ıXnet	Pro Rata Credit
Less than 30 minutes	none
> = 30 minutes to < 3 hours	1/10 of a day
> = 3 hours to < 6 hours	1/5 of a day
> = 6 hours to < 9 hours	2/5 of a day
> = 9 hours to < 12 hours	3/5 of a day
> = 12 hours to < 15 hours	4/5 of a day
> = 15 hours to < = 24 hours	one day

Two or more interruptions of 30 minutes or more, during any period up to, but not including, three hours, shall after notice to, ıXnet be aggregated for the purposes of calculating credit.

Interruptions exceeding 24 hours will be credited 1/5 of a day for each three-hour period thereof. No more than one full day's credit will be allowed for any period of 24 hours.

All credits will be based on a daily rate to be calculated by dividing the monthly charge by thirty (30).

SECTION 3 - DESCRIPTION OF SERVICES

3.1 Timing of Calls

3.1.1. When Billing Charges Begin and Terminate for Phone Calls

The customer's long distance usage charge is based on the actual usage of iXnet's network. Usage begins when the called party picks up the receiver, (i.e.. When 2 way communication, often referred to as "conversation time' is possible.). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

3.1.2. Billing Increments

Unless otherwise specified in this tariff, the minimum call duration for billing purposes is 1 minute for a connected call. Calls beyond 1 minute are billed in 6 second increments.

3.1.3. Per Call Billing Charges

Billing will be rounded up to the nearest penny for each call.

3.1.4. Uncompleted Calls

There shall be no charges for uncompleted calls.

3.2 Billing of Calls

All charges due by the subscriber are payable to ιXnet. Any objection to billed charges should be promptly reported to ιXnet. Adjustments to customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

3.3 Payment of Calls

3.3.1. Late Payment Charge

Interest charges of 1.1/2% per month may be assessed on all unpaid balances more than thirty days old.

3.3.2. Return Check Charges

A return check charge of $20.00 or 5% of the amount of the check, whichever is greater, will be assessed for checks returned for insufficient funds.

3.3.4. Restoration of Service

ιXnet will not assess a charge for restoration of service once it has been disconnected; however, a charge may be assessed by the local charge carrier.

3.4 Service Offerings

3.4.1. Florida WATS

Wide Area Telecommunications Service (WATS) uses an Access Line and the public switched network to provide direct dialed outbound calling only.

3.4.2. Private Line Service

High-speed digital line service directly connecting two points.

3.5 Minimum Call Completion Rate

A customer can expect a call completion rate of not less than 90% during peak use periods for all FG-D services.

SECTION 4 - RATES AND CHARGES

4.1 Florida WATS

Wide Area Telecommunications Service (WATS) uses an Access Line and the public switched network to provide direct dialed outbound calling only.

1. Usage Rate per minute

Service Area	Rate
State of Florida	$0.12

2. Calls will be billed in 6 second increments, with a 6 second minimum.

.2 Private Line Service

1. Local Terminal Node to Node Rates

	DS-0	DS-1
Monthly per circuit charge	$75.00	$400.00

4.3 Taxes and Surcharge

In addition to the charges specifically pertaining to iXnet's services, certain federal, state, and local surcharges, taxes and fees may be applied. Any applicable surcharges, taxes and fees will be calculated based upon the amount billed to the end user for iXnet's intrastate services.