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eVoice, Inc.

(a development stage company)
Financial Statements
December 31, 1998 and 1999

SJ3574WP

Report of Independent Accountants

To the Board of Directors and Shareholders
of eVoice, Inc.
(a development stage company)

In our opinion, the accompanying balance sheets and the related statements of operations, of redeemable convertible preferred stock and shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of eVoice, Inc. (a development stage company) at December 31, 1998 and 1999, and the results of its operations and its cash flows for the period from December 7, 1998 (date of inception) to December 31, 1998, the year ended December 31, 1999 and for the cumulative period from December 7, 1998 (date of inception) through December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

San Jose, California
March 10, 2000

eVoice, Inc.
(a development stage company)
Balance Sheet
(in thousands, except per share data)

	December 31, 1999	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$	
Prepaid expenses and other current assets		
Total current assets		
Property and equipment, net		
Internal-use software development costs		
Other assets		
Total assets	$	$
Liabilities, Redeemable Convertible Preferred Stock and Shareholders' Equity (Deficit)		
Current liabilities:		
Notes payable, current	$	$
Accounts payable		
Accrued liabilities		
Capital lease obligations, current portion		
Total current liabilities		
Capital lease obligations, long-term portion		
Other long-term liabilities		
Commitments (Note 6)		
Redeemable Convertible Preferred Stock (Note 7)		
Shareholders' equity (deficit):		
Common Stock:		
shares authorized; shares issued and outstanding at December 31, 1998 and 1999		
Additional paid-in capital		
Notes receivable from shareholders		
Deferred stock-based compensation		
Deficit accumulated during the development stage		
Total shareholders' equity (deficit)		
Total liabilities, redeemable convertible preferred stock and shareholders' equity (deficit)	$	

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

eVoice, Inc.
(a development stage company)
Statements of Operations
(In thousands, except per share data)

	Year Ended December 31, 1999	Period Ended December 31, 1998	Period from December 7, 1998 (date of inception) through December 31, 1999
Operating expenses:			
Research and development (excluding amortization of deferred stock-based compensation of in 1999	$		
Sales and marketing (excluding amortization of deferred stock-based compensation of in 1999			
General and administrative (excluding amortization of deferred stock-based compensation of in 1999			
Amortization of stock-based compensation			
Total operating expenses			
Loss from operations			
Interest income			
Interest expense			
Net loss	$		

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

eVoice, Inc.
(a development stage company)
Statement of Redeemable Convertible Preferred Stock and Shareholders' Equity (Deficit)
Period Ended December 31, 1998 and Year Ended December 31, 1999
(in thousands, except per share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Notes Receivable from Shareholders	Deferred Stock-Based Compensation	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
Issuance of Common Stock to founders									
Issuance of Series A Convertible Preferred Stock, Common Stock and Common Stock warrants in connection with assets acquisition									
Net loss									
Balance at December 31, 1998									
Issuance of Series A Convertible Preferred Stock, net of issuance costs of									
Issuance of Series A Convertible Preferred Stock warrants									
Issuance of Series B Convertible Preferred Stock, net of issuance costs of									
Issuance of Series B Convertible Preferred Stock warrants									
Issuance of Series C and C1 Convertible Preferred Stock, net of issuance costs of ! and notes receivable of									
Stock-based compensation for services rendered									
Repurchase of Common Stock									
Exercise of stock purchase rights and options									
Repayment of notes receivable									
Deferred stock compensation									
Amortization of deferred stock-based compensation									
Net loss									
Balance at December 31, 1999									

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

eVoice, Inc.
(a development stage company)
Statement of Cash Flows
(in thousands, except per share data)

	Year Ended December 31, 1999	Period Ended December 31, 1998	Period from December 7, 1998 (date of inception) through December 31, 1999
Cash flows from operating activities:			
Net loss	$		
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization			
Amortization of stock-based compensation			
Other non-cash expense			
Changes in current assets and liabilities:			
Prepaid expenses and other current assets			
Accounts payable			
Accrued liabilities			
Net cash used in operating activities			
Cash flows from investing activities:			
Purchase of property and equipment			
Capitalized software development costs			
Acquisition of other assets			
Net cash used in investing activities			
Cash flows from financing activities:			
Proceeds from issuance of Series A Convertible Preferred Stock, net of issuance costs			
Proceeds from issuance of Series B Convertible Preferred Stock, net of issuance costs			
Proceeds from issuance of Series C and C1 Convertible Preferred Stock, net of issuance costs			
Proceeds from issuance of Series A Convertible Preferred Stock warrants			
Proceeds from issuance of Common Stock			
Proceeds from exercise of stock purchase rights			
Repurchase of Common Stock			
Proceeds from capital lease			
Principal payments on capital lease obligations			
Proceeds from note payable			
Repayment of notes payable			
Net cash provided by financing activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period	$		

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

1. The Company and Summary of Significant Accounting Policies

The Company
eVoice, Inc. (the "Company") was incorporated in Nevada on December 7, 1998 under the name of Talkstar.com, Inc. In April 1999, the Company reincorporated in the state of Delaware. In December 1999 the Company changed its name to eVoice, Inc. The Company was incorporated to provide advertising and voice mail services through Internet and telecommunication networks.

eVoice is in the development stage. The Company has not commenced its principal operations and has had no revenues since inception. The Company has devoted substantially all of its efforts since inception to acquiring and installing equipment, recruiting and training employees and establishing its organizational structure.

The Company has a limited operating history and its prospects are subject to risks, expenses and uncertainties frequently encountered by companies in new and rapidly evolving markets. These risks include the failure to build a sufficient base of active users of voice mail services necessary to attract advertisers, the rejection of the Company's products by customers, vendors and/or advertisers, as well as other risks and uncertainties.

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

Cash and cash equivalents
The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 1998 and 1999, cash and cash equivalents consist of bank deposits, amounts in money market accounts and petty cash. The Company places its cash with major domestic financial institutions.

Internal-use software development costs
Under the provisions of SOP 98-1, "Software for internal use," the Company capitalizes costs associated with software developed or obtained for internal-use when both the preliminary project stage is completed and the Company's management has authorized further funding for the project which it deems probable will be completed and used to perform the function intended. Capitalized costs include only (1) external direct costs of materials and services consumed in developing or obtaining internal-use software, (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use software project, and (3) interest costs incurred, when material, while developing internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Internal use software development costs are amortized using the straight-line method over two years, but not exceeding the expected life of the software.

The carrying value of software development costs is regularly reviewed by the Company, and a loss is recognized when the value of estimated undiscounted cash flow benefit related to the asset falls below the unamortized cost.

Property and equipment
Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the shorter of estimated useful lives of the assets, generally three years, or the lease term of the respective assets.

Long-lived assets
The Company periodically evaluates the recoverability of its long-lived assets based upon expected undiscounted cash flows and recognizes impairment from the carrying value of long-lived assets, if any, based on the fair value of such assets.

Income taxes
The Company accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax base of the Company's assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. A valuation allowance is provided against deferred tax assets when it is more likely than not that they will not be realized.

Research and development
Research and development costs are charged to operations as incurred.

Stock-based compensation
The Company accounts for employee stock-based compensation arrangements in accordance with provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of SFAS No.
Stock-Based Compensation." Under APB No. 25, stock-based compensation is based on the difference, if any, on the date of grant, between the estimated fair value of the Company's common stock and the exercise price. Deferred stock-based compensation is amortized in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 28. The Company accounts for stock options issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force Issue No 96-18, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods or Services."

Comprehensive income
Comprehensive income, as defined by SFAS No. 130 "Reporting Comprehensive Income," includes all changes in equity (net assets) during a period from nonowner sources. To date, the Company has not had any transactions that are required to be reported in comprehensive income (loss) as compared to its reported net loss, and accordingly net loss is equal to comprehensive net loss for all periods presented.

(In thousands, except per share data)

Recent accounting pronouncements
In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date FASB Statement No. 133." SFAS No. 137 deferred the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. The Company will adopt SFAS No. 133 during year ending December 31, 2001. To date, the Company has not engaged in derivative or hedging activities.

2. Supplemental Cash Flow Information

Supplemental cash flow information:

	Year Ended December 31, 1999	Period Ended December 31, 1998	Period from December 7, 1998 (date of inception) through December 31, 1999
Cash paid for interest			

Supplemental noncash investing and financing activity:

	Year Ended December 31, 1999	Period Ended December 31, 1998	Period from December 7, 1998 (date of inception) through December 31, 1999
Issuance of note payable for Common Stock			
Issuance of note payable for exercised purchase rights			
Issuance of note payable for Series C Redeemable Convertible Preferred Stock			
Issuance of Common Stock in connection with assets acquired			
Issuance of options for services			
Payment of note payable and interest with Series A Convertible Preferred Stock			
Issuance of Series A Convertible Preferred Stock warrants in connection with notes payable			
Issuance of Series B Convertible Preferred stock for services in connection with sale of Series A Convertible Preferred Stock			
Issuance of Series B Convertible Preferred Stock warrants for services in connection with sale of Series A Convertible Preferred Stock			
Issuance of Series B Convertible Preferred Stock warrants in connection with lease agreement			
Deferred stock-based compensation			

eVoice, Inc.
(a development stage company)
Notes to Financial Statements *(Continued)*
(in thousands, except per share data)

3. Balance Sheet Components

	December 31, 1999	December 31, 1998
Property and equipment, net:		
Computer equipment	$	
Furniture and fixtures		
Construction in progress		
Less: Accumulated depreciation and amortization		
	$	

Property and equipment includes and of computer equipment under capital leases at December 31, 1998 and 1999, respectively. Accumulated amortization of assets under capital leases totaled and at December 31, 1998 and 1999, respectively.

	December 31, 1999	December 31, 1998
Internal-use software development costs, net:		
Internal-use software development costs	$	
Less: Accumulated amortization		
	$	
Accrued liabilities:		
Payroll and related expenses	$	
Other		
	$	

4. Asset Acquisition

In December 1998 the Company acquired certain assets and assumed certain liabilities from Talkstar, Inc, a Nevada Corporation ("Talkstar Nevada") previously and subsequently named MBP Technologies, Inc. in exchange for 800 shares of Common Stock, shares of Series A Convertible Preferred Stock and warrants to purchase shares of Common Stock of the Company. Talkstar Nevada was not related to the Company. The transaction was accounted for as a purchase. The fair value of the consideration paid of exceeded the fair value of assets acquired and liabilities assumed by and was charged to research and development expense in the period ended December 31, 1998.

(In thousands, except per share data)

The Company estimated the value of the acquired assets and believes that substantially all of the excess of the purchase price over the fair value of liabilities assumed is attributable to incomplete technology that had not reached technological feasibility and for which there is no alternative use and that does not have identifiable positive cash flow stream. Accordingly due to the Company's assessment of the stage of completion and lack of alternative future use the excess purchase price was charged to expense in the period of acquisition.

5. Income Taxes

Deferred tax assets and liabilities consist of the following:

	December 31, 1999	December 31, 1998
Deferred tax assets:		
Net operating loss carryforwards	$	
Accruals and reserves		
Other		
Valuation allowance		
	$	

For financial reporting purposes, the Company has incurred a loss in each period since inception. Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company has provided a full valuation allowance against its net deferred tax assets at December 31, 1998 and December 31, 1999.

At December 31, 1999, the Company had approximately of federal and of state net operating loss carryforwards available to offset future taxable income which expire in varying amounts from 2005 to 2019. Under the Tax Reform Act of 1986, the amounts of and benefits from net operating loss carryforwards may be impaired or limited in certain circumstances. Events which cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50%, as defined, over a three year period.

6. Commitments

Leases
The Company leases office space and equipment under noncancelable operating and capital leases with various expiry dates through 2003. Rent expense for the period ended December 31, 1998 and year ended December 31, 1999 was , respectively. The terms of the facility lease provide for rental payments on a graduated scale. The Company recognizes rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid.

(In thousands, except per share data)

Future minimum lease payments under noncancelable operating and capital leases are as follows:

Year Ended December 31,	Capital Leases	Operating Leases
2000	$	
2001		
2002		
2003		
Total minimum lease payments and sublease income		
Less: Amount representing interest		
Present value of capital lease obligations		
Less: Current portion		
Long-term portion of capital lease obligations	$	

The effective interest rate on the Company's capital leases at December 31, 1999 ranged between

In June 1999 the Company entered into a two-year agreement with a telecommunication services provider for telecommunication services and space for Company equipment. In February 2000 the agreement was terminated by the Company due to the failure of the service provider to comply with certain terms of the agreement. Monthly rent expense amounted to

In July 1999 the Company entered into an agreement with an Internet services provider for the lease of space for Company equipment. The term of the lease is not defined. Rent is charged monthly based on the usage of space. In December 1999 monthly rent expense amounted to including utilities costs.

In October 1999 the Company entered into an agreement with a telecommunication services provider for telecommunication services and space for the Company equipment. The term of the lease is not defined. Rent is charged monthly based on the usage of space. In December 1999 monthly rent expense amounted to .

7. Redeemable Preferred Stock

Convertible Preferred Stock at December 31, 1999 consists of the following:

Series	Shares Authorized	Shares Outstanding	Liquidation Amount	Proceeds Net of Issuance Costs
A			$	$
B				
C				
C1				
Warrants to purchase preferred stock				
			$	$

The Company has reserved a total of of the unissued shares of Series C Convertible Preferred Stock for issuance upon the conversion of Series C-1 Convertible Preferred Stock. The holders of Preferred Stock have various rights and preferences as follows:

Voting
Each share of Series A, B, C and C1 has voting rights equal to an equivalent number of shares of Common Stock into which it is convertible and votes together as one class with the Common Stock, provided however, that all outstanding shares of Series C1 Convertible Preferred Stock together shall be entitled to not less than of aggregate number of votes outstanding.

As long as at least shares of Convertible Preferred Stock remain outstanding the Company must obtain approval from a majority of the holders of Convertible Preferred Stock voting separately as a class in order to amend the Articles of Incorporation as related to Convertible Preferred Stock; authorize or issue shares of any class or Series of stock having any preference or priority as to dividends, liquidation rights or assets superior to or on parity with any such preference or priority of the Series A, B, C and C1 Convertible Preferred Stock; declare or pay any dividend or other distribution on the Common Stock, effect a merger, consolidation or sale of assets where the existing shareholders retain less than of the voting stock of the surviving entity; repurchase any shares of Common Stock other than shares subject to the right of repurchase by the Company, change the total number of authorized shares of Convertible Preferred Stock or change the authorized number of directors of the Company.

Dividends
Holders of Series A, B, C and C1 Convertible Preferred Stock are entitled to receive noncumulative dividends at the per annum rate of and per share, respectively, when and if declared by the Board of Directors. Holders of Series C and C1 Convertible Preferred Stock have preference and priority to any payment of any dividend on Series A and B Convertible Preferred Stock. Holders of Series B Convertible Preferred Stock have preference and priority to any payment of any dividend on Series A Convertible Preferred Stock. The holders of Series A, B, C and C1 Convertible Preferred Stock will also be entitled to participate in dividends on Common Stock, when and if declared by the Board of Directors, based on the number of shares of Common Stock held on an as-if converted basis. No dividends on Convertible Preferred Stock or Common Stock have been declared by the Board from inception through December 31, 1999.

Liquidation
In the event of any liquidation, dissolution or winding up of the Company, including merger, acquisition or sale of assets where the beneficial owners of the Company's Common Stock and Convertible Preferred Stock own 50% or less of the resulting voting power of the surviving entity, the holders of Convertible Preferred Stock are entitled to the following:

(1) Holders of Series B, C and C1 Convertible Preferred Stock are entitled to receive an amount of and per share, respectively, plus any declared but unpaid dividends prior to and in preference to any distribution to the holders of Series A Convertible Preferred Stock and Common Stock. If the assets and funds distributed to the holders of Series B, C and C1 Convertible Preferred Stock are insufficient to permit payment to such holders, then the entire assets or property of the Company legally available for distribution shall be distributed ratably to the holders of Series B, C and C1 Convertible Preferred Stock.

(2) After payments has been made to the holders of Series B, C and C1 Convertible Preferred Stock, holders of Series A Convertible Preferred Stock are entitled to receive an amount of per share plus any declared but unpaid dividends prior to and in preference to any distribution to the holders of Common Stock. If the assets and funds distributed to the holders of Series A Convertible Preferred Stock are insufficient to permit payment to such holders, then the entire assets or property of the Company legally available for distribution shall be distributed ratably to the holders of Series A Convertible Preferred Stock.

(3) After payment has been made to the holders of Series A, B, C and C1 Convertible Preferred Stock of the preferential amounts, the remaining assets and funds of the Company legally available for distribution, are distributed ratably to the holders of Common Stock and Series A and B Convertible Preferred Stock on an as-converted basis; provided, however that holders of Series B Convertible Preferred Stock are not entitled to receive more than (including Series B Convertible Preferred Stock Liquidation Preference) per share; and provided further, that the holders of Series A Convertible Preferred Stock are not entitled to receive more than (including Series A Convertible Preferred Stock Liquidation Preference) per share.

Conversion
Each share of Series A, B, C and C1 Convertible Preferred Stock is convertible, at the option of the holder, according to a conversion ratio, subject to adjustment for dilution. Each share of Convertible Preferred Stock automatically converts into the number of shares of Common Stock into which such shares are convertible at the then effective conversion ratio upon: either the closing of a public offering of Common Stock at a per share price of at least per share with gross proceeds of at least upon the consent of the holders of the majority of each Series of Convertible Preferred Stock.

The Series C-1 Convertible Preferred Stock is convertible into Series C Convertible Preferred Stock upon the election of the holders of Series C-1 Convertible Preferred Stock. In addition the Series C-1 Convertible Preferred Stock automatically converts into Series C Convertible Preferred Stock upon the transfer of Series C-1 Convertible Preferred Stock by idealab! to an unrelated party or failure of idealab! to maintain its proportional ownership interest in the Company in future financings. Upon such conversion, if any, shares of converted Series C-1 Convertible Preferred Stock will be cancelled and not be eligible for reissuance.

At December 31, 1999, the Company reserved shares of Common Stock for the conversion of Convertible Preferred Stock.

Redemption
Shares of Series A, B, C and C1 Redeemable Convertible Preferred Stock are redeemable upon a change in control of the Company, including a merge, acquisition or sale of assets where the beneficial owners of the Company's Common Stock and Redeemable Convertible Preferred Stock own or less of the resulting voting power of the surviving entity. In the event of such a change in control, the holder of Series A, B, C and C-1 stock are entitled to an amount equal to their liquidation preference.

Notes receivable
In December 1999, the Company issued shares of Series C Redeemable Convertible Preferred Stock to an officer of the Company and shares of Series C Redeemable Convertible Preferred Stock to certain shareholders of the Company for in exchange for notes receivable.

(In thousands, except per share data)

Warrants to purchase Convertible Preferred Stock

	Date of Issuance	Exercise Price	Amount of Convertible Preferred Stock	Outstanding and exercisable at December 31, 1999
Warrants to purchase Series A Convertible Preferred Stock				
Series A	February/March 1999	$		
Series A	March 1999			
Total				
Warrants to purchase Series B Convertible Preferred Stock				
Series B	September 1999	$		
Series B	September 1999			
Total				

In connection with issuance of Series A Convertible Preferred Stock, the Company issued to investors warrants to purchase shares of Series A Convertible Preferred Stock for per share in February and March 1999. Such warrants are outstanding at December 31, 1999 and expire in 2009. Using the Black-Scholes pricing model, the Company determined that the fair value of the warrants were at the date of grant.

In connection with a note payable that was issued and repaid in the year ended December 31, 1999, the Company issued warrants to purchase shares of Series A Convertible Preferred Stock for per share in March 1999. Such warrants are outstanding at December 31, 1999 and expire in 2009. Using the Black-Scholes pricing model, the Company determined that the fair value of the warrants were at the date of grant. Accordingly, the Company recorded in interest expense in the year ended December 31, 1999 associated with these warrants.

In connection with issuance of the Series A Convertible Preferred Stock issuance, the Company issued warrants to purchase shares of Series B Convertible Preferred Stock for per share in September 1999. Such warrants are outstanding at December 31, 1999 and expire in 2009. Using the Black-Scholes pricing model, the Company determined that the fair value of the warrants were at the date of grant. Accordingly, the Company netted against the proceeds from the issuance of Series A Convertible Preferred Stock.

In connection with entering into equipment lease line agreement, the Company issued warrants to purchase shares of Series B Convertible Preferred Stock for per share in September 1999. Such warrants are outstanding at December 31, 1999 and expire in 2009. Using the Black-Scholes pricing model, the Company determined that the fair value of the warrants were at the date of grant. Accordingly, the Company recorded as deferred financing costs which will be amortized as interest expense over period of the lease line.

8. Common Stock

The Company's Articles of Incorporation, as amended, authorize the Company to issue shares of par value Common Stock. A portion of the shares sold are subject to a right of repurchase by the Company subject to vesting, which is generally over a four year period from the earlier of grant date or employee hire date, as applicable, until vesting is complete. At December 31, 1999, there were shares subject to repurchase.

Warrants for Common Stock

In connection with purchase of assets, the Company issued warrants to purchase shares of Common Stock for per share in December 1998. Such warrants are outstanding at December 31, 1999 and expire in 2008. Using the Black-Scholes pricing model, the Company determined that the fair value of the warrants was nil at the date due to the fact that the warrants were substantially out-of-the-money at the date of issue of grant. Accordingly, the Company did not record expense associated with these warrants.

9. Stock Option Plans

In February 1999, the Company adopted the 1999 Stock Option Plan (the "Plan"). Following the reincorporation in the State of Delaware in April 1999, the Company adopted a new 1999 Stock Option Plan (the "1999 Stock Plan"). The terms of the Plans are similar. The Plans provide for the granting of stock options to employees and consultants of the Company. Options granted under the Plans may be either incentive stock options or nonqualified stock options. Incentive stock options ("ISO") may be granted only to Company employees (including officers and directors who are also employees). Nonqualified stock options ("NSO") may be granted to Company employees and consultants. The Company has reserved shares of Common Stock for issuance under the Plans.

Under the Plans the Company may grant stock options or stock purchase rights which may be granted for periods of up to ten years and at prices no less than of the estimated fair value of the shares on the date of grant as determined by the Board of Directors, provided, however, that (i) the exercise price of an ISO and NSO shall not be less than and of the estimated fair value of the shares on the date of grant, respectively, and (ii) the exercise price of an ISO and NSO granted to a shareholder shall not be less than of the estimated fair value of the shares on the date of grant, respectively. Stock purchase rights are exercisable immediately and are subject to repurchase rights held by the Company which lapse over a maximum period of four years at such times and under such conditions as determined by the Board of Directors. To date, options granted generally vest over four years.

During the year ended December 31, 1999, the Company recorded of deferred stock compensation for the excess of the deemed fair market value over the exercise price at the date of grant related to certain options granted in 1999. The compensation expense is being recognized over the option vesting period of four years.

(In thousands, except per share data)

	Shares Available for Grant	Options Outstanding: Number of Shares	Exercise Price	Aggregate Price	Weighted Average Exercise Price
Shares reserved at Plans inception					
Additional shares reserved					
Options granted					
Options exercised					
Options cancelled					
December 31, 1999					

Range of Exercise Price	Options Outstanding at December 31, 1999: Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at December 31, 1999: Number Outstanding	Weighted Average Exercise Price
$			$		
$			$		
			$		

Fair value disclosures
Had compensation cost for the Company's stock-based compensation plan been determined based on the fair value at the grant dates for the awards under a method prescribed by SFAS No. 123, the Company's net loss would have been increased to the pro forma amounts indicated below:

	Year Ended December 31, 1999	Period Ended December 31, 1998	Period from December 7, 1998 (date of inception) through December 31, 1999
Net loss:			
As reported	$		
Pro forma	$		

The Company calculated the fair value of each option grant on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at ; weighted average expected option term of four years; volatility of and risk free interest rate of to for the year ended December 31, 1999. The weighted average fair value of options granted during 1999 was

Notes receivable
From September to December 1999, the Company issued shares of Common Stock to officers of the Company in exchange for notes receivable of The full recourse notes bear interest at per year and are collateralized by the underlying stock.

10. Employee Benefit Plan

The Company sponsors the eVoice, Inc. Savings Plan (the "Plan") which qualifies under section 401(k) of the Internal Revenue Code. All employees meeting minimum age requirements are eligible to enroll in the Plan upon initial employment. Currently, the Company is not offering an employer contribution.