TECHNOLOGIES MANAGEMENT INC

NEW APPLICATION

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Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKET NO. T-03997A-01-0177

RE: Application of **Novo Networks Metro Services, Inc.**, for a Certificate of Convenience and Necessity to Provide Reseller Telecommunications Services

Dear Sir/Madam:

Enclosed for filing are the original and ten (10) copies of the above-referenced application of Novo Networks Metro Services, Inc. ("Novo") for authority to provide reseller services in the State of Arizona.

Please note that the company does not intend to collect customer deposits or advance payments and states such in its tariff. Therefore the company has not submitted a bond.

Please acknowledge receipt of this filing by date stamping the extra copy of this cover letter and returning it in the self-addressed, stamped envelope enclosed for this purpose.

Any questions you may have regarding this filing may be directed to me at (407) 740-8575.

Sincerely,

Thomas M. Forte
Consultant to Novo Networks Metro Services, Inc.

Enclosure

TMF/ks

cc: David Link, Novo
file: Novo - AZ Debit
tms: AZd0100

FORM A

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunication Services as a Long Distance Reseller

Mail original plus 10 copies of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

If you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: ______

Docket No.: ______ Date: ______

Type of Service: ______

Docket No.: ______ Date: ______

For Docket Control Only:
(Please Stamp Here)

DOCKET NO. T-03997A-01-0177

Docket No. ______

T-03997A-

Docket No. ______

A. Company and Telecommunications Service Information	
(A-1)	**The name, address, and telephone number (including area code) of the applicant(company):** Novo Networks Metro Services, Inc. 300 Crescent Court, Suite 800 Dallas, TX 75201 Telephone: (214) 777-4135 Facsimile: (214) 777-4102 Toll Free: (877) 483-5273
(A-2)	**If doing business (dba) under a name other than the applicant (company) name listed above, specify:** Not applicable
(A-3)	**The name, address, telephone number, facsimile number and E-Mail address of the management contact:** Mr. David N. Link, Executive Vice President - Global Operations Novo Networks Metro Services, Inc. 300 Crescent Court, Suite 800 Dallas, Texas 75201 Telephone: (214) 777 - 4135 Facsimile: (214) 777 - 4102 Toll Free (877) 483-5273 E-Mail Address:dlink@novonetworks.net

(A-4)	**The name, address, telephone number, facsimile number and EMail address of the Attorney, if any, representing the applicant:** Not applicable	
(A-5)	**What type of legal entity is the applicant?** ☐ Sole proprietorship ☐ Partnership: ______ limited, ____ general, ____ Arizona, _____ Foreign ☐ Limited liability company ■ Corporation: ____ S, ____ C, ____ non-profit, ____ Arizona, __X__ Foreign ☐ Other, specify:	
(A-6)	**Include Attachment A. Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.**	
(A-7)	**1.**	**Is your company currently reselling telecommunication services in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona.** No
	2.	**If the answer to 1. is yes, identify the types of telecommunications services you resell;** **whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data is available. Note: The Commission rules require that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators.** Not applicable
	3.	**If the answer to 1. is no, when does your company plan to begin reselling service in Arizona?** Novo Networks Metro Services, Inc. plans to begin offering service in Arizona in March 2001.

(A-8)	**Include Attachment B. Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, <u>state the tariff (maximum) rate as well as the price to be charged</u>, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.** **The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the "illustrative Tariff/Price List Example attached. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for procedures to make price list changes that result in rates that are higher than the tariff rate.**
(A-9)	**The geographic market to be served is:** Statewide
(A-10)	**List the states in which you currently resell services similar to those you intend to resell in Arizona.** Novo Networks Metro Services is currently seeking authority to operate as an intrastate interexchange toll reseller in each state of the United States, excluding Hawaii and Alaska.
(A-11)	**Provide the name, address, and telephone number of the companies complaint contact person.** Mr. David N. Link, Executive Vice President - Global Operations Novo Networks Metro Services, Inc. 300 Crescent Court, Suite 800 Dallas, Texas 75201 Telephone: (214) 777 - 4135 Facsimile: (214) 777 - 4102 Toll Free (877) 483-5273
(A-12)	**Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority <u>with major changes and conditions or did not grant</u> your application for those services. For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide telecommunications services.** Not Applicable. (See A-10)
(A-13)	**Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the <u>authority was revoked</u>? If yes, provide copies of the State Regulatory Commission's decision revoking its authority.** Not applicable

(A-14)	**Has the company been or is the company currently involved in any formal complaint proceedings before any State or Federal Regulatory Commission? If yes, in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of Commission orders that have resolved any of these complaints** No
(A-15)	**Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If yes, in which states has the applicant been involved in investigations and why is the applicant being investigated?** No
(A-16)	**Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.** No
	B. Technical Information
(B-1)	**If your company is a <u>switchless</u> reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.** WorldCom & Global Crossing **Include Attachment C. Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).** **Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic).**
(B-2)	**Will your customers be able to access alternative toll service providers or resellers via 1+ or 101XXXX access, if your system becomes non-operational?** No

C. Financial Information

(C-1)	**Include Attachment D. Attachment D must include a copy of your Companies balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business.**
(C-2)	**If your Company does not have financial statements for the two most recent years, please give the date your Company began operations.** See Attachment D
(C-3)	**If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet for each of the two years.**
(C-4)	**If your Company is a subsidiary, please provide your Parent Companies financial statements, in addition to your Companies financial statements.** See Attachment D
(C-5)	**If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers; advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.**
(C-6)	**Will your customers by required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services.** YES _X_ (If yes, provide an explanation of how and when these customer advances prepayments or deposits will be applied or reference the terms and conditions section of your Companies tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.) NO ____ (**Note:** If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF DALLAS)

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commissions rules and regulations relating to the regulations of telecommunications services and that the company will abide by Arizona State Law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commissions rules apply in the event there is a conflict between those rules and the companies tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

By: ______________________________
David N. Link, Executive Vice President
Novo Networks Metro Services, Inc.

____
(Date)

SUBSCRIBED AND SWORN to before me this 15th day of February, 2001.

Barbara Aus
____
NOTARY PUBLIC

My Commission Expires 3-12-04.

Novo Networks Metro Services, Inc.

Attachment A

Company Officers

OFFICERS AND DIRECTORS

The following individuals are officers and directors of Novo Networks Metro Services, Inc. and can be reached at the company's corporate headquarters at 300 Crescent Court, Suite 800, Dallas, Texas 75201:

Officers:

Jeffrey A. Marcus	Chief Executive Officer
Thomas P. McMillin	Senior Executive Vice President & Chief Operating Officer
Daniel J. Wilson	Executive Vice President & Chief Financial Officer
Mitchell C. Arthur *	Executive VP, Global Services & Network Development
David N. Link	Executive Vice President, Global Network Operations
Samuel L. Litwin *	Senior VP, Business Development & President, Intl. Services
Gary C. Allison	Senior Vice President and Chief Information Officer
Christopher Sikora *	Senior Vice President, Enterprise Sales
William Carroll *	Vice President, Network Procurement and Planning

Directors:
Jeffrey A. Marcus

* - Some officers are located at the company's New Jersey location but can still be reached through the main corporate address provided above.

PRINCIPAL STOCKHOLDERS

Novo Networks Metro Services, Inc. is wholly owned by Axistel Communications, Inc.

Novo Networks Metro Services, Inc.

Attachment B

Proposed Tariff

TITLE PAGE

ARIZONA TELECOMMUNICATIONS TARIFF

OF

Novo Networks Metro Services, Inc.

This Tariff contains the service descriptions and rates applicable to the furnishing of interexchange telecommunications debit card services offered by **Novo Networks Metro Services, Inc.,** ("Novo") within the State of Arizona.

CHECK SHEET

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

PAGE	REVISION	PAGE	REVISION
1	Original *	21	Original *
2	Original *	22	Original *
3	Original *	23	Original *
4	Original *	24	Original *
5	Original *	25	Original *
6	Original *	26	Original *
7	Original *		
8	Original *		
9	Original *		
10	Original *		
11	Original *		
12	Original *		
13	Original *		
14	Original *		
15	Original *		
16	Original *		
17	Original *		
18	Original *		
19	Original *		
20	Original *		

* Indicates pages included with this filing.

TABLE OF CONTENTS

EXPLANATION OF SYMBOLS

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

C - To Signify Changed Regulation

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

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

B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc., the most current page 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 seven 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)
2.1.1.(A)(1)(a)(1)
2.1.1.(A)(1)(a)(1)

D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain 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 page is the most current on file with the Commission.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the Customer's location to the Carrier's designated point of presence or network switching center.

Authorization Code - A pre-defined series of numbers to be dialed by the Customer or End User upon access to the Company's system to notify the caller and validate the caller's authorization to use the services provided. The Customer is responsible for charges incurred through the use of his or her assigned Authorization Code.

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

Available Usage Balance - The amount of usage remaining on a Debit Account at any particular point in time. Each Account or Card has an Initial Account Balance or credit to be debited which is stated either in U.S. dollars or Call Units, depending upon the type of service. The Available Balance or credit is depleted as services provided by the Company are utilized by the Customer.

Commission - Refers to the Arizona Corporation Commission.

Company - Refers to Novo Networks Metro Services, Inc., ("Novo"), issuer of this tariff.

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

Customer Premises Equipment - Terminal equipment, as defined herein, which is located on the Customer's premises.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)

Debit Account - An account which consists of a prepaid usage balance depleted on a real-time basis during each Debit Service call.

Debit Account Payment - A payment by commercial credit card, check, or draft that increases or establishes the Available Usage Balance.

Debit Card - A card issued by the Company which provides the Customer with a Personal Identification Number or Authorization Code and instructions for accessing the Carrier's network.

Debit Service Call - A service accessed via a "1-800" or other access code dialing sequence whereby the Customer or Authorized User dials all of the digits necessary to route a call. Network usage for each call is deducted from the Available Usage Balance on a Company issued Debit Account.

Depletion - Real time reductions in the Available Usage Balance, based on usage of the Customer's Debit Account.

Initial Usage Balance - The amount of usage on a Debit Account upon issuance or activation and before any depleting call activity.

LEC - Local Exchange Company.

Marks - A collective term to mean such items as trademarks, service marks, trade names and logos; copyrighted words, artwork, designs, pictures or images; or any other device or merchandise to which legal rights or ownership are held or reserved by an entity.

Novo - Used throughout this tariff to refer to Novo Networks Metro Services, Inc., issuer of this tariff

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)

Personal Identification Number (PIN)- See Authorization Code.

Renewal - A method of replenishing a Debit Account's Available Usage Balance with additional minutes of usage as authorized and paid for by the Customer.

Sponsor - A corporation or other legal entity that exclusively permits the use of its Marks to the Company for use with telephone cards (prepaid or otherwise) or other merchandise, and contracts with the Company for the marketing of the services described herein.

Switched Access - Where access between the Customer and the Carrier is provided on local exchange company circuits capable of accessing the local switched network. The cost of switched Feature Group access is billed to the Carrier.

Terminal Equipment - Devices, apparatus, and associated wiring, such as teleprinters, telephones, or data sets.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

Novo Networks Metro Services, Inc., ("Novo") services and facilities are furnished for communications originating at specified points within the State of Arizona under terms of this tariff.

Novo installs, operates and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. Novo may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities, when authorized by the Customer, to allow connection of a Customer's location to the Novo services. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services are available twenty-four (24) hours per day, seven (7) days per week.

2.2 Use

Service provided under this tariff may be used for any lawful purpose for which the service is technically suited.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.3 Limitations of Service

2.3.1 Service is offered subject to the continuing availability of the necessary facilities and/or equipment and subject to the provisions of this tariff.

2.3.2 Novo reserves the right to discontinue or limit service, upon appropriate notice, when necessitated by conditions beyond its control, or when the Customer is using the service in violation of the provisions of this tariff, or in violation of law.

2.3.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

2.3.4 All facilities provided under this tariff are directly or indirectly controlled by Novo and the Customer may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

2.3.5 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions of service contained in this tariff shall apply to all such permitted assignees or transferees.

2.3.6 Novo reserves the right to discontinue the offering of any service with proper notice or deny an application for service if a change in regulation materially and negatively impacts the financial viability of the service in the best business judgment of the Company.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.4 Liabilities of the Company

2.4.1 The liability of the Company for any claim or loss, expense or damage (including indirect, special, or consequential damage) for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff shall not exceed an amount equivalent to the proportionate charges to the Customer for the period of service or the facility provided during which such interruption, delay, error, omission, or defect occurs.

2.4.2 The Company shall not be liable for any claim or loss, expense, or damage (including indirect, special, or consequential damage), for any interruption, delay, error, omission, or other defect in any service facility, or transmission provided under this Tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by any act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.

2.4.3 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim or loss, expense or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, tradename or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data, information, or other content revealed to, transmitted, or used by the Company under this tariff; or for any act or omission of the Customer; or for any personal injury or death of any person caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use or removal of equipment or wiring provided by the Company, if not directly caused by negligence of the Company.

2.4.4 The Company shall not be liable for any claim, loss, or refund as a result of theft of a Debit Card(s) or Personal Identification Numbers (PINs) issued for the use of the Company's services. Nor will the Company be liable for any claim, loss, or refund on any unused balance remaining on a Debit Card provided to the Customer.

2.4.5 The Company shall not be liable for any claim, loss, or refund on any unused portion of the credit balance remaining on a Debit Account provided to a Customer before or after the expiration date assigned to each Debit Account or Card.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.5 Payment for Service

2.5.1 Payment Arrangements

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer for transmission of calls via the Company. This includes payment for calls or services originated at the Customer's number(s) or incurred at the specific request of the Customer. The Customer agrees to pay to the Company any cost(s) incurred as a result of any delegation of authority resulting in the use of his or her communications equipment and/or network services which result in the placement of calls via the Company. The Customer agrees to pay the Company or its authorized agent any and all cost(s) incurred as a result of the use of the service arrangement, including calls which the Customer did not individually authorize.

All charges due by the Customer are payable to the Company or any agency duly authorized to receive such payments. The billing agency may be the Company, a local exchange telephone company, or other billing or commercial entity or service. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies having jurisdiction. Any objections to billed or decremented charges must be promptly reported to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

2.5.2 Deposits

The Company does not require deposits. The prepayment of services which are immediately available is a Debit Account Payment and does not constitute a deposit.

2.5.3 Advance Payments

The Company does not require Advance Payments. The prepayment of services which are immediately available is a Debit Account Payment and does not constitute an advance payment.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.5 Payment for Service,(Cont'd)

2.5.4 Payment Due Date and Late Payment Charges

All bills are due upon receipt. The Company reserves the right to assess a late payment fee of 1.5% per month on any past due balance. A balance is considered past due if unpaid thirty (30) days following the date of the bill listing amounts owed by the Customer. Any applicable late payment fees will be assessed according to the terms and conditions of the Company or its billing agent and pursuant to Arizona state law.

2.5.5 Return Check Charge

The Company reserves the right to assess a return check charge of $25.00 whenever a check or draft presented for payment of service is not accepted by the institution on which it is written. This charge applies each time a check is returned to the Company by a bank for insufficient funds.

The Company reserves the right to place a hold on the increase of the Available Usage Balance of a renewable Debit Card or the initial activation of any Debit Card until the check or draft clears or is paid.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.6 Taxes and Fees

The Company shall charge the Customer an amount sufficient to recover any governmental assessments, fees, license, or other similar taxes or fees imposed upon the Company in support of statutory or regulatory programs.

2.6.1 For Debit Card calls, Federal, State and local taxes and fees are included in the stated rates in this tariff.

2.6.2 For all other services offered by the Company, taxes and fees shall be added pro-rata, insofar as practical, to the rates and charges stated in the Company's rate schedules and listed as separate line items on the Customer's bill for services provided.

2.6.3 Pay Telephone Surcharge

In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all Interstate, Intrastate and International calls that originate from any domestic pay telephone used to access the Company's services. The Pay Telephone Surcharge, which is in addition to standard tariffed usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company service and is unrelated to the Company's service accessed from the pay telephone.

Pay telephones include coin-operated and coinless phones owned by local telephone companies, independent companies and other interexchange carriers. The Pay Telephone Surcharge applies to the initial completed call and any reoriginated call (i.e., using the "#" symbol).

Whenever possible, the Pay Telephone Surcharge will be debited with the call. In cases where proper pay telephone coding digits are not transmitted to the Company prior to completion of a call, the Pay Telephone Surcharge may be debited to the Customer's account subsequent to the Company obtaining information from a carrier that the originating station is an eligible pay telephone.

The Pay Telephone Surcharge does not apply to calls placed from pay telephones at which the Customer pays for service by inserting coins during the progress of the call.

	Maximum
Surcharge, per call	$0.30

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.7 Interruption of Service

Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications systems provided by the Customer, are subject to the general liability provisions set forth herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's terminal. Interruptions caused by Customer-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined herein.

Credit allowances for interruptions of service billed on a usage basis shall be limited to the rate applicable to the initial period (if any) and surcharges (if any) of the call to compensate for re-establishing the interrupted call.

2.8 Inspection, Testing and Adjustment

Upon reasonable notice, the facilities provided by the Company shall be made available to the Company for such tests and adjustments as may be deemed necessary for maintenance in a condition satisfactory to the Company. No interruption allowance will be granted for the time during which such tests and adjustments are made.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.9 Cancellation by Customer

Customers may cancel service at any time, either verbally or in writing. Customers are responsible for all charges up through the actual disconnect date. Charges may be avoided by dialing another carrier's access code. For prepaid services, the Customer may cancel service by fully depleting the Available Usage Balance of the Debit Account and/or by not renewing a renewable account.

2.10 Interconnection

Service furnished by Novo may be connected with the services or facilities of other carriers. Such service or facilities, if used, are provided under the terms, rates and conditions of the other carrier. The Customer is responsible for all charges billed by other carriers for use in connection with Novo's service. Any special interface equipment or facilities necessary to achieve compatibility between carriers is the responsibility of the Customer.

2.11 Terminal Equipment

Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or systems, such as PBXs, key systems, multiplexers, repeaters, signaling sets, teleprinters, handsets, or data sets. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Company's service.

2.12 Cost of Collection and Repair

The Customer is responsible for any and all costs incurred in the collection of monies due the Company including legal and accounting expenses. The Customer is also responsible for recovery costs of Company-provided equipment and any expenses required for repair or replacement of damaged equipment.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.13 Refusal or Discontinuance by Company

The Company may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given proper notice to comply with any rule or remedy any deficiency:

(A) For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.

(B) For use of telephone service for any purpose other than that described in the application.

(C) For neglect or refusal to provide reasonable access to the Company or its agents for the purpose of inspection and maintenance of equipment owned by the Company or its agents.

(D) For noncompliance with or violation of Commission regulation or rules and regulations on file with the Commission.

(E) For non-payment of any amount past due to the Company by the Customer.

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

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.13 Refusal or Discontinuance by Company, (Cont'd)

(G) Without notice in the event of tampering with the equipment or services owned by the Company or its agents.

(H) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, the Company may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.

(I) Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits the Company from furnishing such services.

(J) When the Available Account Balance of a non-renewable account is depleted to a level insufficient to place a one-minute call to the location of least cost.

(K) When the established expiration date of the Debit Account is reached.

SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.14 Tests, Pilots, Promotional Campaigns and Contests

The Carrier may conduct special tests or pilot programs and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services. The Carrier may also waive a portion or all processing fees or installation fees for winners of contests and other occasional promotional events sponsored or endorsed by the Carrier. From time to time the Company may waive all processing fees for a Customer.

2.15 Installation and Termination

Service is installed upon mutual agreement between the Customer and the Company. The service agreement does not alter rates specified in this tariff

2.16 Customer Complaints and/or Billing Disputes

Customers have the right to refer billing disputes and any other complaints to Novo Networks Metro Services, Inc. at 300 Crescent Court, Suite 800, Dallas, Texas 75201, or toll-free at (877) 483-273.

2.17 Other Rules

The Company may temporarily suspend service without notice to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Personal Identification Numbers when the Company deems it necessary to take such action to prevent unlawful use of its service. The Company will restore service as soon as service can be provided without undue risk.

SECTION 3 - DESCRIPTION OF SERVICES AND RATES

3.1 General

The Company offers prepaid Debit Card service throughout the state. Service is available to business and residential Customers twenty-four (24) hours per day, seven (7) days per week.

3.2 Timing of Calls

Billing for calls placed over the network is based in part on the duration of the call.

3.2.1 Timing for all calls begins when the called party answers the call (i.e. when two way communications are established). Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.

3.2.2 Chargeable time for all calls ends when one of the parties disconnects from the call.

3.2.3 Call durations and minimum calling periods are provided with each specific product description.

3.2.4 There is no billing applied for incomplete calls.

3.3 Calculation of Distance and Time of Day

The Company's services are not distance sensitive. The Company does not discount services by time of day or day of week.

SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)

3.4 Debit Card Service

Novo Debit Card Service is a renewable prepaid card service which allows Customers to place calls from any location. Calls are originated by dialing an access number, followed by a Personal Identification Number in addition to the called number. Novo Debit Card Service accounts maintain an Available Usage Balance which is depleted on a real-time basis as calls are placed. Customers are notified of their remaining account balance at the beginning of each call.

Calls are billed in one (1) minute increments. The minimum call duration for billing purposes is one (1) minute. Novo Debit Card Service is available 24 hours a day, seven days per week.

Calls may originate from standard residential, business or pay telephone access lines and may terminate to any interstate or intrastate location. The number of available cards is subject to technical limitations. Debit Cards will be offered to Customers on a first come, first served basis.

SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)

3.4 Debit Card Service, (Cont'd.)

3.4.1 General Terms and Conditions

(A) Calls to 500, 700, 900 and 976 numbers and calls requiring operator assistance and quotation of time and charges cannot be completed using the Debit Card. Air to ground and high seas service may not be completed. Calls may not be completed using rotary telephone service.

(B) All Debit Cards expire six (6) months after first initial use.

(C) A Customer's call will be interrupted with an announcement when the balance is about to be depleted. Such announcement will occur before the balance will be depleted.

(D) Calls in progress will be terminated by the Company if the balance on the Debit Card is insufficient to continue the call. Customers who purchase renewable Debit Cards may renew their card balances. Card renewals may take up to one (1) business day to process.

SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)

3.4 Debit Card Service, (Cont'd.)

3.4.2 Discontinuance of Service

Debit Card Service may also be discontinued or refused without notice for the following conditions:

(A) For non-payment of any amount past due to the Company by the Customer, including non-payment or renewal of a Customer's Debit Account when it has reached a fully-depleted balance.

(B) When the available Debit Account balance of a non-renewable account is depleted to a level insufficient to place a one-minute call to the location of least cost.

(C) When the expiration date of the Customer Account is reached.

3.4.3 Rates

Usage is decremented at the rate listed below. There is no per call surcharge.

	Maximum
Initial Minute	$0.75
Each Additional Minute	$0.42

SECTION 3 - DESCRIPTION OF SERVICES AND RATES, (CONT'D.)

3.5 Novo Debit Card - Sponsor Program

The Novo Debit Card - Sponsor Program is offered to organizations or commercial entities for distribution to their members or patrons. The marketing vehicle and expiration period is selected by the Sponsor upon joint agreement between the Company and the Sponsor. The Sponsor is responsible for obtaining all necessary permissions for the use of any trade mark, trade name, service mark or other image on the card. The Sponsor may distribute the Carrier's Debit Card Accounts at reduced rates or free of charge to end users for promotional purposes. At the option of the Sponsor, these cards may not be replenished. The Company reserves the right to approve or reject any image and to specify the Customer information language and use of the Carrier's trade mark, trade name, service mark or other image on the card.

SECTION 4 - CURRENT PRICE LIST

4.1 Pay Telephone Surcharge

Surcharge, per call $0.30

4.2 Debit Card Service

(A) **Homeland Card**

Initial Minute	$0.4200
Each Additional Minute	$0.0290

(B) **Worldwide Card**

Initial Minute	$0.3400
Each Additional Minute	$0.0450

(C) **Get Connected Card**

Initial Minute	$0.5100
Each Additional Minute	$0.0690

(D) **Get Connected II Card**

Initial Minute	$0.0700
Each Additional Minute	$0.0690

SECTION 5 - PROMOTIONS

5.1 Promotional Offerings - General

From time to time the Company shall, at its option, promote subscription or stimulate network usage by offering to waive some or all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration, not to exceed 90 days, or by offering premiums or refunds of equivalent value. Such promotions shall be made available to all similarly situated Customers in the target market area. The Company shall notify the Commission, in writing, 30 days prior to the start of a promotion.

5.2 Demonstration of Calls

From time to time the Company shall demonstrate service by providing free test calls of up to four minutes duration over its network.

Novo Networks Metro Services, Inc.

Attachment C

Network Diagram

Novo Networks Metro Services, Inc. will resell the services of WorldCom & Global Crossing.

Novo Networks Metro Services, Inc.

Attachment D

Financials

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

COMMISSION FILE NUMBER 0-28579

eVENTURES GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**75-2233445**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

300 CRESCENT COURT, SUITE 800
DALLAS, TEXAS 75201
(214) 777-4100
(Address and telephone number of principal executive offices)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

On November 6, 2000, 51,989,042 shares of the registrant's Common Stock $.00002 par value per share were outstanding.

EVENTURES GROUP, INC.

QUARTERLY REPORT FORM 10-Q
INDEX

eVENTURES GROUP, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2000	June 30, 2000
	(unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 35,908,828	$ 40,764,246
Accounts receivable, less allowances for doubtful accounts ($1,231,881 - September 2000; $793,900 - June 2000)	5,465,886	3,607,053
Prepaid expenses and other receivables	3,462,456	2,979,489
Deposits	956,456	1,020,584
VAT receivable	1,864,155	2,131,277
Notes receivable, affiliate	223,000	100,000
	47,880,781	50,602,649
LONG-TERM ASSETS		
Restricted cash	281,928	281,928
Property and equipment, net	36,078,201	35,419,120
Investments in affiliates	19,539,843	23,373,190
Goodwill and other intangibles, net	103,491,840	108,639,486
	159,391,812	167,713,724
	$ 207,272,593	$ 218,316,373
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Capital leases, current portion	$ 4,820,235	$ 4,703,053
Accounts payable	7,379,850	8,244,480
Accrued other	7,414,326	3,025,285
Accrued interest payable	--	78,016
Customer deposits and deferred revenues	726,565	619,403
Notes payable, current portion	251,218	229,343
	20,592,194	16,899,580
LONG-TERM LIABILITIES		
Notes payable, net of current portion	4,013,270	3,685,145
Capital leases, net of current portion	6,381,870	5,780,851
	10,395,140	9,465,996
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Common stock	1,041	1,041
Common stock to be issued	1	1
Preferred stock	--	--
Treasury stock	(3,896)	--
Additional paid-in capital	248,907,665	248,907,665
Accumulated deficit	(70,828,497)	(54,634,559)
Deferred compensation	(843,063)	(1,274,479)
Notes receivable from shareholders	(947,992)	(1,048,872)
	176,285,259	191,950,797
	$ 207,272,593	$ 218,316,373

See accompanying notes to consolidated financial statements.

eVENTURES GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30, 2000	For the Three Months Ended September 30, 1999
	(unaudited)	
Revenues	$ 18,597,027	$ 8,675,719
Direct costs	17,341,332	8,729,520
Gross profit (loss)	1,255,695	(53,801)
Selling, general and administrative expenses	7,143,578	1,355,148
Depreciation and amortization	6,468,935	460,884
Loss from operations, before other (income) expense	(12,356,818)	(1,869,833)
Other (income) expense		
Interest (income) expense, net	(306,055)	519,231
Write off of unamortized debt discount	--	917,615
Equity in loss of affiliates	4,070,989	18,730
Foreign currency gain	(2,845)	(6,502)
Other	75,031	(6,588)
	3,837,120	1,442,486
Net loss available to common shareholders	$(16,193,938)	$ (3,312,319)
Net loss per share - (basic and diluted)	$ (0.31)	$ (0.20)
Weighted average number of shares outstanding - (basic and diluted)	51,989,562	16,547,331

See accompanying notes to consolidated financial statements.

eVENTURES GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended September 30,	
	2000	2000
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(16,193,938)	$ (3,312,319)
Adjustments to reconcile net loss to net cash used in net operating activities:		
Depreciation and amortization	6,468,935	460,884
Equity in loss of affiliates	4,070,989	18,730
Other non-cash expenses	890,127	1,247,522
Change in operating assets and liabilities:		
Accounts receivable	(2,240,273)	(97,493)
Prepaid expenses and other receivables	(485,741)	(68,087)
VAT receivable	267,122	314,598
Restricted cash	--	36,686
Accounts payable	(864,630)	1,170,492
Accrued other	4,389,041	309,516
Accrued interest payable	(78,016)	142,508
Customer deposits and deferred revenue	107,162	679,765
Net cash provided by (used in) operating activities	(3,669,222)	902,802
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Deposits	64,128	(56,761)
Purchase of property and equipment	(832,800)	(574,379)
Net cash acquired in acquisitions	--	299,687
Investments in affiliates	(50,772)	(68,122)
Net cash used in investing activities	(819,444)	(399,575)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Shareholder repayment of note receivable	96,984	--
Payments on capital leases	(506,640)	(196,583)
Advances (repayments) on notes payable	350,000	(823,278)
Issuance of notes receivable - affiliate, net	(307,096)	--
Issuance of common and preferred stock	--	5,940,000
Net cash provided by (used in) financing activities	(366,752)	4,920,139
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,855,418)	5,423,366
CASH AND CASH EQUIVALENTS, beginning of year	40,764,246	39,379
CASH AND CASH EQUIVALENTS, end of period	$ 35,908,828	$ 5,462,745

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid for interest	$ 374,726	$ 97,000
Cash paid for taxes	$ --	$ --
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES:		
Purchases of equipment under capital leases	$ 1,224,841	$ --
Goodwill arising from change in ownership and acquisitions settled through issuance of stock	$ --	$ 17,162,468
Net assets of subsidiaries acquired through an issue of stock	$ --	$ 196,169

See accompanying notes to consolidated financial statements.

eVENTURES GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **BASIS OF PRESENTATION**

eVentures Group, Inc. ("eVentures or the Company") is a global broadband network services company providing broadband services, value added services and prepaid services over a facilities-based network which consists of digital switching, routing and signal management equipment, as well as digital fiber optic cable lines. On November 10, 2000, the Company announced a name change to Novo Networks, Inc., effective on or around December 10, 2000. The name change is intended to reflect the Company's transition to a broadband network services operating company.

The accompanying consolidated financial statements for the three month periods ended September 30, 2000 and 1999, have been prepared by the Company without audit, pursuant to the interim financial statements rules and regulations of the SEC. In the opinion of management, the accompanying consolidated financial statements include all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly the results of the Company's operations and cash flows at the dates and for the periods indicated. The results of operations for the interim periods are not necessarily indicative of the results for the full fiscal year. The accompanying financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000 filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements include the accounts of the Company and all wholly owned and majority owned subsidiaries. The financial results of e.Volve Technology Group, Inc. ("e.Volve") are included in the financial statements for all periods presented. The financial results for AxisTel Communications, Inc. ("AxisTel") are included in the financial statements since September 22, 1999, the date of acquisition. The financial results of Internet Global Services, Inc. ("iGlobal") are included in the financial statements since its acquisition on March 10, 2000. All significant inter-company accounts have been eliminated.

Certain fiscal 2000 balances have been reclassified for comparative purposes to be consistent with the fiscal 2001 presentation.

2. **GOODWILL**

Goodwill arising from the excess of cost over net assets of businesses acquired by the Company is amortized on a straight-line basis over periods ranging from five to ten years. The Company assesses the recoverability of goodwill by determining whether the amortization over its remaining life can be recovered through projected undiscounted future cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which impairment is determined by management. As of September 30, 2000, the Company's management has not identified any material impairment of goodwill.

3. **NET LOSS PER SHARE**

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share ("EPS"). SFAS No. 128 requires dual presentation of basic EPS and diluted EPS on the face of all income statements for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and convertible debentures. Diluted EPS has not been presented for the effects of stock options, warrants, convertible debentures and preferred stock as the effect would be antidilutive. Accordingly, basic and diluted EPS did not differ for any period presented. For purposes of computation of EPS, the shares issued for the acquisition of e.Volve (11,365,614 shares) are deemed to have been in existence for the entire three month period ended September 30, 1999.

4. INVESTMENTS IN AFFILIATES

The Company has minority investments in the following companies:

Accounting Company Name	% Ownership* Common	Preferred	Accounting Method	September 30, 2000	June 30, 2000
				(unaudited)	
PhoneFree.com, Inc. ("PhoneFree")	17.2%	31.7%	Equity	$ 9,554,691	$ 11,897,831
ORB Communications & Marketing, Inc	19.0%	100.0%	Equity	7,069,536	7,713,650
FonBox, Inc	14.0%	68.2%	Equity	1,915,616	2,034,632
Launch Center 39	0.0%	2.1%	Cost	1,000,000	1,000,000
Televant, Inc. (d/b/a CallRewards)	0.0%	0.0%	Equity	--	727,077
				$ 19,539,843	$ 23,373,190

* The percentage ownership reflects eVentures' ownership percentage at September 30, 2000.

On September 1, 2000, CallRewards was merged with a subsidiary of PhoneFree. eVentures received 102,240 shares of PhoneFree common stock in exchange for eVentures' equity interest in CallRewards and as repayment of $184,096 advanced to CallRewards pursuant to note agreements.

During the September quarter, the Company advanced $223,000 to FonBox, Inc. pursuant to a convertible promissory note agreement. Additionally, subsequent to September 30, 2000, the Company invested an additional $777,000 in FonBox, Inc. and converted its prior advance in exchange for 510,733 shares of FonBox, Inc. Series C Preferred stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans" and similar expressions. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, those discussed in this section, elsewhere in this report and the risks discussed in the "Risk Factors Related to Our Company" section included in our Annual Report on Form 10-K for our fiscal year ended June 30, 2000, filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this report.

BASIS OF PRESENTATION

Prior to September 22, 1999, we were a public company with no material operations. We were formerly known as Adina, Inc., which was incorporated in the state of Delaware on June 24, 1987. In September and October 1999, we completed a series of transactions whereby we acquired (i) 100% of the outstanding shares of e.Volve, (ii) 100% of the outstanding shares of AxisTel (iii) 17% of the outstanding shares of PhoneFree and (iv) a note receivable from e.Volve in the amount of approximately $8.5 million ("Notes"), including accrued interest. All of the acquisitions and the purchase of the Notes were settled through the issuance of 42,787,863 shares of common stock of eVentures and are collectively referred to as the "Initial Transaction".

Since we had no material operations prior to the Initial Transaction, the reorganization was accounted for as a recapitalization of e.Volve. Accordingly, the historical financial statements presented through September 22, 1999 are those of e.Volve. The financial statements presented herein reflect the consummation of the reorganization, and therefore are the consolidated financial statements of eVentures and subsidiaries as of September 30, 2000 and June 30, 2000 and for the period from September 22, 1999 through September 30, 1999 and the three months ended September 30, 2000. On March 10, 2000, we acquired iGlobal, which has been incorporated into the consolidated financial statements from the date of acquisition.

Revenues. Revenues are generated through the sale of our products and services which can be divided into three general service categories: (i) broadband, (ii) value added and (iii) prepaid. Broadband services consist of transport services such as private line, asynchronous transfer mode and frame relay and access services such as dial-up and dedicated Internet access, DSL and collocation services. Value added services include software services that leverage the packet-based infrastructure of our network to deliver advanced communications services to end-users. Value added services consist principally of virtual private network, voice-over-Internet-protocol, or VOIP services, web hosting and other services. We also offer prepaid services through the sale of calling cards on a wholesale and retail basis. The majority of our products and services are measured and billed on a per minute basis.

Historically, we have derived substantially all of our revenues from the sale of VOIP and transport services. Our agreements with our wholesale customers are short term in duration and the rates are subject to change from time to time. Due to increasing competition, management expects these rates to decline, which could result in lower revenues and increased losses. Our three largest customers accounted for 60% of our revenues during the three-month period ended September 30, 2000. We anticipate that our dependence on these three customers will continue to decline as we broaden our sales and marketing initiatives to include (i) adding new customers, (ii) increasing sales to existing customers and (iii) increasing sales of broadband, value added and prepaid services.

Direct Costs. Direct costs include per minute termination charges, lease payments and fees for fiber optic cable. Historically, the call termination expense component of these direct costs has declined as measured on a cost per minute basis. The direct costs incurred for leasing communications network capacity has also declined. However, the agreements we enter into for leasing such capacity are generally at fixed rates for periods of more than one year. We anticipate that our aggregate direct costs will continue to increase over time as we build out our global network and enter into additional capacity leases in advance of sales. We expect our call termination expenses, as measured on a cost per minute basis, will continue to decline, offset by increases in the volume of traffic on our network.

Selling, General and Administrative Expenses. These expenses include general corporate expenses, management and operations salaries and expenses, professional fees, sales and marketing expenses, travel expenses, benefits, facilities costs and administrative expenses. Currently we maintain our corporate headquarters in Dallas, Texas, and have additional offices in Jersey City, New Jersey, New York, New York, Kansas City, Missouri, Dallas, Texas, Miami, Florida and Mexico City, Mexico. We anticipate that our selling, general and administrative expenses will continue to increase over time as we are expanding the size of our staff and facilities to meet the demands of our global network expansion and increased product offerings.

Depreciation and Amortization. Depreciation and amortization represent the depreciation of property, plant & equipment and the amortization of goodwill resulting from the reorganization transactions and the acquisition of iGlobal. We anticipate that depreciation and amortization expense will continue to increase over time as we continue to make investments in our communications network and facilities.

SUMMARY OF OPERATING RESULTS

The table below summarizes our operating results

	Three Months Ended September 30,			
	2000	%	1999	%
		(unaudited)		
Revenues	$ 18,597,027	100.0%	$ 8,675,719	100.0%
Direct costs	17,341,332	93.2%	8,729,520	100.6%
Gross profit	1,255,695	6.8%	(53,801)	(0.6%)
Selling, general and administrative expenses	7,143,578	38.4%	1,355,148	15.6%
Depreciation and amortization	6,468,935	34.8%	460,884	5.3%
Loss from operations, before other (income) expense	(12,356,818)	(66.4%)	(1,869,833)	(21.6%)
Other (income) expenses:				
Interest expense (income), net	(306,055)	(1.6%)	519,231	6.0%
Write off of unamortized debt discount	--	0.0%	917,615	10.6%
Equity in loss of affiliates	4,070,989	21.9%	18,730	0.2%
Foreign currency gain	(2,845)	(0.0%)	(6,502)	(0.1%)
Other	75,031	0.4%	(6,588)	(0.1%)
	3,837,120	20.6%	1,442,486	16.6%
Net loss available to common shareholders	$(16,193,938)		$ (3,312,319)	
Net loss per share - (basic and diluted)	$ (0.31)		$ (0.20)	
Weighted average number of shares outstanding - (basic and diluted)	51,989,562		16,547,331	

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

Revenues. Revenues increased to $18.6 million during the three months ended September 30, 2000 from $8.7 million during the three months ended September 30, 1999, an increase of 114%. Revenues for the three months ended September 30, 2000 were generated through the sale of (i) 80% VOIP services, (ii) 14% prepaid services, (iii) 4% transport services and (iv) 2% Internet services. Sales during the prior year period consisted of VOIP services.

The increase in revenues during the three months ended September 30, 2000 primarily resulted from revenues of companies acquired as part of the Initial Transaction, which increased revenues by $8.0 million during the first fiscal quarter of 2001. In addition, an increase in traffic contributed to the remainder of the increase in revenues. During the three months ended September 30, 2000, we transmitted 133.4 million minutes versus 77.1 million minutes during the first quarter of 2000, an increase of 73%. Excluding the 29.1 million minutes added as a result of acquisitions, we increased minutes during the quarter, as compared to the same prior year period, by 27.2 million minutes, an increase of 35%. The increase in traffic during the current three-month period was partially offset by a decrease in the average price per minute that we charged for VOIP services. The average price per minute decreased to $0.101 during the three months ended September 30, 2000 versus $0.113 during the comparable period in fiscal 2000.

Direct Costs. Direct costs increased to $17.3 million during the three months ended September 30, 2000 from $8.7 million during the three months ended September 30, 1999, an increase of 99%. The increase in direct costs in the three months ended September 30, 2000 primarily resulted from direct costs attributable to operations of the companies acquired as part of the Initial Transaction and the subsequent acquisition of iGlobal, which on a combined basis, increased direct costs by $7.8 million during our first quarter of fiscal 2001. The additional increase during the period of $0.8 million was a result of the previously discussed increases in traffic volumes partially offset by lower per minute termination costs. The average cost per minute to terminate calls decreased to $0.091 during the three months ended September 30, 2000 from $0.113 during the comparable period in fiscal 2000. As a percentage of revenues, direct costs during the three months ended September 30, 2000 decreased to 93% from 101% during the three months ended September 30, 1999. The decrease in direct costs as a percentage of revenues resulted primarily from the cost per minute for termination decreasing faster than the average price we charge per minute.

Selling, General and Administrative. Selling, general and administrative expenses increased to $7.1 million during the three months ended September 30, 2000 from $1.4 million in the prior year period, an increase of 407%. Selling, general and administrative expenses during the three months ended September 30, 2000 increased primarily due to: (i) expenses incurred by companies acquired during fiscal 2000 of $3.4 million, (ii) an increase in salary and office rent expense of $1.2 million as a result of the expansion of our organization and (iii) compensation expense of $0.4 million related to the issuance of options below the market value of our stock.

Depreciation and Amortization. As a result of the reorganization transactions in September 1999 and October 1999 and the acquisition of iGlobal in March 2000, we recorded approximately $116.0 million in goodwill. Amortization of goodwill during the three months ended September 30, 2000 totaled $5.2 million. Depreciation recorded on fixed assets during the current year period totaled $1.3 million compared to $0.5 million for the prior year period. At September 30, 2000 fixed assets, consisting primarily of network equipment, totaled $36.1 million compared to $7.3 million at September 30, 1999.

Interest (Income) Expense, Net. We recorded interest income, net of expense, of $0.3 million for the three months ended September 30, 2000 compared to net interest expense of $0.5 million for the three months ended September 30, 1999. The interest income, net during the three months ended September 30, 2000 resulted from interest income on greater cash balances maintained from the proceeds of private placements completed in fiscal 2000 together with lower interest expense. The reduction in interest expense was due to the elimination of $8.0 million of e.Volve's debentures as a result of the reorganization transaction on September 22, 1999.

Equity in Losses of Affiliates. Equity in losses of affiliates resulted from our minority ownership in certain investments that are accounted for under the equity method of accounting. Under the equity method, our proportionate share of each affiliate's operating losses and amortization of our net excess investment over our equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in loss of affiliates was $4.1 million during the three months ended September 30, 2000 and resulted primarily from our 22% equity interest in PhoneFree. We anticipate that our strategic investments accounted for under the equity method will continue to invest in the development of their products and services, and will continue to recognize operating losses, which will result in future charges to earnings as we record our proportionate share of such losses.

Write Off Of Unamortized Debt Discount. The $0.9 million write off of unamortized debt discount in fiscal 2000 resulted from the elimination of e.Volve's outstanding debentures as a result of the reorganization transaction.

LIQUIDITY AND CAPITAL RESOURCES

Our business plan contemplates expanding our network operations and related services both domestically and internationally. Our primary expenditures will be for equipment, network expansion, increased personnel costs and working capital. This strategy may also include strategic acquisitions and investments. Sources of funding for our financing requirements may include vendor financing, bank loans, and public offerings or private placements of equity and/or debt securities. There can be no assurance that additional financing will be available or, if available, that financing can be obtained on a timely basis and on acceptable terms. The failure to obtain such financing on acceptable terms could significantly reduce our ability to fund our expense, development, acquisitions and operations.

Since July 1, 1999, we have funded our operations primarily through cash flow from operations, private placements of common and preferred stock and borrowings under loan and capital lease agreements. Our principal uses of cash are to fund (i) the expansion of our operations; (ii) working capital requirements; (iii) capital expenditures, primarily for our network; (iv) operating losses; and (v) acquisitions and strategic investments. As of September 30, 2000, we had current assets of $47.9 million, including cash and cash equivalents of $35.9 million. The working capital surplus at September 30, 2000 was $27.3 million. While this amount is not sufficient to fund our current plans for global network expansion, the cash and cash equivalents at September 30, 2000 are expected to provide sufficient liquidity to meet our operating and capital requirements over the next twelve months.

We estimate that our current network expansion plans will require approximately $170.0 million over the next 24-months. We expect to fund these capital requirements through existing cash balances, expansion of our capital lease facilities and public and private placements of equity and/or debt securities. If we are not able to raise additional funds within the next six months we may not be able to complete our global network expansion and increase our revenues pursuant to our business strategy.

Cash flows from operating activities. Cash used in operating activities for the three months ended September 30, 2000 totaled $3.7 million compared to net cash provided for the three months ended September 30, 1999 of $0.9 million. The increased use of cash in our operating activities is primarily attributable to increased costs associated with expanding our overall operations which encompasses (i) networks, (ii) facilities, (iii) employee costs and (iv) costs incurred by companies acquired during fiscal 2000. During the three months ended September 30, 2000 cash flow used by operating activities primarily resulted from operating losses, net of non-cash charges, totaling $4.8 million and an increase in accounts receivable of $2.2 million, partially offset by a net increase in accounts payable and accrued liabilities of $3.5 million. At September 30, 1999, cash flows provided by operating activities resulted from increases in current liabilities offset partially by operating losses, net of non-cash charges, totaling $1.6 million.

Cash flows from investing activities. Net cash used in investing activities was $0.8 million for the three months ended September 30, 2000 compared to $0.4 million for the same period in the prior fiscal year. Investing activities in the current fiscal year period consisted primarily of purchases of network equipment. Investing activities for the prior year period consisted principally of fixed asset purchases of $0.6 million offset partially by cash acquired in acquisitions of $0.3 million.

Cash flows from financing activities. Cash flows used in financing activities during the three months ended September 30, 2000 totaled $0.4 million and consisted principally of capital lease payments of $0.5 million and amounts advanced to an affiliate company pursuant to a note agreement of $0.3 million, offset partially by borrowings under a credit agreement for equipment purchases. Cash flows provided by financing activities for the three months ended September 30, 1999 totaled $4.9 million and were attributable to the issuance of $5.9 million of common and preferred stock, partially offset by the repayment of a bridge loan and capital lease payments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the impact of political instability, foreign currency, interest rate and other risks.

Political Instability Risks. We have relationships with foreign suppliers in Jamaica, Mexico, India and other countries. We have not experienced any negative economic consequences as a result of relationships with foreign suppliers in these countries, but may be negatively affected should political instability in any of these countries develop.

Foreign Currency Risks. Since the agreements we have entered into with foreign suppliers in Jamaica, India and other countries are denominated in U.S. dollars, we are not exposed to risks associated with fluctuations in these foreign currencies. However, because our agreements with Mexican suppliers are denominated in Mexican pesos, we may be exposed to fluctuations in the Mexican peso, as well as to downturns in the Mexican economy, all of which may affect profitability. During the three months ended September 30, 2000, $5.4 million of our direct costs were denominated in Mexican pesos.

Interest Rate Risks. We have investments in money market funds of approximately $34.6 million at September 30, 2000. We also have a variable rate credit facility to purchase equipment with outstanding borrowings at September 30, 2000 of $4.0 million. Due to the short-term nature of our investments and the relatively low amount of variable rate debt on our balance sheet, we believe that the effects of changes in interest rates are limited and would not materially impact our profitability.

Other Market Risks. We are also exposed to potential risks in dealing with foreign suppliers in foreign countries associated with potentially weaker protection of intellectual property rights, unexpected changes in regulations and tariffs, and varying tax consequences.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in legal proceedings from time to time, none of which management believes, if decided adversely to us, would have a material adverse effect on the business, financial condition or results of operations of the Company.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and Thomas P. McMillin, dated as of September 25, 2000

10.2 Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and Daniel J. Wilson, dated as of September 25, 2000

10.3 Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and Olaf Guerrand-Hermes, dated as of September 25, 2000

10.4 Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and Stuart J. Chasanoff, dated as of September 25, 2000

10.5 Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and Chad E. Coben, dated as of September 25, 2000

10.6	Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and Susie C. Holliday, dated as of September 25, 2000
10.7	Amendment to Non-Qualified Stock Option Agreement between eVentures Group, Inc. and Susie C. Holliday, dated October 2, 2000
10.8	Amendment No. 1 to Employment Agreement between eVentures Group, Inc. and David N. Link, dated as of September 25, 2000
10.9	Second Amended and Restated Employment Agreement between eVentures Group, Inc. and Samuel L. Litwin, dated as of October 2, 2000
10.10	Second Amended and Restated Employment Agreement between eVentures Group, Inc. and Mitchell C. Arthur, dated as of October 2, 2000
27.1	Financial Data Schedule

(b) Reports on Form 8-K

The Company filed a current report on Form 8-K on September 28, 2000, announcing its financial results for the fiscal year ended June 30, 2000.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

eVENTURES GROUP, INC.

Date: November 13, 2000 By: /s/ Jeffrey A. Marcus

Jeffrey A. Marcus
(Authorized Signatory and
Chief Executive Officer)

Date: November 13, 2000 By: /s/ Daniel J. Wilson

Daniel J. Wilson
(Principal Financial and Accounting Officer)