The Helein Law Group, LLLP

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T.R.A. DOCKET ROOM

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March 29, 2005

Via Overnight Courier

Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

To the Attention of: Sharla Dillon, Docket Room Manager

Re: ***UCN, Inc.***
Application for a Certificate to Provide Competing Local Telecommunications Services in Tennessee
Docket No. 05-00050

Dear Ms. Standley:

On behalf of UCN, Inc. ("UCN"), transmitted herewith is an original and thirteen (13) copies of this response to your data request of March 11, 2005, with respect to the above-captioned matter.

1. **Please provide a signed certificate of service indicating that each Incumbent Local Exchange Provider in your Exhibit I has been served with notice of your petition.**

   See Attachment 1.

2. **Please provide 2004 interim financial statements, including income statements, balance sheets and statement of cash flows. The statements provided with the petition were only through year end 2003.**

   See Attachment 2 for UCN's SEC Form 10-Q for the 3rd Quarter of 2004 UCN is preparing its SEC Form 10-K Annual Report for 2004.

However, because the financial statements are currently being audited by UCN's financial auditors, Deloitte & Touche, neither interim nor final financial statements for year end 2004 are presently available.

3. **Please provide a list of states in which UCN, Inc. is certificated to do business.**

UCN is authorized to provide resold interexchange services in the contiguous United States and Hawaii.

UCN is authorized to provide resold and limited facilities-based local exchange telecommunications services in Arizona, Colorado, Florida, Illinois, Kentucky, Maryland, Massachusetts, Missouri, Montana, Nevada, New York, Ohio, Oregon, Texas, Washington and Wisconsin.

UCN has applications to provide resold and limited facilities-based local exchange telecommunications services pending in Alabama, Arkansas, California, Connecticut, Delaware, the District of Columbia, Georgia, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah and Vermont.

UCN is in the process of preparing applications to file in the remaining contiguous United States and Hawaii.

4. **Please provide a list of consumer complaints, with any state or federal agency, for the year 2004, including how the complaint was resolved. The pre-filed testimony of Paul Jarman, CEO of UCN, Inc., indicated problems during the years between 2000 and 2002 in the states of Arkansas, North Carolina, Nebraska, as well as the settlement agreement in Tennessee. Have there been any further complaints in those states since the issues have been resolved? If so, what types of complaints have been filed.**

See Attachment 3 for list of state PUC, PSC, Attorney General and/or FCC consumer complaints. All consumer complaints received by UCN are expeditiously resolved, typically within 10 days of receipt. There are no complaints currently outstanding.

The "problems" described by Mr. Jarman in his pre-filed testimony pertained to UCN's failure to comply with state regulations associated with Annual Reports and, with respect to Tennessee, a Surety Bond. Since resolving these matters, UCN has had an impeccable regulatory compliance record in Arkansas, North Carolina, Nebraska and Tennessee and in all other states in which it operates as a long distance reseller.

5. **In his pre-filed testimony, Paul Jarman, CEO of UCN, Inc., attributed the aforementioned regulatory problems in various states to the fact that Buyers United was a small business with fewer than 25 employees, and that the company's initial regulatory filings were contracted out to consulting firms, which resulted in confusion regarding responsibilities in that area. This confusion resulted in the company's regulatory status falling into arrears in some states. What steps has UCN now taken to ensure that all regulatory matters will be dealt with timely?**

   To ensure that all regulatory matters are dealt with in a timely and accurate manner, UCN took several actions, all of which are detailed in the Regulatory Compliance Plan attached hereto at **Attachment 4**. Proof of the Regulatory Compliance Plan's success is borne by the fact that UCN has an impeccable compliance record since adopting and implementing the Plan.

6. **Were the previously mentioned regulatory problems exclusively related to lapses in regulatory filings, or were consumer complaints against Buyers United (UCN) regarding billing, slamming, etc., involved in any of these issues? If so, what types of consumer complaints were involved?**

   UCN's prior history of regulatory problems were exclusively related to lapses in regulatory filings. UCN's record with regard to billing, slamming and other consumer issues is beyond reproach and has never been the subject of concern before a state Utility Commission or the FCC.

7. **In the financial statements provided by UCN, Inc., a Line of Credit from RFC Capital Corporation in the amount of $5 million is stated as a source of funding. However, according to the same statement, as of December 31, 2003, the Company had financed the maximum amount available based on eligible accounts receivable (the source of collateral) at that time. Please provide documentation of the status of the Line of Credit as of year end 2004.**

   The status of the $5 million line of credit is basically unchanged since December 31, 2003, except that, naturally, the amount involved has changed. As of the close of business on December 31, 2004, the amount owing on the line was $2.8 million, the maximum amount available at the time.

Like virtually all line-of-credit arrangements, UCN's is also subject to certain maximum levels, based on the constantly-changing underlying collateral at any given time. As UCN's billings and accounts receivable fluctuate, so does the maximum amount available, up to the $5 million ceiling. UCN currently runs all billing data and customer cash flow through its line of credit lender in the normal course of business.

Updates to the December 31, 2003 information are also included in all of UCN's SEC Form 10-Q's covering quarters 1 through 3 during 2004. Refer to Attachment 2, hereto, to review UCN's most recent 10-Q filing.

If the TRA is concerned about UCN's liquidity and current cash situation, we direct attention to **Attachment 5**, a press release detailing the generation of nearly $3.6 million in cash through the exercise of warrants.

Warrant and Option Exercise Summary for Q4, 2004

1,911,500 warrants exercised:
Cash $3,205,960
Cashless (stock for warrants) $617,040
Current notes payable converted to common stock: $712,500

163,128 options exercised:
Cash: $363,506
Total cash received: $3,569,466

An additional copy of this filing is enclosed, to be date-stamped and returned in the postage-prepaid envelope provided.

Should there be any further questions regarding this matter, kindly contact the undersigned.

Respectfully submitted,

Jonathan S. Marashlian
Regulatory Counsel

Enclosures

cc: Lisa Foust

ATTACHMENT 1

Certificate of Service

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN THE MATTER OF THE APPLICATION OF UNC, INC. FOR A CERTIFICATE TO PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES

NOTICE OF FILING

You are hereby notified that UCN, Inc. has filed an Application for a Certificate to Provide Competing Local Telecommunications Services, pursuant to applicable Tennessee Statutes and the Rules and Regulations of the Tennessee Regulatory Authority and Section 253 of the Federal Telecommunications Act of 1996, to provide resold and facilities-based local exchange telephone service in state of Tennessee in the zones and exchanges of BellSouth and Sprint United. If you would like further information regarding this filing or a copy of the Application, please contact:

Jonathan S. Marashlian, Esq.
The Helein Law Group, LLLP
8180 Greensboro Drive
Suite 700
McLean, Virginia 22102
Phone: (703) 714-1313
Facsimile: (703) 714-1330
Email: jsm@thlglaw.com

Dated: March 4, 2005

CERTIFICATE OF SERVICE

I, Suzanne Rafalko, a legal secretary in The Helein Law Group, LLLP, do hereby state and affirm that copies of the foregoing Notice of Filing, have been served via First Class Mail, upon the incumbent local exchange telephone companies in the attached listing, on this 4th day of March, 2005.

Suzanne Rafalko

ATTACHMENT 2

Third Quarter 2004
SEC Form 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 2004**

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

For the transition period from __________ to __________

Commission File No. 0-26917

UCN, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**87-0528557**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

14870 Pony Express Road, Bluffdale, Utah 84065
(Address of Principal Executive Offices)

(801) 320-3300
(Registrant's Telephone Number, Including Area Code)

____
(Former Name, Address and Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,226,818 shares of common stock as of November 1, 2004.

FORM 10-Q

UCN, INC.

INDEX

UCN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS - (Unaudited)

	September 30, 2004	December 31, 2003
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,007,296	$ 3,055,384
Restricted cash	1,627,636	1,569,336
Accounts and other receivables, net	7,922,964	8,162,483
Other current assets	442,411	243,844
Total current assets	11,000,307	13,031,047
Property and equipment, net	3,181,210	2,424,642
Intangible assets, net	6,617,414	8,018,682
Other assets	479,913	496,787
Total assets	$ 21,278,844	$ 23,971,158
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Line of credit	$ 1,920,328	$ 4,093,782
Current portion of long-term debt and capital lease obligations	1,985,462	7,781,484
Trade accounts payable	7,055,113	11,248,152
Accrued liabilities	1,921,255	1,828,864
Total current liabilities	12,882,158	24,952,282
Long-term debt and capital lease obligations	30,489	646,126
Total liabilities	12,912,647	25,598,408
Commitments and contingencies (note 10)	-	-
Stockholders' equity (deficit):		
Preferred stock, $0.0001 par value, 15,000,000 shares authorized,		
Series A 8% cumulative convertible preferred stock, 1,827,500 and 1,865,000 shares issued and outstanding (liquidation values of $3,655,000 and $3,730,000)	183	187
Series B 8% cumulative convertible preferred stock; 417,800 and 721,729 shares issued and outstanding (liquidation values of $4,178,000 and $7,217,290)	42	72
Common stock, $0.0001 par value, 100,000,000 shares authorized; 13,896,818 and 7,604,584 shares issued and outstanding	1,390	760
Additional paid-in capital	31,564,071	20,193,148
Warrants and options outstanding	3,352,172	3,928,110
Accumulated deficit	(26,551,661)	(25,749,527)
Total stockholders' equity (deficit)	8,366,197	(1,627,250)
Total liabilities and stockholders' equity (deficit)	$ 21,278,844	$ 23,971,158

See accompanying notes

UCN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Unaudited)

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Revenues from telecommunications services	$ 15,711,720	$ 16,439,065
Operating expenses:		
Costs of revenues	8,711,136	8,849,635
General and administrative	3,610,703	3,839,901
Selling and promotion	3,937,226	3,097,090
Total operating expenses	16,259,065	15,786,626
Income (loss) from operations	(547,345)	652,439
Other income (expense):		
Interest income	7,325	3,689
Interest expense	(138,837)	(468,890)
Total other expense, net	(131,512)	(465,201)
Net income (loss)	(678,857)	187,238
8% Preferred dividends on Series A and B preferred stock	(157,948)	(237,124)
Net loss applicable to common stockholders	$ (836,805)	$ (49,886)
Net loss per common share:		
Basic and diluted	($0.06)	($0.01)
Weighted average common shares outstanding:		
Basic	13,805,806	6,414,135
Diluted	14,466,112	7,372,521

See accompanying notes

UCN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Unaudited)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Revenues from telecommunications services	$ 49,183,336	$ 48,211,821
Operating expenses		
Costs of revenues	26,862,694	26,106,281
General and administrative	11,391,190	11,571,010
Selling and promotion	10,664,801	8,119,473
Total operating expenses	48,918,685	45,796,764
Income from operations	264,651	2,415,057
Other income (expense):		
Interest income	28,631	9,090
Interest expense	(687,954)	(1,460,985)
Gain on early extinguishment of debt	109,150	-
Total other expense, net	(550,173)	(1,451,895)
Net income (loss)	(285,522)	963,162
8% Preferred dividends on Series A and B preferred stock	(516,612)	(634,212)
Net income (loss) applicable to common stockholders	$ (802,134)	$ 328,950
Net income (loss) per common share:		
Basic and diluted	($0.07)	$0.05
Weighted average common shares outstanding:		
Basic	12,048,689	6,285,038
Diluted	13,175,148	6,330,183

See accompanying notes

UCN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Unaudited)

	Nine Months Ended September 30, 2004	2003
Cash flows from operating activities:		
Net income (loss)	$ (285,522)	$ 963,162
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,056,694	3,034,514
Amortization of discount on notes	-	5,312
Amortization of discount on long-term debt	122,562	340,480
Amortization of note financing costs	75,000	97,598
Amortization of deferred consulting fees	-	15,626
Changes in operating assets and liabilities.		
Accounts and other receivables	239,519	(3,333,853)
Other assets	(201,102)	(692,807)
Trade accounts payable	(4,198,105)	3,149,416
Accrued liabilities	458,187	569,406
Net cash provided by (used in) operating activities	(732,767)	4,148,854
Cash flows from investing activities:		
Decrease in other assets	(22,207)	(52,125)
Acquisition of customer base	(757,856)	-
Purchases of property and equipment	(1,615,057)	(694,314)
Net cash used in investing activities	(2,395,120)	(746,439)
Cash flows from financing activities:		
Increase in restricted cash	(58,300)	(579,584)
Net borrowings and payments under line of credit	(2,173,454)	1,588,412
Borrowings on long-term debt, net of debt issuance costs	-	2,299,955
Proceeds from exercise of options and warrants	1,944,500	-
Private placement of common stock, net of offering costs	8,101,274	-
Repurchase of common stock	(500,000)	(4,852)
Principal payments on long-term debt	(6,234,221)	(6,667,047)
Net cash provided by (used in) financing activities	1,079,799	(3,363,116)
Net increase (decrease) in cash and cash equivalents	(2,048,088)	39,299
Cash and cash equivalents at the beginning of the period	3,055,384	994,360
Cash and cash equivalents at the end of the period	$ 1,007,296	$ 1,033,659

See accompanying notes

UCN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Unaudited)

	Nine Months Ended September 30,	
	2004	2003
Supplemental cash flow information:		
Cash paid for interest	$ 645,819	$ 860,827
Supplemental schedule of noncash investing and financing activities:		
Issuance of common shares in payment of preferred stockdividend	$ 785,994	$ 768,544
Accrual of dividend payable on preferred stock	516,612	634,212
Issuance of common shares for officer's personal guaranty	-	36,300
Issuance of warrants with private placement of common stock	189,336	-
Issuance of warrants with consulting contract	72,465	-
Retirement and replacement of note payable	-	800,000
Conversion of note payable into common stock	300,000	-
Conversion of accrued interest to note payable	-	435,388
Increase in Touch America obligation with amended agreement	-	3,264,576
Issuance of preferred stock to acquire VoIP assets	91,348	1,400,738
Capital expenditures financed with capital lease obligation	-	100,691

See accompanying notes

UCN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) - (Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in
	Shares	Amount	Shares	Amount	Capital
Balance at January 1, 2004	2,586,729	$ 259	7,604,584	$ 760	$ 20,193,148
Issuance of preferred stock in connection with the acquisition of VoIP assets	16,071	2	-	-	91,346
Conversion of preferred shares to common	(357,500)	(36)	1,637,500	164	(128)
Exercise warrants to purchase common stock	-	-	682,000	68	2,149,618
Exercise employee options to purchase common stock	-	-	265,000	27	579,973
Conversion of promissory note to common stock	-	-	150,000	15	299,985
Expiration of warrants to purchase common stock	-	-	-	-	52,553
Private placement of common stock, net of offering costs	-	-	3,782,000	378	7,911,560
Issuance of warrants for services	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-
Issuance of common shares as payment of preferred stock dividends	-	-	290,294	29	785,965
Repurchase of shares from stockholder	-	-	(514,560)	(51)	(499,949)
Net loss	-	-	-	-	-
Balance at September 30, 2004	2,245,300	$ 225	13,896,818	$1,390	$ 31,564,071

See accompanying notes

UCN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) - (Unaudited)

	Warrants/ Options Outstanding	Accumulated Deficit	Total
Balance at January 1, 2004	$3,928,110	$(25,749,527)	$(1,627,250)
Issuance of preferred stock in connection with the acquisition of VoIP assets	-	-	91,348
Conversion of preferred shares to common	-	-	-
Exercise warrants to purchase common stock	(785,186)	-	1,364,500
Exercise employee options to purchase common stock	-	-	580,000
Conversion of promissory note to common stock	-	-	300,000
Expiration of warrants to purchase common stock	(52,553)	-	-
Private placement of common stock, net of offering costs	189,336	-	8,101,274
Issuance of warrants for services	72,465	-	72,465
Preferred stock dividends	-	(516,612)	(516,612)
Issuance of common shares as payment of preferred stock dividends	-	-	785,994
Repurchase of shares from stockholder	-	-	(500,000)
Net loss	-	(285,522)	(285,522)
Balance at September 30, 2004	$3,352,172	$(26,551,661)	$ 8,366,197

See accompanying notes

UCN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited)

September 30, 2004

1. Basis of presentation

These unaudited interim financial statements of UCN, Inc. and its subsidiary (collectively, "UCN" or "the Company") have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "Commission") Such rules and regulations allow the omission of certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States, so long as the statements are not misleading. In the opinion of Company management, these financial statements and accompanying notes contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and results of operations for the periods shown. These interim financial statements should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-KSB for the year ended December 31, 2003, as filed with the Commission on March 30, 2004.

The results of operations for the three and nine month periods ended September 30, 2004 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the financial statements for prior periods in order to conform to the 2004 presentation.

2. Summary of significant accounting policies

Net Income (Loss) Per Common Share: Basic net income (loss) per common share ("Basic EPS") excludes dilution and is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during the quarterly and year-to-date periods. Diluted net income (loss) per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other common stock equivalents were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an antidilutive effect on net income (loss) per common share, and is therefore not presented.

Following is the reconciliation of Basic and Diluted EPS:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income (loss) applicable to common stockholders, as reported	$(836,805)	$ (49,886)	$(802,134)	$ 328,950
Basic EPS:				
Weighted average number of common shares outstanding	13,805,806	6,414,135	12,048,689	6,285,038
Basic net (loss) income per share	$(0.06)	$(0.01)	$(0.07)	$ 0.05
Diluted EPS				
Common and common equivalent shares outstanding:				
Weighted average number of common shares outstanding	13,805,806	6,414,135	12,048,689	6,285,038
Common stock equivalents from options and warrants computed on the Treasury Stock method, using the average fair market value of common stock outstanding during the period	660,306	958,386	1,126,459	45,145
Shares used in the computation	14,466,112	7,372,521	13,175,148	6,330,183
Diluted net income per share				$ 0.05

Stock-Based Compensation: Employee compensation expense is measured using the intrinsic method. No stock-based compensation cost is reflected in net income applicable to common stockholders, since all options had an exercise price equal to or greater than the market price of the underlying common stock at the date of grant The following table illustrates the effects on net income (loss) applicable to common stockholders and earnings (loss) per share if expense was measured using the fair value recognition provision of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*·

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income (loss) applicable to common stockholders				
As reported	$ (836,805)	$ (49,886)	$ (802,134)	$ 328,950
Pro forma stock-option based compensation	(103,410)	(57,567)	(380,310)	(215,376)
Pro forma net income (loss) applicable to common stockholders	$ (940,215)	$(107,453)	$(1,182,444)	$ 113,574
Basic and diluted net income (loss) per common share:				
As reported	$ (0 06)	$ (0.01)	$ (0.07)	$ 0 05
Pro forma basic and diluted net income (loss) per common share	$ (0.07)	$ (0.02)	$ (0 10)	$ 0.02

We estimated the fair value of options granted under our employee stock-based compensation arrangements at the date of grant using the Black-Scholes model with the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2004	2003
Dividend yield	None	None
Expected volatility	63%	83%
Risk-free interest rate	3.45%	2.12%
Expected life (years)	5 0	4.2
Weighted average fair value of grants	$1 55	$1.29

Other Comprehensive Income: There were no components of other comprehensive income other than net income.

Business Segments and Related Information: SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information,* establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires enterprises to report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosure about products and services, geographic areas and major customers. The Company currently operates in only one business segment.

Long-Lived Assets· In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* we evaluate the carrying value of long-lived assets, including intangibles, when events or circumstances indicate the existence of a possible impairment, based on projected undiscounted cash flows, and recognize impairment when such cash flows will be less than the carrying values. Measurement of the amounts of impairments, if any, is based upon the difference between carrying value and fair value Events or circumstances that could indicate the existence of a possible impairment include obsolescence of the technology, an absence of market demand for the product, and/or continuing technology rights protection. Management believes the net carrying amount of long-lived assets will be recovered by future cash flows generated by commercialization of the technology related to the long-lived asset and from cash flows generated from customer lists.

Capitalized Software Costs. In accordance with Statement of Position 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use,* the Company capitalizes certain costs incurred for the development of internal use software. These costs include the costs associated with coding, software configuration, upgrades, and enhancements. During the three and nine months ended September 30, 2004, the Company capitalized $117,952 and $531,222, respectively.

Recent Accounting Pronouncements: In March 2004, the Financial Accounting Standards Board ("FASB") reached a consensus on Emerging Issues Task Force (EITF) Issue No 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. This pronouncement provides guidance to determine the meaning of other-than-temporary impairment and its application to investments classified as either available-for-sale or held-to-maturity (including individual securities and investments in mutual funds), and investments accounted for under the cost method or the equity method. The guidance for evaluating whether an investment is other-than-temporarily impaired is to be applied in other-than-temporary impairment evaluations made in reporting periods beginning after June 15, 2004. The adoption of Issue No. 03-1 did not have a material impact on the financial statements.

3. Customer acquisitions

UCN entered into an agreement to purchase 37 dedicated long distance customers from Source Communications, LLC for $757,856 in cash in February 2004. The transaction was closed in March 2004. The total purchase price was entirely allocated to customer lists acquired, and is included in intangible assets in the accompanying condensed consolidated balance sheets.

4. Gain on early extinguishment of debt

During 2003 the Company entered into a Purchase Agreement to acquire approximately 12,000 long distance customers from Glyphics Communications, Inc. Subsequently, the two parties agreed that UCN would accelerate payments under the agreement in exchange for a discount on the purchase price. The final payment under the agreement was made in February 2004, and the Company recorded a $109,150 gain on the early extinguishment of the debt

5. Intangible assets

Intangible assets consisted of the following:

	September 30, 2004			December 31, 2003		
	Gross asset	Accumulated amortization	Intangible assets, net	Gross asset	Accumulated amortization	Intangible assets, net
Customer lists acquired	$ 11,518,164	$ 5,752,517	$ 5,675,647	$ 10,760,307	$ 3,840,679	$ 6,919,628
Technology and patents	1,318,865	467,098	851,767	1,318,865	219,811	1,099,054
	$ 12,837,029	$ 6,219,615	$ 6,617,414	$ 12,079,172	$ 4,060,490	$ 8,018,682

Total amortization expense of intangible assets was $728,672 for the three months ended September 30, 2004, and $2,159,125 for the nine months ended September 30, 2004 Depending on the type of customers, the useful lives of customer lists acquired range from 36 to 48 months, and are evaluated for recoverability on an annual basis.

Amortization expense for all intangible assets during the three months ended December 31, 2004, and during the four-year period ending December 31, 2008 is expected to be $728,672, $2.7 million, $2.4 million, $791,585, and $31,577, respectively.

6. Accrued liabilities

Accrued liabilities consisted of the following:

	September 30, 2004	December 31, 2003
Accrued commissions	$ 906,268	$ 669,523
Accrued dividends	204,151	478,599
Accrued payroll and related costs	591,718	257,824
Other	219,118	422,918
	$ 1,921,255	$ 1,828,864

7. Capital Transactions

During the nine months ended September 30, 2004, investors exercised warrants to purchase a total of 682,000 shares of common stock. Total proceeds received in these transactions was $1.4 million. Included in these amounts were warrants to purchase 297,500 shares exercised by one of the Company's directors, for which the Company received $595,000.

On March 15, 2004 the Company closed a private placement to institutional and accredited investors The Company sold 3,782,000 shares of common stock at $2 30 per share, or a total of approximately $8.7 million. Net proceeds of the offering after placement fees and expenses were approximately $8.1 million. A portion of the expenses associated with this transaction was the issuance to the investment banking firm of 164,125 warrants to purchase common shares at $2 76 per share that expire March 15, 2007 The fair market value of the warrants, using the Black-Scholes pricing model, was $189,336.

In connection with the placement, Acceris Communications Inc., formerly I-link Incorporated and the holder of 300,000 shares of Series B Convertible Preferred Stock, converted all of its preferred stock to 1.5 million common shares. Acceris subsequently sold 750,000 of those common shares to the investors in the private placement at $2.30 per share.

In January and February 2004, three Directors exercised options to purchase a total of 255,000 shares of Common Stock. Total proceeds received by the Company in connection with these exercises was $555,000.

In December 2003, a holder of 100,000 shares of Series B Convertible Preferred Stock converted all of those shares to 500,000 shares of common stock. In January 2004, the holder sold those common shares plus 14,560 additional shares, or a total of 514,560 shares, to UCN for $500,000 in a privately negotiated transaction.

In May 2004, a holder of Preferred Stock converted a $300,000 promissory note into 150,000 shares of common stock at a conversion price of $2.00 per share. In June 2004, the Company repaid two other promissory notes totaling $200,000 under prepayment terms that allowed UCN to repay the notes two years earlier than the stated maturity dates. All three of these promissory notes had been secured by equipment.

8. Major suppliers

For the three-month periods ended September 30, 2004 and 2003, approximately 53 and 70 percent, respectively, of the Company's cost of revenue was generated from two telecommunication providers. For the nine-month periods ended September 30, 2004 and 2003, approximately 55 and 71 percent of cost of revenue was generated by the same two providers. As of September 30, 2004 and December 31, 2003, respectively, the Company owed $3.1 million and $3.0 million to these providers.

9. Related party transactions

Related party transactions not previously disclosed include the following:

During the nine months ended September 30, 2004 the Company paid Theodore Stern, one of its directors who also is Chief Executive Officer, $6,250 per month for consulting, marketing, and capital raising activities. At September 30, 2004, there was no amount owed to Mr Stern.

During the nine months ended September 30, 2004, there were several debt arrangements with directors more fully described in the Company's Form 10-KSB filed with the Securities and Exchange Commission on March 30, 2004. Interest expense on obligations owed to related parties during the three and nine months ended September 30, 2004 was $36,638 and $187,807, respectively.

On April 12, 2004, UCN repaid $2.3 million in promissory notes to one of its directors The director used $595,000 of the proceeds to exercise 297,500 warrants.

On April 26, 2004, the Company repaid a $50,000 note payable to another of its directors.

Three of the Company's current and prior directors participated in the 1999 Series A and 2000 Series B Preferred Stock issuances under the same terms as all other outside investors. In February and August 2004 dividends of Common Stock were paid to all holders of Preferred Stock Of this amount, the participating directors received a total of 33,054 shares of Common Stock.

10. Contingencies and Commitments

In May 2004, the Company entered into a one-year consulting agreement As part of the consultant's compensation, UCN agreed to issue up to 140,000 five-year warrants to purchase common stock at an exercise price of $4.00 per share. The fair market value of the warrants were and will be calculated using the Black-Scholes method. Up to 90,000 warrants worth a total of $72,465 are to vest ratably over a period of one year, or until the consulting agreement is terminated, whichever comes sooner 50,000 warrants will vest in January 2005 only upon the completion of certain performance measures.

11. MyACD acquisition

In October 2003, UCN acquired the exclusive right to sell and manage the enhanced telecommunications functions of MyACD, Inc., a Utah corporation ("MyACD"). MyACD develops and distributes telephony software solutions for call center traffic management and related functions that UCN offers to customers over its VoIP network acquired earlier in 2003. The agreement included a one-year option to purchase MyACD for approximately $6 2 million, paid over a three-year period beginning in January 2005. During the term of the agreement, UCN had the sole right to manage sales and marketing efforts, customer service, and billing of MyACD customers In addition, MyACD continued to provide enhanced service development and configuration, and UCN paid MyACD a fixed management fee for these services.

On September 30, 2004, UCN, Inc entered into a Purchase Option Exercise and Agreement on Related Matters with MyACD, and with Michael L. Shelton ("Shelton") and David O. Peterson ("Peterson"), the holders of all the common stock of MyACD. Under this Option Exercise Agreement:

UCN and MyACD extended the term of the October 2003 Cooperation and Management Agreement through the end of 2004;

UCN exercised its option to purchase all of the capital stock of MyACD from Shelton and Peterson under the October 2003 Purchase Option Agreement; and

UCN, Shelton, and Peterson amended the October 2003 Purchase Option Agreement to schedule the acquisition closing on January 5, 2005, and modified terms of payment and other provisions.

The total purchase price for MyACD is $6 2 million. The purchase price will be paid in January 2005 when UCN issues to Shelton a promissory note in the principal amount of $5.6 million, and to Peterson a promissory note in the principal amount of $581,538. Both notes are non-interest bearing.

Payments required under the Shelton note, which in no case will exceed the $5.6 million total, are:

(a) A payment of $1.4 million on January 5, 2005 and a payment of $35,255 on January 15, 2005,

(b) 11 monthly payments on the 15th day of each month beginning February 15, 2005 each in an amount equal to 15 4 percent of MyACD product revenue in each calendar month, but in no event will each such payment be less that $35,255 or greater than $135,956;

(c) 12 monthly payments on the 15th day of each month beginning January 15, 2006 each in an amount equal to 15.4 percent of MyACD product revenue in each calendar month, but in no event will each such payment be less that $90,640 or greater than $181,280;

(d) 12 monthly payments on the 15th day of each month beginning January 15, 2007 each in an amount equal to 15.4 percent of MyACD product revenue in each calendar month, but in no event will each such payment be less that $135,956 or greater than $226,595; and

(e) Remaining unpaid principal, if any, on or before January 15, 2008.

The first payment under the Shelton note of $1.4 million due on January 5, 2005 is payable $231,492 in cash and by issuing to Shelton in lieu of money 562,985 shares of fully paid and non-assessable common stock of UCN.

However, if the average fair market value of the common stock during the 60 trading-day period ending on and including December 31, 2004 is less than $2.00 per share or if the fair market value of the common stock on January 4, 2005 is less than $2.00 per share, then in lieu of issuing to Shelton shares of common stock UCN must make the balance of the payment of $1.1 million in cash. Fair market value of UCN common stock will be determined on the basis of the average of the highest "bid" and lowest "asked" quotations for a share of common stock in the over-the-counter market.

Payments required under the Peterson note, which in no case will exceed $581,538, are:

(a) A payment of $195,385 on January 5, 2005 and a payment of $4,745 on January 15, 2005;

(b) 11 monthly payments on the 15th day of each month beginning February 15, 2005 each in an amount equal to 1.6 percent of of MyACD product revenue in each calendar month, but in no event will each such payment be less that $4,745 or greater than $14,044;

(c) 12 monthly payments on the 15th day of each month beginning January 15, 2006 each in an amount equal to 1.6 percent of MyACD product revenue in each calendar month, but in no event will each such payment be less that $9,360 or greater than $18,720;

(d) 12 monthly payments on the 15th day of each month beginning January 15, 2007 each in an amount equal to 1.6 percent of MyACD product revenue in each calendar month, but in no event will each such payment be less that $14,044 or greater than $23,405; and

(e) Remaining unpaid principal, if any, on or before January 5, 2008.

Both notes will be secured by UCN pledging the common stock of MyACD acquired in the transaction as collateral. UCN's payment obligations under the notes may be accelerated by the holders on the occurrence of events of default, which include non-payment, insolvency or bankruptcy, breaches of certain representations and warranties of UCN in the Option Purchase Agreement, or UCN's termination without cause of employment agreements with Shelton or Peterson. The stated term of both employment agreements is up to the date of repayment in full of the two respective promissory notes.

MyACD is the obligor on two promissory notes issued in October 2003 to a former stockholder of MyACD. Upon the acquisition of MyACD as a wholly owned subsidiary in January 2005 the remaining payment obligations on these notes will appear on the balance sheet of UCN as a result of its consolidation with MyACD for financial reporting purposes. One note in the original principal amount of $575,000 is non-interest bearing, and is payable in monthly installments of $11,275 beginning October 31, 2003 and continuing through December 31, 2008 when all remaining principal is due and payable in full. At October 1, 2004 the remaining principal due on the foregoing note was $439,700, and at January 5, 2005 the remaining principal due should be $405,875. The second note is in the principal amount of $85,710, is non-interest bearing, and is payable in equal monthly installments of $2,381 commencing January 5, 2005 and continuing through December 5, 2007 when all remaining principal is due and payable in full. The note in the original principal amount of $575,000 is secured by a pledge of 2,790,000 shares of the common stock of MyACD. MyACD's payment obligations under both notes may be accelerated by the holder in the event of a payment default, insolvency, or bankruptcy of MyACD.

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

Overview

UCN, Inc. (formerly Buyers United, Inc.) is a domestic telecommunications company that offers and sells a wide range of long distance and related communication services to business and residential customers. Historically we functioned as an aggregator and reseller of telecommunications services provided by others. We intend to continue to pursue and develop this type of business.

In 2003 UCN purchased assets and licensed in perpetuity software that enabled UCN to establish and operate a Voice over Internet Protocol communications network (VoIP Network). With the VoIP Network UCN now offers, as a provider, enhanced services such as automated call distribution. Furthermore, UCN transmits data and other communication services for a portion of the journey over the VoIP Network rather than entirely through third party providers.

In October 2003, UCN acquired the exclusive right to sell and manage the enhanced telecommunications functions of MyACD, Inc., a Utah corporation ("MyACD"), with a one-year option to purchase it at a price of approximately $6.2 million. On September 30, 2004 UCN exercised the option, and the acquisition of MyACD will be effective January 5, 2005. With the MyACD technology we are now offering a new product approach that combines our national VoIP Network with on-demand proprietary telephony software for contact handling/management applications. We are changing the way mission critical applications are delivered and priced for the contact center marketplace, or for any business or department seeking to improve how it manages the productivity and quality of its customer contact opportunities.

UCN entered into an agreement to purchase 37 dedicated long distance customers from Source Communications, LLC for $757,856 in February 2004. The transaction was completed in March 2004.

We generate internal growth by pursuing multiple marketing avenues, including using independent agents, value-added resellers, and selling through our direct sales force.

Results of Operations

Revenues

Total revenues decreased 4.4 percent to $15.7 million for the three months ended September 30, 2004 as compared to $16.4 million for the same period in 2003. For the nine months ended September 30, 2004, revenues increased 2.0 percent to $49.2 million as compared to $48.2 million for the same period in 2003. The increase in revenue for the nine months ended September 20, 2004 compared to the same period in 2003 is due to new customers purchased throughout 2003 and the acquisition of customers from Source Communication, LLC, which closed in March 2004. We also generated growth internally from ongoing promotional efforts, primarily involving independent agents. These revenue increases from new and existing customers during the first nine months of 2004 were offset by attrition of our residential customer base.

Our plan since the beginning of 2004 is to focus our marketing effort on business users of telecommunication services, not residential long distance users, because we believe there is a much greater opportunity for a business of our size and resources to increase revenues through the sale of enhanced telecommunications services to business customers rather than through the sale of traditional long distance service to residential customers. With the technology we acquired in 2003 we have developed a menu of enhanced communication services that we are now introducing to our existing business customers and to new prospects through our established independent agent sales channel. As a result of these dynamic changes in our business we are experiencing a transition in our sales mix, the effect of which is reflected in the revenue decrease experienced during the three months ended September

30, 2004. We expect this transition period will continue through the end of 2004 and into 2005. During the transition we believe the downward trend in revenues will continue until the growing momentum in sales of enhanced services overtakes diminished revenue caused by attrition in our residential long distance customer base.

Cost of revenues

Cost of revenues for the three month period ended September 30, 2004 was $8.7 million, a 1.6 percent decrease, compared to $8.8 million for the comparable period in 2003. For the nine month period ended September 30, 2004, cost of revenues increased to $26.9 million, a 2.9 percent increase as compared to $26.1 million for the nine month period ended September 30, 2003. Cost of revenues as a percentage of revenue for the three month period ended September 30, 2004 was 55.4 percent as compared to 53.8 percent during 2003, and was 54.6 percent for the nine months ended September 30, 2004 compared to 54.1 percent for the same period in 2003. The decrease in gross margin in the third quarter of 2004 compared to the third quarter of 2003 is the result of the combination of lower, more competitive pricing we adopted in some of the newer long-distance rate plans and the change in our sales mix from residential customers to business customers.

We expect competitive pressures will continue to depress pricing for traditional long distance and have a negative impact on gross margin for this service. However, enhanced telecommunication services are priced on the basis of number of users and service features selected, so gross margin for that type of revenue is not subject to the same downward pressure as long distance service.

General and administrative expenses

General and administrative expenses in the third quarter of 2004 decreased 6.0 percent to $3.6 million compared to $3.8 million in the third quarter of 2003, and for the nine months ended September 30, 2004 decreased 1.6 percent to $11.4 million as compared to $11.6 million for the nine months ended September 30, 2003. A portion of the difference is attributable to the higher costs we incurred in 2003 to integrate and improve the VoIP Network acquired at the beginning of 2003 compared to the costs of maintaining and upgrading the Network during the first nine months of 2004. In addition, we have continued to improve operating efficiencies in this area, resulting in decreased expenses during 2004.

Selling and promotion expenses

Selling and promotion expenses increased 27.1 percent to $3.9 million during the three month period ended September 30, 2004 from $3.1 million for the same period in 2003. Such expenses increased 31 3 percent to $10.7 million for the nine months ended September 30, 2004 compared to $8 1 million during the nine months ended September 30, 2003. The increases are the result of the transition in our sales mix over the first nine months of 2004 as higher commissioned business customers increased in the first nine months of 2004, and lower commissioned residential customers decreased through attrition. In addition, during the second and third quarters of 2004 we increased expenses related to our various sales channels, including the addition of several sales-related personnel

Other income (expense)

Interest expense for the three month period ended September 30, 2004 was $138,837, compared to $468,890 in 2003, and for the nine months ended September 30, 2004 interest expense was $687,954 compared to $1.5 million in 2003. The decreases were the result of a reduction in the outstanding debt throughout 2004 compared to 2003.

During the third quarter of 2003, UCN entered into a Purchase Agreement to acquire approximately 12,000 long distance customers from Glyphics Communications, Inc. Subsequently, the two parties agreed that UCN would accelerate payments under the agreement in exchange for a discount on the purchase price. The final payment under the agreement was made in February 2004, and we recorded a $109,150 gain during the first quarter of 2004 on the early extinguishment of the debt.

Liquidity and Capital Resources

UCN completed a private placement of common stock on March 15, 2004. UCN sold 3,782,000 shares of common stock at $2.30 per share, or a total of approximately $8.7 million. Net proceeds of the offering after placement fees and expenses were approximately $8.1 million The net proceeds of the private placement have been used for various purposes, including sales and marketing related programs, funding further development of our VoIP Network, reducing debt, and for working capital and other general corporate purposes.

UCN's current ratio as of September 30, 2004 increased to 0.85:1 from 0.52:1 at December 31, 2003. The components of current assets and current liabilities that changed most significantly since the end of 2003 were the line of credit, the current portion of long-term debt and capital lease obligations, and accounts payable.

During the nine months ended September 30, 2004 long-term debt and the related current portion of long-term debt decreased by $6.2 million Included therein was $2.3 million in note repayments to one of UCN's directors. The director subsequently exercised warrants to purchase 297,500 shares of common stock. The proceeds received by UCN totaled $595,000. UCN also repaid a $50,000 note payable to another of its directors. Also included in the long-term debt decrease was the conversion of a $300,000 promissory note into 150,000 shares of common stock.

UCN has a line of credit agreement with RFC Capital Corporation that expires in January 2006. The available borrowing limit is $5 million. Interest accrues at prime plus three percent The facility allows UCN to obtain financing on its eligible accounts receivable, including unbilled receivables and regular monthly billings. The facility is collateralized by the underlying receivables On September 30, 2004, the amount outstanding, less applied draws by RFC, aggregated $1.9 million which was the maximum amount available based on eligible accounts receivable. The facility requires UCN to maintain a restricted cash account for the collection of the receivables. As of September 30, 2004, UCN had $1.42 million of restricted cash specifically associated with the RFC arrangement.

UCN is potentially liable under standby letters of credit aggregating $120,000 in favor of two municipalities with whom UCN has contracts to provide long distance services. The municipalities routinely require all telecommunication service providers to maintain such letters of credit. One of the letters of credit is secured by restricted cash of $20,000. Additional restricted cash of $160,000 provides collateral under wholesale purchase agreements with two vendors, and $20,000 is on secured deposit with a financial institution that provides credit card processing.

On September 10, 2003, UCN filed a registration statement on Form SB-2 with the Securities and Exchange Commission to register for resale up to approximately 8.8 million shares of common stock underlying outstanding warrants, options and convertible debt. During 2003, investors exercised warrants to purchase 522,500 shares of common stock providing cash to UCN of approximately $1.0 million. As of September 30, 2004, investors had exercised warrants for an additional 682,000 shares of common stock, providing cash of $1.4 million.

In October 2003, UCN agreed with MyACD, Inc. to acquire the exclusive right to sell their enhanced telecommunication services, and to manage certain product development activities. Included in the agreement was a one-year option for UCN to purchase MyACD. MyACD develops and distributes telephony software solutions for call center traffic management that UCN presently offers to business customers over its VoIP network. On September 30, 2004, UCN exercised its option to purchase MyACD, scheduled the closing for January 5, 2005, and extended the selling and developmental management rights until the end of 2004. The total purchase price is $6.2 million, to be paid in January 2005 when UCN will issue non-interest bearing promissory notes to MyACD stockholders. Monthly payments on the notes will total 17 percent of the previous month's MyACD product and service revenue, with certain minimum and maximum limitations varying over the following three years, and a final payment owing no later than January 2, 2008. The initial payment due in January 2005 is $1.6 million, of which $1.1 million is payable in shares of UCN common stock at a guaranteed price of $2.00.

As of September 30, 2004, UCN had a working capital deficit of $1.9 million, and current portion of long-term debt and capital lease obligations of $2.0 million. During November 2004, $250,000 of this debt was converted into common stock at $2.00 per share. The remaining long-term debt is unsecured, $461,325 is payable to the Company's Chairman and CEO of which $112,500 is convertible into common stock at $2.00 per share, and $500,000 is payable to a former director and current shareholder and convertible into common stock at $2.00 per share. The remaining debt is non-recourse, has no stated maturity date, and principal payments are variable dependent upon receivables collected from designated customers. Accordingly, management believes that because of the relationships with the debt holders the Company will be able to either extend the notes or renegotiate the terms in order to minimize any negative impact on cash flow associated with payment obligations on the debt.

If the convertible debt holders described in the preceding paragraph do not convert the outstanding debt to common stock, or if management is unsuccessful in extending the maturity date on the debt, it may be necessary for the Company to seek additional cash to fund the continuing operations of the Company through new debt instruments or the issuance of additional equity securities.

Capital Commitments The following table discloses aggregate information about our contractual obligations including notes payable and lease obligations, and the periods in which payments are due as of September 30, 2004:

Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Notes payable[1]	$ 1,962,793	$ 1,962,793	$ -	$ -	$ -
MyACD notes payable[2]	6,211,384	1,912,846[4]	4,298,538		
Capital lease obligations[3]	66,489	34,690	31,799	-	-
Operating lease obligations	1,720,986	521,406	1,199,580	-	-
Total contractual obligations	$ 9,961,652	$ 4,431,735	$ 5,529,917	$ -	$ -

1 - Before discount of $7,993
2 - Assumes January 2005 closing as planned, and represents the minimum monthly amount owed over the maximum time-frame
3 - Not including interest of $5,338
4 - Of this amount, $1,125,970 is payable with shares of UCN common stock at $2 00 per share

Critical accounting policies and estimates

Revenue Recognition – Revenue is derived primarily from business telephony services, including dedicated transport, switched, long distance, and data services. UCN's customers are principally small and medium-sized businesses and residential customers located nationwide. Revenue for the majority of switched access, dedicated, and long distance service is generally billed on a transactional basis determined by customer usage with some fixed rate elements billed in advance. The transactional elements of switched services are billed in arrears and estimates are used to recognize revenue in the period earned. The fixed rate elements billed in advance are recognized over the period the services are provided.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable is comprised of amounts billed and billable to customers, net of an allowance for uncollectible amounts. The allowance for doubtful accounts is estimated by management and is based on specific information about customer accounts, past loss experience, and general economic conditions. An account is written off by management when deemed uncollectible, although collections efforts may continue.

Property and Equipment - Property and equipment are stated at cost. Major additions and improvements are capitalized, while minor repairs and maintenance costs are expensed when incurred. In accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," UCN capitalizes certain costs incurred for the development of internal use software. These costs include the costs associated with coding, software configuration, upgrades, and enhancements.

Long-Lived Assets - Our long-lived assets consist of acquired customer lists, patents, and acquired technology. As September 30, 2004, the carrying value of these assets was $6,617,414, or 31% of total assets. We evaluate the carrying value of long-lived assets, including intangibles, when events or circumstances indicate the existence of a possible impairment. In our evaluation, we estimate the net undiscounted cash flows expected to be generated by the assets, and recognize impairment when such cash flows will be less than carrying values. Events or circumstances that could indicate the existence of a possible impairment include obsolescence of the technology, an absence of market demand for the product, and/or the partial or complete lapse of continuing technology rights protection.

Stock-Based Compensation - We have a stock option plan that provides for the issuance of common stock options to employees and service providers. Although SFAS No. 123, *Accounting for Stock Based Compensation*, encourages entities to adopt a fair-value-based method of accounting for stock options and similar equity instruments, it also allows an entity to continue measuring compensation cost for stock-based compensation for employees and directors using the intrinsic-value method of accounting prescribed by Accounting Principles Board ("APB") Opinion No 25, *Accounting for Stock Issued to Employees*. We have elected to follow the accounting provisions of APB 25 and to furnish the pro forma disclosures required under SFAS No. 123 for employees and directors, but we also issue warrants to non-employees that are recognized as expense when issued in accordance with the provisions of SFAS No. 123. We calculate compensation expense under SFAS No. 123 using the Black-Scholes option pricing model. In so doing, we estimate certain key variables used in the model. We believe the estimates we use are appropriate and reasonable

Debt Issuance Costs - As an inducement to various investors, shareholders, and board members to lend monies to UCN, shares of common stock and warrants to purchase shares of common stock were issued to them. The fair market value of those shares at the date of issuance has been capitalized as debt issuance costs and is being amortized over the life of the loans.

Income Taxes - UCN recognizes a liability or asset for the deferred income tax consequences of all temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the assets and liabilities are recovered or settled. These deferred income tax assets or liabilities are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not of realization in future periods.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1985 provides a safe harbor for forward-looking statements made by UCN, except where such statements are made in connection with an initial public offering. All statements, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that we expect or anticipate will or may occur in the future, including such things as expansion and growth of our operations and other such matters are forward-looking statements. Any one or a combination of factors could materially affect our operations and financial condition. These factors include competitive pressures, success or failure of marketing programs, changes in pricing and availability of services and products offered to customers, legal and regulatory initiatives affecting customer marketing and rebate programs or long distance service, and conditions in the capital markets. Forward-looking statements made by us are based on knowledge of our business and the environment in which we operate as of the date of this report. Because of the factors listed above, as well as other factors beyond its control, actual results may differ from those in the forward-looking statements.

Item 4. CONTROLS AND PROCEDURES

With the participation of management, UCN's chief executive officer and chief financial officer evaluated its disclosure controls and procedures on November 4, 2004. Based on this evaluation, the chief executive officer and the chief financial officer concluded that the disclosure controls and procedures are effective in connection with UCN's filing of its interim report on Form 10-Q for the quarterly period ended September 30, 2004

Subsequent to November 4, 2004, through the date of this filing of Form 10-Q for the quarterly period ended September 30, 2004, there have been no significant changes in UCN's internal controls or in other factors that could significantly affect these controls, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

PART II. OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the first half of 2004, preferred stock dividends amounted to $358,664, consisting of $146,375 on outstanding shares of Series A 8% cumulative convertible preferred stock, and $212,289 on outstanding shares of Series B 8% cumulative convertible preferred stock. Virtually all of these dividends were paid through the issuance of 119,239 shares of common stock to holders of the preferred stock in August 2004

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits: Copies of the following documents are included or furnished as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit No.	Title of Document
10.1	Purchase Option Exercise and Agreement on Related Matters between UCN, Inc , MyACD, Inc., Michael L. Shelton, and David O. Peterson dated September 30, 2004* Excluding: Exhibit A - Form of Shelton Term Note; Exhibit B - Form of Peterson Term Note; and Exhibit C - Schedule IV - Monthly Budget Payments
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* This agreement was filed as an exhibit to UCN's report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2004, and is incorporated herein by this reference.

Reports on Form 8-K:

On July 23, 2004, a report on Form 8-K was filed with the Securities and Exchange Commission reporting under Item 4 a change in our independent public accountants, and under Item 5 other information our Annual Meeting of Shareholders held June 29, 2004, changes in the members of the Board of Directors, and the termination of the Director Stock Option Plan.

SIGNATURES

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

UCN, INC.

Date: November 8, 2004 By: /s/ Theodore Stern, Chief Executive Officer

Date: November 8, 2004 By: /s/ David R. Grow, Chief Financial Officer

ATTACHMENT 3

Consumer Complaint Information

Attached are two Consumer Complaint Logs.

The first Complaint Log details consumer complaints and resolutions from 2003 through early 2004. The second Complaint Log details consumer complaints and resolutions from early 2004 up to the present.

All consumer complaints identified in both Logs were resolved without any penalties

In summary, since 2003 UCN, Inc. received and resolved approximately 250 consumer complaints. During this period of time, UCN, Inc. served approximately 150,000 customers, thus resulting in a customer-to-complaint ratio of less than one tenth of 1 percent annually.

Customer Number	Customer Name	Received From	Date Received	Date Resolved
2739683	Redacted	FCC	1/10/03	1/16/03
536501	Redacted	TRA	1/6/03	1/14/03
559013	Redacted	PUC	1/14/03	1/21/03
3098481	Redacted	FCC	1/10/03	1/22/03
3103939	Redacted	PUC	1/16/03	1/22/03
3152805	Redacted	FCC	1/22/03	2/4/03
877117	Redacted	FCC	1/29/03	2/4/03
4001364	Redacted	PUC	1/29/03	2/4/03
3156331	Redacted	TRA	1/30/03	2/4/03
3133425	Redacted	PUC	2/11/03	2/13/03
3060482	Redacted	FCC	2/4/03	2/13/03
3119152	Redacted	TRA	2/5/03	2/19/03
3929263	Redacted	PUC	2/11/03	2/19/03
4087087	Redacted	PSC	2/25/03	2/26/00
580316	Redacted	FCC	2/26/03	2/27/03
1646549	Redacted	FCC	2/19/03	2/28/03
4086457	Redacted	MT PSC	3/7/03	3/10/03
4086078	Redacted	MT PSC	3/10/03	3/10/03
4089209	Redacted	MT PSC	3/6/03	3/10/03
4083339	Redacted	MT PSC	3/7/03	3/10/03
4086471	Redacted	MT PSC	3/7/03	3/10/03
4092647	Redacted	MT PSC	3/3/03	3/10/03
4084139	Redacted	MT PSC	3/3/03	3/10/03
4080466	Redacted	MT PSC	3/3/03	3/10/03
4086754	Redacted	MT PSC	3/6/03	3/10/03
4080645	Redacted	MT PSC	3/6/03	3/10/03
4022320	Redacted	WA AG	3/12/03	3/14/03
4074150	Redacted	IA UC	3/13/03	3/14/03
4080790	Redacted	MT PSC	3/13/03	3/14/03
4085380	Redacted	MT PSC	3/13/03	3/14/03
674739	Redacted	NY PSC	3/17/03	3/17/03
4083887	Redacted	MT PSC	3/14/03	3/17/03
4085487	Redacted	MT PSC	3/11/03	3/17/03
4082295	Redacted	MT PSC	3/11/03	3/20/03
4179974	Redacted	MT PSC	3/10/03	3/20/03
4087478	Redacted	MT PSC	3/13/03	3/20/03
4084117	Redacted	MT PSC	3/13/03	3/20/03
4085775	Redacted	MT PSC	3/19/03	3/20/03
4081784	Redacted	MT PSC	3/19/03	3/20/03
4087725	Redacted	MT PSC	3/21/03	3/21/03
4092546	Redacted	MT PSC	3/20/03	3/21/03
4085513	Redacted	MT PSC	3/18/03	3/21/03
4083883	Redacted	MT PSC	3/24/03	3/25/03
4086405	Redacted	MT PSC	3/20/03	3/25/03
4081134	Redacted	MT PSC	3/20/03	3/25/03
4089666	Redacted	WA AG	3/20/03	3/25/03
4087794	Redacted	MT PSC	3/27/03	3/28/03
4041295	Redacted	WA UTC	3/28/03	3/31/03
4055352	Redacted	MT PSC	3/24/03	3/31/03
4086033	Redacted	MT PSC	3/24/03	3/31/03

4079944	Redacted	MT PSC	3/24/03	3/31/03
4080210	Redacted	MT PSC	3/21/03	4/1/03
4088537	Redacted	MT PSC	3/27/03	4/1/03
4075310	Redacted	OR AG	3/29/03	4/1/03
3100454	Redacted	WA AG	3/29/03	4/1/03
4082039	Redacted	MT PSC	4/1/03	4/2/03
2713323	Redacted	FCC	4/1/03	4/2/03
4187894	Redacted	MT PSC	3/28/03	4/2/03
3086429	Redacted	FCC	4/1/03	4/2/03
4088497	Redacted	MT PSC	3/24/03	3/25/03
4082581	Redacted	ID PUC	4/2/03	4/7/03
4091925	Redacted	ID PUC	4/2/03	4/7/03
4081660	Redacted	MT PSC	4/3/03	4/7/03
4038190	Redacted	MN PUC	4/1/03	4/8/03
4084136	Redacted	MT PSC	4/3/03	4/8/03
4087099	Redacted	MT PSC	4/7/03	4/8/03
4038691	Redacted	CO PUC	4/7/03	4/9/03
4088482	Redacted	MT PSC	4/8/03	4/10/03
4089084	Redacted	MT PSC	4/8/03	4/10/03
3035414	Redacted	TRA	4/4/03	4/11/03
1295313	Redacted	AL PSC	4/11/03	4/11/03
4192527	Redacted	OK CO	4/8/03	4/14/03
4057907	Redacted	CO PUC	4/15/03	4/17/03
3115384	Redacted	FL PSC	4/8/03	4/17/03
2176724	Redacted	OH PUC	4/10/03	4/17/03
4078138	Redacted	IA UB	4/8/03	4/18/03
4057244	Redacted	CO PUC	4/14/03	4/21/03
4045665	Redacted	CO PUC	4/10/03	4/21/03
4083300	Redacted	MT PSC	4/18/03	4/23/03
4067393	Redacted	MT PSC	4/23/03	4/23/03
4082068	Redacted	WY PSC	4/15/03	NA closed
4030649	Redacted	SD PUC	4/24/03	4/25/03
558501	Redacted	TRA	4/24/03	4/28/03
4034516	Redacted	WA UTC	4/23/03	4/28/03
4090064	Redacted	WA UTC	4/25/03	4/30/03
4048069	Redacted	WA AG	4/21/03	4/29/03
4085625	Redacted	MT PSC	5/1/03	5/2/03
4021862	Redacted	SC PUC	5/1/03	5/2/03
4084140	Redacted	MT PSC	5/5/03	5/5/03
3037270	Redacted	CA PUC	4/12/03	5/5/03
4085136	Redacted	MT CP	4/30/03	5/6/03
4022676	Redacted	AZ AG	5/1/03	5/6/03
4047424	Redacted	WA UTC	5/5/03	5/6/03
4192721	Redacted	CO PUC	5/6/03	5/6/03
4035275	Redacted	WA UTC	4/14/03	5/7/03
4080523	Redacted	MT PSC	5/6/03	5/8/03
4080690	Redacted	MT PSC	5/5/03	5/8/03
4050154	Redacted	MT PSC	5/8/03	5/12/03
4087725	Redacted	MT PSC	3/21/03	NA
4046455	Redacted	ID PUC	5/13/03	5/14/03
4083339	Redacted	MT PSC	5/6/03	5/21/03
4030659	Redacted	WA AG	5/13/03	5/21/03

4090913	Redacted	MT PSC	5/16/03	5/22/03
4089098	Redacted	MT PSC	6/2/03	6/3/03
4089086	Redacted	MT PSC	6/2/03	6/3/03
4091941	Redacted	ND AG	6/5/03	6/5/03
4088614	Redacted	MT PSC	5/30/03	5/30/03
4024576	Redacted	WA UTC	6/12/03	6/12/03
4187539	Redacted	FCC	5/30/03	6/12/03
4091349	Redacted	MT PSC	6/12/03	6/13/03
3135092	Redacted	UT DC	6/11/03	6/16/03
4087715	Redacted	MT PSC	6/17/03	6/17/03
4087501	Redacted	MT PSC	6/17/03	6/17/03
4016069	Redacted	OR DJ	6/16/03	6/19/03
Big Planet	Redacted	TX PUC	6/17/03	6/20/03
4177238	Redacted	NY PSC	6/24/03	6/24/03
4085917	Redacted	MT PSC	6/21/03	6/24/03
Big Planet	Redacted	CA PUC	6/19/03	6/27/03
NA	Redacted	WA UTC	6/25/03	6/27/03
4081111	Redacted	MT PSC	6/23/03	6/27/03
4092307	Redacted	CO PUC	6/24/03	6/27/03
4057244	Redacted	CO PUC	6/25/03	6/27/03
4080474	Redacted	MT PSC	7/1/03	7/2/03
4020054	Redacted	MT PSC	7/1/03	7/2/03
4086658	Redacted	MT PSC	6/27/03	7/2/03
4067918	Redacted	CO PUC	7/8/03	7/9/03
4081866	Redacted	MT PSC	7/7/03	7/9/03
4083339	Redacted	MT PSC	7/7/03	7/9/03
4024154	Redacted	MT PSC	7/3/03	7/9/03
4062214	Redacted	FCC	7/9/03	7/10/03
4036426	Redacted	MT PSC	7/9/03	7/10/03
4056479	Redacted	MT PSC	7/3/03	7/10/03
3137540	Redacted	WA UTC	7/14/03	7/17/03
4086417	Redacted	MT PSC	7/11/03	7/17/03
NA	Redacted	WA UTC	7/15/03	7/18/03
4057601	Redacted	FCC	7/18/03	7/21/03
4030765	Redacted	FCC	7/18/03	7/21/03
4089320	Redacted	FCC	7/18/03	7/21/03
4071309	Redacted	FCC	7/18/03	7/21/03
4079843	Redacted	FCC	7/18/03	7/21/03
4082406	Redacted	FCC	7/18/03	7/21/03
4035862	Redacted	FCC	7/18/03	7/21/03
4085941	Redacted	MT PSC	7/21/03	7/21/03
4073400	Redacted	WA AG	7/21/03	7/22/03
3029864	Redacted	VA SCC	7/22/03	7/22/03
4081548	Redacted	MT PSC	7/22/03	7/24/03
4086210	Redacted	MT PSC	7/22/03	7/24/03
4086258	Redacted	MT PSC	7/22/03	7/24/03
4080466	Redacted	MT PSC	7/21/03	7/24/03
4045344	Redacted	OR DJ	7/20/03	7/24/03
4039673	Redacted	WA UTC	7/23/03	7/24/03
4089001	Redacted	MT PSC	7/22/03	7/24/03
4083883	Redacted	MT PSC	7/29/03	7/31/03
4084642	Redacted	MT PSC	7/28/03	7/30/03

2708279	Redacted	CA PUC	7/28/03	7/30/03
Big Planet	Redacted	CA PUC	7/28/03	8/6/03
4042374	Redacted	CO PUC	8/6/03	8/8/03
3038217	Redacted	FCC	8/11/03	8/21/03
4019311	Redacted	UT DC	8/5/03	8/21/03
4291525	Redacted	FCC	8/11/03	8/21/03
4066233	Redacted	FCC	8/11/03	8/22/03
111194	Redacted	WA UTC	8/12/03	8/23/03
112274	Redacted	VT DPS	8/13/03	8/23/03
4081527	Redacted	MT PSC	8/15/03	8/23/03
4087540	Redacted	MT PSC	8/18/03	8/23/03
4069667	Redacted	CO PUC	8/19/03	8/27/03
4070739	Redacted	OR DOJ	8/19/03	8/27/03
4080883	Redacted	MT PSC	8/26/03	8/29/03
	Redacted	MT PSC	8/26/03	8/29/03
882374	Redacted	UT DC	8/29/03	9/4/03
4086035	Redacted	MT PSC	9/9/03	9/9/03
4016897	Redacted	FCC	8/19/03	9/9/03
No Acct	Redacted	PA AG	9/11/03	9/16/03
2717050	Redacted	BBB	9/18/03	9/18/03
4042967	Redacted	FCC	9/17/03	9/18/03
1663801	Redacted	RI AG	9/19/03	9/24/03
2181239	Redacted	IL AG	9/11/03	9/24/03
4083762	Redacted	MT PSC	9/18/03	9/24/03
4082867	Redacted	FCC	9/11/03	9/25/03
4088608	Redacted	MT PSC	9/26/03	9/27/03
2157799	Redacted	WI PSC	9/30/03	10/2/03
4028663	Redacted	WA AG	9/3/03	10/3/03
4014507	Redacted	WA UTC	10/3/03	10/3/03
4023051	Redacted	OH AG	10/7/03	10/14/03
4081900	Redacted	WA AG	10/8/03	10/14/03
4441636	Redacted	WY PSC	10/8/03	10/14/03
4067549	Redacted	FCC	9/24/03	10/21/03
3057203	Redacted	SC PSC	10/13/03	10/22/03
2161071	Redacted	OR DOJ	9/5/03	10/22/03
4090984	Redacted	MT PSC	10/16/03	10/23/03
4192183	Redacted	FCC	10/4/03	10/30/03
4082626	Redacted	ID AG	11/4/03	11/5/03
3058748	Redacted	CA PUC	11/10/03	11/10/03
4085578	Redacted	MT PSC	11/13/03	11/17/03
4031580	Redacted	SD PUC	10/30/03	11/17/03
4024154	Redacted	MT PSC	11/14/03	11/20/03
NA	Redacted	FCC	11/6/03	
825238	Redacted	NV AG	11/3/03	11/20/03
3111537	Redacted	MA	10/21/03	
4441636	Redacted	WV AG	11/12/03	11/20/03
4090391	Redacted	ND PSC	11/14/03	11/20/03
NA	Redacted	FCC	11/6/03	11/24/03
4068117	Redacted	WA AG	11/14/03	11/26/03
4083659	Redacted	MT PSC	12/14/03	12/18/03
4091021	Redacted	MT PSC	12/14/03	12/18/03
4080351	Redacted	MT PSC	12/4/03	12/19/03

2647656	Redacted	FCC	11/24/03	1/7/04
4067549	Redacted	FCC	1/7/04	1/7/04
3045698	Redacted	FCC	12/24/03	1/7/04
NA	Redacted	FCC	1/5/04	1/14/04
607134	Redacted	MI PUC	1/9/04	1/14/04
4082867	Redacted	FCC	1/20/04	1/20/04

Date	Account #	Customer name	Issue	Received From
1/24/2004	4086573	Redacted	Billing	MT PSC
1/29/2004	4277943	Redacted	Slamming	CO PUC
1/29/2004	4031448	Redacted	Slamming	Iowa
1/30/2004	3207833	Redacted	Billing	Florida
2/5/2004	2722067	Redacted	Slamming	Virginia
2/6/2004	4050759	Redacted	Billing	WA AG
2/6/2004	2646231	Redacted	Billing	IN AG
2/12/2004	4085832	Redacted	Billing	MT PSC
2/12/2004	108308	Redacted	Billing	VT DPS
2/25/2004	4082924	Redacted	Billing	ID PUC
2/26/2004	503318	Redacted	Slamming	NJ BU
3/16/2004	4046551	Redacted	Casual Billing	ID PUC
3/24/2004	4016069	Redacted	Billing	FCC
4/1/2004	3103310	Redacted	Complaint for SBC	AG
4/8/2004	4190581	Redacted	Slamming	CA PUC
4/10/2004	4298706	Redacted	Slamming	FCC
4/10/2004	1661044	Redacted	Billing	FCC
4/10/2004	4085793	Redacted	Billing	MT PSC
4/14/2004	4077796	Redacted	Slamming	CO PUC
5/11/2004	4081460	Redacted	Service	MT PSC
5/18/2004	4297635	Redacted	Billing	MT PSC
5/18/2004	4288336	Redacted	Billing	MT PSC
5/24/2004	3079418	Redacted	Billing	FCC
5/24/2004	4046489	Redacted	Slamming	FCC
5/26/2004	4312428	Redacted	Billing	KS
5/26/2004	561556	Redacted	Billing	NC DOJ
5/28/2004	4305131	Redacted	Rates	FCC
6/2/2004	4086312	Redacted	Billing	MT PSC
6/24/2004	4088015	Redacted	Billing	MT PSC
6/24/2004	3121380	Redacted	Billing	GA PSC
6/30/2004	4038940	Redacted	Collections from Touch America	MT Consumer Prote
7/7/2004	3144413	Redacted	Casual Billing	FCC
8/3/2004	4085578	Redacted	Billing	FCC
8/3/2004	905720	Redacted	Billing	GA PSC
9/8/2004	4083414	Redacted	Outage	MT PSC
9/13/2004	4063963	Redacted	Billing	FCC
9/14/2004	1654109	Redacted	Deactivation	BBB
9/21/2004	4086178	Redacted	Deactivation	MT PSC
9/22/2004	4052930	Redacted	TA Collections Dispute	FCC
9/24/2004	3995123	Redacted	Slamming	TN Regulatory
9/30/2004	4074266	Redacted	Billing	MT PSC
10/4/2004	4067725	Redacted	Billing	CO PUC
10/13/2004	4450595	Redacted	Taxes	TX PUC
11/4/2004	4047872	Redacted	Billing	WA AG
12/7/2004	4502394	Redacted	Slamming	KS
1/4/2005	4491300	Redacted	Service Turn-up	FL PSC
1/7/2005	3106198	Redacted	Outage	KY PUC
3/9/2005	905720	Redacted	Billing	GA PSC

ATTACHMENT 4

Regulatory Compliance Plan

REGULATORY COMPLIANCE PLAN
UCN, Inc.

Beginning in the 4th Quarter of 2002, the following steps were taken by UCN, Inc ("UCN") to ensure current and future compliance with the Rules and Regulations of State Utility Commission ("Commission") and other state and federal regulatory agencies having jurisdiction over UCN's telecommunications common carrier services:

1. Designated senior officer as Regulatory Compliance Manager

   Contact information is below:

   Paul Jarman
   Chief Executive Officer and President
   UCN, Inc
   14870 South Pony Express Road
   Bluffdale, UT 84065
   Tel: 801-576-5020
   Fax: 801-619-6761
   E-mail. pj@ucn net

   As Regulatory Compliance Manager, Mr. Jarman has direct and ultimate responsibility for ensuring that UCN and its agents take all actions necessary to become and remain compliant with Commission regulatory requirements Mr Jarman is also responsible for the company's compliance with other state and federal regulatory requirements Mr. Jarman oversees internal staff, the outside law firm, and all other agents retained to assist the company with these efforts.

   Mr. Jarman is assisted in these efforts by Kimm Partridge, Corporate Secretary Among other responsibilities, Ms. Partridge is responsible for assisting outside counsel with regulatory reporting efforts, including annual report filings as required by Commission Rules and Regulations

2 Retained The Helein Law Group, LLLP ("THLG") law firm for the purpose of identifying, tracking, preparing, and filing all regulatory filings associated with UCN's telecommunications operations throughout the United States.

As part of its Regulatory Compliance Plan, UCN hired The Helein Law Group, LLLP to perform all "Compliance & Reporting Services " These services are described as follows

> The Helein Law Group provides nationwide regulatory reporting support to meet all federal & state regulatory reporting obligations. The Federal Communications Commission ("FCC"), state utility commissions and other state agencies require regulated

telecommunications companies to file a vast number and variety of reports Many of these reports are required annually, semi-annually and even monthly Failure to pay attention to these reporting requirements can lead to fines, forced customer refunds and even revocation of your operating authority. Some of the services offered by HLG include

- All scheduled monthly, quarterly, and annual reports mandated by the Federal Communications Commission or a state Public Utility or Service Commission in order to maintain status as a telecommunications provider and which are remitted to such agency or its designated agent. Examples of covered reports include annual reports, revenue reports, access line reports, slamming complaints reports, and universal service fund reports.

- All monthly, quarterly, and annual reports mandated by the Secretaries of States for purposes of maintaining corporate qualification to conduct business in each affected state.

- Tariff preparation & maintenance service

Responsible Partner & Profile:

Jonathan S. Marashlian, Esq.
The Helein Law Group, LLLP
8180 Greensboro Drive, Suite 700
McLean, VA 22102
Tel: 703-714-1313
Fax: 703-714-1330
E-mail jsm@thlglaw com

Since joining The Helein Law Group, Mr Marashlian has applied his extensive knowledge of the industry to assist long distance, competitive local exchange and wireless clients with regulatory and legal matters before the Federal Communications Commission and state regulatory agencies across the nation.

Mr Marashlian chairs the firm's Telecommunications & Technology Regulatory Practice. In this capacity, Mr. Marashlian is responsible for coordinating and managing staff and attorneys and guiding the firm's clients through the maze of state and federal regulatory requirements, including the coordination, management and execution of regulatory filings associated with a full range of corporate and regulatory transactions, from the routine to the highly complex.

Mr. Marashlian is licensed to practice in the state of Maryland, has been an active member of the Federal Communications Bar Association since 1997, and regularly practices before the FCC and state utility and regulatory commissions throughout the United States

UCN, through the efforts of its current management and attorneys, is committed to ensuring that the company operates in full compliance with the Rules and Regulations established by Commission, now and in the future.

ATTACHMENT 5

Press Release

UCN NEWS

Investor Contact
Liolios Group Inc
Scott Liolios
949-574-3860
scott@liolios com

General Contact.
Jan Johnson
VP of Marketing
801-320-3263
jan johnson@ucn net

January 4, 2005

UCN Generates $3.6 Million in Cash from Exercised Warrants and Options

Salt Lake City, UT – UCN, Inc. (OTCBB. UCNN), a provider of business telecommunications services and contact handling application services delivered over the UCN VoIP network, today announced that 2.1 million warrants and employee options were exercised during the quarter ended December 31, 2004, generating $3 6 million in cash In addition, investors holding $712,500 of UCN promissory notes payable elected to exercise their option to convert their notes into 356,250 shares of common stock All of the shares issued in these transactions are registered under the Securities Act of 1933 for resale by the holders.

Warrant and Option Exercise Summary for Q4, 2004

1,911,500 warrants exercised.

Cash $3,205,960
Cashless (stock for warrants) $617,040

Current notes payable converted to common stock: $712,500

163,128 options exercised.

Cash $363,506

Total cash received. $3,569,466

Preferred Stock Redemption

On December 29, 2004, UCN gave notice to the holders of Series A Convertible Preferred Stock ("Series A Stock") and Series B Convertible Preferred Stock ("Series B Stock") that it is redeeming all outstanding shares of both series on

.:: More Press Releases

January 29, 2005 There are 1.8 million shares of Series A Stock outstanding with a total redemption value of $3 5 million and 398,000 shares of Series B Stock outstanding with a total redemption value of $4 0 million Currently, an eight percent cumulative dividend is paid semi-annually to holders of Series A Stock and Series B Stock. This dividend will cease at the end of January.

Holders of the Series A Stock and Series B Stock are entitled to convert their preferred shares to common stock prior to January 29, 2005. If all of the Series A Stock is converted to common, UCN will issue an additional 1.8 million shares of common stock. If all of the Series B Stock is converted to common, UCN will issue an additional 1.99 million shares of common stock

Paul Jarman, CEO and President, stated, "This exercise of warrants and options enhances our balance sheet and improves our working capital position We are extremely pleased by the support from our investors. Additionally, the elimination of the Series A and Series B Preferred Stock improves our results of operations and simplifies our capital structure."

About UCN, Inc.

UCN, Inc. is a full service provider of data and voice, dedicated and switched long distance services and contact handling software services integrated and bundled with its national VoIP network. The inContact application suite includes, an integrated package of advanced contact handling, reporting and administration applications, and inControl, a unique, rapid application development tool For more information on the company's products and services visit www.ucn.net.

Safe Harbor Statement The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking information made on the Company's behalf All statements, other than statements of historical facts which address the Company's expectations of sources of capital or which express the Company's expectation for the future with respect to financial performance or operating strategies, can be identified as forward-looking statements Such statements made by the company are based on knowledge of the environment in which it operates, but because of the factors previously listed, as well as other factors beyond the control of the Company, actual results may differ materially from the expectations expressed in the forward-looking statements

UCN, Inc
14870 Pony Express Rd
Salt Lake City, UT 84065
888-UCN-0002
info@ucn com

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