FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

ORIGINAL

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

Instructions

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

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

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

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

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

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

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

DOCUMENT NUMBER-DATE
13563 DEC-2 [illegible]
FPSC-RECORDS/REPORTING

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

Startec Global Licensing Company

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

10411 Motor City Drive
Suite 301
Bethesda, MD 20817

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

Not applicable

7. Structure of organization:

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

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

Not applicable

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

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

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

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

9. If incorporated, please give:

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

Corporate charter number: **2888550**

(b) Name and address of the company's Florida registered agent.

Edwin F. Blanton, Esquire
825 Thomasville Road
Tallahassee, FL 32303

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable. **Not applicable**

Fictitious name registration number:

(d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

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

No officer, director or stockholder of the Company has been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime. No officer, director or stockholder of the Company are involved in proceedings which may result in such action.

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

The officers and directors of Startec Global Licensing Company are also officers and directors of Startec Global Communications Corp., the ultimate parent of SGLC. A list of these officers and directors is appended hereto as Attachment B.

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

(a) The application:

James J. Freeman
Rebekah J. Kinnett
Winafred R. Brantl
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
Telephone: (202) 955-9600
Facsimile: (202) 955-9792

(b) Official Point of Contact for the ongoing operations of the company:

Aaron Heller
Startec Global Licensing Company
10411 Motor City Drive
Suite 300
Bethesda, MD 20817
(301) 365-8959

(c) Tariff:

James J. Freeman
Rebekah J. Kinnett
Winafred Brantl
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
Telephone: (202) 955-9600
Facsimile: (202) 955-9792

(d) Complaints/Inquiries from customers:

Customers may call the toll-free customer service number of Startec Global Licensing Company (800-827-3374).

14. Will your marketing program:

No

- ( ) Pay commissions?
- ( ) Offer sales franchises?
- ( ) Offer multi-level sales incentives?
- ( ) Offer other sales incentives?

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

Not applicable

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

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

17. Please provide the following (if applicable):

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

Yes, name of company will appear on bill.

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

USBI
9311 San Pedro Suite 400
San Antonia, TX 78216

C. Technical capability.

See Attachment G.

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

Startec Global Licensing Company will adopt the tariff of Startec Global Communications Corp., which is on file with the Commission.

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

(X) **MTS with distance sensitive per minute rates**
- ( ) Method of access is FGA
- ( ) Method of access is FGB
- (X) Method of access is FGD
- (X) Method of access is 800

(X) **MTS with route specific rates per minute**
- ( ) Method of access is FGA
- ( ) Method of access is FGB
- (X) Method of access is FGD
- (X) Method of access is 800

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

( ) **MTS for pay telephone service providers.**

(X) **Block of time calling plan (Reach Out Florida, Ring America, etc.)**

(X) **800 Service (Toll free)**

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

(X) **Private line services (Channel Services) (For ex. 1.544 mbps, DS-3, etc.)**

** APPLICANT ACKNOWLEDGMENT STATEMENT **

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

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

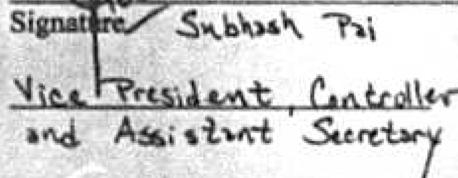
3. **SALES TAX:**
I understand that a seven percent sales tax must be paid on intra and interstate revenues.

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

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

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

UTILITY OFFICIAL:



Signature Subhash Pai

Vice President, Controller and Assistant Secretary

11/25/'98
Date

(301) 767-1463

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

DC01/KIHNR/61192.2

** APPENDIX B **

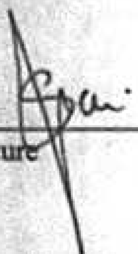
CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

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

UTILITY OFFICIAL:



Signature

11/25/'99

Date

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

DC01/KIMMR/61192.2

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

Pursuant to Rule 25-24.471(4)(a), Applicant will route 0+ local and all 0- calls to the appropriate local exchange company. Additionally, Applicant will not "change or augment the dialing pattern of end-users" with respect to 0+ local and/or o- calls.

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

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

Not applicable

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

Not applicable

UTILITY OFFICIAL: ______________________ Signature   4/25/'98 Date

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

DC01/KIN /61192.2

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

**** FLORIDA EAS FOR MAJOR EXCHANGES ****

Extended Service Area with These Exchanges

PENSACOLA: Cantonment, Gulf Breeze, Pace, Milton Holley-Navarre.

PANAMA CITY: Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.

TALLAHASSEE: Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.

GAINESVILLE: Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.

OCALA: Belleview, Citra, Dunnellon, Forest Lady Lake (B21), McIntosh, Iklawaha, Orange Springs, Salt Springs and Silver Springs Shores.

DAYTONA BEACH: New Smyrna Beach.

TAMPA:

Central	None
East	Plant City
North	Zephyrhills
South	Palmetto
West	Clearwater

CLEARWATER: St. Petersburg, Tampa-West and Tarpon Springs.

ST. PETERSBURG: Clearwater.

LAKELAND: Bartow, Mulberry, Plant City, Polk City and Winter Haven.

ORLANDO: Apopka, East Orange, Lake Buena Vista, Oviedo, Windermere, Winter Garden, Winter Park, Montverde, Reedy Creet, and Oviedo-Winter Springs.

Attachment A

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

A. DIRECTORS:

Chairman: Ram Mukunda

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Vice Chairman: Prabhav V. Maniyar

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Director: Dr. Vijay Srinivas

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Director: Richard K. Prins

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Director: Dr. Nazir K. Dossani

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

B. OFFICERS:

FILED SECRETARY OF STATE 98 JUL 13 AM 9:49

President: Ram Mukunda

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Vice President: Prabhav V. Maniyar

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Secretary: Prabhav V. Maniyar

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

Treasurer: Ram Mukunda

Address: 10411 Motor City Drive, Suite 300, Bethesda, MD 20817

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

13.

(Signature of Chairman, Vice Chairman, or any officer listed in #9 of the application)

14. Prabhav V. Maniyar, Sr. V.P., CFO, Secretary & Director

(Name and capacity of person signing application)

STARTEC GLOBAL LICENSING COMPANY
ATTACHMENT C

Startec Global Licensing Company ("SGLC") is in the process of obtaining certification as an interexchange carrier (via a grant of new authority or approval of a transfer of SGCC's authority) in the following states:

Delaware	Nevada
Illinois	New York
Kentucky	Oregon
Louisiana	Pennsylvania
Maine	Washington
Missouri	Wisconsin

Startec Global Licensing Company ("SGLC") has completed the process of obtaining interexchange authority (via a grant of new authority, approval of a transfer of SGCC's authority, or pursuant to appropriate notification to the State Commissions) in the following states:

Alabama	New Jersey
Arkansas	North Carolina
California	Ohio
Connecticut	Oklahoma
Indiana	Rhode Island
Kansas	Tennessee
Maryland	Texas
Massachusetts	West Virginia
Minnesota	Wyoming
New Hampshire	

Attachment E

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1997

OR

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

Commission File No. 0-23087

STARTEC GLOBAL COMMUNICATIONS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND (State or Other Jurisdiction of Incorporation or Organization)	52-1660985 (I.R.S. Employer Identification No.)
10411 Motor City Drive, Bethesda, MD (Address of Principal Executive Offices)	20817 (Zip Code)

(301) 365-8959
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: None
Common Stock, $0.01 par value

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Non-affiliates of Startec Global Communications Corporation held 3,977,500 shares of Common Stock as of March 20, 1998. The fair market value of the stock held by non-affiliates is $101,426,250 based on the sale price of the shares on March 20, 1998.

As of March 20, 1998, 8,919,615 shares of Common Stock, par value $0.01, were outstanding.

Documents Incorporated by Reference:

Portions of the definitive Proxy Statement to be delivered to Stockholders in connection with the Annual Meeting of Stockholders are incorporated by reference into Part III.

STARTEC GLOBAL COMMUNICATIONS CORPORATION

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

TABLE OF CONTENTS

Part I.

Item 1. BUSINESS 3

Item 2. PROPERTIES 14

Item 3. LEGAL PROCEEDINGS 15

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS 15

Part II.

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS 15

Item 6. SELECTED FINANCIAL DATA 16

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 17

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK 21

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA 22

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE 39

Part III.

Item 10. DIRECTORS AND EXECUTIVE OFFICERS 39

Item 11. EXECUTIVE COMPENSATION 39

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT 39

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS 39

Part IV.

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K 39

PART I

NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition. Some forward-looking statements may be identified by use of terms such as "believes", "anticipates", "intends", or "expects". These forward-looking statements relate to the plans, objectives and expectations of Startec Global Communications Corporation (the "Company" or "Startec Global".) for future operations. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Form 10-K should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved or that any of the Company's operating expectations will be realized. The Company's revenues and results of operations are difficult to forecast and could differ materially from those projected in the forward-looking statements contained herein as a result of certain factors including, but not limited to, dependence on operating agreements with foreign partners, significant foreign and U.S.-based customers and suppliers, availability of transmission facilities, U.S. and foreign regulations, international economic and political instability, dependence on effective billing and information systems, customer attrition and rapid technological change. These factors should not be considered exhaustive; the Company undertakes no obligation to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 1. BUSINESS

OVERVIEW

STARTEC GLOBAL is a rapidly growing, facilities-based international long distance carrier which markets its services to select ethnic U.S. residential communities that have significant international long distance usage. Additionally, to maximize the efficiency of its network capacity, the Company sells its international long distance services to some of the world's leading carriers. The Company provides its services through a flexible network of owned and leased transmission facilities, resale arrangements and a variety of operating agreements and termination arrangements. The Company currently operates international gateway facilities in New York City and Washington, D.C. In addition to these sites, it leases switching facilities from other telecommunications carriers.

The Company's mission is to dominate select international telecom markets by strategically building network facilities that allow it to manage both sides of a telephone call. The Company intends to own multiple switches and other network facilities which allow is to originate and terminate a substantial portion of its own traffic. The Company believes that building network facilities, acquiring additional termination options and expanding its proven marketing strategy should lead to continued growth and improved profitability.

In October 1997, the Company completed an initial public offering of its common stock (the "Offering"). Together with the exercise of the overallotment option in November 1997, the Offering placed 3,277,500 shares of common stock, yielding net proceeds to the Company of approximately $35 million. The Company has used $6.5 million of the net proceeds to repay indebtedness. The Company has used approximately $2.1 million to purchase international switching equipment and undersea fiber optic cable. The Company intends to use the remaining net proceeds of the Offering to acquire cable facilities, switching, compression and other related telecommunications equipment, for marketing programs, to pay down certain amounts due under the Company's existing credit facility and for working capital and other general corporate purposes.

The Company was incorporated in Maryland in 1989. The principal executive offices of the Company are located at 10411 Motor City Drive, Bethesda, Maryland 20817 and its telephone number is (301) 365-8959. The Company changed its name in 1997 from STARTEC, Inc. to Startec Global Communications Corporation.

INDUSTRY BACKGROUND

The international telecommunications industry consists of transmissions of voice and data that originate in one country and terminate in another. This industry is experiencing a period of rapid change which has resulted in substantial growth in international telecommunications traffic. For domestic carriers, the international market can be divided into two major segments: the U.S.-originated market, which consists of all international calls which either originate or are billed in the United States, and the overseas market, which consists of all calls billed outside the United States. According to the Company's market research, the international telecommunications services market was approximately $56 billion in aggregate carrier revenues for 1995, and the volume of international traffic on the public telephone network is expected to grow at a compound annual growth rate of 10% or more from 1997 through the year 2000. The U.S.-originated international market has experienced substantial growth in recent years, with revenues rising from approximately $8 billion in 1990 to approximately $14 billion in 1995.

International long distance carriers are often categorized according to ownership and use of transmission facilities and switches. No carrier utilizes exclusively-owned facilities for transmission of all of its long distance traffic. Carriers vary from being primarily facilities-based, meaning that they own and operate their own land-based and/or undersea cable and switches, to those that are purely resellers of another carrier's transmission network. The largest U.S. carriers, such as AT&T, MCI, Sprint and WorldCom primarily use owned transmission facilities and switches and may transmit some of their overflow traffic through other long distance providers, such as the Company. Only very large carriers have the transmission facilities and operating agreements necessary to cover the over 200 countries to which major long distance providers generally offer service. A significantly larger group of long distance providers own and operate their own switches but use a combination of resale agreements with other long distance providers and leased and owned facilities to transmit and terminate traffic, or rely solely on resale agreements with other long distance providers.

Operating Agreements. Traditional operating agreements provide for the termination of traffic in, and return traffic to, the international long distance carriers' respective countries for mutual compensation at an "accounting rate" negotiated by each country's dominant carrier. Under such traditional operating agreements, the international long distance provider that originates more traffic compensates the long distance provider in the other country by paying an amount determined by multiplying the net traffic imbalance by half of the accounting rate.

Under a typical operating agreement, each carrier owns or leases its portion of the transmission facilities between two countries. A carrier gains ownership rights in digital undersea fiber optic cables by: (i) purchasing direct ownership in a particular cable (usually prior to the time the cable is placed into service); (ii) acquiring an IRU in a previously installed cable; or (iii) by leasing or otherwise obtaining capacity from another long distance provider that has either direct ownership or IRU rights in a cable. In situations in which a long distance provider has sufficiently high traffic volume, routing calls across cable that is directly owned by a carrier or in which a carrier has an IRU is generally more cost-effective than the use of short-term variable capacity arrangements with other long distance providers or leased cable. Direct ownership and IRU rights, however, require a carrier to make an initial capital commitment based on anticipated usage.

Transit Arrangements. In addition to using traditional operating agreements, an international long distance provider may use transit arrangements, pursuant to which a long distance provider in an intermediate country carries the traffic to the destination country. Transit arrangements require agreement among all of the carriers of the countries involved in the transmission and termination of the traffic, and are generally used for overflow traffic or in cases in which a direct circuit is unavailable or not volume justified.

Switched Resale Arrangements. Switched resale arrangements typically involve the carrier purchase and sale of termination services between two long distance providers on a variable, per minute basis. The resale of capacity was first permitted as a result of the deregulation of the U.S. telecommunications market, and has fostered the emergence of alternative international long distance providers which rely, at least in part, on transmission services acquired on a carrier basis from other long distance providers. A single international call may pass through the facilities of multiple resellers before it reaches the foreign facilities-based carrier which ultimately terminates the call. Resale arrangements set per minute prices for different routes, which may be guaranteed for a set period of time or may be subject to fluctuation following notice. The resale market for international transmission capacity is continually changing, as new long distance resellers emerge and existing providers respond to changing costs and competitive pressures. In order to be able to effectively manage costs when using resale arrangements, long distance providers must have timely access to changing market prices and be able to react to changes in costs through pricing adjustments and routing decisions.

Alternative Transit/Termination Arrangements. As the international long distance market began to be more competitive, long distance providers developed alternative transit/termination arrangements in an effort to decrease their costs of terminating international traffic. Some of the more significant of these arrangements include refiling, international simple resale ("ISR"), and ownership of switching facilities in foreign countries. Refiling of traffic, which takes advantage of disparities in settlement rates between different countries, allows traffic to a destination country to be treated as if it originated in another country which enjoys lower settlement rates with the destination country, thereby resulting in a lower overall termination cost. Refiling is similar to transit, except that with respect to transit, the facilities- based long distance provider in the destination country has a direct relationship with the originating long distance provider and is aware of the transit arrangement, while with refiling, it is likely that the long distance provider in the destination country is not aware that the received traffic originated in another country with another carrier. To date, the FCC has made no pronouncement as to whether refiling complies with U.S. or ITU regulations, although it is considering such issues in an existing proceeding.

With ISR, a long distance provider completely bypasses the accounting rates system by connecting an international leased private line to the public switched telephone network of a foreign country or directly to the premises of a customer or foreign partner. Although ISR is currently sanctioned by applicable regulatory authorities only on a limited number of routes (including U.S.-U.K., U.S.-Canada, U.S.-Sweden, U.S.-New Zealand, U.K.-worldwide and Canada-U.K.), its use is increasing and is expected to expand significantly as deregulation continues in the international telecommunications market. In addition, deregulation has made it possible for U.S.-based long distance providers to establish their own switching facilities in certain foreign countries, allowing them to directly terminate traffic.

and 1997. In 1995, VSNL accounted for approximately 19% of net revenues. In 1997, Frontier accounted for 14% of net revenues. No other customer accounted for 10% or more of the Company's net revenues during 1995, 1996 or 1997. In a number of cases, the Company provides services to carriers that are also suppliers to the Company.

Substantially all of the Company's revenues for the past three fiscal years have been derived from calls terminated outside the United States. The percentages of net revenues attributable on a region-by-region basis are set forth in the table below.

	Year Ended December 31,		
	1995	1996	1997
Asia/Pacific Rim	66.4 %	43.0 %	49.0 %
Middle East/North Africa	6.6	25.7	24.7
Sub-Saharan Africa	0.3	3.5	7.4
Eastern Europe	3.0	8.2	9.3
Western Europe	15.7	5.5	2.2
North America	4.7	11.5	4.0
Other	3.3	2.6	3.4
	100.0 %	100.0 %	100.0 %

The Company has entered into operating agreements with telecommunication carriers in foreign countries under which international long-distance traffic is both delivered and received. Under these agreements, the foreign carriers are contractually obligated to adhere to the policy of the FCC, which requires that traffic from the foreign country is routed to international carriers, such as the Company, in the same proportion as traffic carried into the country. Mutually exchanged traffic between the Company and foreign carriers is settled through a formal settlement policy at agreed upon rates per minute. The Company records the amount due to the foreign partner as an expense in the period the traffic is terminated. When the return traffic is received in the future period, the Company generally realizes a higher gross margin on the return traffic compared to the lower margin (or sometimes negative margin) on the outbound traffic. Revenue recognized from return traffic was approximately $2.0 million $1.1 million , and $1.4 million, or 19%, 3%, and 2% of net revenues in 1995, 1996, and 1997, respectively. There can be no assurance that traffic will be delivered back to the United States or what impact changes in future settlement rates, allocations among carriers or levels of traffic will have on net payments made and revenues received.

SERVICES AND MARKETING

The Company focuses primarily on the provision of international long distance services to targeted residential customers in major U.S. metropolitan areas. The Company also offers international long distance services to other telecommunications carriers and interstate long distance services in the U.S.

Using part of the proceeds obtained under the Credit Agreement (or "Loan") in July 1997 and a portion of the proceeds of the Offering, the Company recently expanded its residential marketing program, targeting additional ethnic communities with significant international long distance usage and increasing its efforts within its current target markets. The Company intends to continue to use a portion of the remaining proceeds of the Offering to expand significantly its residential marketing programs in the U.S., and to implement its marketing strategy abroad.

Residential Customers

The Company generally provides international and interstate residential long distance customers with dial-around long distance service. Residential customers access STARTEC GLOBAL'S network by dialing its CIC code before dialing the number they are calling. Using a CIC Code to access the Company allows customers to use the Company's services at any time without changing their existing long distance carrier. It is also possible for a customer to select STARTEC GLOBAL as its default long distance carrier. In this instance, the LEC would automatically route all of that customer's long distance calls through STARTEC GLOBAL'S network. As part of its marketing strategy, the Company maintains a comprehensive database of customer information which is used for the development of marketing programs, strategic planning, and other purposes.

The Company invests substantial resources in identifying and evaluating potential markets for its services. In particular, the Company looks for ethnic groups having qualities and characteristics which indicate a large potential for high-volume international telecommunications usage. Once a market has been identified, the Company evaluates the opportunity presented by that market based upon factors that include the credit characteristics of the target group, switching requirements, network access and vendor diversity. Assuming that the target market meets the Company's criteria, the Company implements marketing programs targeted specifically at that ethnic group, with the goal of generating region-specific international long distance traffic. The Company markets its residential services under the "STARTEC" name through a variety of media, including low-cost print advertising, radio and television advertising on ethnic programs and direct mail, all in the customers' native language. The Company also sponsors and attends community events and trade shows.

Further, the Company utilizes the services of several alternate, cost effective carriers in order to transport and terminate its traffic. These alternative carriers provide the Company with substantial flexibility and cost efficiency, as well as diversity, in the event one carrier's charges increase or such carrier is not capable of providing the services STARTEC GLOBAL needs in order to transport and terminate its traffic.

The Company's efforts to build additional switching and transmission capacity are intended to decrease the Company's reliance on leased facilities and resale agreements. The strength of the Company's international operations is based upon the diversity of its cost effective routes to terminal points. The primary benefits of owning and operating additional network facilities instead of leasing or reselling another carrier's capacity arise from reduced transmission costs and greater control over service quality and reliability. The transmission cost for a call that is not routed through the Company's owned facilities is dependent upon the cost per minute paid to the underlying carrier. In contrast, the cost of a call routed through the Company's owned facilities is dependent upon the total fixed costs associated with owning and operating those facilities. As traffic across the owned facilities increases, management believes the Company can capture operating efficiencies and improve its margins.

Termination Arrangements

STARTEC GLOBAL attempts to retain flexibility and maximize its termination options by using a mix of operating agreements, transit and refile arrangements, resale agreements and other arrangements to terminate its traffic in the destination country. The Company's approach is designed to enable it to take advantage of the rapidly evolving international telecommunications market in order to provide low cost international long distance services to its customers.

The Company currently has effective operating agreements with the national telecommunications administrations of India, Uganda, Syria, Monaco, Malaysia, and the Dominican Republic under which it exchanges traffic. The Company pursues additional operating agreements with other foreign governments and administrations on an ongoing basis. In addition, the Company uses resale agreements and transit and refile arrangements to terminate its traffic in countries with which it does not have operating agreements. These agreements and arrangements provide the Company with multiple options for routing traffic to each destination country.

The Company is also exploring the possibility of acquiring facilities in certain foreign countries, including the United Kingdom. This option is becoming increasingly available as deregulation continues in the international telecommunications market, and would provide the Company with opportunities to terminate its own traffic and better control customer calls.

Network Operations, Technical Support and Customer Service

The Company uses proprietary routing software to maximize routing efficiency. Network operations personnel continually monitor pricing changes by the Company's carrier-suppliers and adjust call routing to make cost efficient use of available capacity. In addition, the Company provides 24-hour network monitoring, trouble reporting and response procedures, service implementation coordination and problem resolution. The Company has developed and used proprietary software which allows it to monitor, on a minute by minute basis, all key aspects of its services. Recent software upgrades and additional network monitoring equipment have been installed to enhance the Company's ability to handle increased traffic and monitor network operations. The Company's customer service center, which services the residential customer base, is staffed by trained, multilingual customer service representatives, and operates 24 hours a day seven days a week. The customer service center uses advanced ACD software to distribute incoming calls to its customer service representatives.

The Company generally utilizes redundant, highly automated state-of-the-art telecommunications equipment in its network and has diverse alternate routes available in cases of component or facility failure, or in the event that cable transmission wires are inadvertently cut. Back-up power systems and automatic traffic re-routing enable the Company to provide a high level of reliability for its customers. Computerized automatic network monitoring equipment allows fast and accurate analysis and resolution of network problems. In general, the Company relies upon other carriers' networks to provide redundancy in the event of technical difficulties in the network. The Company believes that this is a more cost effective strategy than purchasing or leasing its own redundant capacity.

MANAGEMENT INFORMATION AND BILLING SYSTEMS

The Company's operations use advanced information systems including call data collection and call data storage linked to a proprietary reporting system. The Company also maintains redundant billing systems for rapid and accurate customer billing. The Company's systems enable it, on a real time basis, to determine cost effective termination alternatives, monitor customer usage and manage profit margins. The Company's systems also enable it to ensure accurate and timely billing and reduce routing errors.

The Company's proprietary reporting software compiles call, price and cost data into a variety of reports which the Company can use to re-program its routes on a real time basis. The Company's reporting software can generate additional reports, as needed, including customer usage, country usage, vendor rates, vendor usage by minute, dollarized vendor usage, and loss reports.

The Company has built multiple redundancies into its billing and call data collection systems. Two call collector computers receive redundant call information simultaneously, one of which produces a file every 24 hours for filing purposes while the other immediately forwards the called data to corporate headquarters for use in customer service and traffic analysis. The Company maintains two independent and redundant billing systems in order to both verify billing internally and to ensure that bills are sent out on a timely basis. All of the call data, and resulting billing data, are continuously backed up on tape drive and redundant storage devices.

In addition, although the laws of other countries only directly apply to carriers doing business in those countries, the Company may be affected indirectly by such laws insofar as they affect foreign carriers with which the Company does business. There can be no assurance that future regulatory judicial and legislative changes will not have a material adverse effect on the Company, that U.S. or foreign regulators or third parties will not raise material issues with regard to the Company's compliance or noncompliance with applicable laws and regulations, or that regulatory activities will not have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, the FCC and the PSCs generally have the authority to condition, modify, cancel, terminate or revoke the Company's operating authority for failure to comply with federal and state laws and applicable rules, regulations and policies. Fines or other penalties also may be imposed for such violations. Any such action by the FCC and/or the PSCs could have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors - Government Regulation."

Federal and State Transactional Approvals

The FCC and certain PSCs also impose prior approval requirements on transfers or changes of control, including pro forma transfers of control and corporate reorganizations, and assignments of regulatory authorizations. Such requirements may have the effect of delaying, deterring or preventing a change in control of the Company. The Company also is required to obtain state approval for the issuance of securities. Seven of the states in which the Company is certificated provide for prior approval or notification of the issuance of securities by the Company. Although the necessary approvals will be sought and notifications made prior to the offering, because of time constraints, the Company may not have obtained such approval from two of the states prior to consummation of the Offering. The Company's intrastate revenues for the first half of 1997 for each of the two states was less than $100 for each such state. Although these state filing requirements may have been preempted by the National Securities Market Improvement Act of 1996, there is no case law on this point. After consultation with counsel, the Company believes the approvals will be granted and that obtaining such approvals subsequent to the Offering should not result in any material adverse consequences to the Company, although there can be no assurance that such consequences will not result.

International Services

International telecommunications carriers are required to obtain authority from the FCC under Section 214 of the Communications Act in order to provide international service that originates or terminates in the United States. U.S. international common carriers also are required to file and maintain tariffs with the FCC specifying the rates, terms, and conditions of their services. In 1989, the Company received Section 214 authority from the FCC to acquire and operate satellite facilities for the provision of direct international service to Italy, Israel, Kenya, India, Iran, Saudi Arabia, Pakistan, Sri Lanka, South Korea and the United Arab Emirates ("UAE"). The Company also is authorized to resell services of other common carriers for the provision of switched voice, telex, facsimile and other data services, and for the provision of INTELSAT Business Services ("IBS") and international television services to various overseas points.

In 1996, the FCC established new rules that streamlined its Section 214 authorization and tariff regulation processes to provide for shorter notice and review periods for certain U.S. international carriers including the Company. The FCC established streamlined regulation for "non-dominant" carriers service providers found to lack market power on the routes served. The Company is classified by the FCC as a non-dominant carrier on its international and domestic routes. On August 27, 1997, the Company was granted global facilities-based Section 214 authority under the FCC's new streamlined processing rules. A facilities-based global Section 214 authorization enables the Company to provide international basic switched, private line, data, television and business services using authorized facilities to virtually all countries in the world.

Additionally, the U.K. Department of Trade and Industry issued to the Company an International Simple Resale ("ISR") License for the United Kingdom in October, 1997. The ISR License allows the Company to resell traffic originating in the U.K. Pursuant to regulatory restructure in the U.K. introduced in December, 1997, the ISR License will be replaced by the International Simple Voice Resale ("ISVR") License. Application for the ISVR license is pending approval.

The FCC's streamlined rules also provide for global Section 214 authority to resell switched and private line services of other carriers by non-dominant international carriers. The FCC decides on a case-by-case basis, however, whether to grant Section 214 authority to U.S. carriers affiliated with foreign carriers. The FCC will grant authority to provide switched services by reselling private lines of foreign carriers based on a showing that there are equivalent resale opportunities for U.S. carriers in the foreign carrier's market or the FCC's benchmark for settlement rates are met in the destination country. To date, the FCC has found that Austria, Canada, the U.K., Sweden and New Zealand do provide equivalent resale opportunities. The FCC has found that equivalent resale opportunities do not exist in The Netherlands, Germany, Hong Kong and France. It is possible that interconnected private line resale to additional countries may be allowed in the future. Pursuant to FCC rules and policies, the Company's authorization to provide service via the resale of interconnected international private lines will be expanded to include countries subsequently determined by the FCC to afford equivalent resale opportunities to those available under United States law, if any. On October 30, 1997, the FCC authorized Telmex and Sprint to resell switched services between the U.S. and Mexico but conditioned that authorization on a commitment from Telmex that it reduce the rate at which it settles international traffic within the next two years. U.S. international carriers have sought review of the FCC's decision. As a result of the recent signing of the WTO Agreement, the FCC has replaced the "equivalency" test with a rebuttable presumption in favor of resale of interconnected private lines to WTO member countries. Under new FCC rules which took effect on February 9, 1998, upon entry into force of the WTO Agreement of February 5, 1998, the FCC will authorize the provision of switched service over private lines between the U.S. and a WTO member country if either the settlement rates for at least 50 percent of the settled U.S.-billed traffic between the U.S. and that country are at or below the FCC's benchmark settlement rate for that country or the country satisfies he FCC's equivalency test. The FCC will authorize the provision of switched service over private lines between the U.S. and a non-WTO member country only if both the settlement rates for at least 50 percent of the settled U.S.-billed traffic between the U.S. and that country are at or below the FCC's benchmark settlement rate for that country or the country satisfies the FCC's equivalency test. Since the new rules took effect, applications have been filed with the FCC for authorization to provide switched service by resale of private lenes between the U.S. and such

The FCC also regulates the ability of U.S.-based international carriers affiliated with foreign carriers to serve markets where the foreign affiliate is dominant. Previously U.S. carriers were required to report any investment by a foreign carrier of 10% or greater, and the Company has reported the 15% investment in the Company by and affiliate of Portugal Telecom, a foreign carrier from a WTO member country and a signatory to the WTO Agreement. Under the FCC's new rules implementing the WTO Agreement, which took effect on February 9, 1998 the 10% threshold for requiring reporting to the FCC has been eliminated. Now U.S. carriers do not have to notify the FCC of foreign carrier investment unless it exceeds 25%. This notification is subject to a public notice and comment period and FCC review to determine whether the U.S. carrier should be regulated as dominant on routes where the foreign affiliate is dominant. The FCC considers a foreign-affiliated U.S. carrier to be dominant on foreign routes where the foreign affiliate is a monopoly or has more than 50 percent market share in international or local telecommunications. A U.S. carrier affiliated with a dominant foreign carrier may still obtain streamlined entry into the U.S. if it agrees to be regulated as dominant on the routes where the foreign affiliate is from a WTO member country. As a result of the WTO Agreement, the FCC has adopted a rebuttable presumption in favor of entry by foreign carrier affiliates from WTO member countries. The FCC's liberalized foreign market entry policies may have a two-fold effect on the Company: (i) increased opportunities for foreign investment in and by the Company and entry by the Company into WTO member countries; and (ii) increased competition for the Company from other U.S. international carriers serving or seeking to serve WTO member countries.

The FCC may condition, modify or revoke any of the Section 214 authorizations granted to the Company for violations of the Communications Act, the FCC's rules and policies or the conditions of those authorizations or may impose monetary forfeitures for such violations. Any such action on the part of the FCC may have a material adverse effect on the Company's business, financial condition and results of operations.

Interstate and Intrastate Services

The Company's provision of domestic long distance service in the United States is subject to regulation by the FCC and certain state PSCs, who regulate to varying degrees interstate and intrastate rates, respectively, ownership of transmission facilities, and the terms and conditions under which the Company's domestic services are provided. In general, neither the FCC nor the PSCs exercise direct oversight over cost justification for domestic carriers' rates, services or profit levels, but either or both may do so in the future. Domestic carriers such as the Company, however, are required by federal law and regulations to file tariffs listing the rates, terms and conditions applicable to their interstate services. The Company has filed domestic long distance tariffs with the FCC. The FCC adopted an order on October 29, 1996 requiring that non-dominant interstate carriers, such as the Company, eliminate FCC tariffs for domestic interstate long distance service. This order was to take effect as of December 1997. On February 13, 1997, however, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the FCC's order be stayed pending judicial review of appeals challenging the order. Should the appeals fail and the FCC's order become effective, the Company may benefit from the elimination of FCC tariffs by gaining more flexibility and speed in dealing with marketplace changes. The absence of tariffs, however, will also require that the Company secure contractual agreements with its customers regarding many of the terms of its existing tariffs or face possible claims arising because the rights of the parties are no longer clearly defined. To the extent that the Company's customer base involves "casual calling" customers, the potential absence of tariffs would require the Company to establish contractual methods to limit potential liability. On August 20, 1997, the FCC partially reconsidered its order by allowing dial-around carriers such as the Company to maintain tariffs on file with the FCC.

In addition, the Company generally is also required to obtain certification from the relevant state PSC prior to the initiation of intrastate service and to file tariffs with such states. The Company currently has the certifications required to provide service in 34 states, and has filed or is in the process of filing requests for certification in 6 additional states. Although the Company intends and expects to obtain operating authority in each jurisdiction in which operating authority is required, there can be no assurance that one or more of these jurisdictions will not deny the Company's request for operating authority. Any failure to maintain proper federal and state certification or tariffs, or any difficulties or delays in obtaining required certifications could have a material adverse effect on the Company's business, financial condition and results of operations. Many states also impose various reporting requirements and/or require prior approval for transfers of control of certified carriers, corporate reorganizations, acquisitions of telecommunications operations, assignments of carrier assets, carrier stock offerings, and incurrence by carriers of significant debt obligations. Certificates of authority can generally be conditioned, modified, canceled, terminated, or revoked by state regulatory authorities for failure to comply with state law and/or the rules, regulations, and policies of the PSCs. Fines and other penalties also may be imposed for such violations. Any such action by the PSCs could have a material adverse effect on the Company's business, financial condition and results of operations. The Company monitors regulatory developments in all 50 states to ensure regulatory compliance.

Casual Calling Issues

The FCC is currently engaged in a rulemaking proceeding to expand the number of codes available for casual calling services. An increase in the number of codes available for casual calling will allow for increased competition in the casual calling industry. In addition, the FCC is considering rules to require dominant local exchange carriers and competitive local exchange carriers to make billing arrangements available on a nondiscriminatory basis to casual calling service providers. The Company already has LEC billing arrangements in place but may wish to take advantage of rules the FCC may adopt to develop new billing arrangements with competing LECs. Competing casual calling providers without billing arrangements also would benefit from such a nondiscriminatory billing obligation.

Other Legislative and Regulatory Initiatives

The 1996 Act is designed to promote local competition through state and federal deregulation. As part of its pro-competitive policies, the 1996 Act frees the RBOCs from the judicial orders that prohibited their provision of long distance services outside of their operating territories (LATAs). The 1996 Act provides specific guidelines that allow the RBOCs to provide long distance inter-LATA service to customers inside the RBOC's region but not before the RBOC has demonstrated to the FCC and state regulators that it has opened up its local network to competition and met a "competitive checklist" of requirements designed to provide competing network providers with nondiscriminatory access to the RBOC's local network. To date, the FCC has denied applications for in-region long distance authority filed by Ameritech Corporation in Michigan

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time involved in litigation incidental to the conduct of its business. The Company is not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on the Company's business, financial condition or result of operations.

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

No matters were submitted to a vote of shareholders of the Company during the fourth fiscal quarter of the fiscal year ended December 31, 1997.

PART II

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

Shares of the Company's Common Stock, par value $0.01 per share, were initially offered to the public on October 9, 1997 at a price of $12.00 per share. The common stock is quoted on the NASDAQ National Market under the ticker symbol "STGC". The following table sets forth, on a per share basis, the range of the high and low sale prices for the common stock as reported by the NASDAQ National Market, for the periods indicated during the fiscal year ended December 31, 1997. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and do not necessarily represent actual transactions.

	HIGH	LOW
Quarter Ended December 31, 1997 (from October 8, 1997)	$ 22.375	$ 14.500

As of March 20, 1998, there were approximately 43 stockholders of record of the Company's common stock.

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the financial statements, related notes, and other detailed information included elsewhere in this Form 10-K. This discussion, including the Company's plans and strategy for its business, contains forward-looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those anticipated by the forward-looking statements as a result of certain factors, including, but not limited to, dependence on operating agreements with foreign partners, significant foreign and U.S.-based customers and suppliers, availability of transmission facilities, U.S. and foreign regulations, international economic and political instability, dependence on effective billing and information systems, customer attrition and rapid technological change. These factors should not be considered exhaustive; the Company undertakes no obligation to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW

The Company is a rapidly growing, facilities-based international long distance carrier that has implemented a marketing strategy to serve ethnic residential markets in the U.S. and some of the leading international long distance carriers. The Company's annual revenues have increased over sixteen fold over the last three years from approximately $5.1 million for the year ended December 31, 1994 to approximately $85.9 million for the year ended December 31, 1997. The Company's residential billing customers increased to over 71,500 for December 1997 compared to approximately 6,300 for December 1994, as measured over a 30 day period. Since its inception in 1989, the Company has focused its marketing efforts on the residential consumer marketplace in ethnic communities in which management believes there is a high demand for international long distance services. To achieve the economies of scale necessary to maintain cost effective operations, the Company began reselling its capacity to other carriers in late 1995. The Company currently offers U.S.-originated long distance service worldwide through a flexible network of owned and leased transmission facilities and resale arrangements, as well as a variety of operating agreements and termination arrangements.

Until 1995, the Company's business was concentrated in the New York to Washington, D.C. corridor and focused on the delivery of dial-around access calling services to India. At the end of 1995, the Company expanded its customer base to include the West Coast of the United States, and began targeting other ethnic groups in the U.S., such as the Middle Eastern, Philippine and Russian communities. This expansion was facilitated by utilizing a portion of the proceeds of the sale of stock to Blue Carol Enterprises Ltd., an affiliate of Portugal Telecom International. The Company supported this expansion by leasing network capacity from other domestic telecommunications companies, thereby experiencing higher per-minute costs. In late 1995, the Company began to market its international long distance services to other telecommunications carriers. While providing greater utilization of its own network facilities, the carrier group allowed the Company to build relationships with other carriers, which in turn, led to additional termination options for its residential traffic.

The Company's strategy is to serve its customers by building its own global network, which will allow the Company to originate, transmit, and terminate calls utilizing network capacity the Company manages. The Company anticipates that this network expansion will allow it to achieve a per-minute cost advantage over current arrangements. As the Company transitions from leasing to owning or managing its facilities, the Company's management believes economies in the per-minute cost of a call will be realized, while fixed costs will increase. The facilities owned by the Company are, at this time, primarily domestically based and therefore provide a cost advantage only with respect to origination costs. The Company realizes a per-minute cost savings when it is able to originate calls on network facilities it owns and manages ("on net") versus calls which must be originated through the utilization of facilities the Company does not own ("off net"). For the years ended December 31, 1996 and 1997, approximately 44.9% and 59.8%, respectively, of the Company's residential revenues were originated on net. As a higher percentage of calls are originated, transmitted, and terminated on the Company's own facilities, per-minute costs are expected to decline, predicated on call traffic volumes.

Revenues for telecommunication services are recognized as such services are rendered, net of an allowance for revenue that the Company estimates will ultimately not be realized. Revenues for return traffic received according to the terms of the Company's operating agreements with foreign PTT's, as described below, are recognized as revenue as the return traffic is received and processed. There can be no assurance that traffic will be delivered back to the United States or what impact changes in future settlement rates, allocations among carriers or levels of traffic will have on net payments made and revenues received and recorded by the Company.

The Company's cost of services consists of origination, transmission and termination expenses. Origination costs include the amounts paid to LECs and other domestic telecommunication network providers in areas where the Company does not have its own network facilities. Transmission expenses are fixed month-to-month payments associated with capacity on satellites, undersea fiber-optic cables, and other domestic and international leased lines. Leasing this capacity subjects the Company to price changes that are beyond the Company's control and to transmission costs that are higher than transmission costs on the Company's owned network. As the Company builds its own transmission capacity, the risk associated with price fluctuations and the relative costs of transmission are expected to decrease; however, fixed costs will increase. In addition, adjustments to the Company's cost of services which arise from the resolution of billing disputes with other telecommunication network providers may have a positive impact on gross margins in any particular year. The Company's experience to date has been that the resolution of such disputes occurs primarily in the fourth quarter of each year, and, therefore, the related adjustments to cost of services may have a disproportionate impact on its fourth quarter results of operations.

Among its various foreign termination arrangements, the Company has entered into operating agreements with a number of foreign PTTs, under which international long distance traffic is both delivered and received. Under these agreements, the foreign carriers are contractually obligated to adhere to the policy of the FCC, whereby traffic from the foreign country is routed through U.S. international carriers, such as the Company, in the same proportion as traffic carried into the country ("return traffic"). Mutually exchanged traffic between the Company and foreign carriers is reconciled through a formal settlement arrangement at agreed upon rates. The Company records the amount due to the foreign PTT as an expense in the period the traffic is terminated. When the Company receives return traffic in a future period, the Company generally realizes a higher gross

margin on the return traffic as compared to the lower margin on the outbound traffic. Return traffic accounted for approximately 3% and 2% of revenues for the years ended December 31, 1996 and 1997, respectively.

In addition to the operating agreements, the Company utilizes alternative termination arrangements offered by third party vendors. The Company seeks to maintain strong vendor diversity for countries where traffic volume is high. These vendor arrangements provide service on a variable cost basis subject to volume. These prices are subject to changes, generally upon seven-days notice.

As the international telecommunications marketplace has been deregulated, per-minute prices have fallen and, as a consequence, related per-minute costs for these services have also fallen. As a result, the Company has not been adversely affected by the price reductions, although there can be no assurance that this will continue. Although the Company generated positive net income for the year ended December 31, 1997, the Company expects selling, general and administrative costs to increase as it develops its infrastructure to manage higher business volume. Thus, continued profitability is dependent upon management's ability to successfully manage growth and operations.

Results of Operations

The following table sets forth certain financial data as a percentage of net revenues for the periods indicated.

	Years Ended December 31,		
	1995	1996	1997
Net revenues	100.0 %	100.0 %	100.0 %
Cost of services	86.9	92.8	88.3
Gross margin	13.1	7.2	11.7
General and administrative expenses	20.7	12.4	7.3
Selling and marketing expenses	1.8	1.6	1.4
Depreciation and amortization	1.3	1.0	0.5
Income (loss) from operations	(10.7)	(7.8)	2.5
Interest expense	(1.1)	(1.1)	(0.9)
Interest income	0.2	0.1	0.3
Income (loss) before income tax provision	(11.6)	(8.8)	1.9
Income tax provision	—	—	—
Net income (loss)	(11.6) %	(8.8) %	1.9 %

1997 compared to 1996

Net Revenues. Net revenues for the year ended December 31, 1997 increased approximately $53.7 million or 166.8 %, to approximately $85.9 million from $32.2 million for the year ended December 31, 1996. Residential revenue increased in comparative periods by approximately $16.6 million or 138.3%, to approximately $28.6 million for the year ended December 31, 1997 from approximately $12.0 million in 1996. The increase in residential revenue is due to an increase in residential customers to over 71,500 for December 1997 from approximately 28,000 for December 1996. Carrier revenue for the year ended December 31, 1997 increased approximately $37.1 million or 183.7%, to approximately $57.3 million from approximately $20.2 million for the year ended December 31, 1996. The increase in carrier revenues is due to the execution of the Company's strategy to optimize its capacity on its facilities, which has resulted in sales to additional carrier customers and increased sales to existing carrier customers.

Gross Margin. Gross margin increased approximately $7.7 million to approximately $10.0 million for the year ended December 31, 1997 from approximately $2.3 million for the year ended December 31, 1996. Gross margin improved as a percentage of net revenues for the year ended December 31, 1997 to 11.7% from 7.2% for the year ended December 31, 1996. The gross margin on residential revenue increased to approximately 14.9% for the year ended December 31, 1997 from approximately 10.1% for the year ended December 31, 1996, due to an increase in the percentage of residential traffic originated on net and improved termination costs. In the year ended December 31, 1997, 59.8% of residential traffic originated on net as compared to 44.9% for the year ended December 31, 1996.

The reported gross margin for the year ended December 31, 1997 and December 31, 1996 includes the effect of accrued disputed charges of approximately $67,000 and $1.4 million respectively, which represents less than 1% and 5% of reported net revenues.

General and Administrative. General and administrative expenses for the year ended December 31, 1997 increased approximately $2.3 million or 57.5% to approximately $6.3 million from $4.0 million for the year ended December 31, 1996. As a percentage of net revenues, general and administrative expenses declined to 7.3% from 12.4% for the respective periods. The increase in dollar amounts was primarily due to an increase in personnel to 128 at December 31, 1997 from 54 at December 31, 1996, and to a lesser extent, an increase in billing processing fees.

Selling and Marketing. Selling and marketing expenses for the year ended December 31, 1997 increased approximately $700,000 or 140.0 % to approximately $1.2 million from approximately $514,000 for the year ended December 31, 1996. As a percentage of net revenues, selling and marketing expenses declined to 1.4 % from 1.6 % in the respective periods. The increase in dollar amounts is primarily due to the Company's efforts to market to new customer groups.

Depreciation and Amortization. Depreciation and amortization expenses for the year ended December 31, 1997 increased to approximately $451,000 from approximately $333,000 for the year ended December 31, 1996, primarily due to increases in capital expenditures pursuant to the Company's strategy of expanding its network infrastructure.

Interest. Interest expense for the year ended December 31, 1997 increased to approximately $762,000 from $337,000 for the year ended December 31, 1996, as a result of additional debt incurred by the Company to fund expansion and working capital needs.

Net Income. Net Income was approximately $1.6 million in 1997 as compared to a net loss of approximately $2.8 million in 1996.

1996 Compared to 1995

Net Revenues. Net revenues for the year ended December 31, 1996 increased approximately $21.7 million or 206.7 %, to approximately $32.2 million from $10.5 million for the year ended December 31, 1995. Residential revenue increased in comparative periods by approximately $6.6 million or 122.2 %, to approximately $12.0 million in 1996 from $5.4 million in 1995. The increase in residential revenue is due to a concerted effort to expand marketing to the West Coast and to target additional ethnic communities such as the Middle Eastern, Philippine, and Russian communities. The Company's residential customer base grew to approximately 27,800 customers as of December 31, 1996 from 10,700 customers as of December 31, 1995. Carrier revenue increased approximately $15.1 million or 296.1 % to $20.2 million in 1996 from $5.1 million in 1995. This growth is a result of the Company's strategy to optimize network utilization by offering its services to other carriers. In this regard, the Company was successful in expanding its marketing and increased sales to first and second-tier carriers. Return traffic decreased to approximately $1.1 million in 1996 from $2.0 million in 1995. Net revenues in 1995 reflect the receipt of previously undelivered return traffic revenues to the Company.

Gross Margin. Gross margin increased approximately $900,000 to $2.3 million for the year ended December 31, 1996 from $1.4 million for the year ended December 31, 1995. Gross margin declined as a percentage of net revenues to approximately 7.2 % for the year ended December 31, 1996 from 13.1 % for the year ended December 30, 1995. The gross margin on residential revenue decreased to approximately 10.1 percent in 1996 from 10.4 % in 1995 due to initial expenses associated with the entry into new markets. As a result of the expansion into additional ethnic markets and new geographic areas, on net origination declined to approximately 44.9 % in 1996, as compared to 62.9 % in 1995. The relative decrease in on net originated traffic was due to customer base growth prior to the expansion of owned or managed facilities. The gross margin on carrier revenue, excluding return traffic, increased to approximately negative 0.02 % in 1996 from negative 36.9 % in 1995.

General and Administrative. General and administrative expenses for the year ended December 31, 1996 increased approximately $1.8 million or 81.8 %, to $4.0 million from $2.2 million for the year ended December 31, 1995. As a percentage of net revenues, general and administrative expenses declined to approximately 12.4% from 20.7% for the respective periods. The increase in dollar amounts was primarily due to increased third party billing and collection fees of approximately $349,000 to support higher calling volume; increased personnel expenses to $1.5 million in 1996 from $1.1 million in 1995 as a result of new hires; and bad debt losses of approximately $529,000 attributable to the bankruptcy of one former customer.

Selling and Marketing. Selling and marketing expenses for the year ended December 31, 1996 increased to approximately $514,000 from approximately $184,000 for the year ended December 31, 1995. As a percentage of net revenues, selling and marketing expenses declined to 1.6 % from 1.8% in the respective periods. The increase in dollar amounts is attributable to the Company's efforts to enter additional ethnic markets and new geographic areas.

Depreciation and Amortization. Depreciation and amortization expenses grew to approximately $333,000 in 1996 from $137,000 in 1995, primarily due to increased capital expenditures.

Interest. Interest expense increased to approximately $337,000 for 1996 from $116,000 in 1995, primarily due to increased borrowings under a credit facility to support growth in accounts receivable, and to a lesser extent, increased borrowings from related and other parties.

Net Loss. The Company experienced a net loss of approximately $2.8 million in 1996 as compared to a net loss of $1.2 million in 1995.

In October 1997, the Company completed an initial public offering of its common stock (the "Offering"). Together with the exercise of the overallotment option in November 1997, the Offering placed 3,277,500 shares of common stock at a price of $12.00 per share, yielding net proceeds (after underwriting discounts, commissions, and other professional fees) to the Company of approximately $35.0 million. The Company used a portion of its proceeds to acquire cable facilities, switching, compression, and other related telecommunications equipment. Proceeds were also used for marketing programs, to pay down amounts due under the Loan, for working capital, and general corporate purposes. As a result, the Company's cash and cash equivalents increased to $26.1 million at December 31, 1997 from $148,000 at December 31, 1996. Net cash used in operating activities was approximately $1.7 million for the year ended December 31, 1997, as compared to net cash used in operating activities of approximately $1.4 million for the year ended December 31, 1996. The increase in cash used in operations was the result of the significant growth in net revenues and the corresponding accounts receivable for the period.

Net cash used in investing activities was approximately $3.9 million and $520,000 for the year ended December 31, 1997 and 1996, respectively. Net cash used in investing activities for the year ended December 31, 1997 primarily related to capital expenditures made to expand the Company's network infrastructure.

Net cash provided by financing activities was approximately $31.6 million and $1.5 million for the year ended December 31, 1997 and 1996, respectively. Cash provided by financing activities for the year ended December 31, 1997 primarily resulted from net proceeds from the Offering, as previously discussed, offset by the repayment of amounts under the receivables-based credit facility, capital lease obligations, and various notes payable. Any borrowings under the Loan were repaid by December 31, 1997.

The Company is continuing to pursue a flexible approach to expand its markets and enhance its network facilities by investing in marketing, and in switching and transmission facilities, where anticipated traffic volumes justify such investments. Historically, the Company has achieved market penetration with only modest investments in marketing. There can be no assurance that the Company's prior marketing achievements can be replicated with increased marketing investments. A number of factors, including market share, competitor rates and quality of service determine the effectiveness of the market entry strategy.

The Company has planned capital expenditures through 1998 of $19.2 million. Additionally, marketing expenditures for 1997 and 1998 are expected to reach $4.5 million in aggregate. These expenditure needs are expected to be met from operations, amounts available under the Loan, and the proceeds of the Offering. These capital needs will continue to expand as the Company executes its business strategy.

As it relates to the Year 2000, management of the Company is taking steps to assess the nature and extent of the impact of Year 2000 on its systems and applications. While management has not yet finalized, its analysis, it does not expect that the costs to make its systems Year 2000-compliant will have a material adverse effect on its results of operations or financial position. Such costs will be expensed as incurred.

The Company has accrued approximately $2.1 million as of December 31, 1997, for disputed vendor obligations asserted by one of the Company's foreign carriers for minutes processed in excess of the minutes reflected on the Company's records. If the Company prevails in its disputes, these amounts or portions thereof would be credited to operations in the period of resolution. Conversely, if the Company does not prevail in its disputes, these amounts or portions thereof may be paid in cash.

New Accounting Standards

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." The Company is required to adopt both of these standards for the year ending December 31, 1998.

SFAS No. 130 requires "comprehensive income" and the components of "other comprehensive income", to be reported in the financial statements and/or notes thereto. As the Company does not currently have any components of "other comprehensive income" it is not expected that this statement will affect the Company's financial statements.

SFAS No. 131 requires entities to disclose financial and descriptive information about its reportable operating segments. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company is in the process of assessing the additional disclosures, if any, required by SFAS No. 131. However, such adoption will not impact the Company's results of operations or financial position, since it relates only to disclosures.

Effects of Inflation

Inflation is not a material factor affecting the Company's business and has not had a significant effect on the Company's operations to date.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Startec Global Communications Corporation:

We have audited the accompanying balance sheets of Startec Global Communications Corporation (a Maryland corporation) as of December 31, 1996 and 1997, and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Startec Global Communications Corporation, as of December 31, 1996 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Washington, D.C.,
March 4, 1998

STARTEC GLOBAL COMMUNICATIONS CORPORATION
BALANCE SHEETS
(In thousands, except share amounts)

Assets	December 31, 1996	December 31, 1997
Current assets:		
Cash and cash equivalents	$ 148	$ 26,114
Accounts receivable, net of allowance for doubtful accounts of approximately $1,079 and $2,353, respectively	5,334	16,980
Accounts receivable, related party	78	377
Other current assets	211	1,743
Total current assets	5,771	45,214
Property and equipment:		
Long distance communications equipment	1,773	3,305
Computer and office equipment	392	1,024
Less - Accumulated depreciation and amortization	(789)	(1,240)
	1,376	3,089
Construction in progress	—	2,095
Total property and equipment, net	1,376	5,184
Deferred debt financing costs, net	—	952
Restricted cash	180	180
Total assets	$ 7,327	$ 51,530
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 7,171	$ 15,420
Accrued expenses	2,858	3,728
Short-term borrowings under receivables-based credit facility	1,812	—
Capital lease obligations	226	331
Notes payable to related parties	53	—
Notes payable to individuals and other	650	—
Total current liabilities	12,770	19,479
Capital lease obligations, net of current portion	546	417
Notes payable to related parties, net of current portion	100	—
Notes payable to individuals and other, net of current portion	—	44
Total liabilities	13,416	19,940
Commitments and contingencies (Note 8)		
Stockholders' equity (deficit):		
Preferred stock, $1.00 par value, 100,000 shares authorized; no shares issued and outstanding	—	—
Voting common stock, $0.01 par value; 10,000,000 shares authorized at December 31, 1996; 20,000,000 shares authorized at December 31, 1997; 5,380,824 shares issued and outstanding at December 31, 1996; 8,811,999 shares issued and outstanding at December 31, 1997	54	88
Nonvoting common stock, $1.00 par value: 25,000 shares authorized; 22,526 shares issued and outstanding at December 31, 1996; no shares issued and outstanding at December 31, 1997	22	—
Additional paid-in capital	932	35,528
Warrants	—	1,693
Unearned compensation	—	(241)
Accumulated deficit	(7,097)	(5,478)
Total stockholders' equity (deficit)	(6,089)	31,590
Total liabilities and stockholders' equity (deficit)	$ 7,327	$ 51,530

The accompanying notes are an integral part of these balance sheets.

STARTEC GLOBAL COMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	1995	1996	1997
Operating activities:			
Net income (loss)	$ (1,206)	$ (2,830)	$ 1,619
Adjustments to net income (loss):			
Depreciation and amortization	137	333	451
Compensation pursuant to stock options	—	—	144
Amortization of deferred debt financing costs and debt discounts	—	—	237
Changes in operating assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(1,342)	(3,113)	(11,646)
Accounts receivable, related party	(46)	241	(299)
Other current assets	(83)	(80)	(429)
Increase (decrease) in liabilities:			
Accounts payable	1,135	2,515	8,249
Accrued expenses	637	1,578	(45)
Net cash used in operating activities	(768)	(1,356)	(1,719)
Investing activities:			
Purchases of property and equipment	(200)	(520)	(3,881)
Net cash used in investing activities	(200)	(520)	(3,881)
Financing activities:			
Net borrowings (repayments) under receivables-based credit facility	570	1,242	(1,812)
Repayments under capital lease obligations	(96)	(91)	(402)
Repayments under notes payable to related parties	—	(5)	(153)
Borrowings under notes payable to individuals and other	50	475	—
Repayments under notes payable to individuals and other	(35)	(125)	(650)
Payments of debt financing costs	—	—	(366)
Net proceeds from issuance of common stock	750	—	34,994
Purchase and retirement of nonvoting common stock	—	—	(45)
Net cash provided by financing activities	1,239	1,496	31,566
Net increase (decrease) in cash and cash equivalents	271	(380)	25,966
Cash and cash equivalents at the beginning of the period	257	528	148
Cash and cash equivalents at the end of the period	$ 528	$ 148	$ 26,114
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	$ 87	$ 296	$ 591
Income taxes paid	$ —	$ —	$ 19
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:			
Equipment acquired under capital lease	$ 285	$ 524	$ 378
Accrued expenses converted to a note	—	—	44

In 1997, the Company recorded $1,103 in "Other current assets", $959 in accrued expenses and $144 in equity, related to options exercised through December 31, 1997. This amount was collected in January 1998 (Note 2).

The accompanying notes are an integral part of these statements.

The Company has entered into operating agreements with telecommunications carriers in foreign countries under which international long-distance traffic is both delivered and received. Under these agreements, the foreign carriers are contractually obligated to adhere to the policy of the FCC, whereby traffic from the foreign country is routed to international carriers, such as the Company, in the same proportion as traffic carried into the country. Mutually exchanged traffic between the Company and foreign carriers is settled through a formal settlement policy at agreed upon rates per-minute. The Company records the amount due to the foreign partner as an expense in the period the traffic is terminated. When the return traffic is received in the future period, the Company generally realizes a higher gross margin on the return traffic compared to the lower margin (or sometimes negative margin) on the outbound traffic. Revenue recognized from return traffic was approximately $2.0 million, $1.1 million and $1.4 million, or 19 percent, 3 percent, and 2 percent of net revenues in 1995, 1996, and 1997, respectively. There can be no assurance that traffic will be delivered back to the United States or what impact changes in future settlement rates, allocations among carriers or levels of traffic will have on net payments made and revenues received and recorded by the Company.

Cost of Services

Cost of services represents direct charges from vendors that the Company incurs to deliver service to its customers. These include costs of leasing capacity and rate-per-minute charges from carriers that originate, transmit, and terminate traffic on behalf of the Company. The Company accrues disputed vendor charges until such differences are resolved. (see Notes 4 and 12).

Cash and Cash Equivalents

The Company considers all short-term investments with original maturities of 90 days or less to be cash equivalents. Cash equivalents consist primarily of money market accounts that are available on demand. The carrying amount reported in the accompanying balance sheets approximates fair value.

Fair Value of Financial Instruments

The carrying amounts for current assets and current liabilities, other than the current portion of notes payable to related parties and individuals and other, approximate their fair value due to their short maturity. The carrying value of the receivables-based credit facility approximates fair value, since it bears interest at a variable rate which reprices frequently. The carrying value of restricted cash approximates fair value plus accrued interest. The fair value of notes payable to individuals and others and notes payable to related parties cannot be reasonably and practicably estimated due to the unique nature of the related underlying transactions and terms (Note 7). However, given the terms and conditions of these instruments, if these financial instruments were with unrelated parties, interest rates and payment terms could be substantially different than the currently stated rates and terms. These notes were paid in full in July 1997.

Long-Lived Assets

Long-lived assets and identifiable assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount should be addressed. Impairment is measured by comparing the carrying value to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual dispositions. The Company considers expected cash flows and estimated future operating results, trends, and other available information in assessing whether the carrying value of the assets is impaired. The Company believes that no such impairment existed as of December 31, 1996 and 1997.

The Company's estimates of anticipated gross revenues, the remaining estimated lives of tangible and intangible assets, or both, could be reduced significantly in the future due to changes in technology, regulation, available financing, or competitive pressures (see Note 1). As a result, the carrying amount of long-lived assets could be reduced materially in the future.

Other Current Assets

Included in other current assets, is approximately $1.1 million for amounts due from employees related to the exercise of stock options in December 1997. No cash was advanced to these employees. Additionally, none of these employees were executive officers of the corporation. All amounts due from employees for the payment of the exercise price and related payroll taxes were collected in January 1998.

Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided for financial reporting purposes using the straight line method over the following estimated useful lives:

Long-distance communications equipment (including undersea cable)	7 to 20 years
Computer and office equipment	3 to 5 years

Long-distance communications equipment includes assets financed under capital lease obligations of approximately $1,287,000 and $1,456,000 as of December 31, 1996 and 1997, respectively. Accumulated depreciation on these assets as of December 31, 1996, and 1997, was approximately $587,000 and $672,000 respectively.

Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related accumulated depreciation of assets sold or retired are removed from the balance sheet, and any resulting gain or loss is reflected in the statement of operations

Accounting Pronouncements Not Yet Effective

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." The Company is required to adopt both of these standards for the year ending December 31, 1998.

SFAS No. 130 requires "comprehensive income" and the components of "other comprehensive income", to be reported in the financial statements and/or notes thereto. As the Company does not currently have any components of "other comprehensive income" it is not expected that this statement will affect the Company's financial statements.

SFAS No. 131 requires entities to disclose financial and descriptive information about its reportable operating segments. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company is in the process of assessing the additional disclosures, if any, required by SFAS No. 131. However, such adoption will not impact the Company's results of operations or financial position, since it relates only to disclosures.

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following (in thousands):

	December 31, 1996	December 31, 1997
Residential	$ 3,840	$ 9,560
Carrier	2,573	9,773
	6,413	19,333
Allowance for doubtful accounts	(1,079)	(2,353)
	$ 5,334	$ 16,980

The Company has certain service providers that are also customers. The Company carries and settles amounts receivable and payable from and to certain of these parties on a net basis.

Approximately $3,428,000 of residential receivables as of December 31, 1996 were pledged as security under the receivables-based credit facility agreement discussed in Note 5. No receivables were pledged as of December 31, 1997, as the related facility was extinguished in July 1997.

4. ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	December 31, 1996	December 31, 1997
Disputed vendor charges	$ 2,057	$ 2,124
Accrued payroll and related taxes	368	1,194
Accrued excise taxes and related charges	182	—
Accrued interest	88	22
Other	163	388
	$ 2,858	$ 3,728

Disputed vendor charges represent an assertion from one of the Company's foreign carriers for minutes processed that are in excess of the Company's records. The Company has provided approximately $1,414,000 and 567,000 in the years ended December 31, 1996 and 1997, respectively, related to disputed minutes for which the Company has not recognized any corresponding revenue. If the Company prevails in its dispute, these amounts or portions thereof would be credited to operations in the period of resolution. Conversely, if the Company does not prevail in its dispute, these amounts or portions thereof would presumably be paid in cash.

5. CREDIT FACILITY:

Prior to July 1, 1997, the Company had an advanced payment agreement with a third party billing company, which allowed the Company to take advances against 70 percent of all records submitted for billing. Advances were secured by the receivables involved. Approximately $1,812,000 was outstanding under such receivables-based credit facility as of December 31, 1996, with a weighted average interest rate on outstanding borrowings of 12.25 percent. In July 1997, the Company paid the remaining amounts owed under this agreement using proceeds from the Loan discussed below.

A summary of the Company's aggregate stock option activity and related information under the Amended and Restated Option Plan and the Performance Plan, is as follows:

	Year Ended December 31,					
	1995		1996		1997	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Options outstanding at beginning of period	103,200	$0.30	143,200	$ 0.38	138,300	$ 0.38
Granted	40,000	0.60	—	—	668,366	8.14
Exercised	—	—	—	—	(136,500)	1.05
Forfeited	—	—	(4,900)	0.36	(138,500)	0.38
Options outstanding at end of period	143,200	$ 0.38	138,300	$ 0.38	531,666	$ 9.96
Options exercisable at end of period	—		—		133,266	$ 1.85

Exercise prices for options outstanding as of December 31, 1997, are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of December 31, 1997	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number of Options Outstanding as of December 31, 1997	Weighted-Average Exercise Price
$1.85 – $1.85	133,266	9.05	$ 1.85	133,266	$ 1.85
$10.00 – $10.00	230,900	9.63	10.00	—	—
$12.00 – $12.00	7,500	9.63	12.00	—	—
$16.56 – $16.56	160,000	9.94	16.56	—	—
$1.85 – $16.56	531,666	9.58	$ 9.96	133,266	$ 1.85

The Company has elected to account for stock and stock rights in accordance with APB No. 25. SFAS No. 123, "Accounting for Stock-Based Compensation," established an alternative method of expense recognition for stock-based compensation awards to employees based on fair values. The Company has elected not to adopt SFAS No. 123 for expense recognition purposes.

Pro forma information regarding net income is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123. The fair value of options granted during the year ended December 31, 1995 and the year ended December 31, 1997, was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 5.4 percent and 6.2 percent; no dividend yield; weighted-average expected lives of the options of five years, and expected volatility of 50 percent. There were no options granted in 1996.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price characteristics that are significantly different from those of traded options. Because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock rights.

The weighted-average fair value of options granted during 1995 and 1997, was $0.34 per share and $4.32 per share, respectively. For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the estimated service period. If the Company had used the fair value accounting provisions of SFAS No. 123, the pro forma net loss for 1995 and 1996 would have been $1,208,714 and $2,832,531, respectively, or $0.23 and $0.52 per share (basic and diluted), respectively. Pro forma net income for 1997 would have been $1,599,733, or $0.26 per share (basic) and $0.25 per share (diluted). The provisions of SFAS No. 123 are not required to be applied to awards granted prior to January 1, 1995. The impact of applying SFAS No. 123 may not necessarily be indicative of future results.

In December 1997, under the Performance Plan, the Company granted to several consultants options to acquire 30,000 shares of the Company's common stock in lieu of payment of certain consulting services to be performed in the future. Pursuant to SFAS No. 123, the Company will recognize compensation expense for the fair value of these options granted to consultants, as calculated using the Black-Scholes option pricing model, using the weighted average assumptions described above. The fair value of these options is approximately $254,000 and will be recognized ratably over five years.

Warrants and Registration Rights

The Company agreed to issue to representatives of the underwriters of the Offering, warrants to purchase up to 150,000 shares of common stock at an exercise price of $13.20 per share. The warrants are exercisable for a period of five years beginning October 1998. The holders of the warrants will have no voting or other stockholder rights unless and until the warrants are exercised. The fair value of these warrants was approximately $870,000, and is classified in stockholders' equity.

See Note 5 for a discussion of the warrants issued to the Lender in connection with the Loan.

7. NOTES PAYABLE TO RELATED PARTIES AND NOTES PAYABLE TO INDIVIDUALS AND OTHER:

Notes Payable to Related Parties

Notes payable to related parties consist of the following (in thousands):

	December 31, 1996	December 31, 1997
Notes payable to parties related to the primary stockholder and president of the Company, bearing interest at rates ranging from 15 to 25 percent	$ 153	$ —
Less Current Portion	(53)	—
Long-term Portion	$ 100	$ —

Notes Payable to Individuals and Other

Notes payable to individuals and other consist of the following (in thousands):

	December 31, 1996	December 31, 1997
Notes payable to various parties, bearing interest at rates ranging from 15 to 25 percent	$ 650	$ —
Note payable to individual, non-interest bearing, convertible into 24,000 shares of voting common stock upon maturity in 1999	—	44
	650	44
Less Current Portion	(650)	—
Long-term Portion	$ —	$ 44

8. COMMITMENTS AND CONTINGENCIES:

LEASES

The Company leases office space and equipment under noncancelable operating leases. Rent expense was approximately $94,000, $97,000, and $313,000 for the years ended December 31, 1995, 1996, and 1997, respectively. The terms of the office lease require the Company to pay a proportionate share of real estate taxes and operating expenses. As discussed in Note 2, the Company also leases equipment under capital lease obligations. The future minimum commitments under lease obligations are as follows (in thousands):

Year Ending December 31,	Capital Leases	Operating Leases
1998	$ 398	$ 615
1999	393	712
2000	53	733
2001	—	657
2002	—	537
	$ 844	$ 3,254
Less – Amounts representing interest	(96)	
Less – Current portion	(331)	
Long-term Portion	$ 417	

LEASE WITH RELATED PARTY

The Company has entered into an agreement with an affiliate of a stockholder to lease capacity in certain undersea fiber optic cable. The agreement grants a perpetual right to use the cable and requires ten semiannual payments of $38,330 beginning on June 30, 1996. The Company has recorded $93,500 in accounts payable as of December 31, 1997, related to this agreement. Unpaid amounts bear interest at the 180-day LIBOR rate, plus one quarter percent.

The Company is required to pay a proportional share of the cost of operating and maintaining the cable. The Company can cancel this agreement without further obligation, except for amounts related to past usage, at any time.

RESTRICTED CASH

The Company was required to provide a bank guarantee of $180,000 in connection with one of its foreign operating agreements. This guarantee is in the form of a certificate of deposit and is shown as restricted cash in the accompanying balance sheets.

EMPLOYEE BENEFIT PLANS

Subsequent to year end, the Company adopted the Startec 401(K) Plan, a defined contribution plan (the "Plan"). Employees are eligible for the Plan after completing at least one year of service and attaining age 20. The Plan allows for employee contributions up to 15% of their compensation.

LITIGATION

Certain claims and suits have been filed or are pending against the Company. In management's opinion, resolution of these matters will not have a material impact on the Company's financial position or results of operations and adequate provision for any potential losses has been made in the accompanying financial statements.

9. RELATED-PARTY TRANSACTIONS:

The Company has an agreement with an affiliate of a stockholder of the Company that calls for the purchase and sale of long distance services. Revenues generated from this affiliate amounted to approximately $1.0 million, $1.5 million, and $1.9 million, or 10, 5, and 2 percent of total net revenues for the years ended December 31, 1995, 1996, and 1997, respectively. The Company was in a net account receivable position with this affiliate of approximately $14,000 and $377,000 as of December 31, 1996 and 1997, respectively. Services provided by this affiliate and recognized in cost of services amounted to approximately $134,000, $663,000 and $680,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

The Company provided long-distance services to an affiliated entity owned by the primary stockholder and president of the Company. In the opinion of management, these services were provided on standard commercial terms. The affiliate provided long-distance services to customers in certain foreign countries. Payments received by the Company from this affiliate amounted to approximately $396,000 and $262,000 for the years ended December 31, 1995, and 1996, respectively. No services were provided in 1997. The affiliate was unable to collect approximately $150,000 and $95,000 from its residential customers in the years ended December 31, 1995 and 1996, respectively. Accounts receivable from this affiliated entity were approximately $64,000 as of December 31, 1996. There were no amounts outstanding from this affiliate as of December 31, 1997.

The Company had notes payable to parties related to the primary stockholder and president of the Company which were paid in full in July 1997 (see Note 7) and a lease with an affiliate of a stockholder of the Company (see Note 8).

10. SEGMENT DATA AND SIGNIFICANT CUSTOMERS AND SUPPLIERS:

SEGMENT DATA

The Company classifies its operations into one industry segment, telecommunications services. Substantially all of the Company's revenues for each period presented were derived from calls terminated outside the United States.

Net revenues terminated by geographic area were as follows (in thousands):

	December 31,		
	1995	1996	1997
Asia/Pacific Rim	$ 6,970	$ 13,824	$ 42,039
Middle East/North Africa	694	8,276	21,236
Sub-Saharan Africa	35	1,136	6,394
Eastern Europe	317	2,650	7,964
Western Europe	1,647	1,783	1,913
North America	494	3,718	3,398
Other	351	828	2,913
	$ 10,508	$ 32,215	$ 85,857

SIGNIFICANT CUSTOMERS

A significant portion of the Company's net revenues is derived from a limited number of customers. During 1996, the Company's five largest carrier customers accounted for approximately 4[illegible] percent of the Company's total net revenues, with one customer accounting for 10 percent or more of total net revenues. During 1997, the Company's five largest carrier customers accounted for approximately 47 percent of net revenues, with two customers accounting for 10 percent or more of the Company's total net revenues. No other carrier customer accounted for 10 percent or more of total net revenues in 1997. The Company's agreements and arrangements with its carrier customers generally may be terminated on short notice without penalty. The following customers provided 10 percent or more of the Company's total net revenues (in thousands):

	December 31,		
	1995	1996	1997
Videsh Sanchar Nigam Limited (VSNL)	$1,959	*	*
WorldCom, Inc.	*	$7,383	$19,886
Frontier	*	*	12,420

* Revenue provided was less than 10 percent of total revenues for the year.

SIGNIFICANT SUPPLIERS

A significant portion of the Company's cost of services is purchased from a limited number of suppliers. The following suppliers provided 10 percent or more of the Company's total cost of services (in thousands):

	December 31,		
	1995	1996	1997
VSNL	$7,153	$7,525	*
Cherry Communications	*	3,897	*
WorldCom, Inc.	*	3,972	$9,918
Pacific Gateway Exchange	*	*	8,893

* Cost of services provided was less than 10 percent of total cost of services for the year.

The cost of services attributable to VSNL include charges that are in dispute, as discussed in Note 4. VSNL is a government-owned, foreign carrier that has a monopoly on telephone service in that country.

11. INCOME TAXES:

The Company has net operating loss carryforwards ("NOLs") for federal income tax purposes of approximately $2,564,000 and $1,878,000, as of December 31, 1996 and 1997, respectively, which may be applied against future taxable income and expire in years 2010 and 2011. The Company utilized a portion of these NOLs to partially offset its taxable income for the year ended December 31, 1997. The use of the NOLs is subject to statutory and regulatory limitations regarding changes in ownership. SFAS No. 109 requires that the tax benefit of NOLs for financial reporting purposes be recorded as an asset to the extent that management assesses the realization of such deferred tax assets is "more likely than not." A valuation reserve is established for any deferred tax assets that are not expected to be realized.

As a result of historical operating losses and the fact that the Company has a limited operating history, a valuation allowance equal to the deferred tax asset was recorded for all periods presented.

The tax effect of significant temporary differences, which comprise the deferred tax assets and liabilities, are as follows (in thousands)

	December 31, 1996	December 31, 1997
Deferred tax assets:		
Net operating loss carryforwards	$ 1,014	$ 725
Allowance for doubtful accounts	336	909
Contested liabilities	814	1,024
Cash to accrual adjustments	778	460
Other	17	119
Total deferred tax assets	2,959	3,237
Deferred tax liabilities:		
Depreciation	66	204
Other	—	42
Total deferred tax liabilities	66	246
Net deferred tax assets	2,893	2,991
Valuation allowance	(2,893)	(2,991)
	$ —	$ —

Pursuant to Section 448 of the Internal Revenue Code, the Company was required to change from the cash to the accrual method of accounting. The effect of this change will be amortized over four years for tax purposes.

The Company recorded no benefit or provision for income taxes for the years ended December 31, 1995 and 1996. A provision for Federal alternative minimum tax was recorded for the year ended December 31, 1997. The components of income tax expense for the year ended December 31, 1997 are as follows (in thousands):

	December 31, 1997
Current Provision	
Federal	$ 171
Federal alternative minimum tax	29
State	23
Deferred benefit	
Federal	(86)
State	(12)
Benefit of net operating loss carryforwards	(96)
	$ 29

The provision for income taxes results in an effective rate which differs from the Federal statutory rate as follows:

	December 31, 1997
Statutory Federal income tax rate	35.0 %
Impact of graduated rate	(1.0)
State income taxes, net of Federal tax benefit	4.6
Federal alternative minimum tax	1.8
Benefit of net operating loss carryforwards	(38.6)
Effective rate	1.8 %

12. QUARTERLY DATA - UNAUDITED:

The following quarterly financial data has been prepared from the financial records of the Company without audit, and reflects all adjustments which, in the opinion of management, were of a normal recurring nature (except as discussed in notes (B) and (C) below) and necessary for a fair presentation of the results of operations for the interim periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	Quarters Ended							
	1996				1997			
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
Net revenues	$ 4,722	$ 8,485	$ 7,652	$ 11,356	$ 12,372	$ 16,464	$ 25,757	$ 31,264
Gross margin (B) (C)	255	563	889	627	1,607	1,979	3,089	3,399
Income (loss) from operations (B)	(444)	(409)	(740)	(916)	256	349	738	754
Net income (loss)	$ (497)	$ (465)	$ (815)	$ (1,053)	$ 137	$ 214	$ 413	$ 855
Basic earnings (loss) per share (A)	$ (0.09)	$ (0.09)	$ (0.15)	$ (0.19)	$ 0.03	$ 0.04	$ 0.08	$ 0.10
Weighted average common shares outstanding – basic (A)	5,403	5,403	5,403	5,403	5,403	5,403	5,403	8,324
Diluted earnings (loss) per share (A)	$ (0.09)	$ (0.09)	$ (0.15)	$ (0.19)	$ 0.03	$ 0.04	$ 0.07	$ 0.10
Weighted average common shares and equivalent – diluted (A)	5,403	5,403	5,403	5,403	5,474	5,646	5,760	8,709

(A) The earnings (loss) per share amounts have been restated in accordance with SAB No. 98 and SFAS No. 128. Quarterly per share data may not total to annual per share data due to changes in shares outstanding for the periods. The increase in weighted shares in the fourth quarter of 1997 is due to the Company's initial public offering in October 1997.

(B) Vendor disputes and other disputed charges resolved in the fourth quarter of 1997 resulted in net credits as estimated by management of approximately $300,000 recognized as lower cost of services and general and administrative expenses.

(C) During the first quarter of 1997, the Company's gross margin improved by approximately $1.0 million over the fourth quarter of 1996. The improvement was due to (i) approximately $500,000 in costs accrued in the fourth quarter 1996 for disputed vendor obligations as compared to approximately $8,000 in costs accrued during the first quarter of 1997; (ii) approximately $400,000 of cost reductions in 1997 resulting from an increase in the utilization of alternative termination options; and (iii) to a lesser extent, an increase in the percentage of residential traffic originated on net.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The information concerning directors required for this item is incorporated by reference to the information contained under the captions "Election of Directors", "Meetings and Committees of the Board" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this item is incorporated by reference to the information contained under the caption "Compensation of Directors and Executive Officers" in the Company's Proxy Statement for the Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required for this item is incorporated by reference to the information contained under the caption "Ownership of the Capital Stock of the Company" in the Company's Proxy Statement for the Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for this item is incorporated by reference to the information contained under the caption "Certain Relationships and Related Transactions" in the Company's Proxy Statement for the Annual Meeting of Stockholders.

PART IV

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

The following documents are filed as part of this Annual Report on Form 10-K:

(a) 1. FINANCIAL STATEMENTS. The financial statements of the Company and the related Report of Independent Public Accountants are filed as Item 8 hereof.

(a) 2. FINANCIAL STATEMENT SCHEDULE. The Financial Statement Schedule described below is filed as part of this report.

<u>Description:</u>
Report of Independent Public Accountants
Schedule II – Valuation and Qualifying Accounts

(a) 3. EXHIBITS

The exhibits of the Company are described in the exhibit index.

(b) <u>REPORTS ON FORM 8-K</u>

On November 17, 1997, the Company filed a Form 8-K with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in Montgomery County, State of Maryland, on the 30th day of March, 1998.

STARTEC GLOBAL COMMUNICATIONS CORPORATION

Signatures	Title	Date
/s/ Ram Mukunda Ram Mukunda	President, Chief Executive Officer, Treasurer and Director (Principal Executive Officer)	March 30, 1998
/s/ Prabhav V. Maniyar Prabhav V. Maniyar	Senior Vice President, Chief Financial Officer, Secretary and Director(Principal Financial and Accounting Officer)	March 30, 1998
/s/ Vijay Srinivas Vijay Srinivas	Director	March 30, 1998
/s/ Nazir G. Dossani Nazir G. Dossani	Director	March 30, 1998
/s/ Richard K. Prins Richard K. Prins	Director	March 30, 1998

REPORT OF INDEPENDENT PUBLIC ACCOUNTS

To Startec Global Communications Corporation:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Startec Global Communications Corporation (a Maryland corporation) included in this Form 10-K and have issued our report thereon dated March 4, 1998. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Washington, D.C.,
March 4, 1998

Startec Global Communications Corporation

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Column A	Column B	Column C	Column D	Column E	Column F
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts— Describer (a)	Deductions— Describe(b)	Balance at End of Period
Reflected as reductions to the related assets:					
Provisions for uncollectible accounts (deductions from trade accounts receivable)					
Year ended December 31, 1995	$ 752	$ 150	$ 174	$ (619)	$ 457
Year ended December 31, 1996	457	783	464	(625)	1,079
Year ended December 31, 1997	1,079	57	1,864	(647)	2,353

(a) Represents reduction of revenue for accrued credits on residential business.

(b) Represents amounts written off as uncollectible.

EXHIBIT 27.1

FINANCIAL DATA SCHEDULE

<ARTICLE>	5	
<MULTIPLIER>	1,000	
<CURRENCY>	U.S. Dollars	
PERIOD-TYPE	12-MOS	12-MOS
FISCAL-YEAR-END	DEC-31-1996	DEC—31-1997
PERIOD START	JAN-01-1996	JAN-01-1997
EXCHANGE RATE	1	1
CASH	148	26,114
SECURITIES	0	0
RECEIVABLES	6,491	19,710
ALLOWANCES	1,079	2,353
INVENTORY	0	0
CURRENT ASSETS	5,771	45,214
PP&E	2,165	6,424
DEPRECIATION	789	1,240
TOTAL ASSETS	7,327	51,530
CURRENT LIABILITIES	12,770	19,479
BONDS	0	0
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	76	88
OTHER STOCKHOLDERS' EQUITY (DEFICIT)	(6,165)	31,502
TOTAL LIABILITIES AND EQUITY	7,327	51,530
SALES	0	0
TOTAL REVENUE	32,215	85,857
CGS	0	0
TOTAL COSTS	29,881	75,783
OTHER EXPENSES	847	1,689
LOSS PROVISION	0	0
INTEREST EXPENSE	337	762
INCOME PRETAX	(2,830)	1,648
INCOME TAX	0	29
INCOME CONTINUING	(2,830)	1,619
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	(2,830)	1,619
EPS Primary	(.52)	0.26
EPS Dilutive	(0.52)	0.25

Attachment F

Startec Global Licensing Company
Proforma Balance Sheet

	Mar-98
Assets	
Current assets:	
Cash on Hand	100,000
Total current assets:	100,000
Property & Equipment:	
Other Non-Current Assets	
Goodwill	
Amortizable Assets net of Amortization	
Less: Accumulated Amortization	
Restricted cash	
Total Assets	100,000
Liabilities	
Current liabilities:	
Long-term liabilities:	
Total liabilities	0
Stockholders' Equity:	
Equity from Parent (Startec Global Holding Company)	100,000
Total stockholders' equity (deficit)	100,000
Total liabilities and stockholders' equity (deficit)	100,000
Total assets	100,000

STARTEC GLOBAL LICENSING COMPANY
ATTACHMENT G

Startec Global Licensing Company ("SGLC") has the managerial and technical ability necessary for the provision of intrastate services in the State of Florida. SGLC is managed by the same team of telecommunications personnel that manage Startec Global Communications Corp., which has a wealth of experience in the telecommunications industry. Accordingly, day-to-day operations of SGLC will function as they have in the past for SGCC. Further, customer service functions will be provided by the same team of qualified consumer representatives. In addition, to facilitate a seamless transfer, SGLC will adopt SGCC's tariff, thereby ensuring the provision of services at the same rates, terms, and conditions as are currently available. Biographies of SGLC's key management personnel follow.

Biographies of SGLC's Senior Management Team

Ram Mukunda is the founder of SGCC. Prior to 1989, Mr. Mukunda was an Advisor in Strategic Planning with INTELSAT, an international consortium responsible for global satellite services. While at INTELSAT, he was responsible for issues relating to corporate, business, financial planning, and strategic development. Prior to joining INTELSAT, he worked as a fixed-income analyst with Caine, Gressel. Mr. Mukunda earned an M.S. in Electrical Engineering from the University of Maryland. Mr. Mukunda is President and Treasurer of SGLC.

Prabhav V. Maniyar joined SGCC as Chief Financial Officer in January 1997. From June 1993 until he joined SGCC, Mr. Maniyar was the Chief Financial Officer of Eldyne, Inc., Unidyne Corporation, and Diversified Control Systems, LLC, collectively known as the Witt Group of Companies. The Witt Group of Companies was acquired by the Titan Corporation in May 1996. From June 1985 to May 1993, he held progressively more responsible positions with NationsBank. Mr. Maniyar earned a B.S. in Economics from Virginia Commonwealth University and an M.A. in Economics from Old Dominion University. Mr. Maniyar is Secretary of SGLC.

Subhash Pai joined SGCC in January 1992 and serves as Vice President, Controller, and Assistant Secretary. He is a CA/CPA. Prior to joining SGCC, Mr. Pai held various positions with a multinational shipping comp any. Mr. Pai is Vice President of SGLC.

KELLEY DRYE & WARREN LLP
A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
1200 19TH STREET, N.W.
SUITE 500
WASHINGTON, D.C. 20036
(202) 955-9600

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CHICAGO, IL
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PARSIPPANY, NJ

BRUSSELS, BELGIUM
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AFFILIATE OFFICES
BANGKOK, THAILAND
JAKARTA, INDONESIA
MANILA, THE PHILIPPINES
MUMBAI, INDIA
TOKYO, JAPAN

FACSIMILE
(202) 955-9792

WRITER'S DIRECT LINE
(202) 887-1238

WRITER'S E-MAIL
wbrantle@kelleydrye.com

DEPOSIT D040 DATE DEC 03 1998

December 1, 1998

BY UNITED PARCEL SERVICE

Ms. Blanca Bayo
Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Startec Reorganization

Dear Ms. Bayo:

Enclosed for filing with the Florida Public Service Commission please find an original, a duplicate and 6 copies of the Application of Startec Global Licensing Company for approval of assignment of an existing certificate (to a noncertificated company). Enclosed in addition is a check in the amount of $250 to cover the nonrefundable application fee.

Please date-stamp the duplicate on receipt and return it in the envelope provided. If there are questions or problems regarding this filing, please call me at (202) 887-1238.

DOCUMENT NUMBER-DATE
13563 DEC-2 98
FPSC-RECORDS/REPORTING

FIRST UNION NATIONAL BANK
WASHINGTON, DC

05187

KELLEY DRYE & WARREN LLP
1200 19TH STREET, N.W.
WASHINGTON, DC 20036

Nov. 23, 1998

PAY TO THE ORDER OF Florida Public Service Commission $ 250.00

Two-Hundred and fifty----------00/100---------- DOLLARS

STARTEC GLOBAL LICENSING CO
MEMO Filing fee 60466.001