CHERRY COMMUNICATIONS INCORPORATED

September 10, 1998

Florida Public Service commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

981197-TI

Re: EXPEDITED CONSIDERATION REQUESTED
Transfer of Control of an Authorized Reseller of Telephone Services Within Florida

Dear Madam:

WAXS INC. ("WAXS") and Cherry Communications Incorporated ("CCI") (collectively "Applicants"), by the undersigned, hereby request approval of a transaction whereby WAXS will acquire ownership and control of CCI, a reseller of telephone services within the State of Florida. CCI is authorized as a non-dominant interexchange carrier within the State of Florida pursuant to authority granted by this Commission on November 12, 1992 in Certificate 3134. WAXS is a provider of wireline and wireless switching, transport, and access products for the global telecommunications marketplace.[1] Neither WAXS nor any of its affiliates currently is affiliated with CCI.

As fully described herein, approval of the transfer of control will permit WAXS and CCI to realize significant economic and marketing efficiencies which will enhance CCI's ability to provide high quality, low cost telecommunications services and to compete more effectively in the telecommunications marketplace. Accordingly, the granting of this request will benefit the public interest.

Applicants respectfully request expedited treatment of this request in order to permit them to consummate the proposed transfer of control transaction as soon as possible but no later than September 25, 1998.

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1 In order to timely obtain the necessary regulatory approvals for the transfer of control of CCI to WAXS, this Application assumes the completion of a corporate reorganization involving WAXS and its corporate parent, World Access, Inc. Although this holding company reorganization has not been consummated, Applicants fully anticipate that the reorganization will have been consummated prior to closing the WAXS-CCI transaction. As such, the statements in this Application relating to WAXS are based on the presumption that the planned corporate reorganization discussed herein will be consummated prior to closing the WAXS-CCI transaction. In the event, however, that the corporate reorganization is not consummated prior to closing or in the event of any other change in the planned corporate structure that will have a material effect on the transfer of control of CCI, Applicants will duly amend this Application to notify the Commission of such change.

1919 South Highland Ave, Suite 129-D, Lombard, Illinois 60148 630/268-6800

In support of this request, Applicants submit the following information:

I. THE PARTIES

Headquartered in Atlanta, Georgia, WAXS is a Delaware company, the common stock of which is publicly traded in the NASDAQ National Market under the stock symbol "WAXS." WAXS operates in one business segment as a provider of systems, products, and services to the global telecommunications marketplace. WAXS develops, manufactures, and markets wireline and wireless switching, transport, and access products primarily for the United States, Caribbean basin, and Latin American Telecommunications products. WAXS also provides its customers design, engineering, manufacturing, testing, installation, repair, and other value-added services. Neither WAXS nor its affiliates, however, provide or are authorized to provide telecommunications services within Florida pursuant to authority of this Commission.

WAXS has the technical, managerial, and financial qualifications to acquire control of CCI. WAXS is an experienced telecommunications provider, offering customers complete telecommunications network solutions, including proprietary equipment, planning and engineering services. WAXS has realized significant improvements in its sales and operating results since 1994 as a result of strategic acquisitions and internal growth initiatives. As indicated in WAXS' consolidated financial statements for the years 1995 through 1997 and for the three month period ended March 31, 1998, attached hereto as Exhibit A,[2] WAXS' working capital and stockholders' equity have increased from $2.3 Million and $1.2 Million, respectively, at December 31, 1994, to $120.7 Million and $89.1 Million, respectively, at March 31, 1998. WAXS' annual revenues have grown from approximately $30.1 Million for 1995 to more than $92.9 Million for 1997. As of December 31, 1997, WAXS had assets in excess of $241.1 Million. With its substantial financial resources and by virtue of its experience as a provider of wireline and wireless switching, transport, and access products for the global telecommunications market, WAXS is well qualified to acquire control of CCI.

Cherry Communications Incorporated ("CCI") is an Illinois corporation which is headquartered in Lombard, Illinois. CCI, currently operating under the protection of Chapter 11 of the United States Bankruptcy Code, is a facilities-based provider of network access. The Commission has previously granted authority as a non-dominant interexchange carrier within the state of Florida to CCI. In addition, CCI is authorized, by virtue of certification, registration or tariff requirements, or on an unregulated basis, to provide resold intrastate telecommunications services in over 35 states.[3]

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[2] As explained in footnote 1, *supra*, in order to timely obtain the necessary regulatory approvals for the transfer of control of CCI to WAXS, this Application assumes the completion of a holding company reorganization involving WAXS and its corporate parent, World Access, Inc. Pursuant to the reorganization and related securities transactions, WAXS will become the holding company parent of World Access, Inc. Consequently, although the financial statements provided at Exhibit A are those of World Access, Inc., assuming consummation of the reorganization and related securities transactions, these statements are submitted as properly representing the financial condition of WAXS.

As further noted in footnote 1, however, in the event that the corporate reorganization is not consummated prior to closing or in the event of any other change in the planned corporate structure that will have a material effect on the transfer of control of CCI, Applicants will duly amend this Application to notify the Commission of such change.

[3] Cherry Communications, U.K., Ltd. ("Cherry U.K."), an affiliate of CCI, provides telecommunications data and voice service to a closed end user group in the U.K. WAXS will also

CCI is considered a non-dominant carrier. It is respectfully submitted that, after completion of the transaction described herein, CCI will continue to be qualified to operate as an authorized non-dominant carrier.

Further information concerning CCI's legal, technical and financial qualifications to provide service were previously submitted with CCI's Application for Certificate and is currently available in its Chapter 11 Plan of Reorganization. That information is, therefore, already a matter of public record, and Applicants request that it be incorporated by reference herein.

II. THE TRANSACTION

WAXS and CCI have determined that they will realize significant economic and marketing efficiencies by establishing CCI as a wholly-owned subsidiary of WAXS. Accordingly, WAXS and CCI, among others, have executed definitive agreements for WAXS to acquire CCI.[4] The transaction is subject to, among other things, receipt of the requisite corporate and regulatory approvals, confirmation of CCI's Plan of Reorganization (which was obtained on September 3, 1998), and approval of WAXS' stockholders.

The proposed acquisition will result in the establishment of a corporate parent of CCI, but will not involve a change in the manner in which CCI provides service to customers. Those services currently being provided by CCI will continue to be offered by CCI pursuant to tariffs on file with this Commission. CCI, moreover, will continue to be led by a team of well-qualified telecommunications managers comprised, in part, of existing CCI personnel. The acquisition of CCI by WAXS, therefore, will be virtually transparent to the customers of CCI in terms of the services that these customers receive.

III. PUBLIC INTEREST CONSIDERATIONS

Consummation of the proposed transaction will serve the public interest in promoting competition among providers of telecommunications services by combining the financial resources and complementary managerial skills and experience of WAXS and CCI in providing telecommunications products and services to the public. Applicants anticipate that the contemplated business combination will result in a company better equipped to accelerate its growth as a competitive provider of telecommunications products and services. The transfer of control will allow Applicants to manage their telecommunications operations more efficiently, thereby enhancing Applicants' operational flexibility and efficiency as well as their financial viability. These enhancements will inure to the benefit of the customers of WAXS and those of CCI, who will also benefit from the expanded array of products offered by WAXS and by CCI. The proposed acquisition will, therefore, ensure the continued provision of high quality and innovative telecommunications services to existing customers of CCI and should promote competition in the telecommunications products and services markets. In sum, the proposed acquisition will benefit the public interest by enhancing the ability of WAXS and CCI to offer competitively priced products and services in the telecommunications marketplace.

IV. INFORMATION REQUIRED

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acquire control of Cherry U.K.

[4] Pursuant to the terms of the agreements, the creditors of CCI and the shareholder of Cherry U.K., (restricted), will receive shares of WAXS common stock in the aggregate subject to certain contractual restrictions, and have the right to receive additional consideration of shares of WAXS common stock upon the satisfaction of certain conditions.

Applicants submit the following information:

(a) Name and address of Applicants:
WAXS INC.
945 East Paces Ferry Road, Suite 2240
Atlanta, Georgia 30326
404/231-2025 (Tel)
404/262-2598 (Fax)

Cherry Communications Incorporated ("CCI")
1919 South Highland Avenue, Suite 129-D
Lombard, Illinois 60148
630/268-6620 (Tel)
630/268-6898 (Fax)

(b) WAXS is a corporation organized under the laws of the State of Delaware.
CCI is a corporation organized under the laws of the State of Illinois.

(c) Correspondence concerning this matter should be sent to:

<u>For WAXS:</u>

Steven E. Fox, Esq.
Robert C. Hussle, Esq.
Rogers & Hardin LLP
WAXS' Attorneys
2700 International Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
404/522-4700 (Tel)
404/525-2224 (Fax)

<u>For CCI:</u>

Richard Heidecke, Esq., L.C.E.
One of Cherry Communications Incorporated's Attorneys
Cherry Communications Incorporated
1919 South Highland Avenue, Suite 129-D
Lombard, Illinois 60148
630/268-6620 (Tel)
630/268-6898 (Fax)

(d) Neither WAXS nor its operating subsidiaries currently provide nor are authorized to operate as a reseller of telephone services within Florida.

CCI is a non-dominant interexchange carrier within the State of Florida pursuant to authority granted by this Commission on November 12, 1992 in Certificate No. 3134.

(e) This letter seeks authority for the transfer of control of CCI, a reseller of telephone services within Florida, to WAXS, a manufacturer and marketer of wireline and wireless switching, transport, and access products.

(f) In support of this certification, attached hereto as Exhibit B is a list of WAXS' 10% or greater direct and indirect stockholders, including the address, citizenship, and principal business of each such stockholder. In addition, attached hereto as Exhibit C is a list of all other directorships held by WAXS' directors, exclusive of charitable or trade association positions.

V. CONCLUSION

For the reasons stated herein, WAXS INC. and Cherry Communications Incorporated respectfully submit that the public interest, convenience, and necessity would be furthered by grant of this request for consent to the transfer of control of CCI to WAXS. Applicants respectfully request that the Commission authorize the transfer of control described herein to permit the Applicants to consummate the transaction no later than September 25, 1998.

Please date-stamp the enclosed extra copy of this letter and return it in the self-addressed, postage paid envelope provided. Should you have any questions concerning this matter, please do not hesitate to contact Richard Heidecke at the number listed below.

Respectfully submitted,

By:

Steven A. Odom, Chief Executive Officer
WAXS, INC.
945 East Paces Ferry Road, Suite 2240
Atlanta, Georgia 30326
404/231-2025

By: Richard Heidecke Esq. L.C.E

Richard Heidecke, Esq., L.C.E.
One of Cherry Communications Incorporated's Attorneys
CHERRY COMMUNICATIONS INCORPORATED
1919 South Highland Avenue, Suite 129-D
Lombard, Illinois 60148
630/268-6620

EXHIBIT A

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

As Amended on April 27, 1998

(Mark One)

[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**

For the transition period from __________ to __________

Commission File Number 0-19998

WORLD ACCESS, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE	**65-0044209**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*
945 East Paces Ferry Road **Suite 2240** **Atlanta, GA**	**30326**
(Address of Principal Executive Offices)	*(Zip Code)*

(404) 231-2025
(Registrant's Telephone Number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, Par Value $.01 Per Share

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 ☒ 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 registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

As of April 13, 1998 there were 21,500,280 shares of Common Stock outstanding. The aggregate market value of the voting Common Stock held by non-affiliates of the Registrant as of April 13, 1998, as based on the average closing bid and ask prices, was approximately $605,240,000.

WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 1997	December 31, 1996
ASSETS		
Current Assets		
Cash and equivalents	$118,065,045	$22,480,082
Accounts receivable	20,263,971	9,651,884
Inventories	22,426,918	10,657,412
Other current assets	10,923,723	3,533,615
Total Current Assets	171,679,657	46,322,993
Property and equipment	5,704,585	2,657,661
Investment in affiliate	5,002,000	—
Goodwill	31,660,201	9,526,140
Other assets	11,236,298	2,229,172
Total Assets	$225,282,741	$60,735,966
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 81,739	$ —
Accounts payable	9,339,588	3,756,722
Accrued payroll and benefits	2,589,461	1,605,840
Purchase price payable	3,700,000	—
Other accrued liabilities	2,219,237	2,999,187
Total Current Liabilities	17,930,025	8,361,749
Other liabilities	333,802	—
Long-term debt	115,263,984	—
Total Liabilities	133,527,811	8,361,749
Stockholders' Equity		
Common stock, $.01 par value, 40,000,000 shares authorized, 19,306,235 and 16,328,513 issued and outstanding at December 31, 1997 and 1996, respectively	193,062	163,285
Capital in excess of par value	84,162,478	58,517,279
Note receivable from affiliate	—	(571,634)
Retained earnings (deficit)	7,399,390	(5,734,713)
Total Stockholders' Equity	91,754,930	52,374,217
Total Liabilities and Stockholders' Equity	$225,282,741	$60,735,966

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

WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	1997	1996	1995
Sales of products	$71,391,688	$34,411,079	$17,383,904
Service revenues	21,592,794	16,589,123	12,754,585
Total Sales	92,984,482	51,000,202	30,138,489
Cost of products sold	43,827,123	21,485,696	12,657,218
Cost of services	17,017,674	14,519,917	11,118,411
Total Cost of Sales	60,844,797	36,005,613	23,775,629
Gross Profit	32,139,685	14,994,589	6,362,860
Engineering and development	1,861,734	891,959	577,299
Selling, general and administrative	8,999,931	6,210,324	3,124,559
Amortization of goodwill	1,755,798	533,919	157,394
Special charges	—	—	980,000
Operating Income	19,522,222	7,358,387	1,523,608
Interest and other income	2,503,318	484,211	142,632
Interest expense	(1,355,437)	(318,987)	(493,797)
Income Before Income Taxes	20,670,103	7,523,611	1,172,443
Income taxes	7,536,000	745,069	—
Net Income	$13,134,103	$ 6,778,542	$ 1,172,443
Net Income Per Common Share:			
Basic	$ .76	$ .52	$ .15
Diluted	$ .70	$ .46	$ .12
Weighted Average Shares Outstanding:			
Basic	17,242,405	13,044,432	7,858,954
Diluted	18,707,781	14,529,994	9,083,260

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

WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Capital in Excess of Par Value	Note Receivable from Affiliate	Retained Earnings (Deficit)	Total
Balance at January 1, 1995	$ 69,182	$14,776,433	$ —	$(13,685,698)	$ 1,159,917
Net income				1,172,443	1,172,443
Issuance of 2,583,988 shares for stock warrants and options	25,840	6,703,561			6,729,401
Issuance of 1,181,770 shares in private placement, net of expenses	11,818	2,857,607			2,869,425
Issuance of 1,351,603 shares for AIT acquisition	13,516	2,259,902			2,273,418
Issuance of 517,050 shares for Westec acquisition	5,171	1,023,279			1,028,450
Note receivable from affiliate, net			(919,836)		(919,836)
Issuance of 5,596 shares for matching contribution to 401K plan	56	20,761			20,817
Balance at December 31, 1995	125,583	27,641,543	(919,836)	(12,513,255)	14,334,035
Net income				6,778,542	6,778,542
Issuance of 3,487,500 shares in secondary public offering, net of expenses	34,875	25,296,375			25,331,250
Issuance of 655,364 shares for Sunrise acquisition	6,553	2,990,383			2,996,936
Release of 318,654 shares from escrow for AIT acquisition		2,042,373			2,042,373
Repayment of loan by affiliate, net			348,202		348,202
Issuance of 50,000 shares for technology license	500	137,020			137,520
Issuance of 246,906 shares for stock options and warrants	2,469	377,629			380,098
Retirement of 672,419 escrowed shares from 1991 initial public offering	(6,724)	6,724			—
Issuance of 2,883 shares for matching contribution to 401K plan	29	25,232			25,261
Balance at December 31, 1996	163,285	58,517,279	(571,634)	(5,734,713)	52,374,217
Net income				13,134,103	13,134,103
Issuance of 1,285,884 shares for CIS acquisition	12,859	5,601,560			5,614,419
Issuance of 408,205 shares for Galaxy acquisition	4,082	4,768,893			4,772,975
Release of 159,327 shares from escrow for AIT acquisition		892,231			892,231
Issuance of 121,182 shares for AIT acquisition	1,212	2,168,788			2,170,000
Release of 50,000 shares from escrow for Westec acquisition		835,625			835,625
Repayment of loan by affiliate			571,634		571,634
Issuance of 1,155,360 shares for stock options and warrants	11,553	4,594,299			4,605,852
Tax benefit from exercises of stock options and warrants		6,675,000			6,675,000
Issuance of 7,091 shares for matching contribution to 401K plan	71	108,803			108,874
Balance at December 31, 1997	$193,062	$84,162,478	$ —	$ 7,399,390	$91,754,930

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

WORLD ACCESS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 13,134,103	$ 6,778,542	$ 1,172,443
Adjustments to reconcile net income to net cash from (used by) operating activities:			
Depreciation and amortization	3,096,356	1,420,052	894,484
Income tax benefit from stock warrants and options	6,675,000	—	—
Provision for inventory reserves	772,867	197,409	162,345
Provision for bad debts	171,574	167,612	7,568
Stock contributed to 401K plan	108,874	34,861	19,317
Special charges	—	—	823,714
Changes in operating assets and liabilities, net of effects from businesses acquired:			
Accounts receivable	(8,796,812)	(258,167)	(6,809,851)
Inventories	(12,147,373)	(5,988,385)	(1,627,479)
Accounts payable	4,313,371	(46,669)	177,090
Other assets and liabilities	(9,290,063)	(310,306)	(1,264,163)
Net Cash From (Used By) Operating Activities	(1,962,103)	1,994,940	(6,444,532)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of businesses	(5,945,724)	(436,791)	(649,769)
Investment in affiliate	(5,002,000)	—	—
Repayments by (loans to) affiliates	(3,319,534)	348,202	(1,502,336)
Expenditures for property and equipment	(3,590,978)	(1,176,018)	(279,571)
Technology licenses	(21,298)	(528,050)	—
Net Cash Used By Investing Activities	(17,879,534)	(1,792,657)	(2,431,676)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	111,909,015	—	—
Net proceeds from secondary public offering	—	25,331,250	—
Net proceeds from private equity offerings	—	—	2,835,000
Proceeds from exercise of stock warrants and options	4,605,852	4,251,487	2,961,207
Short-term debt borrowings (repayments)	(588,715)	(5,510,220)	4,338,556
Long-term debt repayments	—	(3,625,000)	(125,000)
Debt issuance costs	(499,552)	(56,546)	—
Net Cash From Financing Activities	115,426,600	20,390,971	10,009,763
Increase in Cash and Equivalents	95,584,963	20,593,263	1,133,555
Cash and Equivalents at Beginning of Period	22,480,082	1,886,819	753,264
Cash and Equivalents at End of Period	$118,065,045	$22,480,082	$ 1,886,819
Supplemental Schedule of Noncash Financing and Investing Activities:			
Issuance of common stock for businesses acquired	$ 14,285,250	$ 5,039,309	$ 3,301,868
Issuance of common stock for stockholder notes			3,828,194
Reduction in note receivable from affiliate to recognize contingent purchase price earned		582,500	582,500
Conversion of accounts receivable to investment in technology license		241,919	
Issuance of common stock for technology license		137,520	

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

NOTE A: GENERAL

Nature of Business

World Access, Inc. and its wholly-owned subsidiaries (the "Company") operate in one business segment as a provider of systems, products and services to the global telecommunications marketplace. The Company develops, manufactures and markets wireline and wireless switching, transport and access products primarily for the United States, Caribbean Basin and Latin American telecommunications markets. The Company's products allow telecommunications service providers to build and upgrade their central office and outside plant networks in order to provide a wide array of voice, data and video services to their business and residential customers. The Company offers digital switches, cellular base stations, fixed wireless local loop systems, intelligent multiplexers, microwave and millimeterwave radio systems and other telecommunications network equipment. The products offered by the Company include those manufactured by the Company as well as those manufactured by other telecommunications equipment companies. To support and complement its product sales, the Company also provides its customers with a broad range of design, engineering, manufacturing, testing, installation, repair and other value-added services.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from their effective dates of acquisition (see "Note B"). All material intercompany accounts and transactions are eliminated in consolidation.

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

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The fair value estimates presented herein are based on pertinent information available to management as of the respective balance sheet dates. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

The fair values of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate the carrying values due to their short-term nature. The fair values of long-term debt are estimated based on current market rates and instruments with the same risk and maturities and approximate the carrying value.

Revenue Recognition

In general, revenues are recognized when the Company's products are shipped or services are rendered. Occasionally, the Company will enter into long-term contracts which require percentage of completion accounting treatment.

During 1997, the Company recognized approximately $5.3 million of revenues under the percentage of completion method. Of this amount, approximately $2.5 million represents costs and estimated earnings in excess of billings and is included in Other current assets on the Company's December 31, 1997 balance sheet

Significant Customers

A portion of the Company's total sales have been derived from significant customers. During 1997, no customer individually accounted for 10.0% of the Company's total sales. During 1996, one customer accounted for 10.9% of total sales. During 1995, two customers individually accounted for 22.7% and 15.1% of total sales.

Cash and Equivalents

Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts of $237,000, $265,000, and $208,000 at December 31, 1997, 1996, and 1995, respectively.

Investment in Affiliate

During November and December 1997, the Company purchased 355,000 shares of NACT Telecommunications, Inc. ("NACT") common stock in the open market for approximately $5.0 million.

On December 31, 1997, the Company entered into a stock purchase agreement with GST Telecommunications, Inc. ("GST") and GST USA, Inc. ("GST USA"), a wholly owned subsidiary of GST, to acquire 5,113,712 shares of NACT common stock owned by GST USA. On February 27, 1998 the Company completed this purchase increasing its ownership of NACT to approximately 67.3%. On February 24, 1998, the Company executed a definitive merger agreement with NACT to acquire the remaining 32.7% of NACT common shares (see "Note N").

Earnings Per Share

Effective in 1997, the Company adopted Statement of Financial Accounting Standards No. 128 "Earnings per Share". The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share is based on the weighted average number of common shares outstanding plus, when their effect is dilutive, potential common stock consisting of shares subject to stock options, stock warrants and convertible notes. Potential common stock shares of 1,465,376, 1,485,562 and 1,22[illegible],306 as of December 31, 1997, 1996 and 1995, respectively, have been included in computing diluted earnings per share. A total of 994,736, 401,267 and 895,744 shares of common stock for the years ended December 31, 1997, 1996 and 1995, respectively, held in escrow from certain acquisitions (see "Note B"), the Company's initial public offering (see "Note H") and the TCSI license agreement (see "Note E"), were excluded from the earnings per share calculations because the conditions for release of shares from escrow had not been satisfied.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current presentation.

NOTE B: ACQUISITIONS

AIT Acquisition

On May 17, 1995, the Company entered into an agreement to acquire AIT, Inc. ("AIT"), a Lakeland, Florida based provider of new and used Northern Telecom switching systems and related circuit boards to the telecommunications industry. On July 11, 1995, the transaction was completed in its final form whereby AIT was merged with and into Restor-AIT, Inc., a wholly-owned subsidiary of the Company (the "AIT Merger"). In connection with the AIT Merger, the sole stockholder of AIT received 685,970 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $1.7 million.

In July 1995, the Company loaned the sole stockholder of AIT $1.3 million in cash in connection with a $2,330,000 interest bearing promissory note executed as an integral part of the merger agreement between the two companies. An additional $1,030,000 was to be loaned to the stockholder as specific accounts receivable, notes receivable and inventories on AIT's May 17, 1995 balance sheet were collected and/or realized by the Company. As of December 31, 1996, the Company had loaned an aggregate of $2,319,134 to the stockholder. The principal balance of the note as of December 31, 1996 was $571,634, which was fully collateralized by shares of the Company's common stock pledged by the sole stockholder. As a result of this pledge agreement, the note receivable from the stockholder was accounted for as a reduction of stockholders' equity. As of December 31, 1997, the amounts due from the stockholder were paid in full.

In addition to the 685,970 shares noted above, the sole stockholder of AIT was issued 637,308 restricted shares of the Company's common stock. These shares were immediately placed into escrow, and along with $2,330,000 in potential cash payments, were to be released to the sole stockholder over a two year period ending August 15, 1997 contingent upon the realization of predefined levels of gross profit from AIT's operations during this same period. To the extent cash consideration was paid, the sole stockholder was immediately required to repay the equivalent amount of borrowings outstanding under the promissory note described above.

Upon issuance, the 637,308 escrowed shares were valued by the Company at par value only, or $6,373. As it became probable that the conditions for release from escrow would be met, the fair market value of the shares as measured at that time, along with any contingent cash payment earned, were recorded as additional goodwill and stockholders' equity, respectively.

As of December 31, 1997, the Company had released all 637,308 shares from escrow and paid additional cash consideration of $2,330,000 based on AIT's gross profit performance. Based on AIT's pre-tax income performance, an additional $3.1 million in purchase price was paid to the sole stockholder in August 1997 in the form of 121,182 restricted shares of the Company's common stock. The net effect of the above has been to increase goodwill and stockholder's equity by approximately $8.0 million as of December 31, 1997.

As part of a final purchase price settlement agreement entered into in August 1997, the sole stockholder of AIT pledged 280,509 shares of the Company's common stock to the Company to effectively guarantee the collectibility of certain AIT accounts receivable. During the fourth quarter of 1997 and the first quarter of 1998, these accounts receivable were paid in full through cash proceeds from the sale of these pledged shares.

The acquisition of AIT has been accounted for using the purchase method of accounting. Accordingly, the results of AIT's operations have been included in the accompanying consolidated financial statements from May 17, 1995, the effective date of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess of purchase price over the fair value of net assets acquired, approximately $11.6 million, has been recorded as goodwill and is being amortized over a 15 year period.

Westec Acquisition

On October 2, 1995, the Company entered into an agreement to acquire Westec Communications, Inc. ("Westec"), a Scottsdale, Arizona based provider of wireless systems and repair services to the cable television and telecommunications industries. On October 31, 1995, the transaction was completed in its final form whereby Westec was merged with and into Restor-Westec, Inc., a wholly-owned subsidiary of the Company (the "Westec Merger"). Restor-Westec, Inc. subsequently changed its name to Westec Communications, Inc. In connection with the Westec Merger, the sole stockholder of Westec received $550,000 and

272,050 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $900,000.

As part of the Westec Merger agreement, the sole stockholder of Westec may also receive $1.0 million in additional purchase price (the "Westec Additional Consideration") contingent upon the realization of predefined levels of pre-tax income from Westec's operations during five calendar years beginning in 1996. This additional consideration may be paid, at the option of the Company, in the form of cash or restricted shares of the Company's common stock valued at the then current market prices. If earned, the Westec Additional Consideration will be capitalized as additional goodwill and stockholders' equity, respectively.

In connection with the Westec Merger, the Company entered into a Compensation Agreement with Sherman Capital Group L.L.C. ("Sherman"), a merchant banking firm that had a pre-existing letter of intent to acquire Westec. Pursuant to the Compensation Agreement, Sherman received $100,000 and 45,000 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $150,000. The compensation paid to Sherman has been accounted for as part of the purchase price of Westec. In addition, 200,000 restricted shares of the Company's common stock were placed in escrow and may be released to Sherman in installments over a four year period on February 15 of each year beginning on February 15, 1997, contingent upon the realization of predefined levels of pre-tax income from Westec's operations. Upon issuance, the 200,000 escrowed shares were valued by the Company at par value only, or $2,000. As it becomes probable that the conditions for release from escrow will be met, the fair market value of the shares as measured at that time will be recorded as additional goodwill and stockholders' equity.

The first measurement period for purposes of releasing escrowed shares and paying Westec Additional Consideration was January 1, 1996 to December 31, 1996. Westec's pre-tax income for the first measurement period failed to meet the performance criterion required to earn any additional consideration. In reviewing Westec's pre-tax performance for the second performance period, January 1, 1997 to December 31, 1997, the Company determined that the earn-out performance criterion was met. Accordingly, 50,000 escrowed shares were accounted for as if released to Sherman and $200,000 of Westec Additional Consideration was accounted for as if paid to the sole stockholder of Westec as of December 31, 1997. The net effect of this accounting was to increase goodwill and stockholders equity by approximately $1.0 million and $800,000, respectively. The escrowed shares were released and Westec Additional Consideration was paid on February 15, 1998.

The acquisition of Westec has been accounted for using the purchase method of accounting. Accordingly, the results of Westec's operations have been included in the accompanying consolidated financial statements from October 2, 1995, the effective date of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess of purchase price over the fair value of net assets acquired, currently estimated at approximately $2.4 million, has been recorded as goodwill and is being amortized over a 15 year period.

Sunrise Acquisition

In February 1996, the Company entered into an agreement to acquire Comtech Sunrise, Inc. ("Sunrise"), a Livermore, California based manufacturer of multiplexers, digital loop carriers and other intelligent transport and access products. On June 18, 1996, after a mandatory registration process was completed in the State of California, the transaction was completed in its final form whereby Sunrise was merged with and into Restor-Comtech, Inc., a wholly-owned subsidiary of the Company (the "Sunrise Merger"). Restor-Comtech, Inc. subsequently changed its name to Sunrise Sierra, Inc. In connection with the Sunrise Merger, the stockholders of Sunrise received approximately $100,000 in cash and 385,481 shares of the Company's common stock. These shares had an initial fair value of approximately $2.3 million.

In addition to the 385,481 shares noted above, the stockholders of Sunrise were issued 211,765 restricted shares of the Company's common stock. These shares were immediately placed into escrow, and along with of April 30, 1997, the Company determined that it was highly probable that the conditions for release and payment for the first period would be met. Accordingly, 317,427 escrowed shares were accounted for as if released and $3.5 million of CIS Additional Consideration was accounted for as if paid as of April 30, 1997. The net effect of this accounting was to increase goodwill and stockholders' equity by approximately $6.5 million and $3.0 million, respectively, as of April 30, 1997. These escrowed shares were released and CIS Additional Consideration was paid to the former stockholders of CIS on February 15, 1998. The $3.5 million of CIS Additional Consideration earned is included in Purchase price payable on the Company's December 31, 1997 balance sheet.

The acquisition of CIS has been accounted for using the purchase method of accounting. Accordingly, the results of CIS's operations have been included in the accompanying consolidated financial statements from January 1, 1997, the effective date of acquisition as defined in the definitive agreement and plan of merger. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess of purchase price over the fair value of net assets acquired, currently estimated at approximately $12.5 million, has been recorded as goodwill and is being amortized over a 15 year period.

Galaxy Acquisition

On July 29, 1997, the Company entered into a letter of intent to acquire Galaxy Personal Communications Services, Inc. ("Galaxy"), a Norcross, Georgia based provider of system design, implementation, optimization and other value-added radio engineering and consulting services to PCS, cellular and other wireless telecommunications service providers. On August 26, 1997, the transaction was completed in its final form whereby Galaxy was merged with and into Galaxy Acquisition Corp., a wholly-owned subsidiary of the Company (the "Galaxy Merger"). Galaxy Acquisition Corp. subsequently changed its name to Gala Personal Communications Services, Inc. In connection with the Galaxy Merger, the former stockholders of Galaxy received approximately $1.2 million in cash and 262,203 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $4.2 million.

In addition to the 262,203 shares noted above, the former Galaxy stockholders were issued 131,101 restricted shares of the Company's common stock. These shares were immediately placed into escrow, and along with $3.5 million in additional consideration (the "Galaxy Additional Consideration"), will be released and paid to the former stockholders of Galaxy contingent upon the realization of predefined levels of pre-tax income from Galaxy's operations during four measurement periods between July 1, 1997 and December 31, 2000. The Galaxy Additional Consideration may be paid, at the option of the Company, in the form of cash or restricted shares of the Company's common stock valued at the then current market prices.

Upon issuance, the 131,101 escrowed shares were valued by the Company at par value only, or $1,311. Once conditions for release from escrow have been met, the fair market value of the shares as measured at that time, along with any Galaxy Additional Consideration earned, will be recorded as additional goodwill and stockholders' equity, respectively.

The first measurement period for purposes of releasing escrowed shares and paying Galaxy Additional Consideration was July 1, 1997 to December 31, 1997. In reviewing Galaxy's pre-tax income performance, the Company determined that the earn-out performance criterion was met. Accordingly, 15,215 escrowed shares were accounted for as if released and $400,000 of Galaxy Additional Consideration (in the form of 14,901 restricted shares of Company common stock) were accounted for as if paid as of December 31, 1997. The net effect of this accounting was to increase goodwill and stockholders' equity by approximately $500,000 as of December 31, 1997. These escrowed shares were released and additional shares were issued to the former stockholders of Galaxy on February 15, 1998.

The acquisition of Galaxy has been accounted for using the purchase method of accounting. Accordingly, the results of Galaxy's operations have been included in the accompanying consolidated financial statements from July 1, 1997, the effective date of acquisition as defined in the definitive agreement and plan of merger. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The excess of purchase price over the fair value of net assets acquired, currently estimated at approximately $5.1 million, has been recorded as goodwill and is being amortized over a 15 year period.

Pro Forma Results of Operations

On a pro forma, unaudited basis, as if the acquisitions of AIT, Westec and Sunrise had occurred as of January 1, 1995, total sales, operating income, net income and diluted net income per common share for the year ended December 31, 1995 would have been approximately $38,100,000, $2,200,000, $1,800,000 and $0.17, respectively.

On a pro forma, unaudited basis, as if the acquisition of CIS had occurred as of January 1, 1996, total sales, operating income, net income and net income per diluted common share for the year ended December 31, 1996 would have been approximately $63,810,000, $10,680,000, $8,520,000, and $0.57, respectively. The results of operations for Galaxy during 1996 and the first six months of 1997 were not material and therefore are not included in the pro forma disclosure.

These unaudited pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which would actually have occurred had the acquisitions been in effect on the dates indicated.

NOTE C: INVENTORIES

Inventories are stated at the lower of cost or market as determined primarily on a first-in, first-out basis. To address potentially obsolete and slow moving inventories and related market valuation adjustments, the Company charged to operations for the years ended December 31, 1997, 1996 and 1995 approximately $773,000, $197,000 and $162,000, respectively.

Inventories consist of the following:

	December 31, 1997	December 31, 1996
Switching systems, frames and related circuit boards	$13,445,770	$ 6,902,886
Electronic components	4,879,213	2,539,497
Pay telephone parts	1,332,835	494,315
Work in progress	1,744,368	437,926
Other finished goods	1,024,732	282,788
	$22,426,918	$10,657,412

The switching systems, frames and related circuit board inventory at December 31, 1997 includes approximately $3.8 million of consigned inventory held at Resurgens Communications Group (see "Note M").

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, less accumulated depreciation as computed using the straight-line method. Leasehold improvements are depreciated over their remaining estimated lease term. Estimated lives for other depreciable assets range from three to eight years. Depreciation expense for the years ended December 31, 1997, 1996 and 1995 was $1,040,000, $829,000 and $690,000, respectively.

Property and equipment consist of the following:

	December 31,	
	1997	1996
Leasehold improvements	$ 915,258	$ 686,683
Manufacturing assembly and test equipment	9,865,060	6,463,996
Office furniture and equipment	1,739,870	1,328,730
Vehicles	129,498	84,975
	12,649,686	8,564,384
Accumulated depreciation	(6,945,101)	(5,906,723)
	$ 5,704,585	$ 2,657,661

The Company leases various facilities and equipment under operating leases. As of December 31, 1997, future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year are approximately: 1998 — $750,000, 1999 — $545,000, 2000 — $322,000; 2001 — $300,000; and 2002 — $58,000.

Total rental expense under operating leases for the years ended December 31, 1997, 1996 and 1995 was approximately $1,732,000, $1,327,000 and $670,000, respectively, exclusive of property taxes, insurance and other occupancy costs generally payable by the Company.

NOTE E: TECHNOLOGY LICENSES

In March 1996, the Company entered into a memorandum of understanding with International Communication Technologies, Inc. ("ICT") and Eagle Telephonics, Inc. ("Eagle") to manufacture, market and sell a new modular, digital central office switch developed by Eagle. In July 1996, a long-term technology licensing agreement was executed by all three parties. As consideration for this license, the Company paid Eagle $250,000 in cash and provided it $450,000 of manufacturing services. The license fees paid Eagle will be amortized to expense in connection with the first 300,000 lines of phone service provided for within the switches sold by the Company, i.e. approximately $2.50 per line. In addition to the up-front consideration, the Company agreed to pay ICT certain royalties based on future sales of the switch by the Company. During 1997, the Company expensed license fees and royalties of approximately $200,000 in connection with lines sold during the year. In connection with this license and the up-front consideration paid, the Company received 1.2 million restricted shares of Eagle common stock. The fair value of these shares was not material as of December 31, 1997.

In December 1996, the Company executed a technology licensing agreement with TCSI Corporation ("TCSI") that grants the Company the perpetual rights to incorporate TCSI's spread spectrum Code Division Multiple Access ("CDMA") based wireless technology into the Company's products sold throughout the world. Under the terms of the agreement, the Company also has the rights to use the technology covered by seven TCSI patents, all of which address digital data signals and wireless communication systems. As total consideration for this license, TCSI was paid $50,000 in cash and 25,000 shares of restricted Company common stock. These shares had an initial fair value of approximately $150,000. In addition to the 25,000 shares noted above, TCSI was issued 25,000 shares of restricted common stock. These shares were immediately placed into escrow and will be released to TCSI upon the earlier of the first commercial use of the technology by the Company or the expiration of the two year period from the date the license was executed. As of December 31, 1997, no escrowed shares had been released to TCSI.

NOTE F: GOODWILL

Goodwill from acquisitions, representing the excess of purchase price paid over the value of net assets acquired, is as follows:

	December 31, 1997	December 31, 1996
CIS	$12,485,239	$ —
AIT	11,557,917	6,403,187
Galaxy	5,089,265	—
Westec	2,[illegible]64,660	1,329,035
Sunrise	2,284,500	2,159,500
Other	384,902	384,902
	34,166,483	10,276,624
Accumulated amortization	(2,506,282)	(750,484)
	$31,660,201	$ 9,526,140

Goodwill is being amortized on a straight-line basis over a 15 year period. The Company reviews the net carrying value of goodwill on a regular basis, and if deemed necessary, charges are recorded against current operations for any impairment in the value of these assets. No significant impairment charges have been recorded to date. Goodwill is removed from the books when fully amortized.

NOTE G: DEBT

Summary

The Company had no debt outstanding as of December 31, 1996. Debt as of December 31, 1997 consists of the following:

	December 31, 1997
Convertible subordinated notes	$115,000,000
Capital lease obligations and other debt	345,723
Total debt	115,345,723
Amount due within one year	(81,739)
Long — term debt	$115,263,984

Interest paid for the years ended December 31, 1997, 1996 and 1995 was $57,000, $352,000 and $507,000, respectively.

Convertible Subordinated Notes

On October 1, 1997, the Company sold $100.0 million in aggregate principal amount of convertible subordinated notes (the "Notes") under Rule 144A of the Securities Act of 1933. The Notes bear interest at the rate of 4.5% per annum, are convertible into Company common stock at an initial price of $37.03 per share and mature on October 1, 2002. Interest on the Notes is payable on April 1 and October 1 of each year, commencing on April 1, 1998. The Notes are general unsecured obligations of the Company and are subordinate in right of payment to all existing and senior indebtedness. The Company received $97.0 million from the sale of the Notes, after the application of the initial purchasers' discount fees of $3.0 million.

In addition to the Notes sold on October 1, 1997, the Company granted the initial purchasers an option to purchase up to an additional $15.0 million in Notes to cover over-allotments. On October 28, 1997, the initial purchasers exercised the over-allotment option in full and the Company received an additional $14,550,000, after the application of the initial purchasers' discount fees of $450,000.

The discount fees and legal, accounting, printing and other expenses (the "Debt issuance costs") related to the Notes offering amounted to approximately $4.0 million, and are being amortized to expense over the five year term of the Notes. During 1997, the Company recognized approximately $200,000 of debt issuance cost amortization related to the Notes. Debt issuance costs of approximately $3.8 million are included in Other assets on the Company's December 31, 1997 balance sheet.

Bank Debt

In December 1996, the Company's agreement with a large European bank was amended to increase its revolving line of credit to $10 million. Borrowings under the line are secured by a first lien on substantially all the assets of the Company. The bank agreement, which expires in March 2001, contains standard lending covenants including financial ratios, restrictions on dividends and limitations on additional debt and the disposition of Company assets. Interest is paid at the rate of prime plus 1¼% or LIBOR plus 2½%, at the option of the Company.

Prior to 1996, the Company's principal source of debt financing since May 1992 has been with this European bank. In connection with operating losses experienced by the Company, restructuring programs implemented by the Company and violations of financial covenants established by the bank, the bank agreement was amended several times during 1992 through 1994 to defer principal payments and restructure financial covenants. In consideration for the original credit facility and the significant concessions provided during this period, the bank received warrants to purchase 360,000 shares of the Company's common stock at its then current market price of $1.25 per share.

In July 1995, the Company received a new $2 million revolving line of credit from the bank. In consideration for the line of credit and a reduced interest rate, the Company paid the bank a $20,000 origination fee and issued the bank warrants to purchase 100,000 shares of the Company's common stock at its then current market price of $3.82 per share on or prior to October 31, 1999. In October 1995, the bank paid the Company $832,000 to exercise all 460,000 warrants (see "Note I").

In October 1996, in connection with a secondary public equity offering completed by the Company, the Company paid the bank $3.9 million to pay off the outstanding principal balance on its term loan.

NOTE H: STOCKHOLDERS' EQUITY

During September and October 1996, 3,487,500 shares of Company common stock were sold in a secondary public offering at a price of $8.00 per share. The Company received $26,156,250 from this offering, net of underwriting discounts. The Company incurred additional expenses of approximately $825,000 in connection with this offering.

During June and July 1995, 1,168,000 restricted shares of the Company's common stock were sold in a private placement for a gross consideration of $2,920,000, or its then current market price of $2.50 per share. Participants in the offering also received warrants to purchase a total of 1,168,000 of additional shares of restricted common stock at $3.50 per share on or prior to June 30, 2000. Approximately $275,000 of the offering was purchased by the directors and management of the Company. In October 1995, stockholders paid the Company approximately $4.1 million to exercise all warrants issued as a result of the private offering (see "Note I").

In connection with the Company's initial public offering in August 1991, all of the existing holders of the Company's common stock placed in escrow an aggregate of 672,419 shares of the Company's common stock. As of August 12, 1996, the termination date of the escrow agreement, the conditions for release of the shares had not been met. Accordingly, the 672,419 escrowed shares of Company common stock were returned to the Company and became authorized but unissued shares.

NOTE I: STOCK WARRANTS AND OPTIONS

Stock Warrants

In connection with various financial transactions completed by the Company during 1992 to 1995, equity investors (see "Note H"), debtors (see "Note G") and certain consultants were issued warrants to purchase shares of the Company's common stock in the future. All of these warrants had exercise prices that were set at or above the then current market price of the Company's common stock at the respective dates of grant.

In October 1995, the Company raised approximately $6.5 million of new capital through the exercise of previously issued warrants and non-qualified options to purchase 2,433,853 shares of the Company's common stock. Of the $6.5 million raised, approximately $1.6 million was invested by the directors, management and the principal lender of the Company. In exercising their warrants or options, investors had the option of paying cash or executing an 8% interest bearing note payable to the Company. Approximately $2.4 million of the total proceeds was paid in cash and $4.1 million through notes. The notes were paid in full by March 29, 1996.

As of December 31, 1997, there were no warrants outstanding to purchase Company common stock except for the Director warrant plans discussed below.

Director Warrant Plans

In December 1994, in an effort to attract and retain experienced executives to serve as outside directors for the Company, the Company's Board of Directors adopted an Outside Directors' Warrant Plan (the "Plan").

In December 1994, three new outside directors of the Company were awarded a total of 450,000 warrants. Each director received 150,000 warrants and each warrant entitles the director to purchase one share of the Company's common stock on or prior to December 15, 1999 per the following terms:

Warrants	Exercise Price	Vesting
50,000	$1.50	December 15, 1995
50,000	2.25	December 15, 1995
50,000	4.00	December 15, 1996

Concurrent with the above initial grant, a fourth outside director of the Company was awarded 126,000 warrants. The terms of this grant were exactly as those described above except the number of warrants at the $1.50 exercise price was set at 26,000 instead of 50,000.

During 1997, outside directors paid the Company approximately $900,000 to exercise 358,660 warrants. As of December 31, 1997, 217,340 warrants are exercisable by the Company's outside directors under the Plan.

In December 1994, the Company's Board of Directors awarded Steven A. Odom, who joined the Board in October 1994 and became Chairman in November 1994, an initial grant of 450,000 warrants under the Plan. Each warrant entitles Mr. Odom to purchase one share of the Company's common stock on or prior to December 15, 1999 per the following terms:

Warrants	Exercise Price	Vesting
150,000	$1.50	December 15, 1995
150,000	2.25	December 15, 1995
150,000	4.00	December 15, 1996

In August 1997, Mr. Odom paid the Company $225,000 to exercise 150,000 warrants at $1.50. As of December 31, 1997, 300,000 warrants are exercisable by Mr. Odom under the Plan.

In December 1994, the Board also adopted the Directors Warrant Incentive Plan, pursuant to which the Board, beginning in 1997, may grant to each director on an annual basis warrants to purchase up to 50,000 shares of Company common stock at an exercise price per share equal to no less than 110% of the fair market value of the common stock at the date of grant. Warrants may only be issued under this plan if the Company's common stock has appreciated by a compounded annual average rate of in excess of 35% for the four years preceding the year of grant. In March 1997, the four outside directors of the Company were each granted warrants to purchase 50,000 shares of Company common stock at $9.21 per share. These warrants became fully vested on December 31, 1997.

The vesting of all warrants awarded pursuant to the plans above will be subject to the director to whom such warrants have been granted attending at least 75% of the meetings of the Board of Directors for the year in which such warrants are scheduled to vest. Notwithstanding this limitation, the warrants to be awarded pursuant to the plans will become immediately exercisable (i) if the Company is to be consolidated with or acquired by another entity in a merger, (ii) upon the sale of substantially all of the Company's assets or the sale of at least 90% of the outstanding common stock of the Company to a third party, (iii) upon the merger or consolidation of the Company with or into any other corporation or the merger or consolidation of any corporation with or into the Company (in which consolidation or merger the shareholders of the Company receive distributions of cash or securities as a result thereof), or (iv) upon the liquidation or dissolution of the Company.

Stock Option Plans

In 1991, the Company's stockholders adopted the 1991 Stock Option Plan (the "1991 Plan"). The 1991 Plan, as amended, provided for the granting of up to 3,500,000 options. As of December 31, 1997, no options were available for future grant under the 1991 Plan.

In December 1997, the Company's Board of Directors authorized the adoption of the 1998 Incentive Compensation Plan (the "1998 Plan"). The 1998 Plan, which is subject to shareholder approval, provides for the granting of up to 5,000,000 options. As of December 31, 1997, there were 4,025,000 options available for future grant under the 1998 Plan.

These plans allow the Board of Directors to grant non-qualified and incentive stock options to purchase the Company's common stock at an exercise price not less than fair market value as of the grant date. Options issued under these plans typically vest over a four year period. Options awarded under the 1991 Plan and the 1998 Plan are subject to the same vesting acceleration provisions described above under the Director warrant plans.

The following table summarizes the activity relating to both plans:

	Number of Options	Average Price
Balance at January 1, 1995	765,857	$1.70
Options granted	1,246,327	5.62
Options exercised	(167,400)	1.86
Options lapsed or canceled	(162,955)	1.93
Balance at December 31, 1995	1,681,829	4.57
Options granted	883,269	8.03
Options exercised	(170,030)	1.47
Options lapsed or canceled	(67,940)	5.38
Balance at December 31, 1996	2,327,128	6.08
Options granted	1,955,500	16.95
Options exercised	(647,700)	5.77
Options lapsed or canceled	(80,440)	7.23
Balance at December 31, 1997	3,554,488	12.14
Exercisable at December 31, 1997	1,101,800	7.64

The options outstanding at December 31, 1997 have been segregated into four price ranges for additional disclosure as follows:

Range of Exercise Prices	Options Outstanding at 12/31/97	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Prices
$ 1.25-2.25	78,863	1.9	$ 1.88
3.78-3.97	414,500	2.7	3.79
7.00-9.75	1,624,125	3.7	8.01
19.00-25.25	1,437,000	5.0	19.78

In December 1995, the Company offered a voluntary salary reduction program for 1996 that resulted in the grant of 424,627 non-qualified stock options at the then current market price of $7.00 per share. Salaried employees voluntarily agreed to reduce their salaries by $849,254, i.e. $2 in exchange for each stock option granted. The options vested based upon the attainment of specific financial and operational objectives during the year. As of December 31, 1996, these options had become fully vested.

In December 1996, the Company offered a similar voluntary salary reduction program for 1997 that resulted in the grant of 413,019 non-qualified options at the then current market price of $8.00 per share. Salaried employees voluntarily agreed to reduce their salaries by $826,038, i.e. $2 in exchange of each stock option granted. The options vested based upon the Company achieving key operational objectives during the year including 25% internal sales growth, improved inventory turnover and specific enhancements to the Company's quality and information systems designed to facilitate growth. As of December 31, 1997, these options had become fully vested.

An additional element of the 1996 and 1997 voluntary salary reduction programs provided for the potential repayment of salaries if certain pre-tax income amounts are realized by the Company. Full repayment was earned and recorded to expense in 1996 and a 30% partial repayment was earned and recorded to expense in 1997.

In August 1995, the Company granted its new President and Chief Operating Officer 400,000 options at $3.78 per share, the market price of the Company's common stock on the date his offer of employment was accepted. These options vest 25% on each of the first four anniversaries from the initial date of employment.

In December 1995, the Company granted its Chairman and Chief Executive Officer and its Vice President and Chief Financial Officer 200,000 and 50,000 options, respectively, at the then market price of $7.00 per share. The 200,000 options vested 50% on the first two anniversaries from the date of grant. The 50,000 options vested 25% immediately and the remaining 25% on each of the next three anniversaries from the date of grant.

In December 1997, the Company made an initial grant of 975,000 options under the 1998 Plan to its Chairman and Chief Executive Officer (400,000 options), President and Chief Operating Officer (300,000 options), Executive Vice President and Chief Financial Officer (200,000 options) and Executive Vice President of Business Development (25,000 options). These options, which are subject to stockholder approval, vest 25% on each of the first four anniversaries from the date of grant and are exercisable at $19.00 per share, the market price at the date of grant. The date the stockholders approve the 1998 Plan will become the measurement date for purposes of computing compensation expense, if any. If the stock price as of the measurement date exceeds $19.00, then the total compensation impact will be the difference between stock price at the measurement date and $19.00. The Company will record that expense ratably over a period of four years.

Pro Forma Results of Operations

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its employee stock options. Therefore, no compensation cost has been recognized related to stock options. If the company had elected to account for its stock options under the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below:

	1997	1996	1995
Net Income			
As reported	$13,134,103	$6,778,542	$1,172,443
Pro forma	11,380,000	6,100,000	980,000
Basic EPS			
As reported	0.76	0.52	0.15
Pro forma	0.66	0.47	0.12
Diluted EPS			
As reported	0.70	0.46	0.12
Pro forma	0.61	0.42	0.11

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 volatility. Since the Company's employee stock options have characteristics significantly different from those of traded options and changes in the subjective input assumptions can materially affect the fair value estimate, the existing models, in management's opinion, do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

The fair value of each option has been estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1997, 1996 and 1995, respectively:

	1997	1996	1995
Dividend Yield	n/a	n/a	n/a
Expected volatility	.44	.50	.50
Risk-free interest rate	5.5	5.1	6.0
Expected life of stock options (in years)	4.5	3.0	4.0

NOTE J: RETIREMENT SAVINGS PLAN

The Company has a retirement savings 401(k) plan that covers substantially all employees. The plan provides for the employees to voluntarily contribute a portion of their compensation on a tax deferred basis and allows for the Company to make discretionary matching contributions as determined by the Board of Directors. For the years ended December 31, 1997, 1996 and 1995, the Company contributed approximately $109,000, $42,000 and $19,000, respectively, in the form of Company common stock to the Plan. In 1997, Company contributions were based on a 50% match to employee contributions, up to the first six percent contributed.

NOTE K: INCOME TAXES

The Company uses the asset and liability approach for financial accounting and reporting for income taxes. Certain expenses are reported for financial accounting purposes in different periods than for income tax purposes. These temporary differences arise primarily from depreciation, bad debt reserves, inventory valuation and various reserves.

The provision for income taxes for the years ended December 31, 1997 and 1996 was computed in accordance with SFAS No. 109, "Accounting for Income Taxes" and consists of the following:

	Year Ended December 31,	
	1997	1996
Current income taxes		
Federal	$5,362,500	$1,009,003
State	613,000	189,188
	5,975,500	1,198,191
Deferred income taxes		
Federal	1,400,500	(405,425)
State	160,000	(47,697)
	1,560,500	(453,122)
Total income taxes	$7,536,000	$ 745,069

As of December 31, 1997, the Company has capital loss carryforwards of approximately $1.2 million expiring in 1998.

As a result of the exercises of non-qualified stock options and warrants by the Company's directors and employees during 1997, the Company has realized a federal income tax benefit of approximately $6.7 million. This tax benefit has been accounted for as a decrease in current income taxes payable and an increase in capital in excess of par value.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	Year Ended December 31,			
	1997		1996	
Federal tax at statutory rate	$7,210,000	35.0%	$2,558,028	34.0%
Effect of:				
State tax, net of federal benefit	825,000	4.0	373,041	5.0
Nondeductible purchase adjustments	575,000	2.8	190,000	2.5
Reduction in valuation allowance, utilization of net operating loss carryforwards and reduction of reserves	(1,074,000)	(5.3)	(2,376,000)	(31.6)
Income tax expense	$7,536,000	36.5%	$ 745,069	9.9%

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31,	
	1997	1996
Deferred tax assets		
Accrued liabilities	$ 978,594	$ 793,809
Net operating loss carryforwards	—	1,519,658
Capital loss carryforwards	493,071	480,428
Other	455,00[illegible]	314,646
	1,926,666	3,108,541
Deferred tax liabilities		
Depreciation/amortization	(496,147)	(406,481)
Other	(182,367)	—
Valuation allowance	(493,071)	(480,428)
Net deferred tax assets	$ 755,081	$2,221,632

The valuation allowance relates to capital losses whose use is limited to capital gains the Company would record. These losses will expire during 1998, and currently there are no foreseeable events which would allow for the utilization of the losses.

NOTE L: SPECIAL CHARGES

In the second quarter of 1995, the Company recorded a one-time special charge of $980,000 for the following items:

Write-down of test equipment and related tooling	$675,000
Consolidation of repair operations	95,000
Retirement benefits and relocation costs	150,000
Other	60,000
	$980,000

As a result of the significant decline in analog circuit board repair revenues experienced by the Company in recent years, the shift in strategic focus to new digital repair services and programs offered by the Company in 1995, the acquisition of AIT and other market considerations, the Company elected to consolidate certain operations and significantly write-down the net book value of certain assets related to repair operations. These assets primarily represent test equipment, tooling, dies and diagnostic programs for the repair of analog telecommunications equipment. All of these assets were capitalized in 1988 to 1990 in connection with acquisitions made by the Company.

NOTE M: RELATED PARTY TRANSACTIONS

In October 1997, John D. Phillips, a director of the Company, entered into a series of agreements whereby, among other things, he became the new Chairman and Chief Executive Officer of Cherry Communications Incorporated (d/b/a Resurgens Communications Group) ("Resurgens"), a facilities-based provider of international network access commonly referred to as a carriers' carrier. Resurgens was shortly thereafter placed into bankruptcy under Chapter 11 of the United States Bankruptcy Code. WorldCom, Inc. ("WorldCom"), a major customer and vendor of Resurgens, has subsequently agreed to provide Resurgens up to $28 million in financing in the form of a debtor in possession facility and other credits.

During the fourth quarter of 1997, the Company shipped switching equipment to Resurgens. The cost of this equipment was approximately $3.8 million. On February 12, 1998, the Company executed a letter of intent to acquire Resurgens. The equipment shipped to Resurgens is included in the Company's inventory at December 31, 1997 (see "Note C").

The Resurgens acquisition is subject to, among other things, the satisfactory completion by the Company of its due diligence investigation of Resurgens, the preparation and execution of a definitive merger agreement, the receipt of the requisite corporate and regulatory approvals and the confirmation of Resurgens' Plan of Reorganization.

NOTE N: SUBSEQUENT EVENTS

ATI Acquisition

On December 24, 1997, the Company entered into an agreement to acquire Advanced TechCom, Inc. ("ATI"), a Wilmington, Massachusetts based designer and manufacturer of digital microwave and millimeterwave radio systems for short and long haul voice, data and/or video applications. On January 29, 1998, the transaction was completed in its final form whereby ATI was merged with and into CIS, a wholly-owned subsidiary of the Company (the "ATI Merger"). In connection with the ATI Merger, the stockholders of ATI received approximately $300,000 in cash and 418,054 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $8.0 million.

In addition to the 418,054 shares noted above, the stockholders of ATI were issued 209,050 restricted shares of the Company's common stock. These shares were immediately placed into escrow and will be released to the stockholders of ATI contingent upon the realization of predefined levels of pre-tax net income from ATI's operations during calendar years 1998 and 1999.

In December 1997, the Company loaned ATI approximately $4.5 million. The note receivable from ATI is included in Other assets on the Company's balance sheet at December 31, 1997.

NACT Acquisition

In the fourth quarter of 1997, the Company began a three phase acquisition of NACT. NACT, based in Provo Utah, is a leading single-source provider of advanced telecommunications switching platforms with integrated telephony software applications and network telemanagement capabilities.

During November and December 1997, the Company purchased 355,000 shares of NACT common stock in the open market for approximately $5.0 million (see "Note A").

On December 31, 1997, the Company entered into a stock purchase agreement with GST and GST USA to acquire 5,113,712 shares of NACT common stock owned by GST USA, representing approximately 63% of the outstanding shares of NACT (the "Acquisition"). On February 27, 1998, the Acquisition was completed with GST USA receiving $59.7 million in cash and 1,429,907 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $23.0 million.

On February 24, 1998 the Company entered into a merger agreement with NACT pursuant to which the Company agreed to acquire all of the shares of NACT common stock not already owned by the Company or GST USA. Pursuant to the terms of the merger agreement, each share of NACT common stock will be converted into shares of Company common stock having a value of $17.50 per share based on the average of the daily closing price of Company common stock on the Nasdaq National Market for a pre-defined period prior to the closing (the "Closing Price"), provided that if the Closing Price is more than $25.52, then each share of NACT common stock will be converted into 0.6857 shares of Company common stock. If the Closing Price is less than $20.88, then the Company may elect to terminate the agreement. The merger is subject to, among other things, the approval of the NACT stockholders and the satisfaction of certain other customary conditions.

On August 24, 1996, Aerotel, Ltd. and Aerotel U.S.A. Inc. (collectively, "Aerotel") commenced an action against NACT and a customer of NACT in the United States District Court, Southern District of New York, alleging that telephone systems manufactured and sold by NACT incorporating prepaid debit card features infringe upon Aerotel's patent which was issued in November 1987 (the "Aerotel Patent"). Aerotel sought injunctive relief, damages in an unspecified amount, damages of up to three times damages found for willful infringement of the Aerotel Patent and an order requiring NACT to publish a written apology to Aerotel. NACT filed an answer and Counterclaim in which it denied infringement of the Aerotel Patent and sought judgement that the Aerotel patent is invalid and unenforceable and that Aerotel has misused its patent in violation of antitrust laws. NACT has denied that it has committed defamation, unfair competition and tortious interference with prospective business relations. In August 1997, Aerotel amended its complaint to include as defendants GST, GST USA, and two former executive officers of NACT. The amended pleadings seek in excess of $18.7 million in damages and allege that GST and GST USA have infringed the Aerotel patent, aided and abetted infringement by others, including NACT, and participated in, and aided and abetted alleged tortious conduct by NACT. GST, GST USA and the two former executive officers of NACT have served answers denying all material allegations and intend to defend vigorously.

Under the terms of the Company's stock purchase agreement with GST, the Company and GST have agreed to share evenly the costs of any judgement against NACT as a result of the Aerotel litigation, including NACT's legal fees. The Company believes that NACT has valid defenses to the Aerotel claims. An unfavorable decision in this action could have a material adverse effect on the Company's financial position.

Resurgens Pending Acquisition

On February 12, 1998, the Company executed a letter of intent to acquire Resurgens (see "Note M").

Pro Forma Results of Operations

On a pro forma, unaudited basis, as if the acquisitions of ATI and NACT had occurred as of January 1, 1996, total sales, operating income, net income (loss) and diluted net income (loss) per common share for the years ended December 31, 1997 and 1996 would have been approximately $136,520,000 and $80,360,000; $13,608,000 and $13,000; $6,919,000 and $(629,000); and $0.37 and $(0.04), respectively.

These unaudited pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which would actually have occurred had the acquisitions been in effect on the date indicated.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Three Months Ended March 31, 1998.

OR

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _______ to _______.

Commission file number 0-19998

WORLD ACCESS, INC.
(Exact name of Registrant as specified in its Charter)

DELAWARE	**65-0044209**
(State of Incorporation)	(I.R.S. Employer Identification No.)
945 E. Paces Ferry Road, Suite 2240, Atlanta Georgia	**30326**
(Address of principal executive offices)	(Zip Code)

(404) 231-2025
(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, Par Value $.01 Per Share

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

The number of shares outstanding of the Registrant's common stock, par value $.01 per share, at Ma 20, 1998 was 21,915,043.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

World Access, Inc. and Subsidiaries

Consolidated Balance Sheets

	March 31 1998 (Unaudited)	December 31 1997
ASSETS		
Current Assets		
Cash and equivalents	$ 63,278,252	$ 118,085,045
Marketable securities	3,500,000	---
Accounts receivable	39,883,071	20,263,971
Notes receivable	8,908,270	2,050,000
Inventories	28,340,209	22,426,918
Other current assets	7,153,447	8,873,723
Total Current Assets	148,883,249	171,879,857
Property and equipment	13,940,900	5,704,585
Investment in affiliate	---	5,002,000
Goodwill	71,151,856	31,660,201
Other assets	12,165,155	11,236,298
Total Assets	$ 246,121,160	$ 225,282,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 1,883,877	$ 81,739
Accounts payable	17,592,293	9,339,588
Accrued payroll and benefits	2,338,117	2,589,461
Purchase price payable	---	3,700,000
Other accrued liabilities	6,395,260	2,219,237
Total Current Liabilities	28,209,547	17,930,025
Long-term debt	115,527,707	115,263,984
Noncurrent liabilities	1,888,026	333,802
Minority interests	11,593,650	---
Total Liabilities	157,016,930	133,527,811
Stockholders' Equity		
Common stock	217,059	193,062
Capital in excess of par value	130,289,184	84,162,478
Retained earnings (deficit)	(41,402,013)	7,399,390
Total Stockholders' Equity	89,104,230	91,754,930
Total Liabilities and Stockholders' Equity	$ 246,121,160	$ 225,282,741

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

World Access, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31	
	1998	1997
Sales of products	$ 28,228,956	$ 15,470,050
Service revenues	7,502,089	4,781,374
Total Sales	35,731,045	20,251,424
Cost of products sold	16,772,449	9,969,627
Cost of services	7,427,684	4,083,481
Total Cost of Sales	24,200,133	14,053,106
Gross Profit	11,530,912	6,198,316
Engineering and development	788,184	316,410
Selling, general and administrative	3,255,854	1,917,563
Amortization of goodwill	863,997	284,131
In-process research and development	50,000,000	—
Special charges	3,240,000	—
Operating Income (Loss)	(46,617,123)	3,680,212
Interest and other income	1,269,284	367,186
Interest expense	(1,514,913)	(28,930)
Income (Loss) Before Income Taxes and Minority Interests	(46,862,752)	4,018,468
Income taxes	1,255,000	1,406,000
Income (Loss) Before Minority Interests	(48,117,752)	2,612,468
Minority interests in earnings of subsidiary	683,651	—
Net Income (Loss)	$ (48,801,403)	$ 2,612,468
Net Income (Loss) Per Common Share		
Basic	$ (2.52)	$ .16
Diluted	$ (2.52)	$ .15
Weighted Average Shares Outstanding		
Basic	19,342,627	16,399,548
Diluted	19,342,627	17,320,714

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

World Access, Inc. and Subsidiaries

Consolidated Statement of Changes in Stockholders' Equity

(Unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Total
Balance at January 1, 1998	S 193,062	S 84,162,478	S 7,399,390	S 91,754,930
Net loss			(48,801,403)	(48,801,403)
Issuance of 1,429,907 shares for NACT acquisition	14,299	26,887,953		26,882,252
Issuance of stock options for NACT acquisiton		8,359,737		8,359,737
Issuance of 633,982 shares for ATI acquisition	6,340	6,508,200		6,514,540
Issuance of 334,252 shares for stock options and warrants	3,343	1,691,516		1,694,859
Tax benefit from exercises of stock options and warrants		2,662,400		2,662,400
Issuance of 1,511 shares for matching contribution to 401K plan	15	36,900		36,915
Balance at March 31, 1998	S 217,059	S 130,289,184	S (41,402,013)	S 89,104,230

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

World Access, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31	
	1998	1997
Cash Flows From Operating Activities:		
Net income (loss)	$ (48,801,403)	$ 2,612,468
Adjustments to reconcile net income (loss) to net cash from (used by) operating activities:		
Depreciation and amortization	1,545,009	503,439
Income tax benefit from stock warrants and options	2,662,400	---
Special charges	55,992,766	---
Minority interests in earnings of subsidiary	683,651	---
Provision for inventory reserves	77,500	60,000
Stock contributed to employee benefit plan	36,915	13,201
Changes in operating assets and liabilities, net of effects from businesses acquired:		
Accounts receivable	(9,993,053)	(3,554,300)
Notes receivable	(1,092,946)	---
Inventories	(3,101,070)	(3,521,014)
Accounts payable	3,608,024	2,087,347
Other assets and liabilities	423,374	462,255
Net Cash From (Used By) Operating Activities	2,039,167	(1,336,604)
Cash Flows From Investing Activities:		
Acquisitions of businesses	(57,406,573)	(4,099,652)
Loan repayments by affiliate	---	582,500
Expenditures for property and equipment	(1,919,355)	(725,793)
Net Cash Used By Investing Activities	(59,325,928)	(4,243,145)
Cash Flows From Financing Activities:		
Short-term debt borrowings	1,771,651	4,024,000
Proceeds from exercise of stock warrants and options	1,694,659	160,548
Long-term debt repayments	(966,542)	—
Issuance of long-term debt for capital lease	---	291,500
Net Cash From Financing Activities	2,499,968	4,476,048
Decrease in Cash and Equivalents	(54,786,793)	(1,103,701)
Cash and Equivalents at Beginning of Period	118,065,045	22,480,082
Cash and Equivalents at End of Period	$ 63,278,252	$ 21,376,381
Supplemental Schedule of Noncash Financing and Investing Activities:		
Issuance of common stock for businesses acquired	$ 33,396,792	$ 2,088,118
Issuance of stock options for businesses acquired	8,359,737	
Conversion of note receivable to investment in ATI	4,484,534	

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

World Access, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

March 31, 1998

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary companies, all of which are wholly-owned except for 67.3% ownership in NACT Telecommunications, Inc. ("NACT"). Minority interests represent the minority stockholders proportionate share of NACT's equity. These financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results of the interim periods covered have been included. For further information, refer to the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

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

The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results expected for the full year. Certain reclassifications have been made to the prior period's financial information to conform with the presentations used in 1998.

NOTE 2. ACQUISITIONS

ATI Acquisition

On December 24, 1997, the Company entered into an agreement to acquire Advanced TechCom, Inc. ("ATI"), a Wilmington, Massachusetts based designer and manufacturer of digital microwave and millimeterwave radio systems for short and long haul voice, data and/or video applications. On January 29, 1998, the transaction was completed in its final form whereby ATI was merged with and into Cellular Infrastructure Supply, Inc. ("CIS"), a wholly-owned subsidiary of the Company (the "ATI Merger"). In connection with the ATI Merger, the stockholders of ATI received approximately $300,000 in cash and 424,932 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $6.5 million.

In addition to the 424,932 shares noted above, the stockholders of ATI were issued 209,050 restricted shares of the Company's common stock. These shares were immediately placed into escrow and will be released to the stockholders of ATI contingent upon the realization of predefined levels of pre-tax income from ATI's operations during calendar years 1998 and 1999.

Upon issuance, the 209,050 escrowed shares were valued by the Company at par value only, or $2,091. As it becomes probable that the conditions for release from escrow will be met, the fair market value of the shares as measured at that time will be recorded as additional goodwill and stockholders' equity, respectively.

The acquisition of ATI has been accounted for using the purchase method of accounting. Accordingly, the results of ATI's operations have been included in the accompanying consolidated financial statements from February 1, 1998. The purchase price was allocated to net assets acquired and to approximately $5.4 million of purchased in-process research and development (R&D). Purchased in-process R&D, which consists of the value of ATI products in the development stage that are not considered to have reached technological feasibility, was expensed in the first quarter of 1998 in accordance with applicable accounting rules. The excess of purchase price over the fair value of net assets acquired and purchased in-process R&D, currently estimated at approximately $3.0 million, has been recorded as goodwill and is being amortized over a 15 year period.

NACT Acquisition

In the fourth quarter of 1997, the Company began a three phase acquisition of NACT, a Provo Utah based single-source provider of advanced telecommunications switching platforms with integrated telephony software applications and network telemanagement capabilities.

During November and December 1997, the Company purchased 355,000 shares of NACT common stock in the open market for approximately $5.0 million.

On December 31, 1997, the Company entered into a stock purchase agreement with GST Telecommunications, Inc. ("GST") and GST USA, Inc. ("GST USA") to acquire 5,113,712 shares of NACT common stock owned by GST USA, representing approximately 63% of the outstanding shares of NACT (the "NACT Acquisition"). On February 27, 1998, the NACT Acquisition was completed with GST USA receiving $59.7 million in cash and 1,429,907 restricted shares of the Company's common stock. These shares had an initial fair value of approximately $26.9 million. In addition, the Company issued 740,543 non-qualified options to purchase Company common stock at $11.15 per share and 106,586 non-qualified options to purchase Company common stock at $16.25 per share in exchange for substantially all the options held by NACT employees, which became immediately vested in connection with the NACT Acquisition. These options had an initial fair value of approximately $8.4 million.

On February 24, 1998 the Company entered into a merger agreement with NACT pursuant to which the Company agreed to acquire all of the shares of NACT common stock not already owned by the Company or GST USA. Pursuant to the terms of the merger agreement, each share of NACT common stock will be converted into shares of Company common stock having a value of $17.50 per share based on the average of the daily closing price of Company common stock on the Nasdaq National Market for a pre-defined period prior to the closing (the "Closing Price"), provided that if the Closing Price is more than $25.52, then each share of NACT common stock will be converted into 0.6857 shares of Company common stock. If the Closing Price is less than $20.88, then the Company may elect to terminate the agreement. The merger is subject to, among other things, the approval of the NACT stockholders and the satisfaction of certain other customary conditions. This merger is expected to be consummated in July 1998.

On August 24, 1996, Aerotel, Ltd. and Aerotel U.S.A. Inc. (collectively, "Aerotel") commenced an action against NACT and a customer of NACT in the United States District Court, Southern District of New York, alleging that telephone systems manufactured and sold by NACT incorporating prepaid debit card features infringe upon Aerotel's patent which was issued in November 1987 (the "Aerotel Patent"). Aerotel sought injunctive relief, damages in an unspecified amount, damages of up to three times damages found for willful infringement of the Aerotel Patent and an order requiring NACT to publish a written apology to Aerotel. NACT filed an answer and Counterclaim in which it denied infringement of the Aerotel Patent and sought judgement that the Aerotel patent is invalid and unenforceable and that Aerotel has misused its patent in violation of antitrust laws. NACT has denied that it has committed defamation, unfair competition and tortuous interference with prospective business relations. In August 1997, Aerotel amended its complaint to include as defendants GST, GST USA, and two former executive officers of NACT. The amended pleadings seek in excess of $18.7 million in damages and allege that GST and GST USA have infringed the Aerotel patent, aided and abetted infringement by others, including NACT, and participated in, and aided and abetted alleged tortuous conduct by NACT. GST, GST USA and the two former executive officers of NACT have served answers denying all material allegations and intend to defend vigorously.

Under the terms of the Company's stock purchase agreement with GST, the Company and GST have agreed to share evenly the costs of any judgement against NACT as a result of the Aerotel litigation, including NACT's legal fees. The Company believes that NACT has valid defenses to the Aerotel claims, however, an unfavorable decision in this action could have a material adverse effect on the Company's financial position. Any losses incurred by the Company as a result of the Aerotel litigation will be accounted for as additional NACT purchase price.

The acquisition of the 67.3% majority interest in NACT has been accounted for using the purchase method of accounting. Accordingly, the results of NACT's operations have been included in the accompanying consolidated financial statements from March 1, 1998. The purchase price of the majority interest in NACT was allocated to the net assets acquired and to approximately $66.5 million of purchased in-process R&D. During the first quarter of 1998, 67.3%, or $44.6 million, of purchased in-process R&D, which consists of the value of NACT products in the development stage that are not considered to have reached technological feasibility, was expensed in accordance with the applicable accounting rules. The excess of purchase price over 67.3% of the fair value of net assets acquired and purchased in-process R&D, currently estimated at approximately $38.3 million, has been recorded as goodwill and is being amortized over a 20 year period.

Pro Forma Results of Operations

On a pro forma, unaudited basis, as if the acquisitions of ATI and NACT had occurred as of January 1, 1997, total sales, operating income, net income and diluted net income per common share for the three months ended March 31, 1998 and 1997 would have been approximately $38,893,000 and $32,220,000; $1,129,000 and $3,699,000; $42,000 and $2,244,000; and $0.12 and $0.0, respectively.

These unaudited pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which would actually have occurred had the acquisitions been in effect on the date indicated. In addition, the portion of the purchase price allocated to in-process R&D expensed in accordance with applicable accounting rules of $50.0 million will not recur, and therefore, the pro forma results have been prepared excluding this charge.

NOTE 3. INVENTORIES

Inventories consist of the following:

	March 31 1998	December 31 1997
Switching systems, frames and related circuit boards	$ 15,940,114	$ 13,445,770
Transport and access products	598,418	779,674
Electronic components	6,948,217	4,879,213
Pay telephone parts	1,542,754	1,332,835
Work in progress	2,971,689	1,744,368
Other finished goods	339,017	245,058
	$ 28,340,209	$ 22,426,918

NOTE 4: GOODWILL

Goodwill from acquisitions, representing the excess of purchase price paid over the value of net assets acquired, is as follows:

	March 31 1998	December 31 1997
NACT	$ 38,302,140	$ ---
CIS	12,485,239	12,485,239
AIT	10,657,917	11,557,917
Galaxy	5,089,265	5,089,265
ATI	2,953,512	---
Other	5,034,062	5,034,062
	74,522,135	34,166,483
Accumulated amortization	(3,370,279)	(2,506,282)
	$ 71,151,856	$ 31,660,201

Goodwill is being amortized on a straight-line basis over a 15 to 20 year period. The Company reviews the net carrying value of goodwill on a regular basis, and if deemed necessary, charges are recorded against current operations for any impairment in the value of these assets. No significant impairment charges have been recorded to date. Goodwill is removed from the books when fully amortized.

NOTE 5: DEBT

The Company has a $10.0 million revolving line of credit with a large European bank. As of March 31, 1998, the Company had borrowings of $1.8 million outstanding under this facility. These borrowing were repaid to the bank in April 1998.

The bank agreement, which expires in March 2001, contains standard lending covenants including financial ratios, restrictions on dividends and limitations on additional debt and the disposition of Company assets. Interest is paid at the rate of prime plus 1and 1/4% or Libor plus 2 and 1/2%, at the option of the Company.

NOTE 6: SPECIAL CHARGES

Special charges in the first quarter of 1998 included $6.6 million for costs related to the consolidation of several operations and the Company exit from the contract manufacturing business. The Company's AIT and circuit board repair operations have been consolidated into a new facility in Orlando, Florida; the Company's manufacturing operations have moved from Orlando to a new facility in Alpharetta, Georgia; and the Company's Scottsdale, Arizona operations are being integrated into ATI's facility in Wilmington, Massachusetts. The special charges included $3,360,000 to cost of sales for obsolete and redundant inventories and $3,240,000 for severance benefits, lease terminations, idle equipment and other phase-down expenses related to the consolidation program.

NOTE 7. EARNINGS PER SHARE

Effective in 1997, the Company adopted Statement of Financial Accounting Standards No. 128 "Earnings per Share". The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share is based on the weighted average number of common shares outstanding plus, when their effect is dilutive, potential common stock consisting of shares subject to stock options, stock warrants and convertible notes. Potential common stock shares of 921,166 were included in computing diluted earnings per share for the first quarter of 1997. A total of 1,204,000 and 1,246,000 shares of common stock held in escrow from certain acquisitions and a license agreement were excluded from the earnings per share calculations for the three months ended March 31, 1998 and 1997, respectively, because the conditions for release of shares from escrow had not been satisfied.

Common stock issued and outstanding at March 31, 1998 and 1997 was 21,705,887 and 17,663,007 shares, respectively.

NOTE 8. PENDING ACQUISITION

On February 12, 1998, the Company executed a letter of intent to acquire Cherry Communications Incorporated, d/b/a Resurgens Communications Group ("RCG"), and Cherry Communications U.K. Limited ("Cherry U.K., and together with RCG, "Resurgens"). On May 12, 1998, the Company signed definitive agreements to acquire Resurgens. The agreement to acquire RCG is subject to the approval of the Bankruptcy Court. The transactions, which will be accounted for under the purchase method of accounting, are currently expected to close in August 1998.

Pursuant to the terms of the agreements, the creditors of RCG and the shareholders of Cherry U.K. will receive approximately 3.7 million restricted shares of Company common stock in the aggregate, with an estimated fair value of approximately $90 million. In addition, the RCG creditors and Cherry U.K. shareholders have the right to receive additional consideration of up to 7.5 million restricted shares of Company common stock over the next two and one-half years, contingent upon the achievement of certain EBITDA levels by Resurgens during this timeframe. The transaction is subject to, among other things, Resurgens exceeding pre-defined levels of monthly revenues and gross margin, the receipt of the requisite corporate and regulatory approvals, the confirmation of RCG's Plan of Reorganization and the approval of Company stockholders.

RCG, currently operating under the protection of Chapter 11 of the United States Bankruptcy Code, and Cherry U.K. are facilities-based providers of international network access, commonly referred to in the industry as carriers' carrier. In October 1997, John D. ("Jack") Phillips, a director of the Company, entered into a series of agreements whereby, among other things, he became the new Chairman and Chief Executive Officer of Resurgens. RCG filed for bankruptcy protection shortly thereafter. WorldCom, Inc. ("WorldCom"), a major customer and vendor of Resurgens, has subsequently provided Resurgens approximately $26 million of direct financial support through a debtor in possession facility and additional financial support, primarily through trade credits. Upon completion of the Resurgens acquisition, WorldCom is expected to own approximately 15% of Company on a fully diluted basis.

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

Overview

The Company develops, manufactures and markets wireline and wireless switching, transport and access products for the global telecommunications markets. The products offered by the Company include those manufactured by the Company as well as those manufactured by other telecommunications equipment manufacturers. To support and complement its product sales, the Company also provides its customers with a broad range of design, engineering, manufacturing, testing, installation, repair and other value-added services.

During 1995 and 1996, the Company completed strategic and financial restructuring programs to strengthen its management team, reposition the Company as a provider of telecommunications products, improve its financial condition, reduce its operating costs and position the Company for future growth. These programs were undertaken following the significant losses incurred by the Company in the early 1990s, primarily due to a discontinued smart pay telephone business, and to take advantage of the significant growth opportunities within the Company's existing customer base and related markets. In November 1994, the Company began to rebuild its management team and change its strategic focus. The Company strengthened its management team by appointing a new Chief Executive Officer and by recruiting and hiring a new President and Chief Operating Officer, Executive Vice President of Business Development and experienced product development and manufacturing professionals. These individuals, together with other key managers recruited into the Company, have brought significant experience in manufacturing and marketing telecommunications equipment to the Company.

The Company acquired five businesses during 1995 to 1997 in an effort to broaden its line of switching, transport and access products, enhance its product development capabilities and strengthen its technical base. Effective May 1995, the Company acquired AIT, Inc. ("AIT"), a full service provider of Northern Telecom switching systems, add-on frames and related circuit boards; effective October 1995, the Company acquired Westec Communications, Inc. ("Westec"), a provider of wireless products and services primarily to the cable television industry; effective January 1996, the Company acquired Sunrise Sierra, Inc. ("Sunrise"), a developer and manufacturer of intelligent transport and access products; effective January 1997, the Company acquired Cellular Infrastructure Supply, Inc. ("CIS"), a provider of mobile network equipment and related design, installation and technical support services to cellular, PCS and other wireless service providers; and effective August 1997, the Company acquired Galaxy Personal Communication Services ("Galaxy"), a RF engineering firm that provide system design, implementation, optimization and other value-added radio engineering and consulting services to the wireless service markets. The markets served by CIS and Galaxy complement the Company's traditional telephone service provider and private network operator markets.

In the first quarter of 1998, the Company acquired ATI, a manufacturer of digital point-to-point microwave radio systems for short and long haul applications and a majority stake in NACT, a provider of advanced telecommunications switching platforms with integrated applications software. In May 1998, the Company signed definitive agreements to acquire Resurgens, a facilities-based provider of international network access, commonly referred to in the industry as carriers' carrier. These acquisitions have positioned the Company to offer its customers a complete telecommunicationa network solution , including proprietary equipment, planning and engineering services and access to international long distance.

The Company realized significant improvements in its sales and operating results since 1994 as a result of the acquisitions and internal growth initiatives. The Company's total sales increased by 82.3% in 1997, 69.2% in 1996 and 97.2% in 1995. Total sales for the first quarter of 1998 increased by 68.0% over the fourth quarter of 1997. As the Company increased its product sales from 18.2% of total sales in 1994 to 79.0% of total sales in the first quarter of 1998, its gross profit margin before special charges increased from 12.9% in 1994 to 21.1% in 1995, 29.4% in 1996, 34.6% in 1997 and 41.7% in the first quarter of 1998. As a percentage of total sales, the Company's operating income (loss) before special charges increased from (8.5%) in 1994 to 5.0% in 1995, 14.4% in 1996, 21.0% in 1997 and 27.9% in the first quarter of 1998. The Company will continue to seek further improvements in gross profit margin over time as product offerings include more internally developed, acquired and licensed products containing proprietary technology.

Although the Company has aggressively pursued acquisitions in recent years, over 60 percent of the Company's total sales growth since 1994 has come from internal growth initiatives. The Company has had considerable success in growing businesses post acquisition, most notably AIT and CIS, as a result of its ability to provide working capital, an extensive base of telecommunications customers and a broad range of support services.

Since January 1, 1995, the Company has significantly strengthened its balance sheet through improved operating results, a $115.0 million sale of convertible subordinated notes, a $26.2 million secondary public equity offering, proceeds from stock warrant and op on exercises, and a five-year $10.0 million credit facility. The Company has used this capital for acquisitions and to support the working capital requirements associated with the Company's growth. The Company's working capital and stockholders' equity have increased from $2 3 million and $1.2 million, respectively, at December 31, 1994 to $120.7 million and $89.1 million, respectively, at March 31, 1998.

Results of Operations

The following table sets forth certain financial data, representing each line item in the Company's consolidated statements of operations expressed as a percentage of total sales, except other data, which is expressed as a percentage of the applicable revenue type:

	Quarter Ended March 31, 1998	1997
Statement of Operations Data:		
Sales of products	79.0%	76.4%
Service revenues	21.0	23.6
Total sales	100.0	100.0
Cost of products sold	46.9	49.2
Cost of services	20.8	20.2
Total cost of sales	67.7	69.4
Gross profit	32.3	30 6
Engineering and development	2.2	1.6
Selling, general and administrative	9.1	9.4
Amortization of goodwill	2.4	1.4
In-process research and development	140.0	--
Special charges	9.1	--
Operating income (loss)	(130.5)	18.2
Interest and other income	3.5	1.6
Interest expense	(4.2)	--
Income (loss) before income taxes and minority interests	(131.2)	19.8
Income taxes	3.5	6.9
Income (loss) before minority interests	(134.7)	12.9
Minority interests in earnings of subsidiary	1.9	--
Net income (loss)	(136.6)%	12.9%
Other Data:		
Gross Margin (Before Special Charges):		
Products	45.3%	35.6%
Services	28.1	14.6

Three Months Ended March 31, 1998 Compared to Three Months Ended March 31, 1997

Sales. Total sales increased $15.5 million, or 76.4%, to $35.7 million in the first quarter of 1998 from $20.3 million in the first quarter of 1997. Product sales increased to 79.0% of total sales in the first quarter of 1998 from 76.4% in the first quarter of 1997.

Product sales increased $12.8 million, or 82.5%, to $28.2 million in the first quarter of 1998 from $15.5 million in the first quarter of 1997. The increase related to sales generated by NACT and ATI, which were acquired effective March 1, 1998 and February 1, 1998, respectively, and an increase of mobile network equipment sold by CIS

Service revenues increased $2.7 million, or 56.9%, to $7.5 million in the first quarter of 1998 from $4.8 million in the first quarter of 1997. The increase related to engineering services performed by Galaxy, which was acquired effective July 1, 1997, and additional pay telephone refurbishment revenues.

Gross Profit. Gross profit increased $5.3 million, or 86.0%, to $11.5 million in the first quarter of 1998 from $6.2 million in the first quarter of 1997. Gross profit margin increased to 32.3% in the first quarter of 1998 from 30.6% in the first quarter of 1997. Gross profit margin excluding the special charge of approximately $3.4 million (see Note 6 to "Financial Statements") was 41.7% in the first quarter of 1998 The improved performance resulted from economies of scale associated with the 76.4% increase in total sales and the change in sales mix to products, which generally carry a higher gross profit margin than service revenues.

Gross profit margin on products sold increased to 40.6% in the first quarter of 1998 from 35.6% in the first quarter of 1997. Gross profit margin excluding the special charge was 45.3% in the first quarter of 1998. The improved margins related to the NACT and ATI sales of proprietary equipment and systems and the increase in sales of CIS mobile network equipment, all of which generally carry margins in excess of 40.0%. The Company's switching products experienced declines in gross margin during the first quarter of 1998 primarily related to margin pressure on sales of Northern Telecom add-on frames and related circuit boards.

Gross profit margin on service revenues was 1.0% in the first quarter of 1998 as compared to 14.6% in the first quarter of 1997. Gross profit margin excluding the special charge was 28.1% in the first quarter of 1998. The improvement was due to the addition of consulting revenues from Galaxy, which was acquired effective July 1, 1997, and improved margins on pay telephone refurbishment revenues.

Engineering and Development. Engineering and development expenses increased $472,000, or 149.1%, to $788,000 in the first quarter of 1998 from $316,000 in the first quarter of 1997 The increase in expenses was attributable to the acquisitions of NACT and ATI and the continued expansion of the Company's development group. Engineering and development expenses increased to 2.2% of total sales in the first quarter of 1998 from 1.6% of total sales in the first quarter of 1997.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $1.3 million, or 69.8%, to $3.3 million in the first quarter of 1998 from $1.9 million in the first quarter of 1997. The increase related primarily to expenses associated with the operations of NACT, ATI and Galaxy, which were acquired subsequent to the first quarter of 1997. As a percentage of total sales, selling, general and administrative expenses decreased to 9.1% in the first quarter of 1998 from 9.5% in the first quarter of 1997.

Amortization of Goodwill. Amortization of goodwill increased $580,000 to $864,000 in the first quarter of 1998 from $284,000 in the first quarter of 1997, primarily as a result of goodwill recorded in connection with the NACT, ATI and Galaxy acquisitions and additional goodwill recorded related to earnout performances for the CIS, AIT and Galaxy acquisitions.

Operating Income Before Special Charges. Operating income before special charges increased $6.3 million, or 171.3%, to $10.0 million in the first quarter of 1998 from $3.7 million in the first quarter of 1997 Operating income margin increased to 27.9% in the first quarter of 1998 from 18.2% in the first quarter of 1997.

PRINCIPAL STOCKHOLDERS

The following table sets forth information concerning the beneficial ownership of World Access Common Stock as of July 10, 1998, by (i) each person known to World Access to be the beneficial owner of five percent or more of the World Access Common Stock, (ii) each of the directors and executive officers of World Access and (iii) the directors and executive officers of World Access as a group. This table is based on information provided by World Access directors, executive officers and principal stockholders.

Name	Shares Owned(1)	Shares Under Exercisable Options and Warrants(2)	Total Shares Beneficially Owned	Percentage Owned
FMR Corp.(3)	2,327,945	—	2,327,945	10.5%
Pilgrim Baxter & Associates, Ltd.(4)	1,843,640	—	1,843,640	8.4
Hambrecht & Quist Group(5)	1,429,907	—	1,429,907	6.5
Steven A. Odom†‡(6)(7)	267,410	679,000	946,410	4.2
Stephen E. Raville†	318,000	—	318,000	1.5
Hensley E. West†‡(7)	16,621	268,125	284,746	1.3
Stephen J. Clearman†(8)	172,210	62,000	234,210	1.1
Mark A. Gergel‡(7)	79,953	116,250	191,953	*
John D. Phillips†	—	117,340	117,340	*
Scott N. Madigan‡	2,143	47,500	49,643	*
Hatch Graham‡	—	—	—	*
All directors and executive officers as a group (8 persons)	856,337	1,290,215	2,146,552	9.3

* Less than one percent

† Director

‡ Executive Officer

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act ("Rule 13d-3"). Unless otherwise noted, World Access believes that all persons named in the table have sole voting and investment power with respect to all shares of World Access Common Stock beneficially owned by them.

(2) Includes shares which may be acquired by the exercise of stock options and warrants granted by World Access and exercisable on or before September 10, 1998.

(3) Based upon its Schedule 13G filed on May 10, 1998, Fidelity Management & Research Company ("Fidelity"), 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of the shares of World Access Common Stock listed above as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The amount listed above includes 641,345 shares of World Access Common Stock issuable upon conversion of the 4.5% Convertible Subordinated Notes of World Access held by Fidelity or its affiliates.

(4) Based upon its Schedule 13G filed on February 17, 1998, Pilgrim Baxter & Associates, Ltd. ("Pilgrim Baxter") is an investment advisor registered under section 203 of the Investment Advisors Act of 1940. Its principal place of business is 825 Duportail Road, Wayne, Pennsylvania 19087. Of the total shares of World Access Common Stock beneficially owned by it, Pilgrim Baxter has sole power to vote or to direct the vote of only 1,601,340 shares of World Access Common Stock.

(5) Based on its Schedule 13G filed on March 9, 1998, Hambrecht & Quist Group ("H&Q Group") may be deemed to own the shares of World Access Common Stock owned by Hambrecht & Quist California ("H&Q California"), a wholly-owned subsidiary of H&Q Group. H&Q Group's and H&Q California's principal place of business is One Bush Street, San Francisco, California 94104.

(6) Includes 18,000 shares held in the aggregate by two minor children of Mr. Odom.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Schedule 13G in connection with FMR Corp.'s beneficial ownership of the common stock of World Access, Incorporated at April 30, 1998 is true, complete and correct.

May 10, 1998
Date

/s/Eric D. Roiter
Signature

Eric D. Roiter
Duly authorized under Power of Attorney
dated December 30, 1997, by and on behalf
of FMR Corp. and its direct and indirect
subsidiaries

SCHEDULE 13G - TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(b) or 13d-2(b)

Pursuant to the instructions in Item 7 of Schedule 13G, Fidelity Management & Research Company ("Fidelity"), 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 2,327,945 shares or 10.51% of the common stock outstanding of World Access, Incorporated ("the Company") as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The number of shares of common stock of World Access, Incorporated owned by the investment companies at April 30, 1998 included 641,345 shares of common stock resulting from the assumed conversion of 23,750,000 shares of the World Access CNV 4.5% 10/01/02 144A (27.004219 shares of common stock for each share of the World Access CNV 4.5% 10/01/02 144A).

The ownership of one investment company, Fidelity Select Telecommunications, amounted to 1,241,300 shares or 5.61% of the common stock outstanding. Fidelity Select Telecommunications has its principal business office at 82 Devonshire Street, Boston, Massachusetts 02109.

Edward C. Johnson 3d, FMR Corp., through its control of Fidelity, and the funds each has sole power to dispose of the 2,327,945 shares owned by the Funds.

Neither FMR Corp. nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.

Members of the Edward C. Johnson 3d family and trusts for their benefit are the predominant owners of Class B shares of common stock of FMR Corp., representing approximately 49% of the voting power of FMR Corp. Mr. Johnson 3d owns 12.0% and Abigail Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Mr. Johnson 3d is Chairman of FMR Corp. and Abigail P. Johnson is a Director of FMR Corp. The Johnson family group and all other Class B shareholders have entered into a shareholders' voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

SCHEDULE 13G - TO BE INCLUDED IN STATEMENTS
FILED PURSUANT TO RULE 13d-1(b) or 13d-2(b)
RULE 13d-1(f)(1) AGREEMENT

The undersigned persons, on May 10, 1998, agree and consent to the joint filing on their behalf of this Schedule 13G in connection with their beneficial ownership of the common stock of World Access, Incorporated at April 30, 1998.

FMR Corp.
By /s/Eric D. Roiter
Eric D. Roiter
Duly authorized under Power of Attorney
dated December 30, 1997, by and on behalf
of FMR Corp. and its direct and indirect subsidiaries
Edward C. Johnson 3d

EXHIBIT B

List of 10% or Greater Direct and Indirect Stockholders of WAXS INC.

Name & Address	Citizenship	Principal Business
<u>Direct Stockholder</u>:		
Fidelity Management & Research Company 82 Devonshire Street Boston, MA 02109	U.S.	Investment advisor

Fidelity Management & Research Company is a wholly-owned subsidiary of FMR Corp.

<u>Indirect Stockholder</u>:		
FMR Corp. 82 Devonshire Street Boston, MA 02109	U.S.	Investment advisor

None of the shareholders of FMR Corp. own a 10% or greater interest in WAXS INC.

EXHIBIT C

Interlocking Directorates of WAXS INC.

Director	Other Directorates
Stephen J. Clearman	Expert Software, Inc. MemberWorks Incorporated SeaMED Corporation Desk Talk Systems, Inc. Storeroom Solutions, Inc.
Stephen E. Raville	Eltrax Systems, Inc. Charter Communications International, Inc. USBA, Inc. First Southeastern Corporation Cleveland Electric, Inc. MK Industries, Inc. S & J Investments, Inc.
Hensley E. West	None
Steven A. Odom	None
John D. Phillips	Cherry Communications Incorpo.ated d/b/a Resurgens Communications Group Cherry Communications, U.K., Ltd.