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November 24, 1998

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Ad inistration
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399-0850

981748-TI

Re: Executive Telecard, Ltd. d/b/a eGlobe

Dear Sir/Madam:

Enclosed please find one original and six (6) copies of Executive Telecard, Ltd. d/b/a eGlobe's Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and twelve (12) copies of Executive Telecard, Ltd. d/b/a eGlobe's proposed tariff.

Executive Telecard, Ltd. d/b/a eGlobe has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of Executive Telecard, Ltd. d/b/a eGlobe's stated financial capability, attached to its application is a copy of the Company's Form 10K for the year ended March 31, 1998. As a switchless reseller, Executive Telecard, Ltd. d/b/a eGlobe does not intend to make a capital investment to provide service in the State of Florida, however, Executive Telecard, Ltd. d/b/a eGlobe intends to fund the provision of service through internally generated cash flow. Executive Telecard, Ltd. d/b/a eGlobe also has the ability to borrow funds, if required, based upon its financial capabilities.

I also have enclosed a check in the amount of $250.00 payable to the Florida Public Service Commission to cover the cost of filing these documents.

RECEIVED
NOV 25 11 48 AM '98
ADMINISTRATION
MAIL ROOM

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.
Initials of person who forwarded check:

DOCUMENT NUMBER-DATE
13338 NOV 25 98
FPSC-RECORDS/REPORTING

Please return a stamped copy of the extra copy of this letter in the enclosed preaddressed prepaid envelope.

If you have any questions regarding the application or the tariff, please do not hesitate to call me. Thank you for your attention to this matter.

Sincerely,

Lance J.M. Steinhart, Esq.
Attorney for Executive Telecard, Ltd. d/b/a eGlobe

Enclosures
cc: Colin Smith

** **FLORIDA PUBLIC SERVICE COMMISSION** *

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

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

Instructions

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

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

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

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

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

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

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

FORM PSC/CMU 31 (11/91)
Required by Commission Rule Nos. 25-24.471, 25-24.473, 25-24.480(2)

1. Select what type of business your company will be conducting (check all that apply):

( ) **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

(X) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for (check one):

(X) **Original Authority** (New company).
( ) **Approval of Transfer** (To another certificated company).
( ) **Approval of Assignment of existing certificate** (To a noncertificated company).
( ) **Approval for transfer of control** (To another certificated company).

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

Executive Telecard, Ltd.

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

Eglobe

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

1720 South Bellaire St., Suite 1000
Denver, Colorado 80222
303-691-2115 (Telephone)
303-782-9628 (Fax)
888-345-6239 (Customer Service)

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

None.

7. Structure of organization;

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

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

   (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.160 FS), if applicable.

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

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

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

9. If incorporated, please give:

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

Corporate charter number: F98000004236

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

CT Corporation
660 East Jefferson St.
Tallahassee, Florida 32301

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number: G98205900041

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

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

No.

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

No.

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

(a) The application;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

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

Colin Smith, General Counsel
Executive Telecard, Ltd. d/b/a Eglobe
1720 South Bellaire St., Suite 1000
Denver, Colorado 80222
303-691-2115

(c) Tariff;

Lance J.M. Steinhart, Regulatory Counsel
6455 East Johns Crossing, Suite 285
Duluth, GA 30097
770-232-9200

(d) Complaints/Inquiries from customers;

Andrea Degele, Call Center Manager
Executive Telecard, Ltd. d/b/a Eglobe
1720 South Bellaire St., Suite 1000
Denver, Colorado 80222
888-345-6239 (Customer Service)

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.
None

(b) Has applications pending to be certificated as an interexchange carrier.

New York, Colorado, and California

(c) Is certificated to operate as an interexchange carrier.
None

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.
None.

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.
None.

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

12. What services will the applicant offer to other certificated telephone companies:

( ) Facilities
( ) Billing and Collection
( ) Maintenance
( ) Other: ____________________
( ) Operators
( ) Sales

None.

13 Do you have a marketing program?

Yes.

14. Will your marketing program:
(X) Pay commissions?
( ) Offer sales franchises?
( ) Offer multi-level sales incentives?
( ) Offer other sales incentives?

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

Applicant will pay commissions to sales representatives.

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

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

17. Please provide the following (if applicable):

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

Applicant's name and toll free number will appear on all end-users' bills.

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

The Company intends to direct bill customers utilizing real-time completed call detail information from its underlying carriers.

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications services in Florida.

A. Financial capability.

See attached Form 10K for the year ended March 31, 1998.

Regarding the showing of financial capability, the following applies:
The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet

2. income statement

3. statement of retained earning.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements. If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.

See Form 10K at pages 33-35

C. Technical capability.

Applicant will use the network services of its underlying carrier to provide services to customers in the State of Florida. See Form 10K

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.482 (example enclosed).

See Attached.

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

___ **MTS with distance sensitive per minute rates**
___ Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

___ **MTS with route specific rates per minute**
___ Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

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

___ **MTS for pay telephone service providers**

___ **Block-of-time calling plan (Reach out Florida, Ring America, etc.)**

_X_ **800 Service (Toll free)**

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

___ **Private Line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

X **Travel Service**
___ Method of access is 950
X Method of access is 800

___ **900 service**

___ **Operator Services**
___ Available to presubscribed customers
___ Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals)
___ Available to inmates

Services included are:

___ Station assistance
___ Person to Person assistance
___ Directory assistance
___ Operator verify and interrupt
___ Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).

1 (or 101XXXX) +area code+number or 1-800-XXX-XXXX

21. X **Other:**

** APPLICANT ACKNOWLEDGEMENT STATEMENT **

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

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

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

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

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

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

UTILITY OFFICIAL:

Signature

1/1/98

Date

Colin Smith

VP & General Counsel — Title

303-691-2115 — Telephone No.

** APPENDIX B **

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

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

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

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

UTILITY OFFICIAL:

Date 11/1/98

Colin Smith

VP & General Counsel — Title

303-691-2115 — Telephone No.

LIST OF ATTACHMENTS

PROPOSED TARIFF

FINANCIAL INFORMATION & MANAGEMENT INFORMATION

PROPOSED TARIFF

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Executive Telecard, Ltd. d/b/a eGlobe ("eGlobe"), with principal offices at 1720 South Bellaire Street, Suite 1000, Denver, Colorado 80222. This tariff applies for telecommunications services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

CHECK SHEET

The Sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom right-hand side of this sheet.

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

* Original or Revised Sheet Included in the most recent tariff filing

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Check Sheet....................................2
Table of Contents..............................3
Symbols..4
Tariff Format..................................5
Section 1 - Technical Terms and Abbreviations............6
Section 2 - Rules and Regulations........................8
Section 3 - Description of Service......................20
Section 4- Rates..27

SYMBOLS

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

D - Delete or Discontinue
I - Change Resulting In An Increase to A Customer's Bill
M - Moved from Another Tariff Location
N - New
R - Change Resulting In A Reduction to A Customer's Bill
T - Change in Text or Regulation But No Change In Rate or Charge

TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

C. Paragraph Numbering Sequence: There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to eGlobe's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable eGlobe to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the Florida Public Service Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of eGlobe or purchases a eGlobe Prepaid Calling Card and/or originates prepaid calls using such cards, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or eGlobe - Used throughout this tariff to mean Executive Telecard, Ltd. d/b/a eGlobe, a Delaware corporation.

Holiday - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Holidays shall be billed at the evening rate from 8 a.m. to 11 p.m. After 11 p.m., the lower night rate shall go into effect.

Prepaid Account - An inventory of Telecom Units purchased in advance by the Customer, and associated with one and only one Authorization Code as contained in a specific Prepaid Calling Card.

Prepaid Calling Card - A card issued by the Company, containing an Authorization Code which identifies a specific Prepaid Account of Telecom Units, which enables calls to be processed, account activity to be logged, and balances to be maintained, on a prepayment basis.

Telecom Unit - A measurement of telecommunications service equivalent to one minute of usage between any two points within the State of Florida.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by eGlobe for telecommunications between points within the State of Florida. Resale services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement. The Company does not own any switching, transmission or other physical facilities in Florida.

2.1.1 The services provided by eGlobe are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.

2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by eGlobe and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of eGlobe.

2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use and Limitations of Services

2.2.1 eGlobe's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.

2.2.2 The use of eGlobe's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

2.2.3 The use of eGlobe's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 eGlobe's services are available for use twenty-four hours per day, seven days per week.

2.2.5 eGlobe does not transmit messages, but the services may be used for that purpose.

2.2.6 eGlobe's services may be denied for nonpayment of charges or for other violations of this tariff subject to Section 2.5.1 herein.

2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.

2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.

2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

2.3.3 No agent or employee of any other carrier or entity shall be deemed to be an agent or employee of the Company.

2.3.4 The Company's liability, resulting in whole or in part from or arising in connection with the furnishing of service under this tariff, including but not limited to mistakes, omissions, interruptions, delays, errors, or other defects shall not exceed an amount equal to the charges provided for under this tariff for the long distance call for the period during which the call was affected. No other liability in any event shall attach to the Company, except as ordered by the Commission.

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer or by any other entity from any and all loss, claims, demands, suits, or other action or any liability whatsoever, whether suffered, made, instituted, or asserted by any Customer or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer or any other entity or any other property whether owned or controlled by the Customer or others.

2.3.6 The Company shall not be liable for any indirect, special, incidental, or consequential damages under this tariff including, but not limited to, loss of revenue or profits, for any reason whatsoever, including the breakdown of facilities associated with the service, or for any mistakes, omissions, delays, errors, or defects in transmission occurring during the course of furnishing service.

2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express or implied, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.

2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by eGlobe on the Customer's behalf.

2.4.3 If required for the provision of eGlobe's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to eGlobe.

2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to eGlobe and the Customer when required for eGlobe personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of eGlobe's services.

2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of eGlobe's equipment to be maintained within the range normally provided for the operation of microcomputers.

2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with eGlobe's facilities or services, that the signals emitted into eGlobe's network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not

Section 2.4.6 Continued

damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with the telephone network, eGlobe will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to eGlobe equipment, personnel or the quality of service to other Customers, eGlobe may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, eGlobe may, upon written notice, terminate the Customer's service.

2.4.7 The Customer must pay eGlobe for replacement or repair of damage to the equipment or facilities of eGlobe caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.

2.4.8 The Customer must pay for the loss through theft of any eGlobe equipment installed at Customer's premises.

2.4.9 If eGlobe installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, eGlobe may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

2.5.1.A For nonpayment of any sum due eGlobe for more than thirty (30) days after issuance of the bill for the amount due,

2.5.1.B For violation of any of the provisions of this tariff,

2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over eGlobe's services, or

2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting eGlobe from furnishing its services.

2.5.2 Without incurring liability, eGlobe may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and eGlobe's equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by eGlobe without notice to the Customer, by blocking traffic to certain counties, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when eGlobe deems it necessary to take such action to prevent unlawful use of its service. eGlobe will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.

2.5.4 The Customer may terminate service upon verbal or written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage and be responsible for payment until the Customer or its agent notifies its local exchange carrier and changes its long distance carrier.

2.6 Credit Allowance - Interruption of Service

2.6.1 Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence of the Customer, or to the failure of channels or equipment provided by the Customer, are subject to the general liability provisions set forth in 2.3 herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.

2.6.2 No credit is allowed in the event that service must be interrupted in order to provide routine service quality or related investigations.

2.6.3 Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

2.6.4 Credit for interruption shall commence after the Customer notifies the Company of the interruption or when the Company becomes aware thereof, and ceases when service has been restored.

2.6.5 For purposes of credit computation, every month shall be considered to have 720 hours.

2.6.6 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

2.6.7 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours
"B" - monthly charge for affected activity

2.7 Deposit

The Company does not require deposits.

2.8 Advance Payments

The Company requires advance payments for recurring and non-recurring charges. This will be applied against the next month's charges, and if necessary, a new advance payment will be collected for the next month.

2.9 Payment and Billing

2.9.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt.

2.9.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.

2.10 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated services, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.11 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein, except for prepaid calling cards.

2.12 Late Charge

A late fee will be charged on any past due balances as set forth in Section 4.10 of this tariff.

2.13 Returned Check Charge

A fee, as set forth in Section 4.6 of this tariff, will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

2.14 Location of Service

The Company will provide service to Customers within the State of Florida.

2.15 Sale of Telecommunications Services to Uncertified IXCs Prohibited

Customers reselling or rebilling the Company's telecommunications services must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the Commission.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Computation of Charges

3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. All calls are measured in one minute increments. Prepaid calling cards have a three minute minimum. All calls are rounded up to the next whole increment.

3.1.2 Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call.The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers that are produced by Bell Communications Research in the NPA-NXX V&H Coordinates Tape and Bell's NECA Tariff No. 4.

Formula:

$$\sqrt{\frac{(V1-V2)^2 + (H1-H2)^2}{10}}$$

3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing for each call ends when either party hangs up.

3.1.4 eGlobe will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

1720 South Bellaire Street
Suite 1000
Denver, Colorado 80222
303-691-2115

3.2 Continued

Any objection to billed charges should be reported promptly to eGlobe or its billing agent. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. A Customer who is unable to resolve a billing dispute with the Company may contact the Commission by telephone at 1-800-342-3552 to intervene in the billing dispute.

3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 Billing Entity Conditions

When billing functions on behalf of eGlobe or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. eGlobe's name and toll-free telephone number will appear on the Customer's bill.

3.5 Service Offerings

3.5.1 1+ Dialing

The customer utilizes "1+" dialing, or "101XXXX" dialing followed by "1 + ten digits" for interLATA calls, or dials "101XXXX" followed by "1 + 7 digits" or "1 + 10 digits" for intraLATA calls.

3.5.2 Travel Cards

The Customer utilizes an 11 digit "toll-free" access number established by the Company to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, and the ten digit number of the called party.

3.5.3 800 Service (Toll-Free)

This service is inbound calling only where an 800, 888 or other toll-free prefix number rings into a Customer's premise routed to a specific telephone number or terminated over a dedicated facility.

3.5.4 eGlobe Prepaid Calling Cards

This service permits use of Prepaid Calling Cards for placing long distance calls. Customers may purchase eGlobe Prepaid Calling Cards at a variety of retail outlets or through other distribution channels. eGlobe Prepaid Calling Cards are available at a variety of face values ranging from five dollars ($5.00), in one dollar ($1.00) increments. eGlobe Prepaid Calling Card service is accessed using the eGlobe toll-free number printed on the card. The caller is prompted by an automated voice response system to enter his/her Authorization Code, and then to enter the terminating telephone number. eGlobe's processor tracks the call duration on a real time basis to determine the number of Telecom Units consumed. The total consumed Telecom Units for each call is deducted from the remaining Telecom Unit balance on the Customer's eGlobe Prepaid Calling Card.

All calls must be charged against Prepaid Calling Card that has a sufficient Telecom Unit balance. A Customer's call will be interrupted with an announcement when the balance is about to be depleted.

In order to continue the call, the Customer can either call the toll-free number on the back of the eGlobe Prepaid Calling Card and "recharge" the balance on the card using a nationally recognized credit card, or the Customer can throw the card away and purchase a new one. Calls in progress will be terminated by the Company if the balance on the eGlobe Prepaid Calling Card is insufficient to continue the call and the Customer fails to enter the number of another valid eGlobe Prepaid Calling Card prior to termination.

Section 3.5.4 Continued

A card will expire on the date indicated on the card, or if no date is specified, 180 days after activation. The Company will not refund unused balances.

A credit allowance for eGlobe Prepaid Calling Card Service is applicable to calls that are interrupted due to poor transmission, one-way transmission, or involuntary disconnection of a call. To receive the proper credit, the Customer must notify the Company at the designated toll-free customer service number printed on the eGlobe Prepaid Calling Card and furnish the called number, the trouble experienced (e.g. cut-off, noisy circuit, etc.), and the approximate time that the call was placed.

When a call charged to an eGlobe Prepaid Calling Card is interrupted due to cut-off, one-way transmission, or poor transmission conditions, the Customer will receive a credit equivalent of one Telecom Unit.

Credit allowances for calls pursuant to eGlobe Prepaid Card Service do not apply for interruptions not reported promptly to the Company or interruptions that are due to the failure of power, equipment or systems not provided by the Company.

Credit for failure of service shall be allowed only when such failure is caused by or occurs due to causes within the control of the Company.

The Company will block all calls beginning with the NPA "900" and NXX "976" calls, therefore such calls can not be completed.

3.5.5 Directory Assistance.

Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.6 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.7 Promotional Offerings

The Company may offer approved special promotions of new or existing services or products for limited time periods as approved by the Commission. These promotions will include specific tariffed starting and ending dates. All such promotions will be offered on a completely non-discriminatory basis. All such tariffed promotions must be approved by the Commission and must state exactly what charges are being reduced or waived, who is eligible, and what Customers have to do to be eligible.

SECTION 4 - RATES

4.1 1+ Dialing

$0.198 per minute

A $5 per month service charge applies.

4.2 Travel Cards

$.25 per minute

A $.20 per call service charge applies.

4.3 Toll Free

$0.203 per minute

A $10 per month per number service charge applies.

4.4 Prepaid Calling Cards

$.149 Per Telecom Unit

A $.50 per call connection charge applies.
A $.50 per month service charge applies after first usage.

4.5 Directory Assistance

$.95 per each number requested

4.6 Returned Check Charge

$20.00

4.7 Rate Periods

<table>
<tr><th></th><th>Monday - Friday</th><th>Sat.</th><th>Sun.</th></tr>
<tr><td>[illegible] a.m.
to
5 p.m.*</td><td>Daytime Rate Period</td><td rowspan="2" colspan="1"></td><td></td></tr>
<tr><td>5 p.m.
to
11 p.m.*</td><td>Evening Rate Period</td><td>Evening Rate Period</td></tr>
<tr><td>11 p.m.
to
8 a.m.*</td><td colspan="3">Night/Weekend Rate Period</td></tr>
</table>

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

4.8 Rates Applicable for Hearing/Speech Impaired Persons

For intrastate toll messages which are communicated using a telecommunications device for the deaf (TDD) by properly certified business establishments or individuals equipped with TDDs for communications with hearing or speech impaired persons, the rates shall be evening rates for daytime calls and night rates for evening and night calls.

Intrastate toll calls received from the relay service, each local exchange and interexchange telecommunications company billing relay call will be discounted by 50 percent of the applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the applicable rate for voice nonrelay calls.

Florida Public Service Commission Rules and Regulations require the Company to provide the first 50 directory assistance calls initiated per billing cycle by handicapped persons free of charge.

4.9 Employee Concessions

The Company does not offer employee concessions.

4.10 Late Charge

1.5% monthly or the amount otherwise authorized by law, whichever is lower.

4.11 Payphone Dial Around Surcharge

A dial around surcharge of $.35 per call will be added to any completed INTRAstate toll access code and subscriber 800/888 type calls placed from a public or semi-public payphone.

FINANCIAL & MANAGEMENT INFORMATION

See eGlobe's Form 10K for the year ended March 31, 1998.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 1998

[ ] 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: 1-10210

EXECUTIVE TELECARD, LTD.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation of organization)

13-3486421
(I.R.S. Employer Identification No.)

1720 South Bellaire Street, Suite 1000, Denver, Colorado, 80222
(Address of principal executive offices)

Registrant's telephone number, including area code: **(303) 691-2115**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to section 12(g) of the Act:

Common Stock $.001 Par Value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

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

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing sale price of such stock as of May 31, 1998 amounted to $46,229,314.

The number of shares outstanding of each of the registrant's classes of common stock as of May 31, 1998 was 17,346,766 shares, all of one class of $.001 par value Common stock.

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EXECUTIVE TELECARD, LTD.
FORM 10-K

FISCAL YEAR ENDED MARCH 31, 1998

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EXECUTIVE TELECARD, LTD.
PART I

ITEM 1 - Business (General)

Forward-Looking Statements

When used in this Annual Report on Form 10-K, in documents incorporated herein and elsewhere by Executive TeleCard, Ltd. (the "Company") from time to time, the words "believes," "anticipates," "expects" and similar expressions are intended to identify forward-looking statements concerning the Company's business operations, economic performance and financial condition, including in particular, the Company's business strategy and means to implement the strategy, the Company's objectives, the amount of future capital expenditures, the likelihood of the Company's success in developing and introducing new products and expanding its business, the timing of the introduction of new and modified products or services and similar matters. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements are based on a number of assumptions and estimates, which are inherently subject to significant risks and uncertainties, many of which are beyond the control of the Company and reflect future business decisions, which are subject to change. A variety of factors could cause actual results to differ materially from those anticipated in the Company's forward-looking statements, including the following factors: (a) those set forth in "The Business -- Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere herein; (b) those set forth from time to time in the Company's press releases and reports and other filings made with the Securities and Exchange Commission; (c) the Company's ability to respond to rapid technological change and risk of obsolescence of the Company's products, services and technology; (d) competitive pressures among enhanced communications services providers may increase significantly; (e) expected benefits from future acquisitions, if any, may not be fully realized or realized within the expected time frame, revenues following future acquisitions may be lower than expected, and operating costs or customer loss and business disruption following future acquisitions, if any, may be greater than expected, and costs or difficulties related to the integration of the businesses, if any, that may be acquired by the Company may be greater than expected; (f) general economic or business conditions, internationally, nationally or in the local jurisdiction in which the Company is doing business, may be less favorable than expected; (g) legislative or regulatory changes may adversely affect the business in which the Company is engaged; and (h) changes may occur in the securities markets. The Company cautions that such factors are not exhaustive. Consequently, all of the forward-looking statements made herein are qualified by these cautionary statements and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revisions of such forward-looking statements that may be made to reflect events or circumstances after the date hereof, or thereof, as the case may be, or to reflect the occurrence of unanticipated events.

General

The Company is a global provider of value-added telecommunications and information services, focused on mobile end-users, messaging and information management. At the present time, the Company's principal business is the provisioning of global calling card services, and related validation, billing and payment services. Operating through its World Direct™ network, the Company originates voice traffic in 88 countries and territories and terminates such traffic anywhere in the world. The Company's global services are delivered through proprietary routing, application and data access software, which run on the Company's interactive call processing platform ("Calling Card Platforms"). Forty Calling Card Platforms are installed in

strategic locations around the world where they connect directly with national and international telephone networks. In addition to routing calls, the Company's Calling Card Platform validates calls, controls fraud, captures usage information and issues bills with full call details. The Calling Card Platform system provides a user interface in multiple languages for operator assisted calls and the Company's proprietary billing software provides for multiple currency billing.

The Company provides its services principally to telecommunications carriers (including Postal, Telegraph and Telephone Authorities ("PTTs")) and to credit card issuers. The Company enhances the calling card services of carriers so that their calling cards operate globally through the World Direct™ network. Additionally, the Company provides a software and hardware platform for carriers which provide their own international transmission. Further, using its network of Calling Card Platforms, the Company can turn any type of card service, such as a credit card, into a global calling card.

In the near term, the Company will use its longstanding global relationships to expand its position in the growing mobile communications segment by offering a suite of Internet Protocol ("IP") services known as Global Office™. Global Office includes services for the mobile professional, such as Internet and remote intranet dial-up connectivity, unified messaging, IP voice, IP fax and remote office services.

Organization and History of Operations

The Company was incorporated in 1987. The Company established relationships with foreign telecommunications authorities and, in 1989, the Company began installing Calling Card Platforms in or close to the facilities of various PTTs. The Company went public that same year by way of a dividend from its former parent company.

Strategy

The Company's goal is to become a leading network-based provider of global software-based services. In order to achieve this goal, the Company will build on its existing global network and provide a Global Office™ suite of services for its existing customers and new commercial relationships. The Company's present strategies to achieve these goals are as follows:

Leverage Global Presence and Strategic Relationships. The Company believes that international relationships and alliances are important in the offering of services and that such relationships will be even more important as competition expands globally. The Company has longstanding relationships with foreign carriers, including PTTs, in many of the countries in which it provides services, and is seeking to deepen its relationships with these carriers. The Company believes that it will have a competitive advantage to the extent that it can maintain and further develop its existing strong relationships with foreign and international carriers.

Expand Service Offerings and Functionality While Maintaining Core Services. The Company believes that it will be necessary to offer a suite of enhanced business communications services, and that the early providers of credible multi-service offerings will have an advantage. The Company, therefore, plans to introduce under its Global Office™ mark services such as dial-up Internet and intranet access, electronic mail, voice mail, IP voice, IP fax and remote office services. In addition, the Company is expanding its unified messaging platform, which provides a single source access to voice, electronic mail and fax messages. The Company believes that new service offerings and increased product diversification will allow the Company to achieve a greater return on its assets, reduce the seasonality of the Company's revenue stream and decrease exposure to global or regional economic downturns. The Company also believes that it will be well served by maintaining its existing core calling card services -- local access and validation

(including anti-fraud services), communications routing, billing and payment services -- which are a necessary complement to many of its planned new services.

Focus on International Carriers and Other Card Companies. Unlike many calling card companies that market directly to businesses and other end users, the Company offers its services principally to carriers and other producers of cards, including financial institutions, large corporations and card distributors. These companies, in turn, use the Company's services to provide service to their customers. The Company believes that many of these providers will continue to outsource their international calling card and related communications services and are increasingly seeking new revenue sources by offering value-added products such as those offered by the Company. The Company also believes that it provides a cost-efficient opportunity for telecommunication carriers and card companies to offer calling card and other communications services because of its existing strong international network and low cost processing made possible by the Calling Card Platform. The Company further believes that it derives a significant advantage in marketing to such customers from its independence from the major global carriers, which allows telecommunication carriers to do business with the Company without the concern that they are jeopardizing their customer bases.

Reduce Transmission Costs through Strategic Relationships and New Technologies. The Company believes that, as providers add new and enhanced communications services, the cost of transmission increasingly will be a pivotal element in distinguishing the success of service providers. The Company is leveraging its low cost processing services by pursuing low cost routing and transmission arrangements with other strategic partners. The Company recently entered into such an arrangement with IDT Corporation to reduce transmission costs and is pursuing low cost alternative routing technologies.

Industry Background

The Traditional Calling Card Industry.

Calling card services permit travelers to place calls directly from locations other than their home countries and charge those calls to their accounts. Retail customers obtain local access to their calling card provider, generally through a toll-free or other local access number, then enter the necessary account information to enable the calling card provider to determine if the caller has an approved account for charging telephone calls; the provider then completes the call over the Public Switched Telephone Network ("PSTN"). This enables mobile professionals or other travelers to make calls from any jurisdiction, foreign or domestic, without the need for coins, operator assistance, collect or other third party billed calls, and to avoid the high surcharges imposed by most hotel switchboards.

Customers are furnished with a list of toll-free and local telephone numbers for each country in which the service is available. These toll-free telephone numbers normally may be accessed from any telephone, and they connect to the calling card provider's computer (direct access) or an operator (operator assisted). The calling card provider's computer or operator requests the caller's telephone or credit card number, a personal identification number ("PIN") and the destination telephone number. Often the computer (such as the Company's) is equipped to prompt a caller in the language indicated by the caller's card number. When the validation/authorization process is completed, the computer or operator dials the caller's destination, and the billing information is captured and recorded.

Traditional telephone calling card services, which consist of a local access connection, processing services such as validation and billing information accumulation, and retransmission of the call over long distance telephone lines have been, and continue to be, dominated in the United States by companies such as AT&T, MCI, Sprint and abroad by PTTs and other national carriers that provide the transmission lines.

The Contemporary Calling Card Industry.

The availability of leased transmission lines, technological innovation in the telephone industry and the introduction of more sophisticated value-added features have made it possible for other types of companies to compete with the large telephone companies in providing calling card services. Low cost routing and transmission is being used by the Company and other competitors to offset price advantages the large carriers may have by reason of using their own transmission networks.

During the last decade, due to changing regulatory environments and numerous mergers, acquisitions and alliances among the major communications providers, there has been a convergence in the services offered by communications companies. The result has been increased globalization of services, strong competition from new entrants into different communications industry segments and the increasing need to differentiate services. In addition, companies have been focusing on areas where they have expertise, superior technology and cost advantages, and have sought to purchase or outsource the portions of the service where they do not have such advantages. The Company believes that this trend is precipitating the pursuit of new services and expects that it will result in increased outsourcing of the more complex value-added services that are unrelated to the core expertise of these customer organizations.

The evolving environment for communications has increased the number of messages sent and received and the types and means of communications managed by mobile professionals. With advances in many areas of communications technology, professionals and other travelers are demanding additional features from their calling card providers, particularly Internet access, true global access and unified messaging.

Market

The global telecommunications services industry is undergoing significant growth. According to a study conducted by the World Observatory of Communications Systems ("OMSYC"), the global telecommunications market was $745.1 billion in 1997, up 6.6 percent from 1996. Of this amount, equipment accounted for 17.4 percent and services 82.6 percent, a ratio which OMSYC reports has stayed fairly constant for the past six years. The fastest growth sector is mobile communication related services which have increased at an average rate of 34.7 percent per year since 1991 when it accounted for 5.1 percent of all telecommunication services. One of the other strongest areas of growth over the last decade has been international telecommunication services, which has grown at a compound annual rate of 15.6% from 1988 to 1993, according to U.S. Industrial Outlook, 1993. The traffic volume in the global telecommunications market is estimated to grow at 13% per annum.

Growth in the telecommunication services market is widely dispersed among types of services. For example, revenues from fax calls were estimated at $11 billion in the U.S. and $25 billion worldwide in 1993 and voice messaging services (not including phone charges) generated $220 million in the U.S. during 1993 and are projected at $1 billion in 1998. According to the Washington D.C. based International TeleCard Association, prepaid calling card revenues in the U.S. were estimated at $1.4 billion in 1996 and are projected to double every year. According to a recent research study by Frost & Sullivan, the U.S. operator service and calling card markets are expected to grow from $14.5 billion in 1996 to $22.7 billion in 2003, a compound annual growth rate of 6.7 percent during that period. The Company believes that demand for global calling card services will continue to grow substantially as a result of (i) increased reliance by business users on telecommunication services; (ii) increased globalization of business; and (iii) use of the Internet.

Changes in global telecommunication services have dramatically increased both the number of messages and the medium used. A study by the Institute for the Future, the Gallup Organization, Pitney-Bowes and San Jose State University, based on responses from more than 1,000 employees of Fortune 100 companies, found that workers send and receive an average of 178 messages each day. Messages are increasingly taking electronic form as electronic mail and other electronic communications tools usage has grown. Increased e-mail usage, in turn, will lead to increased demand for mobile, dial-up access to the Internet. A study using data provided by the investment bank Morgan Stanley predicts that the number of e-mail users will increase to 200 million in the United States (from the 20-35 million current users) by the year 2000.

The growth in the global telecommunications market also reflects the increasingly international nature of business, the significant growth of emerging and newly industrialized economies and the increase in international trade. The Company believes that as multinational corporations globalize, and expand into new markets, their demand for diverse and customized telecommunications services will continue to grow. Increased globalization will lead to increased demand for products and services that address the communication and information management needs of an increasingly mobile society. The World Tourism Organization reports that global international arrivals increased by 3.8% in 1995 to 567 million travelers, following a 3.7% increase in 1994 when international arrivals totaled 531.4 million worldwide, of which approximately 30% reported travel for business purposes. Growth in communication and information demand on the part of international travelers is further evidenced by the proliferation of electronic devices (such as notebook and subnotebook computers with modems, both wireline and wireless) and the explosive growth of the Internet, corporate intranets and network services that allow travelers remote access to their home offices. As business travel grows, the percentage of travelers who have a need for remote office access to messaging and communication services will increase. For example, a survey of frequent flyers taken in June 1996 reported that 97% would use the World Wide Web in the next year.

The Internet is rapidly becoming a preferred solution to the increased message and communication needs of mobile consumers. The Business Research Group estimates, in a recently released report, that the size of the worldwide commercial Internet/intranet market was over $2.5 billion in 1996 and projected that the market would exceed $24 billion by the year 2000. The number of Internet users is currently estimated at 20-35 million, with projections of the number of users ranging from 120 million to 200 million. The number of Internet/on-line service subscribers according to one study prepared by SIMBA Information Inc. and Jupiter Communications, is forecasted to grow to between 21 million and 65 million by the year 2000.

Many factors are driving this increase in demand for Internet access by an increasingly more mobile group of end users. Strategic developments affecting this demand for nomadic Internet access include:

- Increasing deregulation and competition in telecommunications markets
- Growth of Internet usage to a critical mass to achieve near universal acceptance
- Dramatic increase in the use of electronic mail
- Decreasing access costs to non-U.S. backbone providers and end users

In addition to consumer use, corporations have been moving online. According to one estimate the number of Fortune 500 companies with a Web presence increased in 1996 from 175 to nearly 400 (an increase from 35% to 80% penetration). Corporate use is also reflected in the number of registered commercial domains. Through December 1996, there were 987,662 registered Internet domains, according to InterNic, of which 796,039 were commercial domains. This increase in corporate use indicates how quickly the Internet has become a mainstream channel for corporate marketing, communications and business transactions.

Services

The Company's Global Calling Card Services provide customers (carriers and card issuers, such as PTTs and banks) with the ability to offer calling card programs to their customers. Services include platform services – the Company provides processing technology, the customer provides transmission services -- and enhancement services where the Company provides a combination of platform and transmission services. Calling card services include validation, routing, multi-currency billing and payments, in addition to credit, prepaid and true debit functionality. See Note 9 to the Consolidated Financial Statements for geographic business segment information.

Service Type	Customer Category	Service Description	Cardholder Payment Type	Trans-mission
Global Calling Card	Carrier Reseller Corporate	Provision of both domestic (home country) and international calling service.	Prepaid Postpaid	Yes, included
Platform	Carrier Reseller	Validation, routing, billing of call transactions—no transmission.	Prepaid Postpaid	No, excluded
Enhancement	Financial	Value-added, enhancement of financial card issuer's existing credit/debit/limit card to allow global calling	Postpaid	Yes, included
	Carrier Reseller Corporate	Enhancement of existing domestic calling card service for global calling.	Prepaid Postpaid	

Global Calling Card Services. Designed for carriers (including wholesale network providers and resale carriers), and corporations looking for a calling card solution to enhance their core business (which is not calling card) with global calling capabilities on a prepaid, postpaid, debit or limit card basis. These customers want the Company to originate and terminate calls domestically and internationally. Customers are billed for call transmission and use of the Calling Card Platform.

Platform Services. Designed for carriers needing a calling card platform provider through which the carriers run their own transmission. The Company provides the validation, routing and billing of call transactions. No transmission/transport lines are included. Customers are billed for use of the Calling Card Platform.

Enhancement Card Services. Designed for financial institutions, banks, credit/debit card issuers, carriers (including wholesale network providers), resellers and corporations looking to enhance their existing

card with global calling card capability. These customers want to add value to their existing financial or domestic calling card by extending features and calling coverage. Customers are billed for call transmission and use of the Calling Card Platform.

The Company maintains a central processing center in Denver, Colorado for user validation and storing of billing information. The Company's calling card services are provided (whether through the computer or by operators) in multiple languages and currencies, and the Calling Card Platform supports a range of calling card services, including credit, debit, prepaid and limit cards.

The Company provides 24-hour operator assistance and other customer service. This assistance includes "default to operator" assistance for calls from rotary and pulse-tone telephones. Calls placed from such telephones are diverted by the Calling Card Platform to an operator who processes the call. The default-to-operator feature enables the Company's Calling Card Platforms to be accessed from any telephone in any country or territory in the Company's network. Whenever special assistance is required in placing calls, the Company's multilingual customer service center can be reached 24 hours a day, 365 days a year.

The following table lists some features of the Company's calling cards:

Calling Card Features

Standard Features:	**Enhanced Features:**
Operator Default	Customized Languages, Prompts and Closing
Operator Assistance	Conference Calling
Language Selection	Translation Services
Self-Selected PIN	Access to U.S. Toll-Free Numbers
Multiple Calling	
Star Key (*) Prompt Restart	
Auto Redial	
Prompt Interrupt	
Voice Mail Compatibility	

International Toll Free Services (Service 800). In addition to its calling card services, the Company offers international toll free telephone service that permits a caller to make a long distance telephone call without paying the applicable international toll charges, which are billed to the Service 800 subscriber (normally the recipient of the calls). This service was the Company's original service prior to introduction of its calling card services several years ago. The Company is presently offering international toll-free service with respect to calls originating in Australia, Austria, Canada, Denmark, France, Hong Kong, Japan, the Netherlands, Switzerland, the United Kingdom, the United States and West Germany, among others.

Proprietary Calling Cards. Although it is not a principal focus of the Company's services, the Company in the past issued its own proprietary calling cards, Executive TeleCard International™ and World Direct™ cards. The calling card is a telephone charge card that is available to foreign and domestic business executives, professionals and others for use primarily in placing direct intra/intercountry calls. Cardholders generally select a major credit card to which their usage is billed by the Company. As of March 31, 1998, the Company had approximately 11,000 cardholders.

New Services. The Company plans to offer Global Office™, a suite of enhanced business communications services such as dial-up Internet and intranet access, unified messaging, IP voice, IP fax and remote office services.

Recent Developments

IDX Merger Agreement. On June 17, 1998, the Company, IDX International, Inc. ("IDX"), a privately held company located in Northern Virginia, EXTEL Merger Sub No. 1, Inc., a wholly owned subsidiary of the Company ("Merger Sub"), and the stockholders of IDX (the "Stockholders") entered into an Agreement and Plan of Merger (the "IDX Merger Agreement"), pursuant to which IDX will merge with and into Merger Sub, with Merger Sub being the surviving corporation and thereby becoming a wholly owned subsidiary of the Company (the "Merger"). The name of the surviving corporation will be IDX International, Inc.

The IDX Merger Agreement provides that all of the shares of common stock, no par value ("IDX common stock"), and all of the shares of preferred stock, no par value, of IDX, issued and outstanding immediately prior to the effective time of the Merger (excluding any treasury shares), shall be converted into and exchanged for, in the aggregate, the right to receive (a) 500,000 shares of Series B Convertible Preferred Stock, par value $.0001 per share, convertible into 2,500,000 shares of common stock of the Company at the end of one year, and warrants to purchase up to 2,500,000 shares of common stock of the Company subject to achieving certain revenue and cash flow objectives and (b) $5,000,000 in cash, decreased based upon the satisfaction of certain indebtedness of IDX and other amounts to be deducted as provided for in the IDX Merger Agreement. The warrants are convertible only to the extent that IDX achieves certain revenue and cash flow goals over the twelve months following closing. The Company has also guaranteed a price of $8.00 per share to recipients of the Company's common stock at the date the preferred stocks and warrants are convertible, subject to IDX's achievement of certain revenue and cash flow objectives. The transaction is subject to the Company raising the required financing.

IDX is a supplier of IP (Internet protocol) fax and IP voice platforms and services to telecommunications operators and Internet Service Providers ("ISP's") in 12 countries. IDX, with 50 employees globally, currently has approximately $6 million of annualized revenue. IDX provides the Company with two key services for the Company's new suite of Internet services: operationally proven IP fax and IP voice. For at least the first year, IDX will operate as a separate subsidiary, although its platform services will begin to be used immediately to serve the Company's customer base.

AlphaNet Preliminary Strategic Agreements. The Company has entered into an agreement with AlphaNet Telecom, Inc., a Toronto, Ontario based international digital communications technology and service provider ("AlphaNet"). AlphaNet develops, operates and markets voice, fax and data services for telecommunications service providers, corporations and the hotel industry.

Under the terms of the agreement which has a five year renewable term, AlphaNet will market calling card services to specified international telecommunications carriers. AlphaNet will also provide its customers with enhancements to their existing calling cards to provide for international calling capability. Certain of the Company's Calling Card Platforms may be co-located with AlphaNet's international points-of-presence to improve the services offered by both companies. The Company will then be able to offer its customers AlphaNet Global Carrier Services, a global value-added network service. The AlphaNet network delivers commercial-grade levels of voice quality over a data network and value-added services by using AlphaNet's proprietary voice-into-data conversion and compression technology. The Company believes that this is the first carrier application of its kind. The agreements contemplate AlphaNet carrying certain

portions of the Company's international traffic over its facilities which, to the extent implemented, would reduce the Company's transmission costs.

Other Potential Acquisitions. The Company has also executed letters of intent to acquire, subject to obtaining financing, substantially all of the assets of two other companies. The cash element of the aggregate purchase prices for these potential acquisitions is approximately $3.5 million and liabilities to be assumed, principally long-term, aggregate $4.6 million. In addition, the Company will issue 375,000 warrants to purchase common stock.

Stockholder Loan. In June 1998, the Company borrowed $1.0 million from an existing stockholder. The loan bears interest at 8 7/8% and is payable upon maturity in December 1999. Under the terms of the agreement, the stockholder received warrants to purchase 67,000 shares of common stock at a price of $3.03 per share, exercisable for a period of three years. The stockholder also received as consideration for the loan the repricing and extension of a warrant for 55,000 shares which is now exercisable on or before February 29, 2001 at a price of $3.75 per share.

Competition

The Company's industry is intensely competitive and rapidly evolving. The communications industry is dominated by companies much larger than the Company with much greater name recognition, much larger customer bases and substantially greater financial, personnel, marketing, engineering, technical and other resources than the Company. In addition, several other companies have commenced offerings, or have announced intentions to offer enhanced communications services similar to certain of the enhanced services the Company plans to offer.

The Company's core services compete with calling card services provided by companies such as AT&T Corp., Global One, PTTs and other national carriers as well as smaller long distance providers. In providing enhanced services the Company expects to compete with entities already offering or planning to offer such services. Some of these companies include Premiere Technologies, Inc. (provides enhanced communication services and is developing a unified messaging platform), JFAX (remote office services) and General Magic Inc. (provides integrated voice and data applications). The Company expects that other parties will develop platform products and services similar to the products and services offered by the Company.

The Company believes that the principal factors affecting competition in the calling card market include services and features, geographic coverage, price, quality, reliability of service and name recognition. The Company expects to leverage its global network and Calling Card Platform by offering various enhanced communications services, by expanding its relationships with carriers and other large companies that outsource business to the Company and to continue to be an efficient provider of processing services. The Company will also leverage its assets by a new focus on tier II and tier III carriers. The Company believes that it will be able to compete effectively if it can successfully implement its competitive strategy. However, to the extent that other entities are successful in offering superior enhanced communications services or introducing such services before the Company does, the Company likely would be adversely affected and such effects could be material. See "Risk Factors -- Possible Adverse Effects of Competition."

Sales and Marketing

The Company markets its services to and through PTTs, international carriers, financial institutions, large corporations and card issuers, such as credit card providers, which provide the Company's services to

their own customers. The Company recently established a sixteen (16) person direct sales force which focuses on sales to these customers, including personnel based in Europe and Asia. The Company's newly established marketing staff is primarily responsible for providing marketing support to the sales efforts described above at varying levels of involvement. The marketing staff is also responsible for promoting the Company's corporate image in the marketplace and providing marketing support to PTTs, international carriers and other card issuers to promote the use of the Company's services by their customers. The Company pays sales commissions to its sales employees and agents.

Engineering

The Company's engineering personnel are responsible for updating, testing and supporting proprietary software applications, as well as creating and improving enhanced system features and services. The Company's engineering efforts include (i) updating its proprietary Calling Card Platforms and integrating its software with commercially available software and hardware when feasible; and (ii) identifying and procuring improved communications services that are compatible with the Company's calling card services and Calling Card Platforms.

Technology: Intellectual Property Rights

The Company regards its Calling Card Platforms and related software as proprietary and has implemented protective measures both of a legal and a practical nature to ensure that they retain that status. The Company has filed a patent application relating to certain aspects of the Calling Card Platform with the U.S. Patent and Trademark Office, and is taking steps to extend its patent application to certain international jurisdictions. The Company has also registered certain trade or service marks with the U.S. Patent and Trademark Office, and applications for registration of additional marks are currently pending. Certain trade or service marks also have been registered in some European and other countries, and applications for registration of additional marks are pending. In addition to filing patents and registering marks in various jurisdictions, the Company obtains contractual protection for its technology by entering into confidentiality agreements with its employees and customers, and limits access to and distribution of its Calling Card Platforms, hardware, software, documentation and other proprietary information.

There can be no assurance, however, that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of its technology. Despite the Company's measures, competitors could copy certain aspects of the Company's Calling Card Platform and related software or obtain information, which the Company regards as trade secrets. Further, there can be no assurance that any patent issued to the Company or the marks registered by the Company, if challenged, can be successfully defended. In any event, the Company believes that factors such as technological innovation and expertise and market responsiveness are as (or more) important than the legal protections described above. The Company believes that it is likely that the Company's competitors will independently develop similar technology and that the Company will not have any rights under existing laws to prevent the introduction or use of such technology. See "Risk Factors -- Limited Protection of Proprietary Rights and Technology; Risks of Infringement Claims."

Customers

In fiscal 1998 Telefonos de Mexico, S.A., de C.V., Worldcom, Inc., (primarily its affiliates ATC and Metromedia) Telecom Australia and LCI International accounted for 18%, 14%, 11%, and 11%, respectively of the Company's revenues and were the only customers accounting for 10% or more of the Company's revenues.

Regulation

Although the Company does not have its own telecommunications facilities, and utilizes the facilities of long-distance telephone carrier services in the United States and of telephone utilities in various foreign countries, it is subject to regulation as a telecommunications reseller in many jurisdictions. In addition, either the Company or its local partner is required to have licenses or approvals in those countries where it operates and where equipment is installed.

United States Federal Regulation. Pursuant to the Communications Act of 1934, as amended (the "Communications Act"), the Federal Communications Commission ("FCC") is required to regulate the telecommunications industry in the United States. Under current FCC policy, telecommunications carriers reselling the services of other carriers and not owning telecommunications facilities of their own are considered to be non-dominant and, as a result, are subject to streamlined regulation. The degree of regulation varies between domestic telecommunications services (services which originate and terminate within the United States) and international telecommunications services (services which originate in the United States and terminate in a foreign country or vice versa).

For non-dominant providers of domestic services, no prior authorization is required to provide service. Non-dominant providers of international services are required to obtain authorization for the provision of service from the FCC pursuant to Section 214 of the Communications Act. Carriers providing international service are also required to file a tariff with the FCC, setting forth the terms and conditions under which they provide international services. The FCC has determined that it no longer will require non-dominant providers of domestic services to file tariffs, but that decision has been stayed pending appeal by the U.S. Court of Appeals for the District of Columbia Circuit. The Company resells both domestic and international services, and therefore is required to possess authority under Section 214 of the Communications Act to resell international service, and to file tariffs for domestic and international services with the FCC. The Company has held an authorization to resell international switched voice services and international telex service since 1989. The underlying service being resold could be provided to the Company pursuant to the tariffs filed with the FCC by any U.S. international carrier. The Company also has tariffs on file with the FCC setting forth the terms and conditions under which it provides domestic and international services.

In addition to these authorization and tariff requirements, the FCC imposes a number of additional requirements on all telecommunications carriers, including obligations to: (1) contribute a portion of telecommunications revenues from end users to federal universal service programs, unless such contribution would be considered *de minimis* under FCC rules; (2) ensure that services are accessible and usable by persons with disabilities; (3) comply with verification procedures in connection with changing the presubscribed interexchange carrier of a customer so as to prevent "slamming," a practice by which a customer's chosen long distance carrier is switched without the customer's knowledge; (4) protect the confidentiality of proprietary information obtained from customers, manufacturers and other carriers; (5) pay annual regulatory fees to the FCC; and (6) contribute to the Telecommunications Relay Services Fund.

These regulatory requirements impose a relatively minimal burden on the Company at the present time. There can be no assurance, however, that the current regulatory environment and the present level of FCC regulation will continue, or that the Company will continue to be considered non-dominant. At this point, it is contemplated that the Company will resell the services of other carriers and will not construct its own facilities.

Non-U.S. Government Regulation. Telecommunications activities are subject to government regulation to varying degrees in every country throughout the world. In many countries where the Company operates, equipment cannot be connected to the telephone network without regulatory approval, and therefore installation and operation of the Company's Communications Platform or other equipment requires such approval. The Company has licenses or other equipment approvals in the jurisdictions in which operations are conducted; in most jurisdictions where the Company conducts business it relies on its local partner to obtain the requisite authority. In many countries the Company's local partner is a PTT or national carrier, and in some jurisdictions also is (or is controlled by) the regulatory authority itself.

As a result of the reliance on its local partners, the Company is dependent upon the cooperation of the telephone utilities with which it has made arrangements for its authority to conduct business, as well as operational and certain of its administrative requirements. The Company's arrangements with these utilities are nonexclusive and take various forms. Although some of such arrangements are embodied in formal contracts, any telephone utility could cease to accommodate the Company's requirements at any time. Depending upon the location of the telephone utility, such action could have a material adverse effect on the Company's business and prospects. In some cases, principally countries which are members of the European Community and the United States, laws and regulations provide that the arrangements necessary for the Company to conduct its service may not be arbitrarily terminated. However, the time and cost of enforcing the Company's rights may be such as to make legal remedies impractical. The Company presently has good relations with most of the foreign utilities with which it does business. There can be no assurance, however, that such relationships will continue or that governmental authorities will not seek to regulate the Company's rates or other aspects of its calling card services or require the Company to obtain a license to conduct its business.

Many aspects of the Company's international operations and business expansion plans are subject to foreign government regulations, including currency regulations. There can be no assurance that foreign governments will not adopt regulations or take other actions that would have a direct or indirect adverse impact on the business opportunities of the Company. See "Risk Factors -- Risks Associated with International Business."

Employees

As of March 31, 1998, the Company employed one hundred forty-five (145) employees as follows: one hundred sixteen (116) in Denver, Colorado, five (5) in Tarrytown, New York, one (1) in Nyon, Switzerland, eight (8) in Silkeborg, Denmark, ten (10) in Hong Kong, one (1) in Brussels, Belgium, and four (4) in Guildford, United Kingdom. See Note 9 to the Consolidated Financial Statements for geographic business segment information.

Risk Factors

Rapid Technological and Market Changes Create Significant Business Risks. The market for the Company's services is characterized by rapid technological change, frequent new product introductions, changes in demand, changes in cost structures and evolving industry standards. The Company's success will depend in significant part on its ability to anticipate customer demand, keep pace with advances in technology, enhance its current services, develop and introduce new services in a timely fashion, modify its cost structure to maintain cost-effective services, and compete successfully with products and services based on evolving or new technologies. In particular, the Company, like others in its industry, believes that it will be necessary to offer a suite of enhanced business communications services, and that those companies which do not offer acceptable services in a timely manner will lose market share. There can be no assurance that

the Company will be able to keep up with the rapid technological and market changes or that the Company will be able to offer acceptable new services in a timely manner to avoid loss of market share.

Possible Adverse Effects of Competition. The Company's industry is intensely competitive and rapidly evolving. The communications industry is dominated by companies much larger than the Company with much greater name recognition, much larger customer bases and substantially greater financial, personnel, marketing, engineering, technical and other resources than the Company. To the extent that such entities offer services that are similar to and priced competitively with the Company's calling card services there likely would be a material adverse effect on the Company's business, financial condition and results of operations. The Company's ability to succeed will depend in part on such larger companies outsourcing to entities such as the Company services of the type offered by the Company. In addition, several other companies have commenced offering or announced intentions to offer enhanced communications services similar to certain of the enhanced services the Company plans to offer. To the extent that such entities are successful in offering superior services or introducing credible service offerings before the Company, the Company likely would be adversely affected and such effects could be material. The Company expects new types of products and services not yet announced or available in the marketplace to be developed and introduced which will compete with the services offered and proposed to be offered by the Company.

Need for Significant Additional Financing. The Company estimates that it will need to raise up to $30 million during the next several months to have sufficient working capital to facilitate running its business, pursuing the IDX and other acquisitions, upgrading its facilities, and developing new services. In addition, the Company will need to repay or refinance its existing $7.5 million term loan (plus approximately $978,000 in interest) that will be due and payable in full in August 1999. To the extent that the Company spends more on acquisitions, service development or incurs losses, its need for additional financing will increase. The Company presently intends to pursue equity and debt financing. There can be no assurance that the Company will be able to raise the necessary funds in a timely manner or on favorable terms. Should the Company be unsuccessful in its efforts to raise additional capital, it may be required to institute cost cutting measures and curtail its plans.

Dependence on Strategic Relationships. A principal element of the Company's strategy is the maintenance of existing, and the creation of new, strategic relationships with international carriers and others that will enable the Company to offer additional services that it cannot offer on its own and to offer its services to a larger customer base than the Company could otherwise reach through direct marketing efforts. The Company believes that international relationships and alliances are important in the offering of calling card services and that such relationships will be even more important as providers add new services. The Company's success depends in part on the Company's ability to maintain and develop such relationships, the quality of these relationships and the ability of these strategic partners to market the Company's services effectively. Failure to maintain and develop such relationships or of the Company's strategic partners to successfully market the Company's services could have a material adverse effect on the Company's results of operations.

Limited Protection of Proprietary Rights and Technology; Risks of Infringement Claims. The Company relies primarily on a combination of intellectual property laws and contractual provisions to protect its proprietary rights and technology. However, these laws and contractual provisions provide only limited protection. Unauthorized parties may copy the Company's technology, reverse engineer its software or otherwise obtain and use information the Company considers proprietary. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as the laws of the U.S. There can be no assurance that the Company's means of protecting its proprietary rights and technology will be adequate. In addition, it is likely that the Company's competitors will independently develop similar

technology and that the Company will not have any rights under existing laws to prevent the introduction or use of such technology.

Many patents, copyrights and trademarks have been issued in the telecommunication service area. The Company believes that in the ordinary course of its business third parties will claim that the Company's current or future products or services infringe the patent, copyright or trademark rights of such third parties. No assurance can be given that actions or claims alleging patent, copyright or trademark infringement will not be brought against the Company, or that, if such actions are brought, the Company will ultimately prevail. Any such claims, regardless of their merit, could be time consuming, result in costly litigation, cause delays in introducing new or improved products or services, require the Company to enter into royalty or licensing agreements, or cause the Company to discontinue use of the challenged technology, trade name or service mark at potentially significant expense to the Company. Any infringement by the Company's key technology of intellectual property rights of others could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Calling Card Platform; Damage, Failure and Downtime. The Company's operations are dependent upon its ability to protect and maintain its Calling Card Platforms and central processing center against damage, technical failures, unauthorized intrusion, natural disasters, sabotage and similar events. The Company has taken certain precautions to protect itself and its customers from events that could interrupt delivery of the Company's services. However, there can be no assurance that an event would not cause the failure of one or more of the Company's Communications Platforms or even the entire World Direct™ network. Such an interruption could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with International Business. A significant portion of the Company's business is conducted outside the United States and a significant portion of its revenues and expenses are derived in foreign currencies. Accordingly, the Company's results of operations may be materially affected by international events and fluctuations in foreign currencies. Many aspects of the Company's international operations and business expansion plans are subject to foreign government regulations, currency fluctuations, political uncertainties and differences in business practices. There can be no assurance that foreign governments will not adopt regulations or take other actions that would have a direct or indirect adverse impact on the business opportunities of the Company within such governments' countries, including increased tariffs. Furthermore, there can be no assurance that the political, cultural and economic climate outside the United States will be favorable to the Company's operations and growth strategy. The Company does not engage in the practice of entering into foreign currency contracts in order to hedge the effects of foreign currency fluctuations. See Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations, *Other Expense (Income)* for further discussion.

Acquisition and Joint Venture Risks. The Company expects to pursue acquisition and joint venture opportunities to be able to introduce certain of the enhanced communications services it is proposing to offer. This is expected to place significant administrative, technical and financial demands on the Company's systems, procedures and controls. Acquisitions also involve numerous additional risks, including difficulties in the assimilation of the operations, services, products and personnel of the acquired company, the diversion of the Company's management's attention from other business concerns, entry into markets in which the Company has little or no direct prior experience and the potential loss of key employees of the acquired company. Acquisitions and joint ventures also will require funding, which may necessitate the raising of additional financing. Expected benefits from future acquisitions, if any, may not be fully realized or realized within the expected time frame, revenues following future acquisitions may be lower than expected, and operating costs or customer loss and business disruption following future acquisitions, if any, may be greater than expected, and costs or difficulties related to the integration of the

businesses, if any, that may be acquired by the Company may be greater than expected. Future acquisitions by the Company may result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of known and unknown liabilities, the write-off of software development costs and the amortization of expenses related to goodwill and other intangible assets, all of which could have a material adverse effect on the Company's business, financial condition, results of operations and earnings per share.

Dependence on Carriers and Others for Transmission Services. The Company does not own any telecommunications facilities and therefore depends on telecommunications carriers for transmission of its long distance calls. These long distance telecommunication services generally are procured pursuant to strategic arrangements with the carriers owning such facilities or more common commercial arrangements for the supply of transmissions capacity. The Company's ability to operate its business profitably will depend, in part, on its ability to continue to obtain transmission services on favorable terms from long distance carriers. The Company believes that as providers add new and enhanced communications services, cost will re-emerge as a key criterion for distinguishing between services, and the Company therefore will need to keep reducing its transmission costs and pursue low cost alternative routing technologies. Failure to obtain long distance transmission services at favorable rates could result in losses on particular services or over particular routes, and could lead to a loss of customers, which could have a material adverse effect on the Company.

Year 2000 Problem. It is possible that a portion of the Company's currently installed computer systems, software products, billing systems, networks, database or other business systems (collectively the "Company's Systems"), or those of the Company's customers working either alone or in conjunction with other software or systems, will not accept input of, store, manipulate and output dates for the years 2000 or thereafter without error or interruption (commonly known as the "Year 2000" problem); although initial review indicates that the Company's primary Unix-based operating systems are not at significant risk, other systems, particularly in the finance and administration area, may be. The Company is currently in the process of further evaluating the Company's Systems to determine whether or not modifications will be required to prevent problems related to the Year 2000. There can be no assurance that the Company will identify all Year 2000 problems in the Company's Systems or those of its customers, including network transmission providers, in advance of their occurrence or that the Company will be able to successfully remedy any problems that are discovered. In addition, the Company is dependent upon third parties for transmission of most of its calls and other communications. There can be no assurance that these third party providers will identify and remedy any Year 2000 problems in their transmission facilities. The expense of the Company's efforts to address such problems, in particular the failure of third party providers of transmission facilities, could have a significant adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Management and Personnel. The Company's success is largely dependent on its executive and other key personnel, the loss of one or more of whom could have a material adverse effect on the Company. The Company believes that its continued success will depend to a significant extent upon the efforts and abilities of Christopher J. Vizas, the Company's new Chairman and Chief Executive Officer (who joined the Company in December 1997), and certain other key executives. Mr. Vizas has entered into an employment agreement, which expires on December 5, 2000. The Company also believes that to be successful it must hire and retain highly qualified engineering personnel. In particular, the Company relies on certain key employees to design and develop the Company's proprietary Calling Card Platform and related software. Competition in the recruitment of highly qualified personnel in the telecommunications services industry is intense. The inability of the Company to locate, hire and retain such personnel would have an adverse effect on the Company. The Company does not have key-man life insurance. No assurance can be given that the Company will be able to retain its key employees or that it will be able to attract qualified personnel in the future.

Regulation. Although the Company does not have its own telecommunications facilities and utilizes the facilities of PTTs and other carriers, it is subject to regulation as a reseller in many jurisdictions.

United States Federal Regulation. Under current FCC policy, telecommunications carriers reselling the services of other carriers and not owning telecommunications facilities of their own are considered to be non-dominant and, as a result, are subject to streamlined regulation. The Company is required to possess an authorization from the FCC for the provision of international services, and must file tariffs at the FCC setting forth the terms and conditions under which it provides both international and domestic services. These and other regulatory requirements to which the Company presently is subject impose a relatively minimal burden on the Company at the present time. There can be no assurance, however, that the current regulatory environment and the present level of FCC regulation will continue, or that the Company will continue to be considered non-dominant.

Non-U.S. Government Regulation. In most countries where the Company operates, equipment cannot be connected to the telephone network without regulatory approval, and therefore installation and operation of the Company's Calling Card Platform or other equipment requires such approval. In most jurisdictions where the Company conducts business it relies on its local partner to obtain the requisite authority. As a result of the reliance on its local partners, the Company is entirely dependent upon the cooperation of the telephone utilities with which it has made arrangements for its authority to conduct business, as well as operational and certain of its administrative requirements. Any telephone utility could cease to accommodate the Company's requirements at any time. Depending upon the location of the telephone utility, such action could have a material adverse effect on the Company's business and prospects. There can be no assurance that such relationships will continue or that governmental authorities will not seek to regulate the Company's rates or other aspects of its calling card services or require the Company to obtain a license to conduct its business.

Relations with Certain Major Stockholders. The Company has several major stockholders that have in the past been involved to varying degrees with the management of the Company. The Company does not believe that any stockholders have meritorious claims arising out of the Company's business. However, there is a risk that one, or more, of such stockholders might take positions adverse to a present, or past, management action, including litigation. The Company has no control over the actions of such stockholders and were actions taken at any given time there could be an adverse effect on the Company's ability to execute its business plan.

Volatility of Common Stock Price. The market price of the Company's common stock fluctuates over a wide range and may continue to do so in the future. Such fluctuations could be in response to factors and events related to matters other than the performance of the Company, including the depth and liquidity of the trading market of the common stock, changes in estimates by analysts, market conditions in the industry, announcements by competitors, regulatory actions and general economic conditions.

Dividend Policy. The Company has not declared or paid cash dividends on its capital stock and does not anticipate paying cash dividends in the foreseeable future.

Anti-Takeover Provisions. The Company has adopted a Rights Plan and has entered into a Stockholder Rights Agreement dated February 27, 1997 between the Company and American Stock Transfer & Trust Company, as Rights Agent (the "Rights Agreement"). The Rights Agreement provides for the issuance of rights (the "Rights") for each share of common stock outstanding on February 28, 1997, each Right representing the right to purchase one one-hundredth of a share of the Company's Series A Participating Preferred Stock (the "Series A Preferred Stock") at a price of $70 per one-hundredth of a share

of Series A Preferred Stock, subject to adjustment. All shares of common stock issued by the Company between the date of adoption of the Rights Agreement and the distribution date (as defined in the Rights Agreement) or, the date, if any, on which the Rights are redeemed will have Rights attached to them. The Rights become exercisable upon the occurrence of certain defined change of control triggering events. The Rights will have certain anti-takeover effects as they will cause substantial dilution to a person or group that acquires a substantial interest in the Company without the prior approval of the Board of Directors of the Company. The effect of the Rights may be to inhibit a change in control of the Company (including through a third party tender offer at a price which reflects a premium to then prevailing trading prices) that may be beneficial to the Company's stockholders.

The Company's Restated Certificate of Incorporation allows the Board of Directors to issue up to five million shares of preferred stock and to fix the rights, privileges and preferences of those shares without any further vote or action by the stockholders. The rights of the holders of the common stock will be subject to, and may be adversely affected by, the rights of the holders of any shares of preferred stock that may be issued by the Company in the future. Any issuances of preferred stock in the future could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. In addition, the Company is subject to certain anti-takeover provisions of the Delaware General Business Corporation Law, which could have the effect of discouraging, delaying or preventing a change of control of the Company.

ITEM 2 - Properties

The land and building that was used by the Company at 8 Avenue C, Nanuet, New York was purchased in March 1992 and is currently under contract for sale. The land and building used by the Company at 4260 East Evans Avenue, Denver, Colorado, consisting of approximately 14,000 sq. ft., was purchased in December 1992. The Company rents office space at the following locations: Tarrytown, New York; Paris, France; Brussels, Belgium; Nyon, Switzerland; Hong Kong, H.K.; Silkeborg, Denmark; Guildford, United Kingdom; and Washington D.C. Effective June, 1996 the Company leased an additional 10,000 sq. ft. of office space in Denver, Colorado at 1720 S. Bellaire Street, Suite 1000.

The Company believes that its facilities are adequate for operations for the coming year.

ITEM 3 - Legal Proceedings

The following information sets forth information relating to material legal proceedings involving the Company and certain of its former executive officers and some of its current and former directors. From time to time, the Company and its executive officers and directors become subject to litigation which is incidental to and arises in the ordinary course of business. Other than as set forth herein, there are no material pending legal proceedings involving the Company or its executive officers and directors.

In re Executive TeleCard, Ltd. Securities Litigation, Case No. 94 Civ. 7846 (CLB), U.S.D.C., S.D.N.Y.

The Company, its former auditors, certain of its present and former directors and others are defendants in this consolidated securities law class action, which alleges that certain public filings and reports made by the Company, including its Forms 10-K for the 1991, 1992, 1993 and 1994 fiscal years (i) did not present fairly the financial condition of the Company and its earnings; and (ii) failed to disclose the role of Richard Bertoli as a consultant to the Company. Plaintiffs sought unspecified monetary damages. In January 1997, the court

certified the named plaintiffs, except Moise Katz, as adequate class representatives, and certified the putative class to include all persons who purchased the Company's common stock in the open market between October 28, 1991 and October 27, 1994. By Memorandum and Order dated October 16, 1997, the Court excluded all testimony by plaintiffs' damages expert and denied the parties' cross-motions for summary judgment.

On April 2, 1998, the parties entered into a formal settlement agreement. Pursuant to the settlement agreement the plaintiffs agreed to release the Company and the other defendants from all obligation or liability and the Company agreed, on behalf of itself and the other defendants, to deliver to a settlement administrator a total of 350,000 shares of its common stock and to pay the settlement administrator up to $50,000 in actual reasonable charges and expenses incurred in connection with providing notice to the plaintiffs and administering the settlement. A charge of $3,500,000 was recorded in the fourth quarter of fiscal 1998 and represents the value assigned to the 350,000 shares of common stock referred to above, which have been valued at a maximum possible value of $10.00 per share pursuant to the terms of the settlement agreement. Such value relates to the Company's obligation to issue additional stock or cash if the market price of the Company's stock is less than $10.00 per share during the relevant periods, as defined. The Company has no obligation to issue additional stock if its share price is above $10.00 per share for fifteen consecutive days during the two year period after all shares have been distributed to the class. The settlement is subject to Court approval. The shares of the Company's common stock to be issued in connection with the settlement are to be held in escrow until the effective date of the settlement which will occur once all of the following conditions have occurred: (a) the settlement is finally approved in all respects by the Court; (b) the Court's Order and Final Judgment is entered; (c) the time to appeal for the Order and Final Judgment has expired; or (d) if any appeal is taken, the expiration of five days after such appeal shall have been finally determined by the highest court before which appellate review is sought, and not subject to further appeal; and (e) such final judgment or appeals, if any, shall have been resolved in such manner as to the permit the consummation of the settlement in accordance with its terms.

ITEM 4 - Submission of Matters to a Vote of Security Holders

On February 26, 1998, the Company held its 1997 annual meeting of stockholders (the "1997 Annual Meeting"). At the Annual Meeting, the Company's stockholders took the following actions:

Elected Directors. The Company's stockholders elected eight directors to the Company's Board of Directors. The names of the elected directors (each of whom had served as a director prior to the Annual Meeting) are Christopher J. Vizas, Edward J. Gerrity, Jr., Anthony Balinger, David W. Warnes, Richard A. Krinsley, Martin L. Samuels, Donald H. Sledge and James O. Howard.

Amended the Company's 1995 Employee Stock Option and Appreciation Rights Plan. The Company's stockholders adopted amendments to the Company's 1995 Employee Stock Option and Appreciation Rights Plan (the "Employee Plan"), including an increase from 1,000,000 to 1,750,000 in the number of shares authorized to be issued pursuant to options granted under such plan.

Amended the Company's 1995 Directors Stock Option and Appreciation Rights Plan. The Company's stockholders adopted amendments to the Company's 1995 Directors Stock Option and Appreciation Rights Plan (the "Directors Plan"), which amendments were designed to take advantage of recent changes in the Securities Exchange Act of 1934 to permit greater flexibility in administration of such plan.

Ratified Appointment of Independent Certified Public Accountants. The Company's stockholders ratified the appointment by the Board of Directors of the firm of BDO Seidman, LLP as independent certified public accountants of the Company for the fiscal year ending March 31, 1998.

Ratified Change in the Company's Fiscal Year. The Company's stockholders ratified the change in the Company's fiscal year from a fiscal year ending March 31 to a fiscal year ending December 31, commencing with the fiscal year beginning April 1, 1998.

The following sets forth the voting results of the Annual Meeting based on the Inspector of Elections report:

Election of Directors

Name of Nominee	For	Against	Abstain
Vizas	13,603,192	1,373,069	1,425,000
Gerrity, Jr.	13,618,556	1,357,705	1,425,000
Balinger	13,624,409	1,351,852	1,425,000
Warnes	13,625,637	1,350,624	1,425,000
Krinsley	13,601,778	1,374,483	1,425,000
Samuels	13,623,877	1,352,384	1,425,000
Sledge	13,625,637	1,350,624	1,425,000
Howard	13,622,067	1,354,194	1,425,000

Amendments to Employee Plan

For	Against	Abstain
11,742,074	1,852,750	2,806,437

Amendments to Directors Plan

For	Against	Abstain
11,705,394	1,885,392	2,810,475

Ratification of Independent Certified Public Accountants

For	Against	Abstain
13,544,137	1,360,364	1,496,760

Ratification of Change in Fiscal Year

For	Against	Abstain
13,594,680	1,311,784	1,494,794

Executive TeleCard, Ltd.

Part II

ITEM 5 - Market for Registrant's Common Stock and Related Stockholder Matters

A. Market Information

The Company's common stock has traded on the NASDAQ National Market under the symbol ("EXTL") since December 1, 1989.

The following table reflects the high and low prices reported on the NASDAQ National Market for each quarter of the fiscal year ended March 31, 1998.

	High	Low
Quarter Ended June 30, 1997	$9 1/4	$4 1/2
Quarter Ended September 30, 1997	8 3/4	3 1/4
Quarter Ended December 31, 1997	4	1 19/32
Quarter Ended March 31, 1998	4 19/32	2 1/4

The following table reflects the high and low prices reported on the NASDAQ National Market for each quarter of the fiscal year ended March 31, 1997.

	High	Low
Quarter Ended June 30, 1996	$14 5/8	$ 6 7/8
Quarter Ended September 1996	14	8
Quarter Ended December 31, 1996	11 5/8	5 1/8
Quarter Ended March 31, 1997	8	5

B. Holders

The approximate number of holders of the Company's common stock as of May 31, 1998 was in excess of 5,300 record and beneficial owners.

C. Dividends

The Company has not paid or declared any cash dividends on its common stock since its inception and does not anticipate paying any cash dividends on its common stock in the near future. The Company declared a ten percent (10%) common stock split, effected in the form of a stock dividend, on June 30, 1995 and distributed on August 25, 1995 to stockholders of record as of August 10, 1995. On May 21, 1996 the Company declared another ten percent (10%) stock dividend. Stockholders of record as of June 14, 1996 received the dividend on August 5, 1996.

ITEM 6 - Selected Consolidated Financial Information

The following is a summary of selected consolidated financial data of the Company as of and for the five years ended March 31, 1998. This data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and the Notes thereto appearing elsewhere in this document.

	FOR THE YEARS ENDED MARCH 31,				
	1998 Successor (3)	1997 Successor (3)	1996 Successor (3)	1995 Successor (3)	1994 Predecessor (4)
Statement of Operations:					
Net Revenues	$ 33,122,767	$33,994,375	$ 30,298,228	$ 22,980,726	$ 12,736,882
Income(Loss) from Operations	(5,700,424)	2,423,564	3,097,009	(292,307)	1,447,825
Other Income (Expense)	(5,949,486)	(1,401,612)	69,843	(4,324,193)	(55,034)
Net Income (Loss)	(13,289,910)	773,952	2,852,852	(4,616,500)	1,323,407
Net Earnings (Loss) per Common Share: (1) (2)					
Basic	$ (0.78)	$ 0.05	$ 0.18	$ (0.30)	$ 0.09
Dilutive	$ (0.78)	$ 0.05	$ 0.18	$ (0.30)	$ 0.08

	AS OF MARCH 31,				
	1998	1997	1996	1995	1994
Balance Sheet:					
Cash and Cash Equivalents	$ 2,391,206	$ 2,172,480	$ 950,483	$ 1,734,232	$ 1,347,532
Total Assets	22,900,456	23,679,686	16,732,074	12,943,044	16,645,307
Long-Term Obligations	7,735,581	9,737,007	2,150,649	671,774	500,939
Total Liabilities	15,779,696	15,720,414	9,692,065	9,023,293	1,157,233
Total Stockholders' Equity	7,120,760	7,959,272	7,040,009	3,919,751	15,488,074

(1) Based on the weighted average number of shares outstanding during the period.

(2) The weighted average number of shares outstanding during the periods have been adjusted to reflect two ten percent (10%) stock splits, effected in the form of stock dividends and distributed August 25, 1995 and August 5, 1996.

(3) Includes the acquisition of the operating subsidiaries of Residual Corporation ("Residual") of which the Company acquired substantially all of the assets effective March 31, 1995. In connection with the acquisition, a management agreement between the Company and Residual under which Residual provided the Company with general and administrative services including facilities and administrative personnel but excluded costs for legal, accounting, marketing, advertising and promotion and stockholder relations in return for 10% of the Company's gross revenues was transferred to a wholly-owned subsidiary of the Company. As a result, as of April 1, 1995, the Company, through its subsidiaries, was responsible for all expenses previously included under the agreement. In consideration for the transaction, the Company issued 767,610 restricted shares of its common stock to Residual and also discharged approximately $12,722,000 of debt obligations payable by Residual to the Company.

(4) Does not include the acquisition of the operating subsidiaries of Residual as described in (3) above.

ITEM 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company is a global value-added service provider of telecommunications and information services, focused on mobile end-users, messaging and information management. At the present time, the Company's core business is the provisioning of global calling card services, and related validation, billing and payment services. Operating through its World Direct™ network, the Company originates voice traffic in 88 countries and territories and terminates such traffic anywhere in the world. The Company's global services are delivered through proprietary routing, application and data access software, which run on the Company's interactive call processing platform ("Calling Card Platforms"). Forty Calling Card Platforms are installed in strategic locations around the world where they connect directly with national and international telephone networks. In addition to routing calls, the Company's Calling Card Platform validates calls, controls fraud, captures usage information and issues bills with full call details. The Calling Card Platform system provides a user interface in multiple languages for operator assisted calls and the Company's proprietary billing software provides for multiple currency billing.

Revenue. The large majority of the Company's revenue results from providing services and is generated through contracts for calling card enhancement and platform services. Other services revenue sources include the sale of international toll free services and revenue generated by use of the Company's proprietary calling cards. The Company generally charges its customers, principally PTT's, (Postal, Telegraph and Telephone Authorities) other telecommunications providers and issuers of credit cards, for calling card enhancement and platform services on a per call basis, where the charge per call is determined by minutes of customer usage and the originating and terminating points of the call. In the case of calling card enhancement services, where the Company arranges for the transmission of the call as well as the various processing functions, a significant portion of the revenues relates to the costs of the transmission which the Company obtains from third party providers. For platform services the customer arranges for its own transmission. As a result, calling card enhancement services have much higher revenue from customers than do platform services per minute of usage.

In certain years, the Company has generated revenue from other sources, classified as non-service, which generally have consisted of sales of billing and platform systems and nonrecurring special projects.

Costs. The principal component of the Company's cost of revenue for calling card enhancement services is transmission costs. The Company continues to pursue strategies for reducing its cost of transmission. These strategies include establishing partnering arrangements with various carriers, negotiating more cost-effective agreements with other carriers and routing traffic to the least-cost, highest quality providers. In addition, the Company has entered into an outsourcing agreement with a company that is reviewing all of the Company's domestic service providers' bills to ensure that bills are in compliance with current contracts and domestic telecommunications regulations.

Other components of the Company's operating costs are selling, general and administrative expenses, which include personnel costs, consulting and legal fees, travel expenses, bad debt allowances and other administrative expenses. Depreciation and amortization expense includes the allocation of the cost of transmission equipment, property and office equipment, and various intangible assets over their useful lives.

Results of Operations

Year Ended March 31, 1998 Compared to Year Ended March 31, 1997

Overview. The Company incurred a net loss of $13.3 million for the year ended March 31, 1998, of which $10.9 million is attributable to the following charges:

	(in millions)
Corporate realignment costs	$ 3.1
Proxy-related litigation settlement costs	3.9
Additional income tax provision	1.5
Additional allowance for doubtful accounts	1.3
Warrants associated with debt	0.5
Other items	0.6
	$10.9

These charges result principally from a detailed review of the Company's activities initiated by new management during the third quarter of fiscal 1998 and are described in more detail below.

Excluding these items, the Company incurred a net loss for fiscal 1998 of $2.4 million compared to net income in fiscal 1997 of $0.8 million. The difference is principally due to a $1.6 million contribution to net income in fiscal 1997 of high margin revenues from non-services sources which did not recur in fiscal 1998. Also in fiscal 1998, the Company's gross profit from its services business remained flat compared to fiscal 1997 while it incurred additional recurring operating expenses of $1.1 million, principally depreciation and amortization. Interest expense, excluding a $0.5 million charge related to the amortization of debt discount associated with warrants related to term loans (See Note 3 to Consolidated Financial Statements for further information) increased by $0.3 million over fiscal 1997. Foreign exchange losses increased by $0.3 million over fiscal 1997.

New management is taking steps to increase revenues and improve margins. They have completed a review of the operations and activities of the Company and have refocused the Company's marketing and sales activities with an emphasis on stabilizing and growing the existing core business and on adding new services. In practical terms, this means that recently: (1) the Company has refocused its resources on calling card enhancement and platform services and plans to leverage its global network to offer various enhanced communications services; (2) the Company has established a small staff devoted to improving its network structure and reducing its marginal transmission costs (and, therefore, its cost of revenue), and contracts have been entered into with several vendors which will help to reduce transmission costs in the next fiscal year; (3) the Company has increased its sales and marketing staff and allocated additional funds for marketing and promotional activities; and (4) staffing needs have been assessed and reductions and realignments have been completed. The Company has instituted a process to add new network and operations staff as necessary to support new contracts.

A thorough review of corporate practices and procedures has been completed. This review resulted in a number of improvements to internal reporting and review procedures. The Company has also undertaken a study to simplify its organizational and tax structure and has identified potential international tax issues. In connection with this study, the Company realized it had potential tax liabilities and recorded an additional tax provision of $1.5 million in the fiscal fourth quarter to reserve against liabilities which

might arise under the existing structure. The Company's study is continuing and the eventual outcome cannot be predicted with certainty. No tax claims have been asserted against the Company.

Revenue. The Company's revenue sources can be classified into two categories:

	Years Ended March 31, (in millions)	
	1998	1997
Services	$ 33.0	$ 32.0
Non-Services	.1	2.0
Total	$ 33.1	$ 34.0

As the above table indicates, revenue for the year ended March 31, 1998 was $33.1 million. By comparison, revenue for the year ended March 31, 1997 was $34.0 million, including $2.0 million attributable to non-service revenue (principally billing and platform equipment sales, revenue from calling card production and contract settlement charges related to special projects). Although total revenue decreased from fiscal 1997 to fiscal 1998, service revenue increased $1.0 million or 3%. The increase was due to increased customer usage partially offset by a combination of three elements: a decline in revenue from the long distance resale services of the Company; lower per minute revenue due to new pricing programs which went into effect in the first and second quarters of fiscal 1998; and a lack of new revenue generating contracts in the current fiscal year. As anticipated, the Company's focused sales efforts did not have an impact on the fiscal year ended March 31, 1998, but management believes that these efforts will have their initial impact in the fourth quarter of calendar year 1998.

Gross Profit. Gross profit was 43% or $14.3 million for the year ended March 31, 1998, compared to 47% or $16.1 million for the year ended March 31, 1997. This decline was due partially to the positive margin contribution of non-service revenues in the year ended March 31, 1997 which did not reoccur in the year ended March 31, 1998. Excluding the effects of non-service revenue, gross profit for services revenue was 43% for fiscal 1998 compared to 45% for fiscal 1997. This decrease was due to lower pricing related to various customer contracts which was not offset by corresponding decreases in transmission costs, the principal component of cost of revenue. The Company expects that unit pricing in its core business of calling card enhancement is likely to continue to decline, and is taking steps that it believes will reduce its transmission costs. Cost of revenue may be expected to fluctuate in the next few periods as new pricing and contractual arrangements are put in place and as the Company works to improve its network structure and transmission costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $14.0 million for the year ended March 31, 1998, compared to $11.9 million for the year ended March 31, 1997, an increase of $2.1 million or 18%. As a percentage of revenue, selling, general and administrative expenses were 42% and 35% for the years ended March 31, 1998 and 1997, respectively. A major factor in the increase is the addition of $1.3 million to the allowance for doubtful accounts. Of this amount, half is related to one customer who has, in the Company's view, unilaterally taken unsubstantiated credits off invoiced amounts and has refused to pay a large invoice for contract settlement charges related to a special prepaid calling card service. The Company believes the full amount of the amounts invoiced to this customer is legally due and owing but has established an allowance as of March 31, 1998 to reflect potential costs of collection. The balance of the remaining increase in the allowance is spread among several

accounts, principally in the Asia-Pacific area, to provide for collection issues that may arise from economic and other factors. The Company incurred $0.8 million in other selling, general and administrative expenses related to increases in payroll due to the hiring of new management and other personnel, consulting and legal fees, travel expenses and for internal communication costs.

Corporate Realignment Expense. The Company incurred various realignment costs during fiscal 1998 resulting from the review of operations and activities undertaken by new corporate management. These costs, which totaled $3.1 million, include employee severance, legal and consulting fees and the write down of certain investments made in the Company's Internet service development program. The Company does not anticipate further realignment costs in the future.

Depreciation and Amortization Expense. Depreciation and amortization expense for the year ended March 31, 1998 was $2.8 million compared to $1.7 million for the year ended March 31, 1997, an increase of $1.1 million or 59%. In addition to an increase in the asset base of $2.1 million in fiscal 1998, a full year's depreciation was recorded in fiscal 1998 for fiscal 1997 property additions of $5.0 million, a significant portion of which occurred in the latter part of fiscal 1997.

Other Expense (Income). Interest expense (net of interest income) for the year ended March 31, 1998 was $1.6 million, compared to $0.8 million for the year ended March 31, 1997, an increase of $0.8 million or 101%. This increase relates primarily to expenses of $0.5 million related to additional interest expense associated with warrants to purchase common stock issued in conjunction with debt obligations. Also, in fiscal 1998, there was an increase in average borrowings during the fiscal year and the Company incurred additional finance charges relating to the extensions of a term loan.

The Company recorded a foreign currency transaction loss of $0.4 million during fiscal 1998 arising from foreign currency cash and accounts receivable balances maintained by the Company during the year in which the U.S. dollar strengthened significantly. The Company's exposure to foreign currency losses is mitigated due to the variety of customers and markets which comprise the Company's customer base, as well geographic diversification of that customer base. In addition, most of the Company's largest customers settle their accounts in U.S. dollars.

During fiscal 1998, the Company incurred proxy related litigation expense of $3.9 million arising from the class action lawsuit for which a settlement agreement was reached, as described above (See "Item 3 - Legal Proceedings"). Of this amount, $3.5 million relates to the escrow of 350,000 shares of the Company's common stock, which have been valued at $10.00 per share pursuant to the terms of the settlement agreement. Such value relates to the Company's obligation to issue additional stock or cash if the market price of the Company's stock is less than $10.00 per share during the defined periods.

Taxes on Income. Taxes on income for the year ended March 31, 1998 were $1.6 million, compared to $0.2 million for the year ended March 31, 1998, an increase of $1.4 million. The increase in the tax provision for amounts currently due is primarily the result of the Company's completion of a study to simplify its tax structure wherein, it identified potential international tax issues. In connection with this study, the Company realized it had potential tax liabilities and recorded an additional tax provision of $1.5 million in the fiscal fourth quarter. Refer to Note 8 to the Consolidated Financial Statements for further discussion regarding taxes on income.

Year Ended March 31, 1997 Compared to Year Ended March 31, 1996

Revenue. Revenue for the year ended March 31, 1997 was $34.0 million, compared to $30.3 million for the year ended March 31, 1996, an increase of $3.7 million or 12%. The growth in revenue resulted

primarily from higher overall minutes of customer usage of the Company's calling card services by existing customers, the addition of customers and $2.0 million attributable to non-service revenue (principally billing and platform equipment sales, revenue from calling card production and contract settlement charges related to special projects).

Cost of Revenue. Cost of revenue for the year ended March 31, 1997 was $17.9 million, compared with $18.5 million for the year ended March 31, 1996, a decrease of $0.6 million or 3%. Additionally, the Company experienced general rate decreases and volume discounts negotiated with domestic and foreign telephone carriers based upon the continued increase in volume of traffic generated over their networks. As a percentage of revenue, cost of revenue decreased 8% from 61% during the year ended March 31, 1996 to 53% for the year ended March 31, 1997. The decrease resulted from the overall increase in the Company's realization of revenue-sharing revenue for which there is no direct usage cost.

Gross Profit. Gross profit for the year ended March 31, 1997 was $16.1 million, compared to $11.8 million for the year ended March 31, 1996, an increase of $4.3 million or 37%. The increase in gross profit largely resulted from corresponding revenue growth.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $11.9 million for the year ended March 31, 1997, compared to $7.1 million for the year ended March 31, 1996, an increase of $4.8 million or 68%. This increase was primarily attributable to the addition of personnel and related employee costs necessary to manage the increasing business volume, provide additional marketing and promotion for the Company's calling card services, develop new business services (primarily global end-user Internet access service), and maintain quality customer support and assistance. The number of employees increased to 166 for the year ended March 31, 1997 compared to 131 for the year ended March 31, 1996, a 27% increase. As a percentage of revenue, selling, general and administrative expenses increased from 24% for the year ended March 31, 1996 to 35% for the year ended March 31, 1997.

Depreciation and Amortization Expense. Depreciation and amortization expense was $1.7 million for the year ended March 31, 1997, compared to $1.5 million for the year ended March 31, 1996, an increase of $0.2 million or 11%. This increase related primarily to equipment placed in service during the year ended March 31, 1997 including upgrade of and additions to call processing equipment.

Interest Expense. Interest expense (net of interest income) for the year ended March 31, 1997 was $0.8 million, compared to $0.2 million for the year ended March 31, 1996, an increase of $0.6 million or 333%. The increase was due primarily to additional borrowings to finance business development and expansion and an increase in lease financed asset transactions. The Company's long-term and current maturities of long-term debt increased to $10.7 million as of March 31, 1997, compared to $2.3 million as of March 31, 1996.

Liquidity, Capital Resources and Other Financial Data

Cash and cash equivalents were $2.4 million at March 31, 1998 compared to $2.2 million at March 31, 1997. Cash outflow from operating activities totaled $2.5 million for fiscal 1998 compared to $2.0 million for fiscal 1997. Working capital decreased from $5.1 million at March 31, 1997 to $2.4 million at March 31, 1998. Capital expenditures and other investing activities consumed $2.1 million for fiscal 1998 compared to $5.2 million for fiscal 1997 and related primarily to upgrades and additions to call processing equipment. Cash generated from financing activities totaled $4.8 million for fiscal 1998 compared to $8.4 million for fiscal 1997. The primary source of financing for fiscal 1998 was the issuance of common stock of $7.5 million partially reduced by the net retirement of long-term debt obligations of $3.0 million. Cash

flows from financing activities in fiscal 1997 related primarily to the proceeds from the issuance of notes payable and the assumption of capital lease obligations totaling $10.3 million decreased by principal payments and retirement of long-term debt obligations of $1.9 million.

Subsequent to March 31, 1998, the Company expended $0.8 million in connection with potential acquisitions (See "Item 1 – Business – Recent Developments" above) and has committed to expend an additional $0.7 million in July and August, 1998 related to these transactions. At March 31, 1998, net accounts receivable equaled $7.7 million compared to $8.4 million at March 31, 1997.

Due to the total cash commitments of $1.5 million on the acquisitions in progress, the Company's cash resources are currently limited. Under the direction of its new management, the Company has instituted a program to improve this situation, the principal elements of which are: (1) executing more aggressive collection efforts of accounts receivable; (2) establishing effective controls over capital expenditures; (3) reducing transmission costs by negotiating new contracts with carriers; and (4) implementing policies and procedures to control overhead costs associated with staffing, travel, communications and other areas. These steps, coupled with substantial augmentation of the marketing and sales efforts, should permit the Company to achieve positive operating cash flow for the existing core business by the end of the fiscal quarter ending December 31, 1998, in the absence of any unexpected developments. For the existing core business, should the anticipated revenue growth, accounts receivable collection effort and cost control program described above not result in positive cash flow by December 31, 1998, the Company intends to institute more significant cost-cutting measures.

Current Funding Requirements. Management estimates that, based upon its current expectations for growth, the Company will require additional funding of up to $30 million through the end of 1998 for the execution of its business plan, the principal requirements being the financing of its acquisition program and capital expenditures for new service offerings. The funding required by the Company may consist of one or more of the following: (i) issuing additional shares of common stock or preferred stock or convertible debt (ii) obtaining a loan facility secured by accounts receivable; (iii) establishing a credit facility to finance equipment purchased and other capital additions; or (iv) additional cash flow generated from operations. There can be no assurance that the Company will be successful in its efforts to raise such additional capital on favorable terms. Should the Company be unsuccessful in its efforts to raise capital it may be required to modify or curtail its plans for growth.

In June 1998, the Company entered into an Agreement and Plan of Merger (the "IDX Merger Agreement") to acquire 100% of the stock of IDX (see "Item 1 - Business--Recent Developments" above) in return for 500,000 shares of Series B Convertible Preferred Stock of the Company and warrants plus $5 million in cash (subject to certain deductions and adjustments). The transaction is subject to the Company raising the required financing.

The Company has also executed letters of intent to acquire, subject to obtaining financing, substantially all of the assets of two other companies. The cash element of the aggregate purchase prices for these potential acquisitions is $3.5 million and liabilities to be assumed, principally long-term, total approximately $4.6 million. In addition, the Company will issue 375,000 warrants to purchase common stock.

Existing Obligations. In February 1998, the Company entered into a loan agreement with IDT Corporation ("IDT"), a multinational telecommunications carrier, the principal amount of which is $7.5 million. The loan matures in August 1999 and bears interest at the rate of 8 7/8%, which is due at maturity. As part of this agreement, the Company also issued to IDT warrants to purchase 500,000 shares of the Company's

common stock at $3.03 per share, exercisable for a period of three years. The proceeds of this loan were used to repay in full, term loans in the amount of $7.0 million and balances of certain capital leases totaling $0.4 million.

In June 1998, the Company borrowed $1.0 million from an existing stockholder. The loan bears interest at 8 7/8% and is payable upon maturity in December 1999. Under the terms of the agreement, the stockholder received warrants to purchase 67,000 shares of common stock at a price of $3.03 per share, exercisable for a period of three years. The stockholder also received as consideration for the loan the repricing and extension of a warrant for 55,000 shares which is now exercisable on or before February 29, 2001 at a price of $3.75 per share.

Taxes

The Company has undertaken a study to simplify its organizational and tax structure and has identified potential international tax issues. In connection with this study, the Company realized it had potential tax liabilities and recorded an additional tax provision of $1.5 million in the fiscal fourth quarter for liabilities which might arise under the existing structure. The Company's study is continuing and the eventual outcome cannot be predicted with certainty. No tax claims have been asserted against the Company.

As of March 31, 1998, the Company has recorded a net deferred tax asset of $5.1 million and has $9.5 million of net operating loss carryforwards available. The Company has recorded a valuation allowance equal to the net deferred tax asset as management has not been able to determine that it is more likely than not that the deferred tax asset will be realized based in part on the foreign operations and availability of the operating loss carryforwards to offset only U.S. tax provisions. See Note 8 to the Consolidated Financial Statements regarding further discussion of taxes on income.

Effect of Inflation

The Company believes that inflation has not had a material effect on the results of operations to date.

Accounting Pronouncements and Year 2000 Issues

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Both are required for financial statements in fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that displays with the same prominence as other financial statements. SFAS No. 131 supersedes SFAS No. 14 "Financial Reporting for Segments of a Business Enterprise." SFAS No. 131 establishes standards on the way that public companies report financial information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS 130 and 131 require comparative information for earlier years to be restated. Because of the recent issuance of these standards, management has been unable to fully evaluate the impact, if any, the standards may have on future financial statement disclosures. Results of operations, financial position and cash flows, however, will be unaffected by implementation of these standards.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" which standardizes the disclosure requirements for pensions and other postretirement benefits and requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis. SFAS No. 132 is effective for years beginning after December 15, 1997 and requires comparative information for earlier years to be restated, unless such information is not readily available. Management believes the adoption of this statement will have no material impact on the Company's financial statements.

In anticipation of the year 2000 ("Year 2000"), management is in the process of developing a plan to review software that is internally developed and/or externally purchased or licensed for compliance with Year 2000 processing requirements. An initial review indicates that the Company's primary Unix-based operating systems are not at significant risk. Other systems, with the exception of banking interfaces, are primarily externally developed "off-the-shelf" software. Correspondence with vendors which supply the Company with its e-mail, office support software, and the accounting package that the Company will be converting to in calendar 1998 indicate that these packages are Year 2000 compliant. The Company presently believes that with modifications to existing software and converting to new software, the Year 2000 issue will not pose significant operational problems for the Company's computer systems. However, if such modifications and conversions are not completed timely, the Year 2000 problem may have a material impact on the operations of the Company. In accordance with Emerging Issues Task Force Opinion No. 96-14, "Accounting for the Costs Associated with Modifying Computer Software for the Year 2000," the Company will expense all costs as incurred. See discussion of Year 2000 Problem in Item 1 – Business (General).

The next pages are F- 1 through F-34

Executive TeleCard, Ltd.

Item 8 – Financial Statements
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Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Executive TeleCard, Ltd.
Denver, Colorado

We have audited the accompanying consolidated balance sheets of Executive TeleCard, Ltd. and subsidiaries as of March 31 1998 and 1997 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 1998. We have also audited the schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Executive TeleCard, Ltd. and subsidiaries at March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with generally accepted accounting principles.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/S/
BDO SEIDMAN, LLP

June 19, 1998
Denver, Colorado

Executive TeleCard, Ltd.

Consolidated Balance Sheets

March 31,	1998	1997
ASSETS		
Current:		
Cash and cash equivalents	$ 2,391,206	$ 2,172,480
Accounts receivable, less allowance of $1,472,197 and $372,988 for doubtful accounts	7,719,853	8,363,017
Accounts receivable from related parties (Note 6)	-	175,114
Other current assets	376,604	347,995
Total current assets	10,487,663	11,058,606
Property and equipment, net of accumulated depreciation and amortization (Note 1)	11,911,310	11,905,956
Other:		
Intangible assets - net	203,875	286,941
Deposits	233,901	261,125
Other assets	63,707	167,058
Total other assets	501,483	715,124
Total assets	$ 22,900,456	$ 23,679,686

See accompanying summary of accounting policies and notes to consolidated financial statements.

Executive TeleCard, Ltd.

Consolidated Balance Sheets

March 31,	1998	1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current:		
Accounts payable	$ 1,135,800	$ 2,191,006
Accrued expenses (Note 2)	4,222,806	1,808,400
Customer deposits	262,008	319,674
Income taxes payable (Note 8)	2,004,944	505,065
Other current liabilities	174,537	155,879
Current maturities of long-term debt (Note 3)	244,020	1,003,383
Total current liabilities	8,044,115	5,983,407
Long-term debt, net of current (Note 3)	7,735,581	9,737,007
Total liabilities	15,779,696	15,720,414
Commitments and Contingencies (Notes 5,7,8,10 and 11)		
Stockholders' equity (Note 7):		
Preferred stock, $.0001 par value, 5,000,000 shares authorized; none issued	-	-
Common stock, $.001 par value, 100,000,000 shares authorized, 17,346,766 and 15,861,240 outstanding	17,347	15,861
Additional paid-in capital	25,046,830	16,047,812
Stock to be subscribed	3,500,000	-
Accumulated deficit	(21,476,154)	(8,186,244)
Accumulated translation adjustment	32,737	81,843
Total stockholders' equity	7,120,760	7,959,272
Total liabilities and stockholders' equity	$ 22,900,456	$ 23,679,686

See accompanying summary of accounting policies and notes to consolidated financial statements.

Executive TeleCard, Ltd.

Consolidated Statements of Operations

Years Ended March 31,	1998	1997	1996
Revenue (Note 9)	$ 33,122,767	$ 33,994,375	$30,298,228
Cost of revenue	18,866,292	17,913,995	18,501,402
Gross profit	14,256,475	16,080,380	11,796,826
Costs and expenses:			
Selling, general and administrative	14,047,864	11,915,864	7,135,382
Corporate realignment expense (Note 2)	3,139,191	-	-
Depreciation and amortization	2,769,844	1,740,952	1,564,435
Total costs and expenses	19,956,899	13,656,816	8,699,817
Income (loss) from operations	(5,700,424)	2,423,564	3,097,009
Other income (expense):			
Interest expense	(1,651,236)	(849,073)	(185,977)
Interest income	45,839	51,291	1,848
Foreign currency transaction loss	(409,808)	(75,409)	(96,028)
Proxy related litigation expense (Note 5)	(3,900,791)	(528,421)	-
Other income (expense), net	(33,490)	-	350,000
Total other income (expense)	(5,949,486)	(1,401,612)	69,843
Income (loss) before taxes on income	(11,649,910)	1,021,952	3,166,852
Taxes on income (Note 8)	1,640,000	248,000	314,000
Net income (loss)	$ (13,289,910)	$ 773,952	$ 2,852,852
Net earnings (loss) per share (Note 4):			
Basic	$ (0.78)	$ 0.05	$ 0.18
Diluted	$ (0.78)	$ 0.05	$ 0.18

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Years Ended March 31, 1998, 1997 and 1996	Common Stock Shares	Common Stock Amount	Stock to be Subscribed	Additional Paid -In Capital	Accumulated Deficit	Accumulated Translation Adjustment	Total Stockholders' Equity
Balance, April 1, 1995	15,707,958	$ 15,708	$ -	$15,556,617	$(11,813,048)	$ 160,474	$3,919,751
Stock issued in lieu of cash payments	124,702	124	-	309,875	-	-	309,999
Exercise of stock options	16,828	17	-	35,082	-	-	35,099
Foreign currency translation adjustment	-	-	-	-	-	(77,692)	(77,692)
Net income	-	-	-	-	2,852,852	-	2,852,852
Balance, March 31, 1996	15,849,488	15,849	-	15,901,574	(8,960,196)	82,782	7,040,009
Stock issued in connection with litigation settlement	11,000	11	-	146,238	-	-	146,249
Exercise of stock options	752	1	-	-	-	-	1
Foreign currency translation adjustment	-	-	-	-	-	(939)	(939)
Net income	-	-	-	-	773,952	-	773,952
Balance, March 31, 1997	15,861,240	15,861	-	16,047,812	(8,186,244)	81,843	7,959,272
Stock issued in lieu of cash payments	42,178	42	-	244,226	-	-	244,268
Stock issued in connection with private placement, net	1,425,000	1,425	-	7,481,075	-	-	7,482,500
Stock to be subscribed (Note 5)	-	-	3,500,000	-	-	-	3,500,000
Exercise of stock appreciation rights	18,348	18	-	137,530	-	-	137,548
Issuance of warrants to purchase stock (Note 7)	-	-	-	1,136,188	-	-	1,136,188
Foreign currency translation adjustment	-	-	-	-	-	(49,106)	(49,106)
Net loss	-	-	-	-	(13,289,910)	-	(13,289,910)
Balance, March 31, 1998	17,346,766	$ 17,346	$ 3,500,000	$25,046,831	$(21,476,154)	$ 32,737	$7,120,760

See accompanying summary of accounting policies and notes to consolidated financial statements

Executive TeleCard, Ltd.

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents Years Ended March 31	1998	1997	1996
Operating activities:			
Net income (loss)	$(13,289,910)	$ 773,952	$2,852,852
Adjustments to reconcile net cash flows provided by (used in) operating activities:			
Depreciation and amortization	2,769,844	1,740,952	1,564,435
Provision for bad debts	1,433,939	404,410	736,611
Common stock issued in lieu of cash payments	144,268	146,250	309,999
Issuance of warrants for services (Note 7)	220,000	-	-
Amortization of debt discount (Note 3)	478,580	-	-
Proxy related litigation expense (Note 5)	3,500,000	-	-
Impairment reserve for assets	143,668	-	-
Other, net	137,548	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(915,661)	(2,359,402)	(3,410,253)
Other assets	52,860	(318,438)	10,650
Accounts payable	444,673	37,174	865,523
Accrued expenses	2,414,406	(2,321,403)	(1,712,818)
Other liabilities	(39,008)	(114,914)	20,979
Cash provided by (used in) operating activities	(2,504,793)	(2,011,419)	1,237,978
Investing Activities:			
Acquisitions of property and equipment	(2,150,280)	(5,043,062)	(3,426,322)
Other assets	26,693	(151,013)	22,204)
Cash used in investing activities	(2,123,587)	(5,194,075)	(3,404,118)
Financing Activities:			
Proceeds from long-term debt	7,810,000	10,297,429	1,500,000
Proceeds from issuance of common stock	7,482,500	-	35,099
Principal payments on long-term debt	(10,445,394)	(1,869,938)	(152,708)
Cash provided by financing activities	4,847,106	8,427,491	1,382,391
Net increase (decrease) in cash	218,726	1,221,997	(783,749)
Cash and cash equivalents, beginning of year	2,172,480	950,483	1,734,232
Cash and cash equivalents, end of year	$ 2,391,206	$ 2,172,480	$ 950,483

See accompanying summary of accounting policies and notes to consolidated financial statements.

Executive TeleCard, Ltd.

Consolidated Statements of Cash Flows

Supplemental Disclosures of Cash Flow Information

	1998	1997	1996
Cash paid during the year for:			
Interest	$ 1,267,399	$ 654,180	$ 160,088
Income taxes	$ 101,181	$ 79,352	$ -
Noncash investing and financing activities:			
Equipment acquired under capital lease obligations	$ 312,213	$ 705,660	$ 147,794
Stock issued for acquisition of equipment	$ 100,000	$ -	$ -
Unamortized debt discount related to warrants	$ 437,608	$ -	$ -

See accompanying summary of accounting policies and notes to consolidated financial statements.

Organization and Business

Executive TeleCard, Ltd. and subsidiaries, (collectively, the "Company") is a global value-added service provider of telecommunications and information services, focused on mobile end-users, messaging and information management. At the present time, the Company's core business is the provisioning of global calling card services, and related validation, billing and payment services. Operating through its World Direct™ network, the Company originates voice traffic in 88 countries and territories and terminates such traffic anywhere in the world. The Company's global services are delivered through proprietary routing, application and data access software, which run on the Company's interactive call processing platform (a "Calling Card Platform"). Forty Calling Card Platforms are installed in strategic locations around the world where they connect directly with national and international telephone networks. In addition to routing calls, the Company's Calling Card Platform validates calls, controls fraud, captures usage information and issues bills with full call details. The Calling Card Platform provides a user interface in multiple languages for operator assisted calls and the Company's proprietary billing software provides for multiple currency billing.

Basis of Presentation and Consolidation

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Foreign Currency Translation

For subsidiaries whose functional currency is the local currency and which do not operate in highly inflationary economies, all net monetary and non-monetary assets and liabilities are translated at current exchange rates and translation adjustments are included in stockholders' equity. Revenues and expenses are translated at the weighted average rate for the period. Foreign currency gains and losses resulting from transactions are included in the results of operations in the period in which the transactions occurred.

Use of Estimates

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

Financial Instruments and Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable.

The Company places its cash and temporary cash investments with quality financial institutions.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the variety of customers and markets which comprise the Company's customer base, as well as the geographic diversification of the customer base. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited. Generally, the Company does not require collateral or other security to support customer receivables. As of March 31, 1998, the Company had approximately 21% and 25% in trade accounts receivable from two customers. At March 31, 1998 there were no other significant concentrations of credit risk.

The Company's customers are permitted to choose the currency in which they pay for calling services from among several different currencies determined by the Company. Thus, the Company's earnings may by materially affected by movements in the exchange rate between the U.S. dollar and such other currencies. The Company does not engage in the practice of entering into foreign currency contracts in order to hedge the effects of foreign currency fluctuations.

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated fair value because of the immediate or short-term maturity of these instruments. The difference between the carrying amount and fair value of the Company's long-term debt is not significant.

Property, Equipment, Depreciation and Amortization

Property and equipment are recorded at cost. Additions, installation costs and major improvements of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred. The cost of property and equipment retired or sold, together with the related accumulated depreciation or amortization, are removed from the appropriate accounts and the resulting gain or loss is included in the statement of operations.

Property, Equipment, Depreciation and Amortization (con't)

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets ranging from five to twenty years.

The Company follows the provisions of the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 121 "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of ". Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows from and the estimated liquidation value of such long-lived assets, and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset.

Intangible Assets

Intangible assets consist of licenses and trademarks and organization costs, which are recorded at cost. Amortization is provided on the straight-line method over ten years for licenses and trademarks and over five years for organization costs. The carrying value of intangible assets is periodically reviewed and impairments, if any, are recognized when expected future benefit to be derived from individual intangible assets is less than its carrying value.

Revenue Recognition

Telephone usage revenue is recognized as utilized by customers. Billings to customers are based upon established tariffs filed with the United States Federal Communications Commission, or for usage outside of the tariff requirements, at rates established by the Company.

Taxes on Income

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

Net Earnings (Loss) Per Share

At March 31, 1998, the Company implemented SFAS No. 128, "Earnings Per Share." SFAS No. 128 provides for the calculation of "Basic" and "Diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period.

Net Earnings (Loss) Per Share (con't)

Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity, similar to fully diluted earnings per share. All prior earnings per share data has been restated to reflect the requirements of SFAS No. 128. The adoption of SFAS No. 128 had no effect on the Company's previously reported earnings per share. See Note 4 for computation of earnings per share.

Stock Options

The Company applies Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for all stock option plans. Under APB Opinion 25, no compensation cost has been recognized for stock options granted to employees as the option price equals or exceeds the market price of the underlying common stock on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net income (loss) as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To provide the required pro forma information, the Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model. See Note 7 for required disclosure.

Cash Equivalents

The Company considers cash and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Recent Accounting Pronouncements

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Both are required for financial statements in fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that displays with the same prominence as other financial statements. SFAS No. 131 supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS No. 131 establishes standards on the way that public companies report financial

Recent Accounting Pronouncements (con't)

information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. SFAS Nos. 130 and 131 require comparative information for earlier years to be restated. Because of the recent issuance of these standards, management has been unable to fully evaluate the impact, if any, the standards may have on future financial statement disclosures. Results of operations, financial position and cash flows, however, will be unaffected by implementation of these standards.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" which standardizes the disclosure requirements for pensions and other postretirement benefits and requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis. SFAS No. 132 is effective for years beginning after December 15, 1997 and requires comparative information for earlier years to be restated, unless such information is not readily available. Management believes the adoption of this statement will have no material impact on the Company's financial statements.

Reclassifications

Certain consolidated financial amounts have been reclassified for consistent presentation.

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1. Property and Equipment

Property and equipment at March 31, 1998 and 1997 consisted of the following:

	1998	1997
Land	$ 192,300	$ 247,300
Buildings and improvements	941,458	791,903
Calling card platform equipment	12,424,718	10,693,487
Operations center equipment and furniture	7,142,360	5,544,814
Call diverters	1,400,855	1,396,540
Equipment under capital leases (Note 3)	949,322	1,713,022
Internet communications equipment	563,175	508,297
	23,614,188	20,895,363
Less accumulated depreciation and amortization	11,702,878	8,989,407
	$ 11,911,310	$ 11,905,956

Property and equipment at March 31, 1998, and 1997, includes certain telephone and office equipment under capital lease agreements with an original cost of $949,322 and $1,713,022, respectively, and accumulated depreciation of $292,995 and $704,966 respectively. Certain capital leases were paid off in fiscal 1998.

2. Accrued Expenses

Accrued expenses at March 31, 1998 and 1997 consisted of the following:

	1998	1997
Telephone carriers	$ 2,591,511	$ 1,167,795
Proxy related litigation expenses (Note 5)	1,063	362,037
Corporate realignment expenses	754,849	-
Legal and professional fees	320,341	214,964
Other	555,042	63,604
	$ 4,222,806	$ 1,808,400

The Company incurred various realignment expenses during fiscal 1998 resulting from the review of operations and activities undertaken by new corporate management. These costs, which totaled $3,139,191, include primarily employee severance, legal and consulting fees and the write down of certain investments made in the Company's Internet service development program. The Company does not anticipate further realignment expenses in the future.

3. Long-Term Debt

At March 31, 1998 and 1997, long-term debt consisted of the following:

	1998	1997
8.875% unsecured term note payable to a telecommunications company, interest and principal payable August 22, 1999, net of unamortized discount of $437,608 (1).	$ 7,062,392	$ -
8% mortgage note, payable monthly, including interest through March 2010, with an April 2010 balloon payment; secured by deed of trust on the related land and building.	310,000	-
Capitalized lease obligations (Note 1).	607,209	1,079,697
11% secured term note payable to a financial institution, paid off in fiscal 1998 (2).	-	9,000,000
12% unsecured term note payable to a stockholder, paid off in fiscal 1998 (3).	-	500,000
9% mortgage note, payable monthly including interest, paid off in fiscal 1998.	-	160,693
Total	7,979,601	10,740,390
Less current maturities	244,020	1,003,383
Total long-term debt	$ 7,735,581	$ 9,737,007

3. Long-Term Debt (con't)

(1) In February 1998, the Company borrowed $7,500,000 from a telecommunications company. In connection with this transaction, the lender was granted warrants to purchase 500,000 shares of the Company's common stock at a price of $3.03 per share. The warrants expire on February 23, 2001. The value assigned to such warrants when granted in connection with the above note agreement was $463,350 and was initially recorded as a discount to long-term debt and is being amortized over the term of the note through interest expense. At March 31, 1998, these warrants have not been exercised.

(2) The Company borrowed $6,000,000 from a financial institution in June 1996 pursuant to a one-year term note. In November 1996, the Company obtained a $4,000,000 multiple draw down term loan from the same institution, with both loans maturing in June 1997. In connection with these borrowings, the Company issued warrants to purchase shares of the Company's common stock to the lender.

In June 1997, the Company obtained an extension of the $6,000,000 term loan and the $4,000,000 multiple draw loan until April 1998 in exchange for the payment of certain fees, an adjustment of the exercise price of certain of the existing warrants, the cancellation of certain warrants and the issuance of additional penalty warrants exercisable if the loans were not paid by specific dates. As a result of non-payment of the loans at September 30, 1997 and December 31, 1997, 125,000 and 15,000 of the penalty warrants, respectively, became exercisable. The loans were repaid in February 1998.

As of March 31, 1998, total warrants outstanding in connection with these loan agreements consisted of both warrants and penalty warrants exercisable by the lender. The lender holds ten-year warrants and ten-year penalty warrants to purchase 166,667 and 140,000 shares, respectively. The warrants are exercisable at a price of $6.61 per share. Penalty warrants equal to 125,000 of the total 140,000 are exercisable at the lesser of $6.61 per share or 120% of the average quoted price of the Company's stock for five trading days before exercise. The remaining 15,000 penalty warrants became exercisable on January 1, 1998 at $0.01 per share. The value assigned to these warrants, ($344,038), was recorded to interest expense and additional paid-in capital in the fourth quarter of fiscal 1998. As of March 31, 1998, none of these warrants have been exercised.

(3) In connection with this transaction, the Company issued options to purchase 50,000 shares of the Company's common stock to the stockholder at a price of $12.13 per share. These options expire June 27, 1999. The term note, as originally issued, had a due date of December 27, 1997. During April 1997, the Company re-negotiated the note extending the term to December 27, 1998, adjusting the exercise price of the options to $6.00 per share and extending the term of the options to April 24, 2000. The incremental value assigned to these revised warrants ($108,800) was recorded to interest expense and additional paid-in capital in the fourth quarter of fiscal 1998. As of March 31, 1998, such options have not been exercised.

3. Long-Term Debt (con't)

Future maturities of long-term debt and future minimum lease payments under capital lease obligations at March 31, 1998 are as follows:

Year ending March 31,	Long-Term Debt	Capital Leases	Total
1999	$ 5,986	$ 287,243	$ 293,229
2000	7,507,049	205,992	7,713,041
2001	7,634	184,315	191,949
2002	8,268	30,403	38,671
2003	8,954	-	8,954
Thereafter	272,109	-	272,109
Total payments	7,810,000	707,953	8,517,953
Less amounts representing interest	-	100,744	100,744
Principal payments	7,810,000	607,209	8,417,209
Less:			
Current maturities	5,986	238,034	244,020
Unamortized debt discount	437,608	-	437,608
Total Long-Term Debt	$ 7,366,406	$ 369,175	$ 7,735,581

4. Earnings (Loss) Per Share

In February 1997, SFAS No. 128, "Earnings per Share," was issued, which required the Company to change the method used to calculate earnings per share. Under SFAS No. 128, basic earnings per share is calculated as income available to common stockholders divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated as net income divided by the diluted weighted average number of common shares. The diluted weighted average number of common shares is calculated using the treasury stock method for common stock issuable pursuant to outstanding stock options and common stock warrants. Common stock options and warrants of 203,782 were not included in diluted earning (loss) per share in 1998 as the effect was antidilutive due to the Company recording a loss for the year.

Options and warrants to purchase 2,049,315 shares of common stock at exercise prices from $3.00 to $6.94 per share were outstanding at March 31, 1998 but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares. Options and warrants to purchase 821,087 shares of common stock at exercise prices from $5.75 to $14.88 per share were outstanding at March 31, 1997 but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares. Options and warrants to purchase 562,029 shares of common stock at exercise prices from $6.00 to $11.98 per share were outstanding at March 31, 1996 but were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market price of the common shares. The following is provided to reconcile the earnings per share calculations:

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4. Earnings (Loss) Per Share (con't)

	Year ended March 31,		
	1998	1997	1996
Basic earnings (loss) per share:			
Numerator			
Net earnings (loss)	$(13,289,910)	$ 773,952	$ 2,852,852
Denominator			
Weighted average shares outstanding	17,082,495	15,861,240	15,791,965
Per share amounts			
Basic earnings (loss)	$ (0.78)	$ 0.05	$ 0.18
Diluted earnings (loss) per share:			
Numerator			
Net earnings (loss)	$(13,289,910)	$ 773,952	$ 2,852,852
Denominator			
Weighted average shares outstanding	17,082,495	15,861,240	15,791,965
Effect of dilutive securities			
Options and warrants	-	297,390	16,925
Weighted average common shares and assumed conversions outstanding	17,082,495	16,158,630	15,808,890
Per share amounts			
Diluted earnings (loss)	$ (0.78)	$ 0.05	$ 0.18

5. Proxy Related Litigation and Settlement Costs

The Company, its former auditors, certain of its present and former directors and others were defendants in a consolidated securities class action which alleged that certain public filings and reports made by the Company, including its Forms 10-K for the 1991, 1992, 1993 and 1994 fiscal years (i) did not present fairly the financial condition of the Company and its earnings; and (ii) failed to disclose the role of a consultant to the Company.

The Company and its auditors vigorously opposed the action, however, the Company decided it was in the stockholders' best interest to curtail costly legal proceedings and settle the case.

The Company is required under the Stipulation of Settlement dated April 2, 1998 to issue 350,000 shares of its common stock into a Settlement Fund that will be distributed among the Class. The Company has also agreed to pay up to $50,000 for reasonable expenses incurred in connection with providing notice to the Class and administration of the settlement. The settlement is expected to be finalized by calendar year end. Settlement becomes effective only upon entry of a final judgment by the Court and upon entry of final judgments in two related Delaware Actions, and upon the expiration of the time to appeal or upon exhaustion of appellate review in this action, were any appeal to be taken.

As a result of the above action and related matters, the Company recorded $3,900,791 and $528,421 in costs and expenses during the years ended March 31, 1998 and March 31, 1997. Included in the fiscal 1998 amount is a charge of $3,500,000 which was recorded in the fourth quarter and represents the value assigned to the 350,000 shares of common stock referred to above, which have been valued at $10.00 per share pursuant to the terms of the settlement agreement. Such value relates to the Company's obligation to issue additional stock if the market price of the Company's stock is less than $10.00 per share during the defined periods. The Company has no obligation to issue additional stock if its share price is above $10.00 per share for fifteen consecutive days during the two year period after all shares have been distributed to the Class.

6. Related Party Transactions

The Company has transactions with stockholders primarily in the ordinary course of business as customers or vendors. Such transactions are not significant to the operations of the Company and as of March 31, 1998 and 1997, $0 and $175,114, respectively, was due from such stockholders.

7. Stockholders' Equity

Common and Preferred Stock

On May 14, 1996, the Board of Directors authorized a stock split, effected in the form of a 10% stock dividend, payable to stockholders of record on August 5, 1996. On June 30, 1995, the Board of Directors authorized a stock split, effected in the form of a 10% stock dividend, payable to stockholders of record on August 10, 1995. All references to common share and per share amounts in the accompanying financial statements have been restated to reflect the effect of these stock dividends. Also on May 14, 1996, the Board of Directors adopted certain resolutions which were approved by the Company's stockholders to increase the number of authorized shares of common stock from 20,000,000 to 100,000,000. The Company's stockholders also approved the authorization of the issuance of a new class of 5,000,000 shares of preferred stock. The preferred stock of the Company

can be issued in series. With respect to each series issued, the Board of Directors of the Company will determine, among other things, the number of shares in the series, voting rights and terms, dividend rates and terms, liquidation preferences and redemption and conversion privileges. There was no preferred stock outstanding at March 31, 1998.

On June 3, 1997, the Board of Directors approved the sale of 1,425,000 shares of the Company's common stock for $7,500,000 to one individual. Proceeds of $3,000,000 from the sale were used to reduce long-term debt. The remainder of the proceeds was used for working capital or invested in obligations through a financial institution.

Employee Stock Option and Appreciation Rights Plan

On December 14, 1995, the Board of Directors adopted the Employee Stock Option and Appreciation Rights Plan (the "Employee Plan"), expiring December 15, 2005, reserving for issuance 1,000,000 shares of the Company's common stock. The Employee Plan was amended and restated in its entirety in fiscal 1998, including an increase in the number of shares available for grant to 1,750,000, an increase of 750,000 shares.

The Employee Plan provides for grants to key employees, advisors or consultants to the Company at the discretion of the Compensation Committee of the Board of Directors, stock options to purchase common stock of the Company. The Employee Plan provides for the grant of both "incentive stock options," as defined in the Internal Revenue Code of 1986, as amended, and nonqualified stock options. Options that are granted under the Employee Plan that are incentive stock options

7. Stockholders' Equity (con't)

may only be granted to employees (including employee-directors) of the Company. Stock options granted under the Employee Plan must have an exercise price equal in value to the fair market value, as defined, of the Company's common stock on the date of grant. Any options granted under the Employee Plan must be exercised within ten years of the date they were granted.

Under the Employee Plan, Stock Appreciation Rights ("SAR's") may also be granted in connection with the granting of an option and may be exercised in lieu of the exercise of the option. A SAR is exercisable at the same time or times that the related option is exercisable. The Company will pay the SAR in shares of common stock equal in value to the excess of the fair market value, at the date of exercise, of a share of common stock over the exercise price of the related option. The exercise of a SAR automatically results in the cancellation of the related option on a share-for-share basis.

During the fiscal years 1998, 1997 and 1996, the Compensation Committee of the Board of Directors granted options to purchase an aggregate of 1,584,629, 439,600 and 612,920, respectively, shares of common stock to its employees under the Employee Plan at exercise prices from $2.32 to $3.12 per share for 1998, $5.75 to $9.00 per share for 1997 and $5.45 to $6.59 per share for 1996. The employees were also granted SAR's in tandem with the options granted to them in connection with grants prior to December 5, 1997.

Directors Stock Option and Appreciation Rights Plan

On December 14, 1995, the Board of Directors adopted the Directors Stock Option and Appreciation Rights Plan (the "Director Plan"), expiring December 14, 2005. There are 870,000 shares of the Company's common stock reserved for issuance under the Director Plan. The Director Plan was amended and restated in its entirety in fiscal year 1998 so that it now closely resembles the Employee Plan. In fiscal 1998, the Director Plan was amended so that grants of options to directors are at the discretion of the Board of Directors or the Compensation Committee. In November 1997, each director (other than members of the Compensation Committee) was granted two options under the Director Plan, each to purchase 10,000 shares of common stock with each option being effective for five years commencing on April 1, 1998 and 1999, respectively, and with each option vesting only upon the achievement of certain corporate economic and financial goals. Prior to the amendments to the Director Plan, each director received an automatic grant of ten year options and a corresponding SAR to purchase 10,000 shares of common stock on the third

7. Stockholders' Equity (con't)

Friday in December in each calendar year.

During the fiscal years 1998, 1997 and 1996, the Compensation Committee of the Board of Directors confirmed the automatic grant of options to purchase 85,000, 60,000 and 66,000, respectively, shares of common stock to its directors pursuant to the Company's Director Plan at exercise prices of $2.63 and $2.69 per share for 1998, $5.75 per share for 1997 and $5.45 per share for 1996 which was equal to the fair market value of the shares on the date of grant. The options are exercisable for a period of ten years so long as the director remains with the Company. The directors were also granted SAR's in tandem with options granted to them for all grants prior to November 10, 1997.

Warrants

In connection with the issuance of debt, the Board of Directors granted warrants to purchase an aggregate of 981,667, 466,667 and 150,000 shares of common stock, respectively, during fiscal years 1998, 1997 and 1996, at exercise prices ranging from $0.01 to $6.61 per share for 1998, $7.88 to $14.88 per share for 1997 and $5.45 for 1996. As a result of the 10% stock split, in 1996, certain warrants were increased from 50,000 to 55,000. During fiscal 1998 and 1997, 466,667 and 100,000, respectively, of the warrants granted above were cancelled as the terms of the related debt were renegotiated. See Note 3 for further discussion of terms. Subsequent to year end, the terms of 55,000 warrants to purchase common stock were revised as discussed in Note 13.

In fiscal 1998 and 1997, the Board of Directors granted warrants to purchase an aggregate of 91,200 and 238,800 shares of common stock, respectively, to non-affiliates at exercise prices of $2.75 per share for 1998 and $6.88 to $6.98 for 1997. The warrants are exercisable for periods ranging from 12 to 18 months.

SFAS No. 123, "Accounting for Stock-Based Compensation" requires the Company to provide pro forma information regarding net income (loss) and net earnings (loss) per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock award by using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: no expected dividend yields for all years; expected volatility of 55%, 65% and 69%; risk-free interest rates of 5.82%, 5.91% and 5.18%; and expected lives of 2 years, 1.5 years and 1.5 years for the Plans and stock awards.

7. Stockholders' Equity (con't)

Under the accounting provisions for SFAS No. 123, the Company's net earnings (loss) and per earnings (loss) share would have been decreased by the pro forma amounts indicated below:

	1998		1997		1996
Net earnings (loss)					
As reported	$ (13,289,910)	$	733,952	$	2,852,852
Pro forma	$ (13,457,713)	$	(801,214)	$	1,080,620
Earnings (loss) per share					
Basic:					
As reported	$ (0.78)	$	0.05	$	0.18
Pro forma	$ (0.79)	$	(0.05)	$	0.07
Diluted:					
As reported	$ (0.78)	$	0.05	$	0.18
Pro forma	$ (0.79)	$	(0.05)	$	0.07

During the initial phase-in period of SFAS No. 123, the effect on pro forma results are not likely to be representative of the effects on pro forma results in future years since the above numbers do not include the effect of options granted prior to December 1995.

7. Stockholders' Equity (con't)

A summary of the status of the Company's stock option plans and outstanding warrants as of March 31, 1998, 1997 and 1996 and changes during the years ending on those dates is presented below:

	1998		1997		1996	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,706,832	$ 6.58	1,000,042	$ 5.55	545,977	$2.05-10.89
Granted	2,710,096	$ 3.47	849,267	$ 7.64	843,920	$ 5.45-6.59
Expired	(986,091)	$ 6.87	(141,644)	$ 5.52	(374,150)	$ 2.05-8.16
Exercised	(18,348)	$ 5.75	(833)	$ 5.26	(15,705)	$ 2.05-5.29
Outstanding, end of year	3,412,489	$ 3.96	1,706,832	$ 6.58	1,000,042	$2.05-10.89
Exercisable, end of year	1,875,860	$ 5.02	1,302,095	$ 6.78	1,000,042	$2.05-10.89
Weighted average fair value of options and warrants granted during the year	$ 1.41		$ 1.85		$ 2.31	

The following table summarizes information about stock options and warrants outstanding at March 31, 1998:

		Outstanding		Exercisable	
	Range of Exercise Prices	Weighted Average Number Outstanding	Weighted Remaining Contractual Life	Weighted Average Number Exercisable	Weighted Remaining Contractual Life
	$ 0.01	15,000	9.75	15,000	9.75
	$ 2.11-3.13	2,167,629	4.35	631,000	3.30
	$ 5.29-5.91	521,163	7.29	521,163	7.29
	$ 6.00-6.94	708,697	5.16	708,697	5.16
Total	$ 0.01-6.94	3,412,489	5.87	1,875,860	5.76

8. Taxes on Income

The Company has undertaken a study to simplify its organizational and tax structure and has identified potential international tax issues. In connection with this study, the Company realized it had potential tax liabilities and recorded an additional tax provision of $1,500,000 in the fourth quarter of 1998 to reserve against liabilities which might arise under the existing structure. The Company's study is continuing and the eventual outcome cannot be predicted with certainty. No tax claims have been asserted against the Company.

Taxes on income for the years ended March 31, consisted of the following:

	1998	1997	1996
Current:			
Federal	$ -	$ 70,000	$ 230,000
Foreign	140,000	166,000	64,000
State	-	12,000	20,000
Other	1,500,000	-	-
Total Current	1,640,000	248,000	314,000
Deferred:			
Federal	(1,830,000)	(584,000)	(315,000)
State	(163,000)	(52,000)	(28,000)
	(1,993,000)	(636,000)	(343,000)
Change in valuation allowance	1,993,000	636,000	343,000
Total	$ 1,640,000	$ 248,000	$ 314,000

8. Taxes on Income (con't.)

As of March 31, the net deferred tax asset recorded and its approximate tax effect consisted of the following:

	1998	1997	1996
Net operating loss carry-forwards	$ 3,496,000	$ 3,036,000	$ 2,085,000
Nondeductible expense accruals	1,295,000	-	314,000
Other	269,000	31,000	32,000
	5,060,000	3,067,000	2,431,000
Valuation allowance	(5,060,000)	(3,067,000)	(2,431,000)
Net deferred tax asset	$ -	$ -	$ -

8. Taxes on Income (con't)

As of March 31, 1998, a valuation allowance equal to the net deferred tax asset recognized has been recorded, as management of the Company has not been able to determine that it is more likely than not that the deferred tax asset will be realized based in part on the foreign operations and availability of the operating loss carryforwards to offset only U.S. tax provisions.

For the years ended March 31, 1998, 1997, and 1996, a reconciliation of the United States Federal statutory rate to the effective rate is shown below:

	1998	1997	1996
Federal tax (benefit), computed at statutory rate	(34.0%)	34.0%	34.0%
State tax (benefit), net of federal tax benefit	(1.0)	1.0	1.0
Effect of foreign operations	19.0	(74.0)	(14.0)
Additional taxes	13.0	-	-
Change in valuation allowance	17.0	62.0	(11.0)
Total	14.0%	23.0%	10.0%

As of March 31, 1998, the Company has net operating loss carryforwards available of approximately $9,450,000 which can offset future years U.S. taxable income. Such carryforwards expire in various years through 2013 and are subject to limitation under the Internal Revenue Code of 1986, as amended.

9. Segment Information

The Company is engaged in one business segment – Telecommunications Services.

The following table presents information about the Company by geographic area:

	Europe	Asia Pacific	North America	Other	Totals
1998					
Revenue	$ 2,907,851	$ 10,880,532	$ 17,205,572	$ 2,128,812	$33,122,767
Operating Income (loss)	$ (513,038)	$ (1,881,140)	$ (2,964,220)	$ (342,026)	$(5,700,424)
Identifiable Assets	$ 4,880,910	$ 7,169,872	$ 9,852,242	$ 997,432	$22,900,456
1997					
Revenue	$ 6,169,378	$ 10,574,659	$13,247,167	$ 4,003,171	$33,994,375
Operating Income (loss)	$ 512,886	$ 1,204,632	$ 882,492	$ (176,446)	$ 2,423,564
Identifiable Assets	$ 6,744,909	$ 4,734,010	$ 11,636,603	$ 564,164	$23,679,686
1996					
Revenue	$ 8,600,644	$ 9,153,873	$ 8,636,057	$ 3,907,654	$ 30,298,228
Operating Income (loss)	$ 1,386,829	$ 1,145,898	$ (68,332)	$ 632,614	$ 3,097,009
Identifiable Assets	$ 5,225,110	$ 3,659,245	$ 6,578,431	$ 1,269,288	$ 16,732,074

9. Segment Information (con't)

For the years ended March 31, revenues from significant customers consisted of the following:

	1998	1997	1996
Customer:			
A	18%	15%	2%
B	14%	9%	8%
C	11%	12%	15%
D	11%	7%	3%

10. Commitments and Contingencies

Employment Agreements

The Company and certain of its subsidiaries have agreements with certain key employees expiring at varying times over the next three years. The Company's remaining aggregate commitment at March 31, 1998 under such agreements is approximately $810,000.

The Company and its subsidiaries are also parties to various other legal actions and various claims arising in the ordinary course of business. Management of the Company believes that the disposition of such other actions and claims will not have a material effect on the financial position, operating results or cash flows of the Company.

Carrier Arrangements

The Company has entered into agreements with certain long-distance carriers in the United States and with telephone utilities in various foreign countries to transmit telephone signals domestically and internationally. The Company is entirely dependent upon the cooperation of the telephone utilities with which it has made arrangements for its operational and certain of its administrative requirements. The Company's arrangements are nonexclusive and take various forms. Although some of these arrangements are embodied in formal contracts, a telephone utility could cease to accommodate the Company's arrangements at any time. The Company does not foresee any threat to existing arrangements with these utilities, however, depending upon the location of the telephone utility, such action could have a material adverse affect on the Company's financial position, operating results or cash flows.

Lease Agreements

The Company leases office space and equipment under various operating leases. As of March 31, 1998, remaining minimum annual rental commitments under noncancelable operating leases are as follows:

10. Commitments and Contingencies (con't)

Year Ended March 31,	Total
1999	$ 609,428
2000	384,861
2001	204,934
2002	39,596
2003	41,000
Thereafter	113,105
	$ 1,392,924

Rent expense for the years ended March 31, 1998, 1997 and 1996 was approximately $616,000, $406,000 and $197,000, respectively.

11. Government Regulations

The telephone calling card industry is highly competitive and subject to extensive government regulations, both in the United States and abroad. Pursuant to the Federal Communications Act, the Federal Communications Commission ("FCC") is required to regulate the telephone communication industry in the United States. Under current FCC policy, telecommunication carriers, including the Company, who resell the domestic services of other carriers and who do not own telecommunication facilities of their own, are considered to be non-dominant and, as a result, are subject to the least rigorous regulation. Telecommunications activities are also subject to government regulations in every country throughout the world. The Company has numerous licenses, agreements, or equipment approvals in foreign countries where operations are conducted. To date, the Company has not been required to comply or been notified that it cannot comply with any material international regulations in order to pursue its existing business activities. There can be no assurances, however, that in the current United States regulatory environment, including the present level of FCC regulations, that the Company will continue to be considered non-dominant and that various foreign governmental authorities will not seek to assert jurisdiction over the Company's rates or other aspects of its calling services. Such changes could have a material adverse affect on the Company's financial condition, operating results or cash flows.

12. Fourth Quarter Adjustments

The Company recorded in the fourth quarter certain adjustments relative to warrants issued in connection with debt, proxy related litigation settlement costs and taxes amounting to an aggregate of $5,479,000 which are discussed in Notes 3, 5 and 8 to the consolidated financial statements.

13. Subsequent Events

On June 17, 1998, the Company, IDX International, Inc., a privately held company located in Northern Virginia ("IDX"), EXTEL Merger Sub No. 1, Inc., a wholly-owned subsidiary of the Company ("Merger Sub"), and the stockholders of IDX (the "Stockholders") entered into an Agreement and Plan of Merger (the "IDX Merger Agreement"), pursuant to which IDX will merge with and into Merger Sub, with Merger Sub being the surviving corporation and thereby becoming a wholly-owned subsidiary of the Company (the "Merger"). The name of the surviving corporation will be IDX International, Inc.

The IDX Merger Agreement provides that all of the shares of common stock, no par value ("IDX Common Stock"), and all of the shares of preferred stock, no par value, of IDX, issued and outstanding immediately prior to the effective time of the Merger (excluding any treasury shares), shall be converted into and exchanged for, in the aggregate, the right to receive (a) 500,000 shares of Series B Convertible Preferred Stock, par value $.0001 per share, convertible into 2,500,000 shares of common stock of the Company at the end of one year ("Company Convertible Preferred Stock"), and warrants to purchase up to 2,500,000 shares of common stock of the Company subject to achieving certain revenue and cash flow objectives and (b) $5,000,000 in cash, decreased based upon the satisfaction of certain indebtedness of IDX and other amounts to be deducted as provided for in the IDX Merger Agreement. The warrants are convertible only to the extent that IDX achieves certain revenue and cash flow goals over the twelve months following closing. The Company has also guaranteed a price of $8.00 per share to recipients of the Company's common stock at the date the preferred stocks and warrants are convertible, subject to IDX's achievement of certain revenue and cash flow objectives.

The Company has also executed letters of intent to acquire, subject to obtaining financing, substantially all of the assets of two other companies. The cash element of the aggregated purchase prices for these potential acquisitions is approximately $3,500,000 and liabilities to be assumed, principally long-term, aggregate $4,650,000. In addition, the Company will issue 375,000 warrants to purchase common stock.

13. Subsequent Events (con't)

In June 1998, the Company borrowed $1.0 million from an existing stockholder. The loan bears interest at 8.875% and is payable in December 1999. Under the terms of the agreement, the stockholder received warrants to purchase 67,000 shares of common stock at a price of $3.03 per share, exercisable for a period of three years. The stockholder also received as consideration for the loan the repricing and extension of a warrant for 55,000 shares which is now exercisable on or before February 29, 2001 at a price of $3.75 per share.

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Executive TeleCard, Ltd.

Schedule II – Valuation and Qualifying Accounts

Allowance for Doubtful Accounts

Description		Balance at Beginning of Period		Charged to Cost and Expenses		Deductions		Balance at End of Period
Year Ended March 31, 1998	$	372,988	$	1,433,939	$	334,730	$	1,472,197
Year Ended March 31, 1997	$	625,864	$	55,122	$	307,998	$	372,988
Year Ended March 31, 1996	$	818,052	$	264,559	$	456,747	$	625,864

ITEM 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Executive TeleCard, Ltd.

Part III

ITEM 10 - Directors and Executive Officers of the Registrant

Set forth below are the names of all Directors and executive officers of the Company, all positions and offices held by each such person, the period during which each person has served as such, and the principal occupations and employment of each such person during the last five years:

Directors and Executive Officers

CHRISTOPHER J. VIZAS, age 48, has been a Director of the Company since October 25, 1997 and the Chairman of the Board of Directors since November 10, 1997. Mr. Vizas served as the Company's acting Chief Executive Officer from November 10, 1997 to December 5, 1997, on which date he became the Company's Chief Executive Officer. Prior to joining the Company, Mr. Vizas was a co-founder of, and since October 1995, has served as Chief Executive Officer of Quo Vadis International, an investment and financial advisory firm. Prior to forming Quo Vadis International, he was Chief Executive Officer of Millennium Capital Development, a merchant banking firm, and of its predecessor Kouri Telecommunications & Technology. From April 1987 to 1992, Mr. Vizas served as Vice Chairman of Orion Network Systems, Inc., a satellite communications company ("Orion"), and served as a Director of Orion from 1982 until 1992. Mr. Vizas has held various positions in the United States government.

EDWARD J. GERRITY, JR., age 74, has been a Director of the Company since its inception. He is a business consultant and President of Ned Gerrity & Associates, a consulting firm, begun in 1985. Mr. Gerrity has also served as Chairman of the Company's Board of Directors. Mr. Gerrity served as an officer of ITT Corp. from 1961 to 1985. While at ITT Corp., he was a member of the Management Policy Committee, Director of Corporate and Government Relations on a worldwide basis and a Director of several ITT Corp. subsidiaries. He retired from ITT Corp. in February 1985. Mr. Gerrity was the President of American National Collection Corp., a New York corporation, from 1993 to 1995 and he was a director of Residual Corporation from 1987 until October 1994. See "Certain Relationships and Related Transactions" below.

ANTHONY BALINGER, age 44, has been a Director of the Company since March 15, 1995. He served as the Company's President from April 25, 1995 to November 10, 1997 and also served as the Company's Chief Executive Officer from January 3, 1997 to November 10, 1997. On November 10, 1997, he was appointed Senior Vice President and Vice Chairman of the Company. Mr. Balinger has held a variety of positions at the Company since his arrival in September 1993, including Chief Operating Officer and Director of the Company's Asia-Pacific Operations. Mr. Balinger started his career in 1971 with British Telecom as a digital systems design engineer. In 1983, he joined the Cable & Wireless Federation, an

international alliance of companies that provide telephone, cable and wireless operations in over 50 countries, where he performed much of the early design work for the Mercury Communications Optical Fiber National Digital Network. In 1989, Mr. Balinger moved to New York where he headed the Banking and Finance division for Cable & Wireless Americas, Inc. from 1989 to 1992. In 1992, while still at Cable & Wireless, Mr. Balinger was appointed International Product Manager for Optus Communications, where he remained until he joined the Company. Mr. Balinger is a Director and 45% stockholder of Executive Card Services HK Ltd. which provides printing services to an affiliate of the Company in Hong Kong. See "Certain Relationships and Related Transactions" below.

DAVID W. WARNES, age 51, has been a Director since June 30, 1995. He currently holds the positions of President and Chief Executive Officer of Vitacom, which provides satellite communications in the Far East and Latin America, a company he joined in October 1995 as Chief Operating Officer. From August 1994 until October 1995 he was Assistant Managing Director (Deputy CEO) of Tele2, Sweden, a member of the Cable & Wireless Federation. From 1992 to 1994, Mr. Warnes was Vice President Operations of Tele2, and in that role launched card services for Tele2 with the Company. Mr. Warnes has been in the telecommunications industry since 1962. From 1962 to 1992, he held various management positions at Mercury Communications Ltd., Cable & Wireless and Commonwealth Telecommunications Organization. Mr. Warnes is a Chartered Engineer, is a Fellow of the Institute of Electrical Engineers and has extensive telecommunications engineering experience.

RICHARD A. KRINSLEY, age 67, has been a Director of the Company since June 30, 1995. Mr. Krinsley retired in 1991 as the Executive Vice President and Publisher of Scholastic Inc.; a publicly held company traded on the Nasdaq Stock Market. He is presently, and has been since 1991, a member of Scholastic's Board of Directors. While employed by Scholastic between 1983 and 1991, Mr. Krinsley, among many other duties, served on that company's management committee. From 1961 to 1983, Mr. Krinsley was employed by Random House where he held, among other positions, the post of Executive Vice President. At Random House, Mr. Krinsley also served on that company's executive committee.

JAMES O. HOWARD, age 55, has been a Director of the Company since January 16, 1998. Since 1990, Mr. Howard has served as the Chief Financial Officer and a member of the management committee of Benton International, Inc., a wholly owned subsidiary of Perot Systems Corporation. From 1981 to 1990, Mr. Howard was employed by Benton International, Inc. as a consultant and sector manager. Prior to joining Benton International, Inc., Mr. Howard held a number of legal positions in the federal government, including General Counsel of the National Commission on Electronic Funds Transfer.

MARTIN SAMUELS, age 54, has been a Director of the Company since October 25, 1997. Mr. Samuels is an entrepreneur, strategic business planner and professional investor with over twenty years of experience. Mr. Samuels' current project is Y2K Strategies Corp. ("YSC"), a liaison company that Mr. Samuels co-founded in 1997. Mr. Samuels is a principal, director and senior vice president of YSC. Mr. Samuels' responsibilities at YSC include identifying, negotiating with and contracting with the Year 2000 service providers and systems integrators that YSC assists with their marketing, proposal development and ongoing business relationship management. YSC also works with significant public and private sector institutions in identifying, coordinating and fulfilling their Year 2000 remediation requirements.

DONALD H. SLEDGE, age 57, has been a Director of the Company since November 10, 1997. Mr. Sledge has served as vice chairman, President and Chief Executive Officer of TeleHub Communications Corp., a privately held technology development company, since 1996. Mr. Sledge served as President and Chief Operating Officer of West Coast Telecommunications, Inc., a long distance company, from 1994 to 1995. From 1993 to 1994, Mr. Sledge was employed by New T&T, a Hong Kong-based company, as its head of operations. Mr. Sledge was Chairman and Chief Executive Officer of Telecom New Zealand

International from 1991 to 1993 and the Managing Director of Telecom New Zealand International's largest local carrier from 1988 to 1991. Mr. Sledge is currently Chairman of the Board of United Digital Network, a small interexchange carrier that operates primarily in Texas, Oklahoma, Arizona and California. Mr. Sledge is a member of the Board of Advisors of DataProse and serves as a director of AirCell Communications, Inc. He also serves as advisor and board member to several small technology-based start-up companies.

JOHN E. KOONCE, age 56, has been a Director of the Company since March 27, 1998. In April 1998, Mr. Koonce was also engaged to serve as a financial advisor to the Company (see "Compensation of Directors" below). Mr. Koonce served as Chief Financial Officer of Orion from 1990 to 1993. During 1981-89, Mr. Koonce was employed by Biotech Capital Corporation and its successor, Infotechnology, Inc. where he served in the positions of Chief Financial Officer and President. During this time, he also served on the boards of several public and private companies. Prior to 1981, Mr. Koonce worked for the accounting firm Price Waterhouse at various domestic and foreign offices.

ALLEN MANDEL, age 59, was named Senior Vice President in 1991 and a Director of the Company in 1990. He resigned from the Board of Directors on March 29, 1995 and as Senior Vice President on August 18, 1995 in connection with the then ongoing proxy contest. Mr. Mandel was engaged to serve as a consultant to the Company concerning accounting and financial matters on August 18, 1995 and was renamed an officer of the Company on September 27, 1995, when he became Executive Vice President - Finance and Administration and Chief Financial Officer, in which post he served until December 1997. Mr. Mandel currently serves as Senior Vice President, Corporate Affairs of the Company. Mr. Mandel is a Certified Public Accountant. He was an officer of Residual Corporation from 1991 to March 1995. See "Certain Relationships and Related Transactions" below.

COLIN SMITH, age 54, was named Vice President of Legal Affairs and General Counsel of the Company on February 1, 1998. From 1972 to February 1998, Mr. Smith was a professor of law at the New England School of Law. Mr. Smith's areas of legal expertise include business organizations, dispute resolution and practice management. In addition to his teaching, Mr. Smith also ran a private consulting practice that specialized in issues of corporate governance and entrepreneurial ventures.

RONALD A. FRIED, age 38, was named Vice President of Development of the Company on February 20, 1998. Prior to joining the Company, Mr. Fried worked for a subsidiary of Sun Healthcare Group, Inc. (formerly Regency Health Services) as Vice President of Business Development from January 1997 to March 1998. Mr. Fried served as the Director of Development for Vitas Healthcare Corporation from June 1992 to January 1997. From March 1983 to May 1985, Mr. Fried worked as Director of Regulatory Affairs for a subsidiary of Orion, Orion Satellite Corporation.

ANNE HAAS, age 47, was appointed Vice President, Controller and Treasurer of the Company on October 21, 1997. Ms. Haas served as the Vice President of Finance of Centennial Communications Corp., a start-up multi-national two way radio company, during 1996-97. From 1992 to 1996, Ms. Haas served as Controller of Quark, Inc., a multi-national desk top publishing software company. Prior to 1992, Ms. Haas worked for the accounting firm of Price Waterhouse in San Jose, California and Denver, Colorado.

Directors are elected annually and hold office until the next annual meeting of stockholders and until their successors are elected and qualified. Executive Officers serve at the pleasure of the Board or until the next annual meeting of stockholders. There are no family relationships between the Company's Directors and Executive Officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than ten percent of the common stock of the Company, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the exchange on which the common stock is listed for trading. Those persons are required by regulations promulgated under the Exchange Act to furnish the Company with copies of all reports filed pursuant to Section 16(a). Based solely upon its review of the copies of such reports furnished to the Company by its directors and officers during and with respect to the fiscal year 1998, the Company believes that all reports were submitted on a timely basis.

ITEM 11 - Executive Compensation

The following table summarizes the compensation for the three fiscal years ended March 31, 1998, 1997 and 1996 of the Company's Chief Executive Officer and the most highly compensated other executive officers whose total annual salary and bonus exceed $100,000.

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards($)	Securities Underlying Options/SARs (#)
Christopher J. Vizas	1998	$ 62,308	$0	$0	$0	520,000
CEO (1)	1997	0	0	0	0	0
	1996	0	0	0	0	0
Anthony Balinger	1998	$150,000	$0	$0	$0	84,310
Senior Vice President	1997	109,612	8,000	28,500	7,875	50,000
and Vice Chairman (2)	1996	86,673	0	27,000	0	11,000
Allen Mandel	1998	$105,000	$0	$0	$0	87,676
Senior Vice	1997	105,404	0	0	0	40,000
President (3)	1996	101,635	0	0	0	55,000

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(1) Mr. Vizas has served as the Company's Chief Executive Officer since December 5, 1997. From November 10, 1997 to December 5, 1997, Mr. Vizas served as the Company's acting Chief Executive Officer. Mr. Vizas' employment agreement provides for a base salary of $200,000, performance based bonuses of up to 50% of base salary and options to purchase up to 500,000 shares, subject to various performance criteria. See "Employment Agreements and Termination of Employment and Change in Control Arrangements."

(2) Mr. Balinger served as the Company's President from April 1995 until November 10, 1997. Mr. Balinger served as Chief Executive Officer from January 3, 1997 through November 10, 1997. Amounts shown as Other Annual Compensation consist of an annual housing allowance paid to Mr. Balinger while he resided in Hong Kong and while he resides in the United States.

(3) Mr. Mandel has served as the Company's Senior Vice President, Corporate Affairs of the Company since December 31, 1997. Mr. Mandel served as the Company's Executive Vice President – Finance and

Administration and Chief Financial Officer from September 27, 1995 until December 31, 1997. Mr. Mandel's employment agreement provides for a base salary of $105,000.

Option/SAR Grants in Last Fiscal Year

The following table sets forth the information concerning individual grants of stock options and stock appreciation rights ("SARs") during the last fiscal year to each of the named Executive Officers during such period.

Individual Grants

Name	Number of Securities Underlying Options/SARs Granted (#) (1)	Percent of Total Options/SARs Granted to Employees in Fiscal Year (2)	Exercise or Base Price ($/share)	Expiration Date	Potential Realizable Value at Assumable Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Christopher J. Vizas (3)	200,000	12.06%	$2.32	12/05/02	$ 126,408	$281,022
	20,000	1.21%	$2.625	12/05/02	6,541	22,002
	150,000	9.04%	$3.50	12/05/02	0	33,766
	150,000	9.04%	$4.50	12/05/02	0	0
Anthony Balinger	84,310	5.08%	$2.625	11/10/02	61,145	135,114
Allen Mandel	87,676	5.29%	$2.32	12/05/02	55,415	123,194

(1) All of the options and related SARs granted in fiscal 1998 to the named Executive Officers have a five year term.

(2) A total of 1,669,629 options were granted to employees of the Company in fiscal 1998.

(3) On December 5, 1997, in connection with his employment agreement, Mr. Vizas has been granted a total of 500,000 options with a five year term, subject to various performance criteria. See "Employment Agreements and Termination of Employment and Change in Control Arrangements."

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth information concerning each exercise of stock options during the last fiscal year by each of the named Executive Officers during such fiscal year and the fiscal year end value of unexercised options.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End (#) (1)(2)		Value of Unexercised "In-the-Money" Options at Fiscal Year-End ($) (2)	
			Unexercisable	Exercisable	Unexercisable	Exercisable
Christopher J. Vizas	0	0	450,000	70,000	$ 148,950	$ 63,410
Allen Mandel	0	0	87,676	0	$ 87,062	$ 0
Anthony Balinger	0	0	10,000	74,310	$ 6,880	$ 51,125

(1) Represents the aggregate number of stock options held as of March 31, 1998, including those which can and those which cannot be exercised pursuant to the terms and provisions of the Company's current stock option plans.

(2) Values were calculated by multiplying the closing transaction price of the common stock as reported on the Nasdaq National Market on March 31, 1998 of $3.3125 by the respective number of shares of common stock and subtracting the exercise price per share, without any adjustment for any termination or vesting contingencies.

Compensation of Directors

Effective November 10, 1997, and contingent upon the Company experiencing a fiscal quarter of profitability, members of the Board receive a Director's fee of $500 for each regular meeting and committee meeting attended. Directors of the Company are also reimbursed for expenses incurred in connection with attendance at Board meetings.

During the fiscal years ended 1995, 1996 and 1997, under the Company's 1995 Directors Stock Option and Appreciation Rights Plan (as amended, the "Directors Stock Option Plan"), which then provided for automatic annual grants, each Director received an annual grant of ten year options to purchase 10,000 shares at an exercise price equal to the fair market value of the Company's common stock on the date of grant. Commencing with the amendments to the Directors Stock Option Plan which were approved by the Company's stockholders at the 1997 annual meeting held on February 26, 1998, options to Directors may be made at the discretion of the Board of Directors or Compensation Committee and there are no automatic grants.

Effective November 10, 1997, each Director who continued to serve on the Board after subsequent stockholder meetings (other than members of the Compensation Committee) was granted two options under the Directors Stock Option Plan, each to purchase 10,000 shares of common stock with each option being

effective for five years terms commencing on April 1, 1998 and 1999, respectively, with each such option vesting only upon the achievement of certain corporate economic and financial goals to be set by the Board and having an exercise price per share equal to the market price per share at the close of trading on the date they become effective.

On November 10, 1997, each of Messrs. Gerrity, Warnes, Krinsley, Balinger, Sledge and Samuels received an option to purchase 10,000 shares of common stock exercisable at $2.625 per share, the fair market value on the date of the grant. These options vest on October 1, 1998 if the Company achieves a 20% increase in annual gross revenues for the period October 1, 1997 through September 30, 1998 and are for a term of five years. In addition, Mr. Sledge was granted an option on November 10, 1997 to purchase 20,000 shares of common stock at $2.625 per share, the fair market value on the date of the grant, which vested on the grant date and has a term of five years. Also on November 10, 1997, Mr. Balinger was granted new options to purchase 74,310 shares of common stock exercisable at $2.625 per share, the fair market value on the date of the grant, in exchange for the surrender of options previously issued to Mr. Balinger to purchase the same number of shares of common stock. On December 5, 1997, Mr. Samuels was granted an option to purchase 5,000 shares of common stock at $2.625 per share, the fair market value on the date of the grant, which vested on the grant date and has a term of five years.

In connection with his new employment agreement with the Company, on December 5, 1987, Mr. Vizas was granted options to purchase an aggregate of 500,000 shares of common stock that superseded all other option grants that Mr. Vizas received as either an officer or director of the Company. See "Employment Agreements and Termination of Employment and Change in Control Arrangements" below.

Following the February 26, 1998 annual meeting of stockholders, each of the present members of the Board of Directors, except for Messrs. Vizas and Balinger, received options to purchase 10,000 shares of common stock. Such options have a term of five years commencing on April 1, 1998, with each such option vesting only upon the achievement of certain corporate economic and financial goals to be set by the Board and having an exercise price per share equal to $3.19, the market price per share at the close of trading on April 1, 1998.

On April 16, 1998, Mr. Balinger was granted options to purchase an aggregate of 10,000 shares of common stock. Such options have a term of five years and vest in three equal annual installments, beginning in April 16, 1999, at an exercise price per share equal to $3.68, the fair market value on the date of the grant.

Employment Agreements and Termination of Employment and Change in Control Arrangements

Effective December 5, 1997, the Company entered into a three year employment agreement with Christopher J. Vizas, the Chief Executive Officer of the Company. Mr. Vizas' employment agreement provides for a minimum salary of $200,000 per annum, reimbursement of certain expenses, annual bonuses based on financial performance targets to be adopted by the Company and Mr. Vizas, and the grant of options to purchase an aggregate of 500,000 shares of common stock. The options granted to Mr. Vizas pursuant to his employment agreement are comprised of options to purchase 50,000 shares of common stock at an exercise price of $2.32 which vested upon their grant, options to purchase 50,000 shares of common stock at an exercise price of $2.32 which vest on December 5, 1998 (contingent upon Mr. Vizas' continued employment as of such date), options to purchase up to 100,000 shares of common stock at an exercise price of $2.32 which vest on December 5, 1998 (contingent upon Mr. Vizas' continued employment as of such date and the attainment of certain financial performance targets), options to purchase 50,000 shares at an exercise price of $3.50 which vest on December 5, 1999 (contingent upon Mr. Vizas' continued employment as of such date), options to purchase up to 100,000 shares of common stock at an exercise price of $3.50

which vest on December 5, 1999 (contingent upon Mr. Vizas' continued employment as of such date and the attainment of certain financial performance targets), options to purchase 50,000 shares at an exercise price of $4.50 which vest on December 5, 2000 (contingent upon Mr. Vizas' continued employment as of such date), and options to purchase up to 100,000 shares of common stock at an exercise price of $4.50 which vest on December 5, 2000 (contingent upon Mr. Vizas' continued employment as of such date and the attainment of certain financial performance targets). Each of the options has a term of five years.

Mr. Vizas' employment agreement provides that, if the Company terminates Mr. Vizas' employment other than pursuant to a "termination for cause", Mr. Vizas shall continue to receive, for one year commencing on the date of such termination, his full base salary, any bonus that is earned after the termination of employment, and all other benefits and compensation that Mr. Vizas would have been entitled to under his employment agreement in the absence of termination of employment (the "Vizas Severance Amount"). "Termination for cause" is defined as termination by the Company because of personal dishonesty, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses), or material breach of any provision of his employment agreement.

In the event there is an early termination of Mr. Vizas' employment following a "change of control," Mr. Vizas would be entitled to a lump cash payment equal to the Vizas Severance Amount. Additionally, if during the term of Mr. Vizas' employment agreement there is a "change in control" of the Company and in connection with or within two years after such change of control the Company terminates Mr. Vizas' employment other than "termination for cause," all of the options described above will vest in full to the extent and at such time that such options would have vested if Mr. Vizas had remained employed for the remainder of the term of his employment agreement. A "change of control" is deemed to have taken place under Mr. Vizas employment agreement, among other things, if (i) any person becomes the beneficial owner of 20% or more of the total number of voting shares of the Company; (ii) any person becomes the beneficial owner of 10% or more, but less than 20%, of the total number of voting shares of the Company, if the Board of Directors makes a determination that such beneficial ownership constitutes or will constitute control of the Company; or (iii) as the result of any business combination, the persons who were directors of the Company before such transaction shall cease to constitute at least two-thirds of the Board of Directors.

On September 22, 1997, the Company entered into a new three year employment agreement with Anthony Balinger. Pursuant to his new employment agreement, Mr. Balinger served as the Company's President and Chief Executive Officer until November 10, 1997 when he resigned that position and was appointed Senior Vice President and Vice Chairman of the Company. Mr. Balinger's employment agreement provides for a minimum salary of $150,000 per annum, reimbursement of certain expenses, a $1,600 per month housing allowance, and payment for health, dental and disability insurance and various other benefits. Mr. Balinger's employment agreement also provides for payment of one year severance pay paid out over time, relocation to the Philippines, buy-out of his auto lease and a 90 day exercise period for his vested options after termination if the Company terminates Mr. Balinger without "cause." "Cause" is defined as any criminal conviction for an offense by Mr. Balinger involving dishonesty or moral turpitude, any misappropriation of Company funds or property or a willful disregard of any directive of the Company's Board of Directors. This employment agreement superseded a prior employment agreement.

On September 22, 1997, the Company entered into a three year employment agreement with Allen Mandel pursuant to which Mr. Mandel agreed to serve as a Senior Vice President of the Company. Mr. Mandel's employment agreement provides for a minimum salary of $105,000 per annum, reimbursement of certain expenses and payment for health, dental and disability insurance and various other benefits. Mr. Mandel's employment agreement also provides for payment of one year severance pay paid out over time and a 90 day exercise period for his vested options after termination if Mr. Mandel is terminated

without "cause." In addition, if Mr. Mandel is terminated without "cause," his obligation to repay a 1991 loan from the Company in the amount of $25,000 would be forgiven. "Cause" is defined as any criminal conviction for an offense by Mr. Mandel involving dishonesty or moral turpitude, any misappropriation of Company funds or property or a willful disregard of any directive of the Company's Board of Directors. This employment agreement superseded a prior employment agreement.

Compensation Committee Interlocks and Insider Participation

None.

Compensation Committee Report on Executive Compensation

The Compensation Committee is responsible for approving all compensation for senior officers and employees, making recommendations to the Board with respect to the grant of stock options and eligibility requirements, including grants under and the requirements of the Company's stock option plans and may make grants to directors under the Directors Stock Option Plan. The Compensation Committee believes that the actions of each executive officer have the potential to impact the short-term and long-term profitability of the Company and considers the impact of each executive officer's performance in designing and administering the executive compensation program.

During the fiscal year 1998, the Company, under the direction the Company's new Chairman and Chief Executive Officer (retained in December 1997), hired a number of new executive officers. Compensation for new executive officers was negotiated with each officer. The Compensation Committee has obtained two salary surveys, obtained by the Company, regarding the compensation practices of other companies in the communications or related industries and believes that the new executive officers' compensation is consistent with salary surveys. In setting compensation, the Compensation Committee adhered to the following philosophy, objectives and policies:

Philosophy and Objectives. The purpose of the Company's executive compensation program is to: (i) attract, motivate and retain key executives responsible for the success of the Company as a whole; (ii) increase stockholder value; (iii) increase the overall performance of the Company; and (iv) increase the performance of the individual executive.

Executive Compensation Policies. The Compensation Committee's executive compensation policies are designed to provide competitive levels of compensation that integrate compensation with the Company's short-term and long-term performance goals, reward above-average corporate performance, recognize individual initiative and achievements, and assist the Company in attracting and retaining qualified executives. The two salary surveys, indicate that the levels of the executive officers' overall compensation is to be at or below the mid range of salaries of similarly situated senior executives in the communications or related industries. In determining the incentive portions of executive compensation levels, particular factors apart from industry comparables which the Compensation Committee believes are important are growth in revenues, completion of the Company's financing plans, or other major transactions or corporate goals, implementation of the Company's strategic plan and, on a longer term basis, growth in stockholder value measured by stock price.

The Company's executive compensation structure is comprised of base salary, annual cash performance bonuses, long-term compensation in the form of stock option grants, and various benefits, including medical, and other benefits generally available to all employees of the Company.

Base Salary. In establishing appropriate levels of base salary, the Compensation Committee negotiated with its new executives, considering their functions, the significant level of commitment required to move the Company to the next level, the size and growth rate of the Company and other factors. The Compensation Committee has obtained the salary surveys of similar companies in the local area. According to the surveys, executive base salaries for fiscal 1998 generally were in the mid range salary levels of similarly sized companies in similar industries.

During fiscal 1998, the Compensation Committee established the salary level for the Company's new Chairman and Chief Executive Officer, Christopher J. Vizas. See "Employment Agreements" below for applicable detail.

Annual Performance Bonuses. During fiscal 1998, the Compensation Committee placed increased reliance on cash bonuses as a significant portion of compensation for executives. Generally, potential bonuses have ranged up to 50% of a senior executive's annual base salary and are paid on an quarterly or annual basis. The actual amount of a bonus grant is determined based upon performance criteria detailed in written performance goals established based upon discussions between the senior executive and the Company's human resource and/or senior management. Performance criteria include the achievement of financial targets expressed in gross revenues and EBITDA and other criteria based upon the Company's performance and the individual's achievements during the course of the year.

Salary Increases and Bonus Awards: The Compensation Committee expects that future salary increases and bonuses will be based on performance, either by the Company or individual performance by the executive officer.

Stock Options and Stock Appreciation Rights: The Compensation Committee expects that stock options will continue to play an important role in executive officer compensation. The Compensation Committee has decided not to grant any more tandem stock appreciation rights with stock options. The members of the Committee believe that stock options not only encourage performance by the Company's executive officers but they align the interests of the Company's executive officers with the interests of the Company's stockholders. The number of stock options granted to each senior executive officer is determined subjectively, both at the time such executive is hired by the Company and subsequently for performance achievement, based on a number of factors, including the individual's anticipated degree of responsibility, salary level, performance milestones achieved and stock option awards by other similarly sized communications or related companies. Stock option grants by the Compensation Committee generally are under the Company's employee stock option and appreciation rights plan at the prevailing market value and will have value only if the Company's stock price increases. Grants made by the Compensation Committee generally vest in equal annual installments over the five year grant period; executives must be employed by the Company at the time of vesting in order to exercise the options. Option grants to Messrs. Vizas, Mandel and Balinger are discussed above under "Employment Agreements and Termination of Employment and Change in Control Arrangements."

Employment Agreements. In September 1997, the Compensation Committee authorized new employment agreements with Messrs. Mandel and Balinger. In exchange for three year commitments to the Company, the new agreements provide these two officers with varying degrees of specified benefits, including life, disability, health and dental insurance, retirement benefits, post-employment relocation costs and travel expense reimbursements. The agreements with both officers are described above under "Employment Agreements and Termination of Employment and Change in Control Arrangements." The salaries and other cash compensation were based upon the officers' previous employment agreements and negotiations with the officers.

In December 1997, the Compensation Committee authorized an employment agreement with Mr. Vizas in connection with his retention as Chief Executive Officer. The compensation levels reflected in Mr. Vizas' employment agreement were based on negotiations with Mr. Vizas and information on appropriate compensation levels for the position obtained from an executive search firm retained by the Company to help locate a chief executive officer. Mr. Vizas' employment agreement reflects the increased emphasis placed by the Compensation Committee on stock options that are tied to performance as a component of executive officer compensation. Mr. Vizas' employment agreement provides for the grant of options to purchase up to 500,000 shares of common stock, of which 60% are tied to the attainment of certain financial performance targets.

ITEM 12 - Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Management

The following table sets forth the number and percentage of shares of the Company's common stock owned beneficially, as of May 31, 1998, by each Director and executive officer of the Company, and by all Directors and executive officers of the Company as a group. Information as to beneficial ownership is based upon statements furnished to the Company by such persons.

Name and Address of Beneficial Owner	Number of Shares Owned of Record and Beneficially (1)	Percent of Common stock Outstanding (2)
Christopher J. Vizas 2000 Pennsylvania Avenue, N.W. Suite 4800 Washington, D.C. 20006	110,000 (3)	*
Edward J. Gerrity, Jr. 7 Sunset Lane Rye, New York 10580	91,791 (4)	*
Anthony Balinger 450 Tappan Road Norwood, New Jersey 07648	75,310 (5)	*
David W. Warnes 1330 Charleston Road Mountain View, California 94043	21,000 (6)	*
Richard A. Krinsley 201 West Lyon Farm Greenwich, Connecticut 06831	75,182 (7)	*
Martin L. Samuels 3675 Delmont Avenue Oakland, California 94605	62,000 (8)	*

Donald H. Sledge 2033 N. Main Street Suite 340 Walnut Creek, California 94043	20,000 (9)	*
James O. Howard 2601 Airport Drive, Suite 370 Torrance, California 90505	10,000 (10)	*
John E. Koonce 11416 Empire Lane Rockville, Maryland 20852	0 (11)	0%
Allen Mandel 9362 S. Mountain Brush Street Highlands Ranch, Colorado 80126	37,132 (12)	*
Colin Smith 1720 S. Bellaire Street Denver, Colorado 80222	0 (13)	0 %
Ronald A. Fried 1720 S. Bellaire Street Denver, Colorado 80222	0 (14)	0%
Anne Haas 1720 S. Bellaire Street Denver, Colorado 80222	5,000 (15)	*
All Named Executive Officers and Directors as a Group (13 persons)	507,415 (16)	2.93 %

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* Less than 1%

(1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be a "beneficial owner" of a security if he or she has or shares the power to vote or direct the voting of such security or the power to dispose or direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days from May 31, 1998. More than one person may be deemed to be a beneficial owner of the same securities. All persons shown in the table above have sole voting and investment power, except as otherwise indicated. This table includes shares of common stock subject to outstanding options granted pursuant to the Company's option plans.

(2) For the purpose of computing the percentage ownership of each beneficial owner, any securities which were not outstanding but which were subject to options, warrants, rights or conversion privileges held by such beneficial owner exercisable within 60 days were deemed to be outstanding in determining the percentage owned by such person, but were not deemed outstanding in determining the percentage owned by any other person.

(3) Includes options to purchase 70,000 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 460,000 shares of common stock which are not exercisable within such period.

(4) Includes 1,100 shares held by Mr. Gerrity as a trustee and options to purchase 85,691 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 20,000 shares of common stock which are not exercisable within such period.

(5) Includes options to purchase 74,310 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 30,000 shares of common stock which are not exercisable within such period.

(6) Consists solely of options to purchase common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 20,000 shares of common stock which are not exercisable within such period.

(7) Includes options to purchase 21,000 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 20,000 shares of common stock which are not exercisable within such period.

(8) Includes 56,000 shares held by Mr. Samuels as an estate executor and options to purchase 5,000 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 20,000 shares of common stock which are not exercisable within such period.

(9) Consists solely of options to purchase common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 20,000 shares of common stock which are not exercisable within such period.

(10) Consists solely of options to purchase common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 10,000 shares of common stock which are not exercisable within such period.

(11) Does not include options to purchase 75,000 shares of common stock which are not exercisable within 60 days from May 31, 1998.

(12) Includes options to purchase 29,222 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 68,454 shares of common stock which are not exercisable within such period.

(13) Does not include options to purchase 100,000 shares of common stock not exercisable within 60 days from May 31, 1998.

(14) Does not include options to purchase 100,000 shares of common stock not exercisable within 60 days from May 31, 1998.

(15) Consists solely of options to purchase common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 25,000 shares of common stock which are not exercisable within such period.

(16) Includes options to purchase 341,223 shares of common stock exercisable within 60 days from May 31, 1998. Does not include options to purchase 968,454 shares of common stock not exercisable within such period.

Security Ownership of Certain Beneficial Owners

The following table sets forth the number and percentage of shares of the Company's common stock owned beneficially, as of May 31, 1998, by any person who is known to the Company to be the beneficial owner of 5% or more of such common stock. Information as to beneficial ownership is based upon statements furnished to the Company by such persons.

Name and Address of Beneficial Owner	Number of Shares Owned of Record and Beneficially (1)	Percent of Common stock Outstanding (2)
Ronald L. Jensen 5215 N. O'Connor, #300 Irving, Texas 75039	1,425,000	8.2%
Network Data Systems Limited(3) 44 The Fairways II Cranberry Village Colingwood, Ontario L9Y 459	1,351,536	7.8%

(1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be a "beneficial owner" of a security if he or she has or shares the power to vote or direct the voting of such security or the power to dispose or direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days from May 31, 1998. More than one person may be deemed to be a beneficial owner of the same securities. All persons shown in the table above have sole voting and investment power, except as otherwise indicated.

(2) For the purpose of computing the percentage ownership of each beneficial owner, any securities which were not outstanding but which were subject to options, warrants, rights or conversion privileges held by such beneficial owner exercisable within 60 days were deemed to be outstanding in determining the percentage owned by such person, but were not deemed outstanding in determining the percentage owned by any other person.

(3) Includes options to purchase 200,000 shares of common stock. Also includes 308,386 shares of the Company's common stock owned by Residual Corporation ("Residual") (58.0% of 531,700 shares). NDS is the stockholder of record of 58.0% of the outstanding shares of Residual. If all of the 531,700 shares of the Company owned by Residual were included, the number of shares held by NDS would increase to 1,574,850 (9.0%). NDS has disclaimed beneficial ownership of all of the shares owned by Residual in its statement filed with the Company. If none of the shares owned by Residual were included, NDS would beneficially own 1,043,150 shares (6.0%).

ITEM 13 - Certain Relationships and Related Transactions

The Company was formed in 1987 as a wholly owned subsidiary of International 800 Telecom Corp., a publicly traded company, which changed its name to Residual Corporation in February 1994. The Company became a public company in March 1989 by way of a dividend in kind of Residual's common stock.

In January 1989, the Company entered into a ten year agreement with Residual (the "Service Agreement") pursuant to which Residual provided the Company with essentially all personnel, office space and other facilities required by the Company for general and operational administrative purposes, excluding attorneys fees, accounting fees, marketing expenses, advertising and promotion, stockholder relations and certain other items. Salaries of the Company's executive officers in the United States in fiscal 1995 were paid by Fintel Services, Inc. ("Fintel"), which was then a wholly-owned subsidiary of Residual. Pursuant to the Service Agreement, the Company was obligated to pay Residual 10% of its annual gross revenue per year until 1999.

Pursuant to an Agreement for Sale and Purchase of Assets dated as of March 31, 1995 between the Company and Residual (the "Asset Purchase Agreement"), the Company acquired substantially all of the subsidiaries of Residual, including Fintel, and certain intellectual property rights including trademarks and service marks relating to those companies. Because the Asset Purchase Agreement effected a transfer of the Service Agreement to a wholly-owned subsidiary of the Company, the Company, through its subsidiary, became responsible for payment of salaries and bonuses to its Executive Officers. The Asset Purchase Agreement prohibited Residual from competing with the Company for six years and from soliciting the Company's employees for three years. Under the terms of the Asset Purchase Agreement, the Company transferred 697,828 shares of the Company's restricted stock to Residual. In connection with the transaction, the Company, through its acquisition of Service 800, SA, also assumed $12,722,000 in indebtedness due to the Company as of March 31, 1995 incurred by Residual and/or Service 800, SA. The Company received a fairness opinion on the transaction from Griffin Capital Management Corporation.

Allen Mandel, Senior Vice President, and a former Director of the Company, formerly served as a Senior Vice President of Residual. Edward J. Gerrity, Jr., the former Chairman of the Board and a present Director, was a Director of Residual until October 1994.

EXECUTIVE TELECARD, LTD.

PART IV

ITEM 14 - Exhibits, Financial Statements, Schedules and Reports on Form 8-K

a) 1. **The financial statements are included in Part II, Item 8 beginning at Page F-1:**

2. **Financial Statement Schedule**

- Schedule II Valuation and Qualifying Accounts

b) **Reports on Form 8-K:**

A report on Form 8K dated June 24, 1998 under Item 2 was filed with the Commission on June 24, 1998 to report the signing of a definitive agreement to acquire IDX International, Inc.

c) **Exhibits:**

3.1 Restated Certificate of Incorporation as amended July 26, 1996 and August 29, 1996 filed as Exhibit 3.1 to the Company's Form 10-Q for the period ended September 30, 1996 and incorporated herein by reference.

3.2 Amended and Restated Bylaws.

4.1 Rights Agreement dated as of February 18, 1997 between the Company and American Stock Transfer & Trust Company, which includes the form of Certificate of Designations setting forth the terms of the Series A Participating Preference Stock, par value $.001 per share, as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preference Shares as Exhibit C filed as Exhibit 1 to the Company's Registration Statement on Form 8-A (No. 1-10210) and incorporated herein by reference.

4.2 Form of Letter from the Board of Directors of the Company to Stockholders mailed with copies of the Summary of Rights filed as Exhibit 2 to the Company's Registration Statement on Form 8-A (No. 1-10210) and incorporated herein by reference.

10.1 Damiel Elektronik Development Agreement filed as Exhibit 10.6 to the Company's Form S-1 Registration Statement (No. 33-25572) and incorporated herein by reference.

10.2 Agreement between Executive TeleCard S.A. (Switzerland) and Telstra Corporation Limited (Australia) for Enhancement of Telecom Australia Calling Card dated August 3, 1993 filed as Exhibit 10.12 to the Company's Form 10-K for the period ended March 31, 1996 and incorporated herein by reference. This Agreement is subject to a grant of confidential treatment filed separately with the U.S. Securities and Exchange Commission.

10.3 Office Building Lease between Executive TeleCard, S. A. and Provident Life and Accident Insurance Company dated December 15, 1995 for the 1720 South Bellaire, Denver, Colorado offices and First Amendment to the Lease dated April 19, 1996 filed as Exhibit 10.19 to the Company's Form 10-K for the period ended March 31, 1996 and incorporated herein by reference.

10.4 Promissory Note and Stock Option Agreement between the Company and World Wide Export, Ltd. dated February 28, 1996 filed as Exhibit 10.20 to the Company's Form 10-K for the period ended March 31, 1996 and incorporated herein by reference.

10.5 Promissory Note and Stock Option Agreement between the Company and Seymour Gordon dated February 28, 1996 filed as Exhibit 10.21 to the Company's Form 10-K for the period ended March 31, 1996 and incorporated herein by reference.

10.6 Promissory Note and Stock Option Agreement between the Company and Network Data Systems, Limited dated June 27, 1996 filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended June 30, 1996 and incorporated herein by reference.

10.7 Settlement Agreement and Mutual Release dated as of May 28, 1996 between the Company Ltd. and Walter K. Krauth, Jr. filed as Exhibit 10 to the Company's Form 8-K dated May 28, 1996 and incorporated herein by reference.

10.8 Settlement Agreement dated April 2, 1998 between the Company and parties to In re: Executive TeleCard, Ltd. Securities Litigation, Case No. 94 Civ. 7846 (CLB), U.S.D.C., S.D.N.Y.

10.9 1995 Employee Stock Option and Appreciation Rights Plan, as amended and restated.

10.10 1995 Directors Stock Option and Appreciation Rights Plan, as amended and restated.

10.11 Employment Agreement for Christopher J. Vizas dated December 5, 1997 filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997 and incorporated herein by reference.

10.12 Employment Agreement for Colin Smith dated February 1, 1998.

10.13 Employment Agreement for Ronald A. Fried dated February 20, 1998.

10.14 Promissory Note dated February 23, 1998 between the Company and IDT Corporation.

10.15 Warrant to purchase 500,000 shares of common stock of the Company dated February 23, 1998 issued to IDT Corporation.

10.17 Agreement for Telephone Service Through Metromedia ITT Long Distance Travel Card, dated September 10, 1990, between Executive TeleCard S.A. and Communications Services, Inc. d/b/a Metromedia ITT Long Distance.

10.18 Agreement for Telephone Service Through, dated September 5, 1990, between Executive TeleCard S.A. and ATC.

10.19 Contract of Services, dated January 5, 1995, between the Company and Telefonos de Mexico, S.A. de C.V.

10.20 Modification Agreement, dated as of June 17, 1996, by and between the Company and Telefonos de Mexico, S.A. de C.V.

10.21 Agreement for Telephone Service Through LiTel Telecommunications Corp., dated November 1, 1991, between Executive TeleCard S.A. and LiTel Telecommunications Corp.

10.22 Agreement and Plan of Merger, dated June 17, 1998, by and among the Company, IDX International, Inc., EXTL Merger Sub No. 1 and the stockholders of IDX International, Inc., filed as Exhibit 2.1 to the Company's current report on Form 8-K filed with the Commission on June 24, 1998.

21 Subsidiaries of the Registrant

23 Consent of BDO Seidman, LLP

27 Financial Data Schedule

99.1 Section 214 License filed as Exhibit 10.5 to the Company's Form S-1 Registration Statement (No. 33-25572) and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXECUTIVE TELECARD, LTD.

Dated: June 26, 1998 BY: /S/
Anne E. Haas
Vice President, Controller and Treasurer

Pursuant to the requirement of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in capacities and on the dates indicated.

Dated: June 26, 1998 BY: /S/
Christopher J. Vizas
Chairman of the Board of Directors, and Chief Executive Officer (Principal Executive Officer)

Dated: June 26, 1998 BY: /S/
Anne E. Haas
Vice President, Controller and Treasurer
(Principal Accounting Officer)

Dated: June 26, 1998 BY: /S/
Anthony Balinger,
Vice Chairman and Director

Dated: June 26, 1998 BY: /S/
Edward J. Gerrity, Director

Dated: June 26, 1998 BY: /S/
James O. Howard, Director

Dated: June 26, 1998 BY: /S/
John E. Koonce, Director

Dated: June 26, 1998 BY: /S/
Richard A. Krinsley, Director

Dated: June 26, 1998 BY: /S/
Martin L. Samuels, Director

Dated: June 26, 1998 BY: /S/
Donald H. Sledge, Director

Dated: June 26, 1998 BY: /S/
David W. Warnes, Director

DEPOSIT DATE
D038 NOV 25 1998

Lance J.M. Steinhart
Attorney At Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208

November 24, 1998

RECEIVED
NOV 25 11 48 AM '98
ADMINISTRATION
MAIL ROOM

VIA OVERNIGHT DELIVERY

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Bldg.
Tallahassee, Florida 32399-0850

981748-TI

Re: Executive Telecard, Ltd. d/b/a eGlobe

Dear Sir/Madam:

Enclosed please find one original and six (6) copies of Executive Telecard, Ltd. d/b/a eGlobe's Application for Authority to Provide Interexchange Telecommunications Service Within the State of Florida, along with an original and twelve (12) copies of Executive Telecard, Ltd. d/b/a eGlobe's proposed tariff.

Executive Telecard, Ltd. d/b/a eGlobe has sufficient financial capability to provide the requested service in the State of Florida and has sufficient financial capability to maintain the requested service and to meet its lease or ownership obligations. In support of Executive Telecard, Ltd. d/b/a eGlobe's stated financial capability, attached to its application is a copy of the Company's Form 10K for the year ended March 31, 1998. As a switchless reseller, Executive Telecard, Ltd. d/b/a eGlobe does not intend to make a capital investment to provide service in the State of Florida, however, Executive Telecard, Ltd. d/b/a eGlobe intends to fund the provision of service through internally generated cash flow. Executive Telecard, Ltd. d/b/a eGlobe also has the ability to borrow funds, if required, based upon its financial capabilities.

... to the Florida Public

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... warded check:

LANCE J. M. STEINHART
ATTORNEY AT LAW
770-232-9200
6455 EAST JOHNS CROSSING, SUITE 285
DULUTH, GA 30155-1553

2000

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61821

NOV 24 1998

Pay to the Order of FLORIDA PUBLIC SERVICE COMMISSION $ 250.00

TWO HUNDRED FIFTY AND NO/100 Dollars

NationsBank
NationsBank, N.A.
Georgia

For eGlobe

DOCUMENT NUMBER-DATE
13338 NOV 25 98
FPSC-RECORDS/REPORTING