

TC 98-143
ORIGINAL

ANN SAUNDERS
ANNIE GOODWIN CRUMP
VINCENT J. CURTIS, JR.
RICHARD J. ESTEVEZ
PAUL J. FELDMAN
ROBERT N. FELGAR
ERIC FISHER
RICHARD HILDRETH
FRANK R. JAZZO
ANDREW S. KERSTING
EUGENE M. LAMSON, JR.
HARRY C. MARTIN
GEORGE PETRULIAS
LEONARD R. RAISH
JAMES P. RILEY
KATHLEEN VICTORY
HOWARD M. WEISS
*NOT ADMITTED IN VIRGINIA

FLETCHER, HEALD & HILDRETH, P.L.C.

ATTORNEYS AT LAW
11th FLOOR, 1300 NORTH 17th STREET
ARLINGTON, VIRGINIA 22209-3801

(703) 812-0400

TELECOPIER

(703) 812-0486

INTERNET

www.fth-telcomlaw.com

RECEIVED

AUG 12 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

FRANK J. FLETCHER
(1939-1981)
ROBERT L. HEALD
(1934-1982)
PAUL D.F. SPEARMAN
(1936-1982)
FRANK ROBERSON
(1936-1981)
RUSSELL SCHWELL
(1948-1977)
RETIRED
EDWARD F. KENEHAN
CONSULTANT FOR INTERNATIONAL AND
INTERGOVERNMENTAL AFFAIRS
SHELDON J. KRYS
C. S. HARRIS (DEP.)
OF COUNSEL
EDWARD A. CANEY
MITCHELL LAZARUS
EDWARD S. O'NEILL
JOHN JOSEPH SMITH

WRITER'S DIRECT

(703) 812-0511

estevez@fth-telcomlaw.com

August 12, 1998

BY FEDERAL EXPRESS

Attn: William Bullard, Jr.
Executive Director
500 E. Capitol Ave.
Pierre, South Dakota 57501

RE: RSL COM PrimeCall, Inc.
Application to Provide Resold Interexchange Telecommunications
Services (**Prepaid Calling Card Service**)

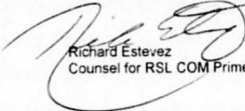
Dear Mr. Bullard:

On behalf of RSL COM PrimeCall, Inc. ("RSL"), please find enclosed for filing an original and ten (10) copies of RSL's application to allow RSL to provide resold interexchange telecommunications services in the state of South Dakota. Also, please find enclosed a check in the amount of \$250.00 for the required filing fee.

A courtesy copy of the filing and a self-addressed, stamped envelope are enclosed herewith. Please date-stamp the courtesy copy when received and return it by mail to this office in the self-addressed, stamped envelope.

Should you have any questions concerning this application, please contact the undersigned attorney.

Sincerely,
FLETCHER, HEALD & HILDRETH, PLC


Richard Estevez
Counsel for RSL COM PrimeCall, Inc.

Enclosures

TC 98-143

RECEIVED

BEFORE THE
PUBLIC UTILITIES COMMISSION OF SOUTH DAKOTA

AUG 12 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Application for)
a Certificate of Authority to Allow)
RSL COM PrimeCall, Inc.)
to Provide Resold Interexchange)
Telecommunications Services)

APPLICATION

RSL COM PrimeCall, Inc. ("PrimeCall" or "Applicant") hereby submits its Application for a Certificate of Authority to the Public Utilities Commission of South Dakota to allow the resale of intrastate interexchange telecommunications service throughout the State of South Dakota. This filing is made pursuant to the Telecommunications Service Rules and Regulations of South Dakota.

1. The name and principal address of the Applicant are:

RSL COM PrimeCall, Inc.
430 Park Avenue
5th Floor
New York, New York 10022
TEL: (212) 588-3668

2. PrimeCall, formerly named Intelco, Global Information Services, Ltd., is incorporated in the State of Delaware and is authorized to transact business in South Dakota. A copy of the certificate to do business in South Dakota may be found as Exhibit I, along with a copy of the company's Articles of Incorporation. PrimeCall is a subsidiary of RSL COM U.S.A., Inc. ("RSL USA"), a telecommunications carrier authorized to provide resold telecommunications services in 49 states, including South Dakota. RSL USA is a subsidiary of RSL Communications, Ltd. ("RSL Ltd."), a publically traded (NASDAQ) corporation.

3. The name and address of PrimeCall's contact person with regards to PrimeCall's on-going operations is:

David A. Parries
RSL COM PrimeCall, Inc.
430 Park Avenue, 5th Floor
New York, New York 10005
TEL: (212) 588-3668

4. Correspondence or communications regarding this application and related regulatory matters should be addressed to PrimeCall's Legal Counsel:

Eric Fishman, Esq.
Fletcher, Heald & Hildreth, PLC
1300 North 17th Street
11th Floor
Arlington, VA 22209
Phone: 703-812-0400
FAX: 703-812-0486

5. The following is a description of the services PrimeCall plans to provide and the means by which they intend to provide them:

RSL COM PrimeCall, Inc. proposes to resell intrastate interexchange telecommunications services. PrimeCall utilizes MCI, Sprint, LCI and other facilities-based interexchange carriers as its underlying carrier to provide transmission and switching services to its customers. PrimeCall proposes to offer services to both business and residential users, throughout the State of South Dakota.

Prepaid Card Service

Prepaid Card Service is a switched service that enables an end-user to place calls charged to prepaid phone cards issued by PrimeCall. The end-user accesses the network by dialing the appropriate PrimeCall 800 number printed on the back of the card. The Prepaid Card is available in 10, 20, 50, 100 and 200 dollar denominations. Each minute of service will cost the same, regardless of intrastate destination or time of day. Prepaid Card Service is available 24 hours a day, 7 days a week. Card availability is limited and shall be handled on a first come, first served basis. Prepaid Card Service can be

accessed through touchtone telephones only. 900 calls cannot be made on the Prepaid Card.

Each time the card is used, the end-user hears a message stating the amount of minutes remaining on the card. Sixty (60) seconds prior to the card being depleted, the user hears a warning announcing the time remaining on the card. If the end user is holding a re-usable card, the user can extend the value of the card increments identified via voice prompt by charging the cost of additional increments on an authorized major credit card. The system will prompt the user through the processes necessary to purchase these additional increments on the phone card. An online credit check will be done to ensure available credit. Each Prepaid Card will expire twelve (12) months following activation of the cards.

PrimeCall may, in the future, construct or lease facilities for switching of intrastate interexchange services offered to subscribers in South Dakota. Any such actions will, however, only be taken after obtaining any necessary additional regulatory approval from the Public Utilities Commission.

6. PrimeCall intends to provide resold long distance telecommunications service originating and terminating throughout the State of South Dakota. Applicant proposes to offer its services to business and residential customers throughout the State.

7. PrimeCall is committed to providing high quality telecommunications services to its customers. PrimeCall is able to take full advantage of the resources, expertise and technical capabilities of its underlying carriers for all physical originating and terminating facilities. The underlying carriers will provide the necessary maintenance and monitoring required for all of PrimeCall's services. Additionally, PrimeCall has well qualified managerial personnel to oversee the overall provision of service to its customers and its equipment. The Company will carefully monitor the service provided by its underlying carrier to ensure that PrimeCall customers continue to receive the best possible service at competitive prices.

8. Since Primecall only intends to offer prepaid calling card service, no monthly bills will be sent to the customers. As explained in Paragraph No. 5 of this application, if the end user is holding a re-usable card, the user can extend the value of the card increments identified via voice prompt by charging the cost of additional increments on an authorized major credit card.

9. Attached as Exhibit II are profiles of Key Personnel demonstrating their technical and managerial qualifications.

10. Attached as Exhibit III is a copy of PrimeCall's proposed telecommunications tariff, setting forth its rates, charges and regulations.

11. Attached as Exhibit IV are financial statements establishing PrimeCall's financial ability to support its proposed operations. The attached financial statements are for RSL Ltd. and its subsidiaries. As noted in Paragraph No. 3 of this application, RSL Ltd. is the parent corporation of RSL USA, the parent corporation of PrimeCall. Since PrimeCall is a subsidiary of RSL Ltd., the attached financial statements more accurately reflect PrimeCall's financial ability to support its proposed operations.

Along with the attached financial statements are excerpts of the recently filed Registration Statement of RSL Ltd. filed with the Securities and Exchange Commission. As these excerpts reflect, RSL Ltd. is a publically traded (NASDAQ) corporation, with consolidated revenues for the year ending December 31, 1997, of \$300.8 million, and cash and cash equivalents of \$144.9 million. In October 1996, the Company completed a private offering which raised \$300 million. More recently, in February 1998, the company consummated current offerings of over \$528.1 million in senior notes in the United States. In March of this year, the Company also consummated an offering of approximately \$99.1 million in Germany.

Also attached herewith is a certification of RSL Ltd.'s Assistant Secretary and Global Controller stating that RSL Ltd. will fully and unconditionally provide its subsidiaries, including PrimeCall, with the necessary resources to continue to support its

subsidiaries' financial requirements and other business opportunities that may arise, and will provide its subsidiaries with all the necessary funding to enable them to pay their debts when they fall due and to finance their operations.

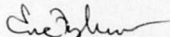
12. Attached as Exhibit V is a list of PrimeCall's officers and directors.

13. PrimeCall is authorized to provide prepaid calling card services in the following states: California, Colorado, Florida, Iowa, Maryland, Massachusetts, Michigan, Montana, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Texas, and Virginia.

WHEREFORE, having shown that it has the financial, managerial and technical resources to provide services in the public interest, RSL COM PrimeCall, Inc. hereby requests Authority to allow it to resell intrastate telecommunications services to the public as proposed herein and set forth in the attached tariff.

Dated this 29 day of July, 1998.

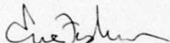
Respectfully submitted,



Eric Fishman, Esq.
Assistant Secretary
RSL COM PrimeCall, Inc.
1300 N. 17th Street, 11th Floor
Arlington, VA 22209
(703) 812-0400

Verification

Eric Fishman, being duly sworn, deposes and says: that he is the Assistant Secretary of RSL COM PrimeCall, Inc.; that he has read the foregoing application and knows the contents thereof, and that the same is true of his own knowledge except as to the matters therein stated upon information and belief, and as to those matters he believes them to be true. On behalf of RSL COM PrimeCall, Inc., Eric Fishman verifies that it will comply with and abide by Commission guidelines and requirements, as currently written, and as modified in the future.



Eric Fishman, Esquire
Assistant Secretary
RSL COM PrimeCall, Inc.

Subscribed and sworn to before me this 29th day of July, 1998.


Notary Public

My commission expires: 3/31/2002

Exhibit I
RSL COM PrimeCall, Inc.

**Certificate to Do Business and
Articles of Incorporation**

State of South Dakota



OFFICE OF THE SECRETARY OF STATE

AMENDED CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Application for an Amended Certificate of Authority of INTELCO, GLOBAL INFORMATION SERVICES, LTD. (DE) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Amended Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of RSL COM PRIMECALL, INC.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this February 19, 1997.



A handwritten signature in cursive script that reads "Joyce Hazeltime".

JOYCE HAZELTINE
Secretary of State

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "RSL COM PRIMECALL, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTEENTH DAY OF NOVEMBER, A.D. 1997.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



Edward J. Freel, Secretary of State

2450877 8300

971391229

AUTHENTICATION:

8760947

DATE:

11-17-97

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "INTELCO, GLOBAL INFORMATION SERVICES, LTD.", CHANGING ITS NAME FROM "INTELCO, GLOBAL INFORMATION SERVICES, LTD." TO "RSL COM PRIMECALL, INC.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF JANUARY, A.D. 1997, AT 2:30 O'CLOCK P.M.



Edward J. Freel

Edward J. Freel, Secretary of State

2450877 8100

971391229

AUTHENTICATION:

DATE: 8760945
11-17-97

1-28-97

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
INTELCO, GLOBAL INFORMATION SERVICES, LTD.

Under Section 242 of the
General Corporation Law

The undersigned officer of Intelco, Global Information Services, Ltd., a Delaware corporation (the "Corporation"), in order to amend the Certificate of Incorporation of the Corporation, pursuant to the provisions of Section 242 of the General Corporation Law of the State of Delaware, does hereby certify as follows:

1. Article 1 of the Certificate of Incorporation of the Corporation is hereby amended and restated to read as follows:

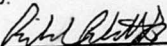
"1. The name of the corporation (hereinafter called the "corporation") is RSL CCM PrimeCall, Inc."

2. The foregoing amendment to the Certificate of Incorporation of the Corporation was duly adopted by unanimous written consent of the Board of Directors of the Corporation dated January 20, 1997, and by unanimous written consent of the stockholders of the Corporation, dated January 20, 1997, in accordance with the provisions of Section 228 of the General

Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this
Amendment to be signed by its President on January 20, 1997.

INTELCO, GLOBAL INFORMATION SERVICES,
LTD.

By 
Name: Richard P. Rebetti, Jr.
Title: President

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "RSL COM PRIMECALL, INC.", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF MAY, A.D. 1997, AT 3 O'CLOCK P.M.



Edward J. Freel, Secretary of State

2450877 8100

971391229

AUTHENTICATION:

DATE:

8760946

11-17-97

RESTATED CERTIFICATE OF INCORPORATION

OF

RSL COM PRIMECALL, INC.

We, the undersigned, being the President and Assistant Secretary of RSL COM PrimeCall, Inc. (formerly INTACS, LTD and Intelco, Global Information Services, Ltd.), a corporation organized and existing under the laws of the State of Delaware, pursuant to the provisions of Sections 242 and 245 of the General Corporation Law of Delaware, do hereby certify as follows:

1. The original name of the Corporation was INTACS, LTD. By a Certificate of Amendment filed October 26, 1995, the name of the corporation was changed to Intelco, Global Information Services, Ltd. By a subsequent Certificate of Amendment filed January 28, 1997, the name of the corporation was changed to RSL COM PrimeCall, Inc.
2. The original Certificate of Incorporation was filed in the office of the Secretary of State of Delaware on November 9, 1994.
3. This Restated Certificate of Incorporation restates and integrates and further amends the provisions of the original Certificate of Incorporation to increase the number of authorized shares of capital stock in the corporation, and to change the par value thereof (Article 4).
4. This Restated Certificate of Incorporation has been approved by a majority of the outstanding shareholders of the corporation in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.
5. The text of the Certificate of Incorporation, as restated and integrated and as further amended hereby, is restated to read as herein set forth in full:

RESTATED CERTIFICATE OF INCORPORATION

OF

RSL COM PRIMECALL, INC.

1. The name of the corporation is RSL COM PrimeCall, Inc.
2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Center.
3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of all classes of stock which the Corporation shall have the authority to issue is Ten Thousand (10,000) shares of common stock, of the par value of One Cent (\$0.01) per share.

5. The board of directors is authorized to make, alter or repeal the by-laws of the corporation. Election of directors need not be by written ballot.

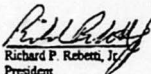
6. The name and mailing address of the incorporator is:

K.A. Widdoes
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

7. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit.

IN WITNESS WHEREOF, the undersigned being the President and Assistant Secretary hereinabove named, do hereby further certify that the facts hereinabove stated are truly set forth and accordingly have hereunto set their hand and seal.

Dated at Rosslyn, Virginia
April 14, 1997


Richard P. Reber, Jr.
President

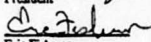

Eric Fishman
Assistant Secretary

Exhibit II
RSL COM PrimeCall, Inc.

Profiles of Key Personnel

PROFILES OF KEY PERSONNEL

RSL COM PRIMECALL, INC.

Ed Thomas

Ed Thomas is the President and Chief Executive Officer of RSL COM PrimeCall, Inc. Ed Thomas has more than 30 years of experience in the telecommunications industry. His most recent position was as Chief Operating Officer of Bell Atlantic Global Networks where he was responsible for building and running a network for both long distance voice service and emerging data services. Previously, he had full profit and loss responsibility for the NYNEX Science and Technology Laboratories, Inc., and also for its large customer data networks business. In addition, he held positions with Bell Communications Research and AT&T. Early in his career, he served in various capacities with Bell Laboratories and New York Telephone. Ed Thomas received his B.S. in Electrical Engineering from Rensselaer Polytechnic Institute in 1964, and his M.S. in Electrical Engineering from Rensselaer in 1965. He earned his M.B.A. from Pace University in 1977.

Arnold Goodstein

Arnold Goodstein serves as Senior Vice President of PrimeCall, where he is responsible for the company's Global key prepaid calling card program. From 1991 through May 1996 Mr. Goodstein was the founder, President and CEO of Public Switch Corporation, an operator services company, and from 1984 through 1991, Mr. Goodstein served as President of Coin Operated Telecommunications, a wholesale distributor of private pay phones in the New York-New Jersey area. Mr. Goodstein holds a Bachelor's degree in Electrical Engineering from Polytechnic Institute of Brooklyn.

Eric Fishman

Eric Fishman serves as Assistant Secretary and General Counsel of RSL COM PrimeCall, Inc., and RSL COM U.S.A., Inc. Mr. Fishman is Special Counsel to the law firm of Fletcher, Heald & Hildreth, P.L.C., where he practices telecommunications and general business law. Mr. Fishman holds a J.D. Degree from Columbia University School of Law, a Ph.D. from Columbia University, and a B.A. Degree from the University of Chicago. He is a member of the New York State and District of Columbia Bars.

Itzhak Fisher

Mr. Fisher is Vice Chairman of RSL COM PrimeCall, Inc., and director, President and Chief Executive Officer of RSL's parent, RSL Communications, Ltd. Prior to his employment at RSL from 1992 to 1994, Mr. Fisher served as General Manager of Calcom, the telecommunications subsidiary of Clal (Israel), Ltd., Israel's largest investment corporation. Prior to joining Calcom, he served as a Special Consultant to the President of Bezeq, Israel's national telecommunications company, from 1993 to 1994.

In 1993, he founded Aurec Goldnet, a company that provided on-line data and electronic mail services in Israel. In 1991, he founded Medic Media, a company engaged in the business of renting telephone and television systems in hospitals throughout Israel. Mr. Fisher holds a Bachelor's in Economics from Tel Aviv University, and a Master's Degree in Computer Science from New York University.

Lawrence Vierra

Lawrence Vierra is Vice President of sales of RSL COM U.S.A., Inc. Prior to his employment at RSL COM U.S.A., Inc., Mr. Vierra served as Vice President, International, at GTE International (1994-1995); Vice President, Marketing and International Services, Codetel (1993-1994); Director, International Services, GTE-Hawaiian Telephone Company (1987-1993); and Vice President, Telecommunications, Charles Schwab & Co. (1978-1983). Mr. Vierra holds a Bachelor's and Master's Degrees in Business Administration from St. Mary's University and Nova Southeastern University, respectively.

Exhibit III
RSL COM PrimeCall, Inc.

Tariff

TITLE SHEET

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by RSL COM PrimeCall, Inc., with principal offices at 430 Park Avenue, Fifth Floor, New York, NY 10022. This tariff applies for services furnished within the state of South Dakota. This tariff is on file with the South Dakota Public Utilities Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

Proposed Service Area

RSL COM PrimeCall proposes to provide InterLATA and IntraLATA service within the geographic borders of the State of South Dakota.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

CHECK SHEET

Sheets 1 through 29 inclusive 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 of this page.

<u>SHEET</u>	<u>REVISION</u>	<u>SHEET</u>	<u>REVISION</u>
Title Page	Original	28	Original
1	Original	29	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		

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

TABLE OF CONTENTS

	<u>Page</u>
Proposed Service Area	1
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 - Service and Rate Descriptions	20
Section 4 - Miscellaneous Services	26
Section 5 - Contracts and Concessions	27
Section 6 - Promotions	28
Section 7 - Price List	29

Issued:Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

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

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

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 sheets 14 and 15 would be 14.1.
- B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 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 pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk. There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the Commission.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Account Card - A card issued by the Company which provides the Customer or Authorized User with an Account Code and instructions for accessing the Carrier's network.

Account Code or Authorization Code - A pre-defined series of numbers to be dialed by the Customer or Authorized User upon access to the Carrier's network which identifies the Customer Account from which charges for service shall be depleted and which validates the caller's authorization to use the services provided.

Authorized User - A person, firm, partnership, corporation or other entity who is authorized by the Customer to be connected to and utilize the Carrier's services under the terms and regulations of this tariff.

Available Account Balance - The amount of Rights of Usage remaining on a Customer Account at any particular point in time. Each Customer Account has an Initial Account Balance which is stated in either U.S. dollars or Minutes of Use, depending on the type of service provided. The Available Account Balance is reduced by the appropriate dollar amount or minutes of use, respectively, based on the actual usage of the Company's service.

Carrier - Used throughout this tariff to refer to RSL COM PrimeCall, Inc. unless otherwise clearly indicated by the context.

Commission - South Dakota Public Utilities Commission.

Company - Used throughout this tariff to refer to RSL COM PrimeCall, Inc. unless otherwise clearly indicated by the context.

Customer - Any person, firm, partnership, corporation, or other entity which uses telecommunications services under the provisions and regulations of this tariff and is responsible for payment of charges.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, *continued*

Customer Account - An account which is not associated with a Local Exchange Carrier switched access business or residential line. Customer Accounts consist of balances for the Rights of Usage on RSL COM PrimeCall, Inc.'s network which are depleted on a real time basis for actual usage of the Company's services.

Initial Account Balance - The Available Account Balance for Rights of Usage on a Customer Account upon issuance and before any call activity. The Initial Account Balance is expressed in either U.S. Dollars or Minutes of Use.

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

Minutes of Use - A method for measuring usage of the Company's service. Certain Customer Accounts offered by the Company may express the Available Account Balance in Minutes of Use rather than U.S. dollars. Minutes of Use are depleted from a Customer Account on a per-call, real time basis.

Renewal - A method of replenishing the Available Account Balance with additional quantities of Rights of Usage as authorized and paid for by the Customer. Renewal of Available Balances may be limited by amount or class of service.

Rights of Usage or Rights - The intangible value received by the Customer through the purchase of a Customer Account, which entitles the Customer to readily-available usage on the Company's network at the tariffed rates as modified from time to time. Rights of Usage are expressed in either U.S. dollars or Minutes of Use, and may expire at a specified time regardless of actual usage. Rights of Usage are depleted from the Available Account Balance upon actual Customer usage of the Company's network.

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

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of the Carrier

RSL COM PrimeCall, Inc.'s services and facilities are furnished for communications between points within the contiguous United States, Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands, including within the State of South Dakota, under terms of this tariff. RSL COM PrimeCall, Inc. installs, operates, and maintains the communications services provided herein under in accordance with the terms and conditions set forth under this tariff.

2.2 Interconnection

Service furnished by RSL COM PrimeCall, Inc. may be connected with the services or facilities of other carriers. The customer is responsible for all customer-initiated charges billed by other carriers for use in connection with RSL COM PrimeCall, Inc.'s service. Any special interface equipment or facilities necessary to achieve compatibility between carriers is the responsibility of the customer. The Customer has no right to control any aspect of the RSL COM PrimeCall, Inc. network.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, *continued***2.3 Limitations**

- 2.3.1 Service is offered subject to the availability of the necessary facilities and equipment, and is subject to the provisions of this tariff.
- 2.3.2 Unless otherwise stated herein, the Company reserves the right to discontinue or limit service when necessitated by conditions beyond its control, or when the Customer is using service in violation of provisions of this tariff or the law.
- 2.3.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.
- 2.3.4 Unless otherwise stated herein, the Company reserves the right to discontinue the offering of service if a change in regulation materially and negatively impacts the financial viability of the service in the best business judgment of the Company.
- 2.3.5 All services and resold facilities provided under this tariff are directly or indirectly controlled by the Company and the Customer may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.3.6 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, continued**2.3 Limitations, continued**

- 2.3.7** Service may be discontinued by the Company, without notice to the Customer, 1) by blocking traffic to or from certain countries, cities, NXX exchanges, or individual telephone stations or 2) by blocking calls using certain authorization codes, when the Company deems it necessary to take such action to prevent unlawful use of, or nonpayment for, its services, in accordance with the terms of this tariff. The Company will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected and return of all documented or printed Account Codes, assign new authorization codes to replace those codes which have been deactivated.
- 2.3.8** With respect to the Pre-paid calling card service, unless otherwise specified, all cards will expire 1 year from the date of activation. By calling the Company, the Customer may reactivate his/her calling card within 1 year of the expiration date. All reactivated cards will expire 1 year from the date of reactivation. Expired reactivated cards may be reactivated again for a period of 1 year after the expiration date of the reactivated card.

2.4 Use of Service

- 2.4.1** Services provided under this tariff may be used by the Customer for any lawful telecommunications purpose for which the service is technically suited.
- 2.4.2** The Customer is granted no rights whatsoever in the trade names or insignia of the Company or in the permitted Sponsor's Marks secured and/or used by the Company.
- 2.4.3** Account Codes or Authorization Codes remain the property of the Company regardless of Customer usage.

Issued:Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, *continued***2.5 Liability**

- 2.5.1** RSL COM PrimeCall, Inc.'s liability, and that of its Sponsors, for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission which occur in the course of furnishing service or facilities, in no event shall exceed an amount equivalent to the proportionate charge for the calls during which the faults in transmission occur.
- 2.5.2** The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer against any claim or loss, expense, or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data, information, or other content revealed to, transmitted, or used by the Company under this tariff; or for any act or omission of the Customer; or for any personal injury or death of any person caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use or removal of equipment or wiring provided by the Company, if not directly caused by negligence of the Company.
- 2.5.3** The Company shall not be liable for claim or loss, expense or damage (including indirect, special or consequential damage), for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by an act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.

Issued:Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, *continued*

2.5 Liability, *continued*

- 2.5.4 The Company shall not be liable for any claim, loss, or refund as a result of loss or theft of Account Cards or Account Codes issued for use with the Company's services.
- 2.5.5 The Company shall not be liable for any claim, loss or refund on any unused portion of the Available Account Balance remaining in a Customer Account before or after any assigned expiration date for each Customer's Rights of Usage.
- 2.5.6 The Company shall not be liable for any claim, loss, or refund of Available Account Balances associated with Account Cards issued through its Sponsor Program if the Sponsor is in breach of contract with the Company.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, continued

2.6 Application for Service

The transaction by which the Customer acquires an Account Card and Account Code serves as the Customer's application for service. No access lines are pre-subscribed and no monthly invoices are rendered.

2.7 Notices

Notice from the Customer to the Company may be given by the Customer, or any authorized representative of the Customer, either verbally or in written form mailed to the Company's business office as described in Section 2.15 - Inquiries and Disputes.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, continued**2.8 Payment for Service**

- 2.8.1** The Customer is responsible for payment of all charges for services and equipment furnished to the Customer or to an Authorized User of the Customer by the Company. The Customer shall be responsible for all calls placed via their Customer Account as the result of the Customer's intentional or negligent disclosure of their Account Code.
- 2.8.2** All charges due by the Customer are payable upon receipt to the Company or to any agency authorized to receive such payments.
- 2.8.3** Payment shall be according to the terms and conditions of RSL COM PrimeCall, Inc. or its billing agent. Initial purchase or renewal of Customer Account Rights of Usage made by charges to commercial credit cards are subject to the terms and conditions of the issuing commercial credit card company and those of RSL COM PrimeCall, Inc.'s credit card processing agent.
- 2.8.4** Adjustments to Customer bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate. Any objection to billed charges or the Available Usage Balance in a Customer's Account should be promptly reported to the Company. Adjustments to Customer's bills or Available Account Balance shall be made to the extent circumstances exist which reasonably indicate that such changes are appropriate.
- 2.8.5** In the event that the Company incurs fees or expenses, collecting, or attempting to collect, any charges owed to the Company, the Company may charge the Customer or Sponsor all such fees and expenses reasonably incurred (except attorney's fees).

Issued:Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, *continued*

2.9 Taxes, Surcharges and Utility Fees

All federal, state and local taxes, including but not limited to federal excise tax, state gross receipts taxes, sales taxes, and municipal utilities taxes shall be added pro-rata, insofar as practical, to the rates and charges stated in the Company's rate schedules.

2.10 Deposits and Advance Payments

The Company does not require deposits or advance payments from its Customers. Payment received from Customers for the purchase of Account Cards or renewal of Customer Accounts is accepted for certain Rights of Usage on the Company's network by the Customer, at a specified rate for a specified duration. These payments are not a deposit or advance payment, as service is available for immediate consumption by the Customer or Authorized User.

2.11 Late Payment Fees

The Company may assess late payment fees as allowed by law within this jurisdiction.

2.12 Returned Check Charge

A fee of \$25.00 will be charged for each check made payable to the Company and returned for insufficient funds.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS, *continued***2.13 Refusal or Discontinuance by Company**

RSL COM PrimeCall may refuse or discontinue service under the following conditions and in accordance with this tariff and P.S.C. rules, if any. Unless otherwise stated, the Customer will be given 30 day's written notice and allowed a reasonable time to comply with any rule or remedy any deficiency.

- (a) For non-compliance with and/or violation of any State or municipal law, ordinance or regulation pertaining to telephone service.
- (b) For the use of telephone service for any other property or purpose other than that described in the application.
- (c) For failure or refusal to provide the Company with a deposit, when requested, to insure payment of bills in accordance with the Company's regulations or failure to meet the Company's credit requirements.
- (d) For neglect or refusal to provide reasonable access to Company for the purpose of inspection and maintenance of Company-owned Equipment.
- (e) For non-compliance with and/or violation of the P.S.C.'s regulations or the Company's rules and regulations on file with the P.S.C., provided 30 days' written notice is given before termination.
- (f) For non-payment of bills for telephone service. Suspension or termination of service shall not be made without five (5) working days' written notice to the Customer, or otherwise, in compliance with P.S.C. rules.
- (g) Without notice in the event of Customer use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others.
- (h) Without notice in the event of tampering with the equipment furnished and owned by the Company.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS *continued*

2.13 Refusal or Discontinuance by Company (Cont.)

- (i) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, the Company may, before restoring service, require the Customer to make, at his own expense, all changes in facilities or equipment necessary to eliminate illegal use.
- (j) For failure of the Customer to make proper application for service.
- (k) When necessary for the Company to comply with any order or request of any governmental authority having jurisdiction.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS *continued***2.14 Interruption of Service**

Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications systems provided by the Customer, are subject to the general liability provisions set forth in Section 2.5 -Liabilities, herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control.

The Company will provide a credit equal to one minute of applicable service for calls that are interrupted or subject to inadequate transmission. Credits will not be issued when an interruption or service deficiency is not reported to the Company or is caused by the failure of power, equipment or systems not provided by the Company.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 2 - RULES AND REGULATIONS *continued***2.15 Inquiries and Disputes**

Customers have the right to refer billing disputes and any other complaints to RSL COM PrimeCall at 430 Park Avenue, Fifth Floor, New York, NY 10022. RSL COM PrimeCall's Customer Service department can be reached by dialing 1-800-899-1503 (toll free). The Customer may also write RSL COM PrimeCall at the following address: Attn: Ms. Alma Perezchica, Consumer Service Department, 5550 Topanga Canyon Boulevard, Suite 250, Woodland Hills, CA 91367.

Should the Customer have a complaint regarding services and/or billing that is not resolved between the Customer and the Company, the Customer can register their complaint with the South Dakota Public Utilities Commission at the following address: Attention: Complaints Department, South Dakota Public Utilities Commission, State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070 (Toll-Free Number: 1-800-332-1782)

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 3 - SERVICE AND RATE DESCRIPTIONS**3.1 General**

Customers may use RSL COM PrimeCall, Inc. service to place direct dialed calls, excluding calls to 700, 800, 900, 950, 10XXX or pay-per call services, between locations within the contiguous United States, Hawaii, Puerto Rico, Alaska and the U.S. Virgin Islands.

Customers or Authorized Users access the RSL COM PrimeCall, Inc. network by dialing an 800 number or other access dialing sequence and entering their Account Code. After entering a destination number, RSL COM PrimeCall, Inc.'s system informs the Customer or Authorized User of the number of minutes of calling time remaining in his/her Available Account Balance based on the destination.

Customers must obtain an Account Card from the Company or authorized agent which assigns each Customer an Account Code and lists instructions for accessing and using Carrier's service. Each Customer Account is established with a specified Initial Account Balance. The Initial Account Balance is depleted on a real time, per call basis at the rates specified in this tariff.

When the Available Account Balance has been fully depleted, the Customer may renew the Customer Account (available on certain services only) or use another Customer Account, provided there is an adequate Rights of Usage balance remaining.

Customers will be given notice one minute before the Available Account Balance is fully depleted, based on the terminating location of the call.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 3 - SERVICE AND RATE DESCRIPTIONS, *continued***3.2 Timing of Calls**

- 3.2.1** Call Timing begins when a network connection is made when dialing the called party on a completed call, and ends when either party disconnects. Call connection time is that amount of time for which RSL COM PrimeCall, Inc. is responsible for access charges.
- 3.2.2** Depletion is based on each minute of use, rounded to the next higher whole minute, and is deducted from the Available Account Balance on a per minute basis. For Customer Accounts whose Rights of Usage are defined in U.S. dollars, use is deducted from the Available Account Balance at the appropriate per minute dollar amount required for a whole minute.
- 3.2.3** The minimum duration for depletion purposes is one minute unless otherwise specified in this tariff. Customer Accounts which have an Available Account Balance insufficient to deplete one minute of usage to the destination of least cost, whether expressed in U.S. dollars or Minutes of Use, is considered to be fully depleted.

Issued:Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 3 - SERVICE AND RATE DESCRIPTIONS *continued*

3.3 Service Option 1

Service Option 1 is designed primarily for distribution through retail outlets and provides Customers with a balance of readily-available, Rights of Usage on the RSL COM PrimeCall, Inc. network.

Customers purchase an Account Card which assigns each Customer an Account Code and lists instructions for accessing and using Carrier's service. Account Cards are available in varying denominations. Customer's Rights of Usage for a given Customer Account may expire one year after issuance of the Account Card or the date specified on the Account Card or package in which the card is enclosed, which ever occurs first.

Usage for calls placed is deducted from the Available Account Balance in the Customer's Account on a real time basis as each call progresses. Depletion of the Available Balance is based on actual minutes of use rounded to the next higher full minute. Option 1 Customer Accounts are nonrenewable.

Refer to the Price List at the end of this tariff for current rates for this Service Option.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 3 - SERVICE AND RATE DESCRIPTIONS *continued***3.4 Service Option 2**

Service Option 2 is designed for high volume Customers and Customer's who purchase service on behalf of Authorized Users within their organization. Option 2 provides Customers with a balance of readily-available and renewable, Rights of Usage on the RSL COM PrimeCall, Inc. network.

Customers establish Customer Accounts for themselves or Authorized Users through the Carrier and are provided Account Cards for each Customer Account. Account Cards provide each Customer or Authorized User with an Account Code and instructions for accessing and using the Carrier's service.

Option 2 Customer Accounts are renewable. Customers may renew or increase the Available Usage Balance within an account by making additional payments to the Company or the Company's authorized agents. Initial payments, number of Accounts established, and renewal method, amount and frequency may vary by joint agreement between the Company and the Customer.

Customer's Rights of Usage for a given Customer Account may expire one year after issuance of the Account Card, the date specified on the Account Card or package in which the card is enclosed, or an period of time following the last renewal of the Account per agreement between the Company and the Customer.

Usage for calls placed is deducted from the Available Account Balance in the Customer's Account on a real time basis as each call progresses. Depletion of the Available Balance is based on actual minutes of use rounded to the next higher full minute.

Refer to the Price List at the end of this tariff for current rates for this Service Option.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 3 - SERVICE AND RATE DESCRIPTIONS *continued*

3.5 Service Option 3

Service Option 3 is designed primarily for distribution through retail outlets and provides Customers with a balance of readily-available, Rights of Usage on the RSL COM PrimeCall, Inc. network.

Customers purchase an Account Card which assigns each Customer an Account Code and lists instructions for accessing and using Carrier's service. Account Cards are available in varying denominations. Customer's Rights of Usage for a given Customer Account may expire six months after issuance of the Account Card or the date specified on the Account Card or package in which the card is enclosed, which ever occurs first.

Usage for calls placed is deducted from the Available Account Balance in the Customer's Account on a real time basis as each call progresses. Depletion of the Available Balance is based on actual minutes of use rounded to the next higher full minute. Option 3 Customer Accounts are nonrenewable.

All calls may be subject to a per call connection charge.

Refer to the Price List at the end of this tariff for current rates for this Service Option.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 3 - SERVICE AND RATE DESCRIPTIONS *continued***3.6 Sponsor Program**

RSL COM PrimeCall, Inc.'s Sponsor Program is offered to organizations or commercial entities for the sale and/or distribution of the Company's Option 1 and Option 2 Account Cards to Sponsor's members or patrons. The Sponsor participates in or controls the distribution channels through which service is obtained by the Customer under the terms of a joint agreement between the Sponsor and the Company.

Sponsors may elect to customize all Account Cards, packaging or related materials with Sponsor-specific images or information. The Sponsor is responsible for obtaining all necessary permissions for the use of any names, logos, pictures, images or other such Marks which may be used with customized Account Cards, packaging or other service-related materials. The Company reserves the right to approve or reject any image and to specify consumer information language and use of the Company's trade marks, trade names, service marks or other images on Account Cards, packaging or related materials.

Initial Account Balance denominations, form of usage measurement (U.S. dollars vs. Minutes of Use), ability to renew, and expiration period are selected by the Sponsor upon joint agreement between the Company and Sponsor.

The Sponsor may distribute Account Cards to its members or patrons at reduced rates or free of charge for promotional purposes.

Issued:

Issued by: David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 4 - MISCELLANEOUS SERVICES

4.1 Personal Identification Number (PIN) Maintenance Fee

The Company may assess a Personal Identification Number (PIN) maintenance fee on selected products as needed

4.2 Surcharge for Payphone Calls

A surcharge is assessed on all calls originating from payphones in order to offset costs that the Company incurs from Local Exchange Carriers and other Payphone Service Providers per FCC mandate

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 5 - CONTRACTS AND CONCESSIONS

5.1 Employee Concessions

The Company may, at its election from time to time, give as a concession to its employees, or to employees of a Sponsor, distributor or agent, a discount from the tarified rates contained herein. The amount of discount will not exceed one-half of the tarified rate.

The actual amount of discount allowed to the employees of Sponsors, distributors or agents will be at the Company's discretion, and agreed upon by the Company and the entity whose employees receive the discount. Discounts will be based on such factors as the number of employees, the geographical locations of the employees, and the estimated total usage of the employees.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 6 - PROMOTIONS

6.1 Comparable Pricing Promotion

RSL COM PrimeCall, Inc. will, at its discretion, match certain standard or promotional offerings of other interexchange carriers or resellers providing similar services in order to acquire new Customers or retain existing Customer accounts. The Customer must demonstrate to the Company's satisfaction that 1) an alternative service offering is valid and currently available from a competing interexchange carrier or reseller and 2) the Customer intends to utilize or continue to utilize the services of the competing interexchange carrier or reseller.

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

SECTION 7- PRICE LIST**7.1 General**

RSL COM PrimeCall, Inc. offers its Service Options at the following rates:

<u>Service Option 1</u>	<u>Rate</u>
Intrastate end-user rate per minute, all calls	\$.39
<u>Service Option 2</u>	
Intrastate end-user rate per minute, all calls	\$.39
<u>Service Option 3</u>	
Intrastate end-user rate per minute, all calls	\$.39
Per call connection charge	\$.50
<u>All Service Options</u>	
Personal Identification Number (PIN) Maintenance Fee, per month per card	\$.39
Surcharge for Payphone Calls (if applicable), per call	\$.49

Issued:

Issued by:

David Parries, Director - Regulatory Affairs
430 Park Avenue, Fifth Floor
New York, NY 10022

Effective:

Exhibit IV
RSL COM PrimeCall, Inc.

Financial Information



RSLCOM
RSL Communications Ltd.

CERTIFICATION

I, Mark Hirschhorn, Assistant Secretary and Global Controller of RSL Communications, Ltd. certify that RSL Communications, Ltd., the parent company of RSL COM U.S.A., Inc. and RSL COM Primecall, Inc. (the "RSL Subsidiaries") will fully and unconditionally provide the RSL Subsidiaries with the necessary resources to continue to support the RSL Subsidiaries' financial requirements and any other business opportunities that may arise. Accordingly, RSL Communications, Ltd. will provide the RSL Subsidiaries with all necessary funding to enable the RSL Subsidiaries to pay their debts when they fall due and finance their operations.

TERESE M. FANTASIA
Notary Public, State of New York
No. 31-5009964
Qualified in New York County
Certificate Filed in New York County
Commission Expires 11/11/99

State of New York)

) ss)

County of Kings)

On the 10th day of June, in the year 1997 before me personally came Mark Hirschhorn to me known, who, being by me duly sworn, did depose and say that he resides in White Plains, New York that he is the Global Controller, Assistant Secretary of RSL Communications, Ltd., the Corporation described in and which executed the above instrument, and that he signed his name thereto by order of the board of directors of said corporation.

Mark J. Hirschhorn
Assistant Secretary and Global Controller

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

RSL COMMUNICATIONS, LTD.

Independent Auditors' Report	F-2
Consolidated Balance Sheets as of December 31, 1996 and December 31, 1997	F-3
Consolidated Statements of Operations for the Years Ended December 31, 1995, December 31, 1996 and December 31, 1997	F-4
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1995, December 31, 1996 and December 31, 1997	F-5
Consolidated Statements of Cashflows for the Years Ended December 31, 1995, December 31, 1996 and December 31, 1997	F-6
Notes to Consolidated Financial Statements	F-7

INTERNATIONAL TELECOMMUNICATIONS GROUP LTD. AND SUBSIDIARIES

Independent Auditors' Report	F-26
Consolidated Statement of Operations and Accumulated Deficit for the Nine Months Ended September 30, 1995	F-27
Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 1995	F-28
Notes to Consolidated Financial Statements	F-29

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
RSL Communications, Ltd.

We have audited the accompanying consolidated balance sheets of RSL Communications, Ltd., a Bermuda corporation, and its subsidiaries (together, the "Company"), as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for the three years ended December 31, 1997. Our audits also included the consolidated financial statement schedules listed in the Index at Item 16(b). These consolidated financial statements and the consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the consolidated financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for the three years ended December 31, 1997 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
NEW YORK, NEW YORK
FEBRUARY 18, 1998

RSL COMMUNICATIONS, LTD.
CONSOLIDATED BALANCE SHEETS
(\$ in thousands, except for share data)

ASSETS	December 31, 1996	December 31, 1997
Current Assets:		
Cash and cash equivalents		
Accounts receivable	\$104,068	\$ 144,894
Marketable securities—available for sale	26,479	70,610
Prepaid expenses and other current assets	17,828	13,858
	3,969	16,073
Total current assets	202,344	245,435
Marketable Securities—Held to maturity	104,370	68,836
Property and Equipment:		
Telecommunications equipment	29,925	63,998
Furniture, fixtures and other	5,926	21,583
Less accumulated depreciation	35,851	85,581
Property and equipment—net	(3,513)	(13,604)
Goodwill—and other intangible assets net of accumulated amortization	32,338	71,777
Deposits and Other Assets	87,605	214,983
Total Assets	1,312	4,633
	\$427,969	\$ 605,664
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 49,370	\$ 94,149
Accrued expenses	12,701	49,965
Notes payable	6,538	4,804
Deferred revenue	3,570	5,368
Other liabilities	5,236	8,271
Total current liabilities	77,415	162,357
Other Liabilities—noncurrent	15,286	—
Long-term Debt—less current portion	6,032	—
Senior Notes, 12 1/4% due 2006, net	296,000	296,500
Capital Lease Obligations—less current portion	12,393	20,108
Total Liabilities	407,126	478,965
Commitments and Contingencies		
Shareholders' Equity		
Common stock, Class A—par value \$0.00457; 0 and 10,872,568 issued and outstanding at December 31, 1996 and 1997, respectively	—	49
Common stock, Class B—par value \$0.00457; 10,528,687 and 30,760,726, issued and outstanding at December 31, 1996 and 1997, respectively	48	141
Common stock Class C—par value \$0.00457; no shares issued	—	—
Preferred stock par value \$0.00457; 65,700,000 shares authorized, 9,243,866 and 0 shares issued and outstanding at December 31, 1996 and 1997, respectively	93	—
Warrants—Common Stock, exercise price of \$0.00457	5,544	5,544
Additional paid-in capital	65,064	274,192
Accumulated deficit	(147,740)	(147,939)
Foreign currency translation adjustment	(622)	(5,288)
Deferred financing costs	(1,544)	—
Total shareholders' equity	20,843	126,699
Total Liabilities and Shareholders' Equity	\$427,969	\$ 605,664

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ and shares in thousands, except loss per share)

	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997
Revenues	\$ 18,617	\$ 113,257	\$ 300,796
Cost of services	<u>17,510</u>	<u>98,461</u>	<u>265,321</u>
Gross profit	1,107	14,796	35,475
Selling, general and administrative expenses	9,639	38,893	94,712
Depreciation and amortization	<u>849</u>	<u>6,555</u>	<u>21,819</u>
Loss from operations	(9,381)	(30,752)	(81,056)
Interest income	173	3,976	13,826
Interest expense	(194)	(11,359)	(39,373)
Other income	—	470	6,595
Minority interest	—	(180)	210
Income taxes	—	(395)	(401)
Net loss	<u>\$ (9,402)</u>	<u>\$ (38,240)</u>	<u>\$ (100,199)</u>
Loss per share	\$ (1.67)	\$ (5.13)	\$ (5.27)
Weighted average number of shares of common stock outstanding	5,641	7,448	19,008

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(\$ and shares in thousands)

	Class A Common Stock		Class B Common Stock		Preferred Stock		Common Stock Warrants		Additional Paid-in Capital	Accumulated Deficit	Foreign Currency Translation Adjustment	Deferred Financing Costs	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
BALANCE,													
January 1, 1995	—	\$—	—	\$—	—	\$—	—	\$—	\$—	(98)	\$—	\$—	\$ (98)
Issuance of Preferred Stock	—	—	—	—	9,244	93	—	—	13,261	—	—	—	13,354
Issuance of Common Stock	—	—	6,411	29	—	—	—	—	1,822	—	—	—	1,851
Net loss	—	—	—	—	—	—	—	—	—	(9,402)	—	—	(9,402)
BALANCE,													
December 31, 1995	—	—	6,411	29	9,244	93	—	—	15,083	(9,500)	—	—	5,705
Issuance of warrants in connection with Notes Offering	—	—	—	—	—	—	657	4,000	—	—	—	—	4,000
Issuance of warrants in connection with shareholder standby facility and revolving credit facility	—	—	—	—	—	—	460	1,544	—	—	—	(1,544)	—
Issuance of Common Stock	—	—	4,118	19	—	—	—	—	49,981	—	—	—	50,000
Foreign Currency Translation Adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	(38,240)	(622)	—	(622)
BALANCE,													
December 31, 1996	—	—	10,529	48	9,244	93	1,117	5,544	60,064	(47,740)	(622)	(1,544)	20,843
Issuance of Class A Common Stock	10,873	49	—	—	—	—	—	—	209,128	—	—	—	209,177
Conversion of Preferred Stock In Exchange for Class B Common Stock	—	—	20,232	93	(9,244)	(93)	—	—	—	—	—	—	—
Foreign Currency Translation Adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—
Amortization of deferred financing costs	—	—	—	—	—	—	—	—	—	—	(4,666)	—	(4,666)
Net loss	—	—	—	—	—	—	—	—	—	—	—	1,544	1,544
BALANCE	—	—	—	—	—	—	—	—	—	(100,199)	—	—	(100,199)
December 31, 1997	10,873	\$49	30,761	\$141	—	\$—	1,117	\$5,544	\$274,192	\$(147,939)	\$(5,288)	\$—	\$ 126,699

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in thousands)

	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997
Cash flows provided by (used in) operating activities:			
Net loss	\$ (9,402)	\$ (38,240)	\$ (100,199)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities, net of effects of purchase of subsidiaries:			
Accretion of interest receivable on restricted marketable securities	—	(1,562)	(5,504)
Depreciation and amortization	848	6,655	21,819
Foreign currency transaction (gain)	—	(788)	—
Loss on disposal of fixed assets	—	368	—
Provision for losses on accounts receivable	149	2,830	13,268
Reversal of accrued liabilities	—	—	(7,000)
Changes in assets and liabilities:			
Increase in accounts receivable	(2,453)	(17,034)	(45,069)
Decrease (increase) in deposits and other assets	366	(3,246)	(2,929)
Decrease (increase) in prepaid expenses and other current assets	237	(102)	(13,196)
Increase in accounts payable and accrued expenses	3,511	44,243	56,354
Increase (decrease) in deferred revenue and other current liabilities	1,501	4,279	(2,155)
Increase (decrease) in other liabilities	8,737	(7,052)	(4,841)
Net cash provided by (used in) operating activities	<u>3,554</u>	<u>(10,475)</u>	<u>(91,812)</u>
Cash flows used in investing activities:			
Acquisition of subsidiaries	(15,413)	(36,552)	(77,813)
Purchase of marketable securities	—	(82,523)	—
Proceeds from marketable securities	—	14,701	54,167
Purchase of restricted marketable securities	—	(102,808)	—
Proceeds from restricted marketable securities	—	—	41,038
Purchase of property and equipment	(1,124)	(15,983)	(36,357)
Proceeds from sale of equipment	—	171	144
Net cash used in investing activities	<u>(16,537)</u>	<u>(225,000)</u>	<u>(18,821)</u>
Cash flows provided by financing activities:			
Proceeds from issuance of common and preferred stock and warrants	15,205	50,000	182,160
Underwriting fees and expenses	—	—	(14,618)
Proceeds from notes payable	3,000	—	—
Payment of notes payable	—	(3,000)	(3,348)
Proceeds from issuance of 12 1/4% Senior Notes and warrants	—	300,000	—
Payments of offering costs	—	(10,989)	—
Proceeds from long-term debt	—	44,000	—
Payments of long-term debt	—	(44,598)	(9,402)
Principal payments under capital lease obligations	(62)	(382)	(2,757)
Net cash provided by financing activities	<u>18,143</u>	<u>335,031</u>	<u>152,053</u>
Increase in cash and cash equivalents	5,160	99,556	41,402
Effects of foreign currency exchange rates on cash	—	(651)	(576)
Cash and cash equivalents at beginning of period	3	5,163	104,068
Cash and cash equivalents at end of period	<u>\$ 5,163</u>	<u>\$ 104,068</u>	<u>\$ 144,894</u>
Supplemental disclosure of cash flows information:			
Cash paid for:			
Interest	<u>\$ 31</u>	<u>\$ 1,639</u>	<u>\$ 41,285</u>
Supplemental schedule of noncash investing and financing activities—			
Assets acquired under capital lease obligations	<u>\$ 4,950</u>	<u>\$ 7,897</u>	<u>\$ 13,060</u>
Issuance of notes to acquire stock	<u>\$ —</u>	<u>\$ 9,328</u>	<u>\$ —</u>
Issuance of warrants for shareholder standby facility	<u>\$ —</u>	<u>\$ 1,544</u>	<u>\$ —</u>
Issuance of Class A Common Stock	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41,635</u>
Acquisition cost included in current liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,029</u>

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 1995, 1996 and 1997

1. Business Description

RSL Communications, Ltd. ("RSL"), a Bermuda corporation, is the successor in interest to RSL Communications Inc., a British Virgin Islands corporation, which is the successor in interest to RSL Communications, Inc., a Delaware corporation. RSL, together with its direct and indirect subsidiaries are referred to herein as the "Company." The Company is a multinational telecommunications company which provides an array of international and domestic telephone services. The Company focuses on providing international long distance voice services to small and medium-sized businesses in key markets. The Company currently has revenue producing operations and provides services in the United States, the United Kingdom, France, Belgium, Germany, the Netherlands, Sweden, Finland, Australia, Venezuela, Italy, Switzerland and Denmark. In 1996, approximately 60% of the world's international long distance telecommunications minutes originated in these markets.

2. Acquisitions

1997 Acquisitions-New Operations

Callcom AG fur TeleKommunikation

In December 1997, RSL Europe acquired a 78.5% interest in Callcom AG fur TeleKommunikation ("RSL Switzerland"). The Company invested approximately \$2.1 million in cash in RSL Switzerland for common shares.

EZI Phonocard Holdings Pty. Limited

In October 1997, RSL Com Australia Holdings Pty. Ltd. ("RSL Australia") acquired 85% of EZI Phonocard Holdings Pty. Limited for approximately \$200,000 in cash and the assumption of net liabilities of \$1.3 million. In connection with this purchase, RSL Australia recorded approximately \$1.5 million of goodwill.

Call Australia Group

In October 1997, the Company through its wholly-owned subsidiary, RSL Australia acquired 100% of the issued capital of each of Call Australia Pty. Ltd., Associated Service Providers Pty. Limited, Digiplus Pty. Limited, Power Serve Communications Consultants Pty. Limited, Talk 2000 Networks Pty. Limited and Telephone Bill Pty. Limited (collectively the "Call Australia Group"), leading Australian switchless resellers, for approximately \$24.5 million. In connection with this purchase, RSL Australia recorded approximately \$24.5 million of goodwill.

LDM Systems, Inc.

In October 1997, the Company acquired 100% of the outstanding common stock of LDM Systems, Inc. ("LDM"). The total purchase price was \$14.9 million. In connection with this acquisition, the Company recorded an equal amount of goodwill.

Delta Three, Inc.

During 1997, the Company acquired a majority interest in Delta Three, Inc. ("Delta Three"). The Company paid approximately \$8.8 million for approximately 72% ownership of the Company and agreed to acquire an additional 26% interest during 1998. In connection with this transaction, the Company recorded approximately \$3.8 million in goodwill.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

2. Acquisitions—(Continued)

Maxitel

In April 1997, RSL Com Europe Ltd ("RSL Europe") acquired a 30.4% interest in Maxitel, a Portuguese international telecommunications carrier, and has since increased its ownership interest in Maxitel to 39%. The total investment in Maxitel is approximately \$2.1 million. The investment in Maxitel is accounted for under the equity method of accounting.

Newtelco

In August 1997, RSL Europe purchased 90% of the stock of Newtelco Telekom AG ("RSL Austria"), an Austrian start-up telecommunications company for an \$800,000 investment in the company.

RSL Com Italia S.r.l

In August 1997, RSL Europe acquired 85% of the stock in RSL Italy ("RSL Italy"), an Italian telecommunications reseller. The Company paid approximately \$1.7 million for its investment in RSL Italy.

European Telecom S.A./N.V.

In December 1997, RSL Europe acquired 90% of European Telecom S.A./N.V. ("RSL Belgium") which in turn owns 100% of European Telecom SARL (RSL Luxembourg). The Company paid approximately \$18.6 million for this acquisition and recorded an equal amount of goodwill.

Other

In April 1997, the Company acquired substantially all of the commercial customer contracts of Pacific Star Communications Limited, an Australian based company. The Company paid approximately \$1.5 million in cash and recorded this amount as a customer base.

1996 Acquisitions/New Operations

Certain Assets of Sprint in France and Germany

In May 1996, the Company acquired the net assets, principally telecommunications equipment and facilities, constituting the international long distance voice businesses of Sprint in France and Germany through its wholly-owned subsidiaries RSL COM France S.A., a French corporation ("RSL France"), and RSL COM Deutschland GmbH, a German limited liability company ("RSL Germany"). Pursuant to the applicable asset purchase agreements, the Company can not disclose the purchase price of the net assets. In connection with this transaction, the Company recorded approximately \$7.9 million of goodwill.

Belnet Nederland B.V.

In October 1996, the Company acquired 38,710 shares of Belnet Nederland B.V. ("Belnet/RSL"), representing 75% of the outstanding stock for \$10.0 million and the assumption of liabilities of \$500,000. In 1997, the Company acquired the remaining shares for approximately \$7.3 million. In connection with the purchase of Belnet/RSL, the Company recorded approximately \$15.6 million of goodwill.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

2. Acquisitions—(Continued)

Incom (UK) Limited

In August 1996, the Company acquired the assets and assumed certain limited liabilities of Incom (UK) Limited ("Incom"), a United Kingdom reseller, for \$500,000 plus 3,954 non-voting shares of International Telecommunications Group, Ltd. ("ITG") (the "Purchased Shares"). In addition, 3,333 voting shares of ITG currently held by Incom were exchanged for an equal number of non-voting shares. In connection with this acquisition, the Company recorded approximately \$3.8 million of goodwill.

1995 Acquisitions/New Operations

On March 10, 1995, the Company entered into a stock purchase agreement (the "Agreement") with ITG and RSL COM U.S.A., Inc. (formerly known as International Telecommunications Corporation) ("RSL USA"), pursuant to which the Company initially purchased from ITG 66,667 shares of ITG's Series A convertible preferred stock (which represented 25% of ITG's then outstanding stock, including common and preferred shares) for \$4.8 million. The Company subsequently purchased additional shares of ITG's common stock at various times during 1995, 1996 and 1997 for a total purchase price of cash, secured notes, issuance of shares and the assumption of net liabilities aggregating \$12.9 million, \$25.0 million, and \$87.3 million at December 31, 1995, 1996 and 1997 respectively, resulting in recorded goodwill of \$85.5 million. At December 31, 1996 and 1997, the Company's investment in ITG was \$54.2 million and \$87.3 million, respectively, which represented in excess of 87% (at December 31, 1996) and 100% (at December 31, 1997) of the outstanding shares of ITG.

Effective September 1, 1995, ITG's subsidiary RSL USA, purchased 51% of the capital stock of Cyberlink, Inc. ("Cyberlink"). During the period August 1996 through December 1996, RSL USA purchased 1,023,807 shares of the capital stock of Cyberlink for approximately \$7.2 million. In addition, through March 1997, the Company acquired the remaining outstanding shares.

The total purchase price consisted of approximately \$9.5 million, and assumption of net liabilities of \$21.1 million. In connection with the purchase of Cyberlink, the Company recorded approximately \$30.6 million of goodwill.

In November 1995, the Company, through its wholly-owned subsidiary RSL COM Europe, Ltd. ("RSL COM Europe") completed the acquisition of 51% of Cyberlink Communications Europe Ltd. ("Cyberlink Europe"). Cyberlink Europe is a holding company which owned 100% of the shares of RSL COM Sweden AB, Cyberlink International Telesystems Germany GmbH and RSL COM Finland OY.

During the period August 1996 through March 1997, RSL COM Europe purchased the remaining 49% of the Cyberlink Europe shares for approximately \$2.1 million and the assumption of liabilities. The total cash paid was approximately \$3.7 million. In connection with the purchase of Cyberlink Europe, the Company recorded approximately \$5.4 million of goodwill.

Accounting Treatment

The acquisitions, unless otherwise stated, have been accounted for by the purchase method of accounting and, accordingly, the purchase prices have been allocated to the assets acquired, primarily fixed assets and accounts receivable, and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill, which is amortized over fifteen years. The valuation of the acquired assets and liabilities acquired in the 1997 acquisitions is preliminary and as a result, the allocation of the acquisition costs among the tangible and intangible assets may change.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

2. Acquisitions—(Continued)

The following presents the unaudited pro forma consolidated statements of operations data of the Company for the years ended December 31, 1996 and 1997 as though the acquisitions of RSL COM France, RSL COM Germany, Belnet/RSL, LDM, Call Australia Group, and EZI had occurred on January 1, 1996. All other acquisitions had insignificant operations prior to the date of acquisition. The consolidated statements do not necessarily represent what the Company's results of operations would have been had such acquisitions actually occurred on such date.

	Year Ended December 31, 1996	Year Ended December 31, 1997
	(Unaudited)	
	(\$ in thousands, except loss per share)	
Revenues	\$203,075	\$ 371,757
Net loss	\$ (40,916)	\$(103,697)
Net loss per share	\$ (5.49)	\$ (5.46)

3. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation—The consolidated financial statements include the accounts of RSL Communications, Ltd. and its majority-owned subsidiaries from the date of acquisition or commencement of operations. The Company has included 100% of certain subsidiaries' operating losses since the minority interests' investments have been reduced to zero. Minority interest represents another entity's ownership interest in Belnet/RSL at December 31, 1996 and Belnet/RSL, RSL Com Austria, RSL Com Italy, and RSL Com Venezuela at December 31, 1997. All material intercompany accounts and transactions have been eliminated. Each of the Company's subsidiaries has a year end of December 31.

Management Assumptions—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Such estimates primarily relate to reserves recorded for doubtful accounts and accruals for other claims. Actual results could differ from these estimates.

Foreign Currency Translation—Assets and liabilities of foreign entities have been translated into United States dollars using the exchange rates in effect at the balance sheet dates. Results of operations of foreign entities are translated using the average exchange rates prevailing throughout the period. Local currencies are considered the functional currencies of the Company's foreign operating entities. The Company utilizes a net settlement process with its correspondents comprised of special drawing rights ("SDRs"). SDRs are the established method of settlements among international telecommunications carriers. The SDRs are valued based upon the values of a basket of foreign currencies. Translation effects are accumulated as part of the cumulative foreign currency translation adjustment in equity. Gains and losses from foreign currency transactions are included in the consolidated statements of operations for each respective period, and were not significant in the periods presented.

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

Accounts Receivable—Accounts receivable are stated net of the allowance for doubtful accounts of \$3,900,000 and \$12,000,000 at December 31, 1996 and 1997, respectively. The Company recorded

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

3. Summary of Significant Accounting Policies—(Continued)

bad debt expense of \$149,000, \$2,830,000 and \$10,900,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

Accrued Expenses—Accrued expenses for the years ended December 31, 1996 and 1997 consist primarily of accrued interest, accrued acquisition costs and accrued transmission costs. Accrued interest as of December 31, 1996 was \$9,447,000. Accrued interest as of December 31, 1997 was not significant.

Marketable Securities—Marketable securities consist principally of US. Treasury bills, commercial paper and corporate notes with a maturity date greater than three months when purchased. Available for sale securities are stated at market and the held to maturity securities are stated at amortized costs. Gains and losses, both realized and unrealized, are measured using the specific identification method. Market value is determined by the most recently traded price of the security at the balance sheet date. Marketable securities are defined as either available for sale or held to maturity securities under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," depending on the security.

Property and Equipment and Related Depreciation—Property and equipment are stated at cost or fair values at the date of acquisition, and in the case of equipment under capital leases, the present value of the future minimum lease payments, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets, which range from five to fifteen years. Improvements are capitalized, while repair and maintenance costs are charged to operations as incurred. Depreciation expense was \$302,000, \$3,462,000 and \$9,794,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

Goodwill and Related Amortization—Goodwill represents the excess of cost over the fair value of the net assets of acquired entities, and is being amortized using the straight-line method over fifteen years. The Company periodically reviews the value of its goodwill to determine if an impairment has occurred. The Company measures the potential impairment of recorded goodwill by the undiscounted value of expected future cash flows in relation to its net capital investment in the subsidiary. Based on its review, the Company does not believe that an impairment of its goodwill has occurred.

Deferred Financing Costs—The deferred financing costs incurred in connection with the Senior Notes are being amortized on a straight line basis over ten years.

Deposits and Other Assets—Deposits consist principally of amounts paid to the Company's carrier vendors.

Revenue Recognition and Deferred Revenue—The Company records revenue based on minutes (or fractions thereof) of customer usage. The Company records payments received in advance for prepaid calling card services and services to be supplied under contractual agreements as deferred revenues until such related services are provided.

Cost of Services—Cost of services is comprised primarily of transmission costs.

Selling Expenses—Selling costs such as commissions, marketing costs, and other customer acquisition costs are treated as period costs. Such costs are recorded in selling, general and administrative expenses in the Company's consolidated statement of operations.

Income Taxes—The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS No. 109 establishes financial accounting and reporting standards for the effect of income taxes that result from activities during the current and preceding years. SFAS No. 109 requires an asset and liability approach

HSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

3. Summary of Significant Accounting Policies—(Continued)

for financial reporting for income taxes. The Company's foreign subsidiaries file separate income tax returns in the jurisdiction of their operations. The Company's United States subsidiaries file stand-alone United States income tax returns.

Loss per Common Share—In accordance with the Company's adoption of SFAS No. 128, "Earnings Per Share", the loss per common share is calculated by dividing the loss attributable to common shares by the weighted average number of shares outstanding. Outstanding common stock options and warrants are not included in the loss per common share calculation as their effect is anti-dilutive. The adoption of SFAS No. 128, "Earnings Per Share" did not affect the Company's method of computing the loss per common share.

Effects of Recently Issued Accounting Standards

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This statement is effective for financial statements issued for periods beginning after December 15, 1997. Management has evaluated the effect on its financial reporting from the adoption of this statement and has found the majority of required disclosures to be not applicable and the remainder to be not significant.

In June 1997, the FASB issued SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." SFAS No. 131 requires the reporting of profit and loss, specific revenue and expense items, and assets for reportable segments. It also requires the reconciliation of total segment revenues, total segment profit or loss, total segment assets, and other amounts disclosed for segments to the corresponding amounts in the general purpose financial statements. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. The Company uses data at the subsidiary level to manage the operations and the Company will expand its current footnote disclosure to meet this criteria.

4. Concentration of Credit Risk

The Company is subject to significant concentrations of credit risk which consist principally of trade accounts receivable, cash and cash equivalents, and marketable securities. The Company's U.S. subsidiaries sell a significant portion of their services to other carriers and, as a result, maintains significant receivable balances with certain carriers. If the financial condition and operations of these customers deteriorate below critical levels, the Company's operating results could be adversely affected.

The Company maintains its cash with high quality credit institutions, and its cash equivalents and marketable securities are in high quality securities.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

5. Marketable Securities

A summary of the Company's available for sale marketable securities at December 31, 1996 and December 31, 1997 is as follows (in thousands):

	December 31, 1996		December 31, 1997	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Corporate notes	\$40,728	\$40,678	\$ 2,500	\$ 2,500
Medium term notes	10,951	10,938	—	—
Commercial Paper	10,261	10,257	4,390	4,388
Federal agency notes	5,888	5,884	6,968	6,973
	<u>\$67,828</u>	<u>\$67,757</u>	<u>\$13,858</u>	<u>\$13,861</u>

The Company has recorded its available for sale marketable securities at amortized cost as the difference between amortized cost and market value is immaterial to the consolidated financial statements.

The carrying value of the available for sale marketable securities by maturity date as of December 31, 1996 and December 31, 1997 is as follows (in thousands):

	December 31, 1996	December 31, 1997
	Matures in one year	\$57,548
Matures after one year through three years	10,280	2,002
Total	<u>\$67,828</u>	<u>\$13,858</u>

Proceeds from the sale of available for sale marketable securities for the years ended December 31, 1996 and 1997 were \$14,701,000 and \$27,675,000, respectively. Gross gains (losses) of \$56,000 and (\$2,000) were realized on these sales for the years ended December 31, 1996 and 1997.

Securities classified as held to maturity, which are comprised of Federal agency notes, are stated at amortized cost. Such securities are restricted in order to make the first six scheduled interest payments on the 12½% Senior Notes (see Note 7). The held to maturity securities at December 31, 1996 and 1997 are as follows (in thousands):

	December 31, 1996		December 31, 1997	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Matures in one year	\$ 39,692	\$ 39,738	\$35,455	\$35,522
Matures after one year through three years	64,678	65,002	33,381	33,377
Total	<u>\$104,370</u>	<u>\$104,740</u>	<u>\$68,836</u>	<u>\$68,899</u>

6. Income Taxes

The Company has incurred losses since inception for both book and tax purposes. The Company's Netherlands subsidiary recorded income tax expense of approximately \$395,000 for the year ended December 31, 1996 and \$401,000 for the year ended December 31, 1997. As of December 31, 1996 and December 31, 1997, the Company had net operating loss carryforwards generated primarily in the United States of approximately \$47,000,000 and \$147,000,000, respectively. The net operating loss carryforwards will expire at various dates beginning in 2009 through 2013 if not utilized. The utilization of the net operating loss carryforwards is subject to certain limitations.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

6. Income Taxes—(Continued)

In accordance with SFAS No. 109, the Company has computed the components of deferred income taxes as of December 31, 1996 and 1997, as follows (in thousands):

	December 31,	
	1996	1997
Deferred tax assets	\$ 18,800	\$ 59,000
Less valuation allowance	(18,800)	(59,000)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

The Company's net operating losses generated the deferred tax assets. At December 31, 1996 and 1997, a valuation allowance of \$18,800,000 and \$59,000,000, respectively, is provided as the realization of the deferred tax assets are not likely.

7. Notes Payable and Long-term Debt

Senior Notes

On October 3, 1996, RSL Communications PLC ("RSL PLC"), a wholly-owned subsidiary of RSL, issued (the "Debt Offering") 300,000 Units, each consisting of an aggregate of one \$1,000 Senior Note (collectively, the "Notes") due 2006 bearing interest at the rate of 12¼% and one warrant to purchase 3.975 Class A common shares which expire in ten years (collectively, the "Warrants"). The exercise price of such Warrants is \$0.0457.

The value ascribed to the Warrants was \$4,000,000. The unamortized discount is recorded as a reduction against the face value of the Notes, and is amortized over the life of the Notes. Such discount was \$4,000,000 and \$3,500,000 at December 31, 1996 and December 31, 1997, respectively.

The Notes, which are guaranteed by RSL, are redeemable, at RSL PLC's option, subsequent to November 15, 2001, initially at 106.1250% of their principal amount, declining to 103.0625% of their principal amount for the calendar year subsequent to November 15, 2002, and at 100% of the principal amount subsequent to November 15, 2003. The Notes, or a portion thereof, may also be redeemed upon the consummation of a public equity offering which yields proceeds in excess of a specified amount.

In connection with the issuance of the Notes, the Company is required to maintain restricted marketable securities in order to make the first six scheduled interest payments on the Notes. Such restricted marketable securities amounted to \$104,370,000 and \$68,836,000 at December 31, 1996 and December 31, 1997, respectively.

The indenture pursuant to which the Notes were issued contains certain restrictive covenants which impose limitations on RSL and certain of its subsidiaries ability to, among other things: (i) incur additional indebtedness, (ii) pay dividends or make certain other distributions, (iii) issue capital stock of certain subsidiaries, (iv) guarantee debt, (v) enter into transactions with shareholders and affiliates, (vi) create liens, (vii) enter into sale-leaseback transactions, and (viii) sell assets.

At December 31, 1996 and 1997, the Company is in compliance with the above restrictive covenants.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

7. Notes Payable and Long-term Debt—(Continued)

Credit Facilities

At December 31, 1996 and 1997, the Company had a \$7,500,000 revolving credit facility with a bank (the "Revolving Credit Facility"), guaranteed by the Company's Chairman, all of which was available. At December 31, 1996, the Company also had a \$35,000,000 shareholder standby facility with the Company's Chairman.

The shareholder standby facility bears interest at the rate of 11% per annum. In connection with this facility and the Company's Chairman's personal guarantee of the Revolving Credit Facility, the Company's Chairman received warrants, which vested over one year, to purchase 459,900 Class B common shares of the Company (the "Class B Common Stock"). The Company recorded \$1,544,000 as the value of the warrants at the time of their issuance. The Revolving Credit Facility bears interest at the rate of LIBOR plus 1%. The Shareholder Standby Facility, in accordance with the contractual agreement, expired upon receipt of the net cash proceeds from the initial public offering.

The warrants became exercisable on October 3, 1997 at an exercise price of \$.00457 per share and expire in October 2006.

During August 1996, the Company obtained a \$50,000,000 revolving credit facility with a bank, guaranteed by the Company's Chairman, and utilized this facility to repay the bank for all amounts due under the previously outstanding Revolving Loan Facility provided by the bank and guaranteed by the Company's Chairman, which was \$44,000,000 at the time of repayment. Immediately prior to the Debt Offering, the Company repaid \$35,000,000 of the \$44,000,000 borrowed under the Revolving Credit Facility with the proceeds of the Subordinated Shareholder Loan (see Note 11) and reduced the outstanding commitment under the Revolving Credit Facility to \$7,500,000.

The Company has a credit agreement which provides for up to \$5,000,000 in committed credit lines to finance its accounts receivable. Interest is payable at 2¼% over the prime rate of interest (prime being 8¼% and 8½% at December 31, 1996 and 1997, respectively). A second credit line provides for up to \$2,000,000 in capital expenditure financing. Interest on this line is payable at 2½% over the prime rate of interest. During the year ended December 31, 1997, the lines of credit were reduced to \$570,000 and \$-0-, respectively. The total amounts outstanding at December 31, 1996 from the above credit lines were \$680,000 and \$606,000, respectively, and at December 31, 1997 was \$475,000 and \$0-, respectively. The remaining credit line terminates on August 31, 1998. Borrowings under both of these credit lines are collateralized by a letter of credit.

The Company, through LDM, has a \$10.0 million revolving credit facility. There was \$3.6 million outstanding under this facility at December 31, 1997. This facility is payable in full on September 30, 2000 and accrues interest at prime rate plus 2.5% per annum.

Other Financing

In connection with the September 1996 purchase of additional shares of ITG's common stock, the Company issued secured notes totaling approximately \$9,328,000. Such notes and interest were secured by the common stock acquired, and were payable in annual and quarterly installments, respectively, and bore interest at the rate of 6%. In 1997, the Company satisfied the remaining loan obligations with such minority shareholders.

RSL COMMUNICATIONS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

7. Notes Payable and Long-term Debt—(Continued)

Vendor Financing

At December 31, 1996 and 1997, RSL USA has a series of current notes payable to different vendors in the amount of \$4,282,000 and \$976,000, respectively, which bear interest at the rates from 8% to 14.5%.

One of the Company's primary equipment vendors has provided to certain of the Company's subsidiaries an aggregate of approximately \$50 million in vendor financing commitments to fund the purchase of additional capital equipment. At December 31, 1996 and 1997, approximately \$39.0 million and \$15.8 million was available, respectively. Borrowings under this agreement are recorded as capital lease obligations.

Long-term debt maturities at December 31, 1997 are as follows (in thousands):

<u>Year Ended</u>	
1998	\$ 4,604
1999	—
2000	—
2001	—
2002	—
2003 and thereafter	<u>300,000</u>
Total	304,604
Less current maturities	<u>(4,604)</u>
Long Term Debt and 12 1/4% Senior Notes	<u>\$300,000</u>

RSL's notes payable had fair values that approximated their carrying amounts at December 31, 1996. At December 31, 1997, the Senior Notes had a fair value of approximately \$330,000,000. The increase in fair value is primarily due to changes in the interest rate environment. The remainder of the notes had fair values which approximated their carrying amounts.

Interest expense on the above notes was approximately \$461,000, \$10,457,000 and \$37,136,000 for the years ended December 31, 1995, 1996 and 1997, respectively.

8. Goodwill and Other Intangible Assets

Intangible assets at December 31, 1996 and 1997 consist of the following (in thousands):

	<u>December 31,</u>	
	<u>1996</u>	<u>1997</u>
Goodwill and other	\$80,358	\$216,858
Deferred financing costs	<u>10,988</u>	<u>11,655</u>
	91,346	228,513
Less accumulated amortization	<u>(3,741)</u>	<u>(13,530)</u>
Intangible assets—net	<u>\$87,605</u>	<u>\$214,983</u>

Amortization expense for the years ended December 31, 1995, 1996 and 1997 was \$548,000, \$3,193,000 and \$9,980,000, respectively.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

9. Shareholders' Equity

Common Stock

During 1996, the Company issued 4,117,522 shares of Class B Common Stock for cash aggregating \$50,000,000. During 1995, 6,411,365 shares of Class B Common Stock were issued for \$1,851,000.

On September 30, 1997, the Company revised its capital structure (the "Recapitalization"), in part to (i) effect a 2.19-for-one stock split for each outstanding share of each class of common shares and each outstanding share of Preferred Stock, (ii) increase the number of authorized shares of its Class A Common Stock and Class B Common Stock to an aggregate of 438,000,000 shares and (iii) increase the number of authorized shares of its Preferred Stock to 65,700,000. The holders of the Class A Common Stock are entitled to one vote per share, and the holders of the Class B Common Stock are entitled to ten votes per share.

On September 30, 1997, the Company commenced an initial public offering of 8,280,000 shares of its Class A Shares. The aggregate offering price of the 8,280,000 shares of Class A Common Stock sold in the equity offering to the public was \$182,160,000, with net proceeds to the Company of \$167,542,000.

In June 1997, ITG's Founder and former Chairman, elected to exchange his shares in ITG, a subsidiary of the Company, for shares in the Company. Accordingly, the Company issued 1,457,094 of the Class A Common Stock, par value \$0.00457 per share, of the Company in exchange for 15,619 shares of common stock of ITG and recorded approximately \$32,575,000 as additional paid in capital.

During 1997, the Company issued 712,142 shares of Class A Common Stock upon the exercise of options.

During 1997, in connection with the acquisition of certain minority interests, the Company issued 411,105 shares of Class A Common Stock.

Preferred Stock

During 1995, the Company issued 9,243,866 shares of its preferred stock to the holders of its Class B Common Stock for cash of \$13,354,000. The preferred stock ranked senior to the Company's common stock as to dividends and a liquidation preference of \$1.00 per share. Each share was convertible at the holder's option into 2.19 shares of Class B Common Stock. All preferred shares were automatically converted into the Company's Class B Common Stock as the public offering yielded proceeds in excess of \$25,000,000, in accordance with the terms of the Preferred Stock agreement. Dividends, at the rate of 8%, were cumulative. Upon conversion of the shares of the preferred stock, the cumulative dividends were deemed to be cancelled and waived upon conversion. The cumulative amount of such dividends was approximately \$16,000.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

10. Capital Lease Obligations

Future minimum annual payments applicable to assets held under capital lease obligations for years subsequent to December 31, 1997 are as follows (in thousands):

Year Ended	
1998	\$ 7,189
1999	8,346
2000	6,528
2001	4,018
2002	3,373
2003 and thereafter	<u>625</u>
Total minimum lease obligations	30,079
Less interest	<u>(6,542)</u>
Present value of future minimum lease obligations	23,537
Less current portion, included in other current liabilities	<u>(3,429)</u>
Long-term lease obligations at December 31, 1997	<u>\$20,108</u>

The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments using effective interest rates ranging from 9% to 11% per annum.

Assets held under capital leases aggregated \$13,225,000 and \$26,632,000 at December 31, 1996 and 1997, respectively. The related accumulated depreciation was \$825,000 and \$2,557,000, respectively.

11. Related Party Transactions

In September 1996, the Company borrowed \$35,000,000 from Ronald S. Lauder, the Chairman of the Board of the Company and the principal shareholder of the Company, bearing interest at the rate of 11% per annum (the "Subordinated Shareholder Loan"). The Company repaid the Subordinated Shareholder Loan with the proceeds of the Shareholder Equity Investment (described below).

The Company used the proceeds of the Subordinated Shareholder Loan to repay \$35,000,000 of the amounts outstanding under the Revolving Credit Facility available in August 1996 (see Note 7) and reduced the outstanding commitment amount under the Revolving Credit Facility to \$15,000,000 at December 31, 1996 and \$7,500,000 at December 31, 1997. The Revolving Credit Facility is personally guaranteed by the Company's Chairman.

Prior to the closing of the Debt Offering, Ronald S. Lauder, the Company's Chairman, Leonard A. Lauder, a director of the Company and Ronald S. Lauder's brother, and Lauder Gaspar Venture LLC ("LGV"), an investment vehicle the principal investors of which are Ronald S. Lauder and Leonard A. Lauder and the managing member (through a wholly owned company) of which is Andrew Gaspar, a director of the Company, purchased an aggregate of 4,117,522 shares of Class B Common Stock (approximately 11.6% of the outstanding common shares of the Company on a fully diluted basis) for \$50,000,000 (the "Shareholder Equity Investment"). LGV purchased one-half of such shares and Ronald S. Lauder and Leonard A. Lauder each purchased one-quarter of such shares.

Nesim N. Bildirici, a director and the Vice President of Mergers and Acquisitions of the Company, was an employee of both the Company and R.S. Lauder, Gaspar & Co., L.P. ("RSLAG"), a venture capital company owned and controlled by Ronald S. Lauder and Andrew Gaspar. During 1996 Mr. Bildirici's salary was paid by RSLAG and the Company reimbursed RSLAG for a majority of

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

11. Related Party Transactions—(Continued)

Mr. Bildirci's salary. During the years ended December 31, 1996 and 1997, the Company reimbursed RSLAG approximately \$130,000 and \$207,000, respectively, for Mr. Bildirci's services. Mr. Bildirci became a full time employee of the Company as of January 1, 1997.

RSL Management Corporation ("RSL Management"), which is wholly owned by Ronald S. Lauder, the Chairman of the Board of the Company and the principal shareholder of the Company, subleases an aggregate of 11,000 square feet of office space to the Company at an annual rent of \$767,000 per annum. RSL Management subleases such space from The Estée Lauder Companies Inc. ("Estée Lauder"). Ronald S. Lauder is also a principal shareholder of Estée Lauder and Leonard A. Lauder, a director of the Company, is the Chief Executive Officer of Estée Lauder. In addition, RSL Management provides payroll and benefit services to the Company for an annual fee of \$6,000.

The Company has employment contracts with certain of its executive officers. These agreements expire beginning April 1998 through January 2002 unless terminated earlier by the executive or the Company, and provide for annual salaries and bonuses based on the performance of the Company. Salary expense for these officers was approximately \$646,000, \$1,419,000 and \$1,555,000 for the years ended December 31, 1995, 1996 and 1997, respectively. The aggregate commitment for annual future salaries pursuant to the employment agreements at December 31, 1997, excluding bonuses, is approximately \$1,371,000, \$1,098,000, \$615,000, \$550,000 and \$600,000 for 1998, 1999, 2000, 2001, and 2002, respectively.

12. Defined Contribution Plan

In 1996, the Company instituted a defined contribution plan which provides retirement benefits for most of its domestic employees. The Company's contributions to the defined contribution plan, which are based on a percentage of the employee's annual compensation subject to certain limitations, were not significant for the years ended December 31, 1996 and 1997.

13. Stock Option Plans

1995 Stock Option Plan

In April 1995, the Company established an Incentive Stock Option Plan (as amended and restated, the "1995 Plan") to reward employees, nonemployee consultants and directors for service to the Company and to provide incentives for future service and enhancement of shareholder value. The 1995 Plan is administered by the Compensation Committee of the Board of Directors of the Company (the "Committee"). The Committee consists of three members of the Board of Directors. The Plan provides for awards of up to 2,847,000 shares of Class A Common Stock of the Company.

The options granted in 1995 vest over a period of three years commencing on the first anniversary of the date of grant such that the option holder may not acquire more than 2% of the outstanding capital stock as of the date upon which the related employment agreement expires. The options granted in 1996 vest in one-third increments on each of the first, second and third anniversaries of the grant date, unless a different vesting schedule is designated by the committee. Further, the options granted under the 1995 Plan terminate on the tenth anniversary of the date of grant. A total of 2,716,617 options have been granted under this plan. The Company will not grant further options under the 1995 Plan.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

13. Stock Option Plans—(Continued)

1997 Stock Incentive Plan

During 1997, the Company established the 1997 Stock Incentive Plan (the "1997 Plan") to attract and motivate key employees of the Company. The 1997 Plan is administered by the Committee. The 1997 Plan provides for the grant of the incentive and non-incentive stock options, stock appreciation rights, restricted stock, and various combinations thereof. The maximum number of shares of Class A Common Stock available under the 1997 Plan is 3,100,000, with no more than 500,000 options or stock appreciation rights to be granted to any one participant in a calendar year. The options vest over a three-year period, unless a different vesting schedule is designated by the Committee. A total of 432,856 options have been granted under this plan.

1997 Performance Incentive Compensation Plan

During 1997, the Company established the 1997 Performance Incentive Compensation Plan (the "1997 Performance Plan") to reward employees for superior performance. Awards under the 1997 Performance Plan may be made to key employees recommended by the Chief Executive Officer, selected by the Committee and approved by the Board of Directors. The 1997 Performance Plan provides for the grant of up to 400,000 shares of Class A Common Stock.

1997 Directors' Compensation Plan

During 1997, the Company adopted the 1997 Directors' Compensation Plan (the "1997 Directors' Plan"). During the ten year term of the 1997 Directors' Plan, each non-employee Director will be granted options to acquire a number of Class A Common Stock with an aggregate fair market value on the date of grant equal to \$50,000, except for the Chairman and the Vice Chairman of the Board, whose grants have a fair market value of \$75,000 and \$150,000, respectively. The exercise price of the options initially will equal the fair market value of the Class A Common Stock on the date of the grant and will be increased quarterly based on the yield to maturity of United States Treasury Securities having a maturity approximately equal to the term of such options. The 1997 Directors' Plan provides for

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

13. Stock Option Plans—(Continued)

the grant of up to 250,000 shares of Class A Common Stock. The options vest over a five-year period, subject to certain acceleration provisions. A total of 17,046 options have been granted under this plan.

	Number of Options	Exercise Price	Weighted Average Exercise Price
Outstanding at January 1, 1995			
Granted	1,423,500	\$ 0.000457	\$0.000457
Exercised	—	—	—
Rescinded/Canceled	—	—	—
Outstanding at December 31, 1995	1,423,500	0.000457	0.000457
Granted	283,824	1.60-2.51	1.73
Exercised	—	—	—
Rescinded/Canceled	—	—	—
Outstanding at December 31, 1996	1,707,324	0.000457-2.51	0.29
Granted	1,459,195	.00457-.22.00	10.44
Exercised	712,142	.000457	.000457
Rescinded/Canceled	—	—	—
Outstanding at December 31, 1997	2,454,377	\$0.000457-22.00	\$ 6.41

	Exercisable	Reserved for Future Grants	Weighted Average Exercise Price
December 31, 1995	—	766,500	\$ —
December 31, 1996	177,701	482,676	0.000457
December 31, 1997	459,607	3,430,481	0.44

The following table summarizes information concerning the remaining options outstanding as of December 31, 1997.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Shares Exercisable	Weighted Average Exercise Price
\$ 0.000457	711,358	\$0.000457	7.83	—	—
\$ 0.00457	590,584	\$ 0.00457	9.66	350,400	\$0.00457
\$ 1.60 - \$ 2.51	283,824	\$ 1.73	8.73	109,207	\$ 1.83
\$12.142 - \$22.00	868,611	\$ 17.53	7.96	—	—
	<u>2,454,377</u>			<u>459,607</u>	

SFAS Statement No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123") was issued by the FASB in 1995 and if fully adopted, changes the methods for recognition of costs on plans similar to those of the Company. Adoption of the recognition provisions of SFAS No. 123 is optional; however, pro forma disclosures as if the Company adopted the cost recognition requirements under SFAS No. 123 are presented below.

Under SFAS No. 123, for options granted, the fair value at the date of grant was estimated using the Black-Scholes option pricing model. The fair value was estimated using the minimum value method. Under this method, a volatility factor of approximately 0.45 was used for options granted on or after the

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the years ended December 31, 1995, 1996 and 1997

13. Stock Option Plans—(Continued)

date of the initial public offering and the minimum value method was used for options granted prior to the date of the initial public offering, as there was no market for the Company's common stock in which to measure the stock price volatility.

The following weighted average assumptions were used in calculating the fair value of the options granted in the years ended December 31, 1995, 1996 and 1997, respectively: risk-free interest rates between 5.63% and 5.95%; no dividends are expected to be declared; expected life of the options are between 30 and 42 months, between 39 and 51 months and between 18 and 72 months, respectively; and a maximum contractual life of 10 years.

For purposes of the pro forma disclosures the estimated fair value of the options granted is amortized to compensation expense over the options' vesting period. The Company's pro forma information is as follows:

	(\$ in thousands, except loss per common share and weighted average fair value of options granted)		
	Year Ended December 31,		
	1995	1996	1997
Net loss			
As reported	\$ (9,402)	\$(38,240)	\$(100,199)
Pro forma	\$ (9,404)	\$(38,315)	\$(118,176)
Net loss per common share:			
As reported	\$ (1.67)	\$ (5.13)	\$ (5.27)
Pro forma	\$ (1.67)	\$ (5.14)	\$ (6.22)
Weighted average fair value of options granted during the Period.....	\$0.0002	\$ 0.26	\$ 12.32

14. Commitments and Contingencies

At December 31, 1997, the Company was committed to unrelated parties for the rental of office space under operating leases. Minimum annual lease payments with respect to the leases is as follows (in thousands):

Year Ended	
1998	\$ 4,018
1999	3,621
2000	3,285
2001	2,798
2002	2,172
2003 and thereafter.....	1,427
	<u>\$ 17,321</u>

Rent expense on the above leases for the years ended December 31, 1995, 1996, and 1997 was \$210,000, \$2,276,000, and \$3,842,000 respectively.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

14. Commitments and Contingencies—(Continued)

The Company is committed to pay for transmission capacity under certain operating leases. The minimum annual lease payments with respect to these agreements is as follows (in thousands):

<u>Year Ended</u>	
1998	\$ 10,842
1999	8,592
2000	8,087
2001	6,000
2002	<u>5,330</u>
	<u>\$ 38,851</u>

Rent expense for the year ended December 31, 1997 was approximately \$9,100,000.

Commitments and Contingencies—The Company is involved in various claims that arose in the ordinary course of its acquired business, and certain claims that arose in the ordinary course of its business. The expected settlements from certain of these matters have been accrued and are recorded as "Other Liabilities." In management's opinion, the settlement of such claims would not have a material adverse effect on the Company's consolidated financial position or results of its operations.

In connection with the acquisition of one of its United States subsidiaries, the Company recorded what management believed to be its best estimate of the unfavorable portion related to certain transmission capacity agreements. During 1997, the Company successfully amended such transmission capacity agreements. The resulting settlement of approximately \$7,000,000 has been recorded as Other Income.

In connection with certain acquisitions, the Company has entered into agreements whereby the minority shareholders have the right to put their remaining shares to the Company.

The Company is contractually committed to the purchase of three international gateway and two domestic switches. This commitment amounts to approximately \$8.0 million, all of which will be financed under the Company's existing \$50.0 million facility provided by one of the Company's primary equipment vendors.

Letters of Credit—The Company has outstanding letters of credit aggregating \$550,000 and \$6,047,000 at December 31, 1996 and 1997, respectively, expiring at various dates. Such letters of credit, which were issued as deposits to vendors or security on leased premises, are fully secured by marketable securities, certificates of deposit, and the Revolving Credit Facility and are classified as current assets.

15. Significant Customer

For the years ended December 31, 1997 and 1996 no customer accounted for more than 10% of the Company's revenues. For the year ended December 31, 1995, one customer accounted for 26% of the Company's revenues.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the years ended December 31, 1995, 1996 and 1997

16. Revenues by Geographic Area

The following table provides certain geographic data on the Company's operations for the years ended December 31, 1995, 1996 and 1997 (in thousands).

	Revenue	Operating Income (Loss)	Identifiable Assets
Year ended December 31, 1995			
US	\$ 18,461	\$ (6,969)	\$ 37,760
Corporate and other	156	(2,412)	15,312
	<u>\$ 18,617</u>	<u>\$ (9,381)</u>	<u>\$ 53,072</u>
Year ended December 31, 1996			
US	\$ 85,843	\$(11,702)	\$ 54,509
Europe	27,414	(13,438)	50,147
Corporate and other	—	(5,612)	323,313
	<u>\$113,257</u>	<u>\$(30,752)</u>	<u>\$427,969</u>
Year ended December 31, 1997			
US	\$194,518	\$(26,119)	\$118,363
Europe	73,653	(35,905)	106,746
Asia and Others	32,625	(3,430)	58,905
Corporate	—	(15,602)	321,650
	<u>\$300,796</u>	<u>\$(81,056)</u>	<u>\$605,664</u>

Intersegment and intergeographic revenue are not significant to the revenue of any business segment or geographic location. There is no export revenue from the United States. Corporate and other assets consist principally of cash and cash equivalents, marketable securities and goodwill.

17. Summarized Financial Information

The following presents summarized financial information of RSL Communications PLC a company incorporated in 1996 ("RSL PLC") as of December 31, 1996 and 1997. RSL PLC is a 100% wholly owned subsidiary of the Company. RSL PLC had no independent operations other than serving solely as a foreign holding company for certain of the Company's U.S. and European operations. The Notes issued by RSL PLC are fully and unconditionally guaranteed by the Company. The Company's financial statements are, except for the Company's capitalization, corporate overhead expenses, certain operations and available credit facilities, identical to the financial statements of RSL PLC (in thousands).

	December 31, 1996	December 31, 1997
Current Assets	\$306,104	\$212,568
Non-current Assets	120,761	324,118
Current Liabilities	74,948	122,672
Non-current Liabilities	394,556	557,448
	<u>Year Ended December 31, 1996</u>	<u>Year Ended December 31, 1997</u>
Net Revenue	\$113,257	\$266,142
Gross Profit	14,796	30,992
Net Loss	(34,309)	(95,824)

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the years ended December 31, 1995, 1996 and 1997

18. Subsequent Events

In January 1998, the Company acquired 90% of European Telecom S.A./N.V. The Company paid \$18.6 million in cash.

In January 1998, the Company purchased 90% of Telecenter Oy, a Finnish agent customer base. The Company paid approximately \$10.0 million in cash with a purchase price adjustment based on future results to be calculated in two years.

On February 8, 1998, the Board of Directors authorized the issuance of \$200,000,000 Senior Notes (collectively "1998 Notes") due 2008 and Senior Discount Notes (collectively "1998 Discount Notes") with a discounted value of approximately \$200,000,000.

Such issuance is expected to occur on February 23, 1998. Both the 1998 Notes and the 1998 Discount Notes are guaranteed as to payment of principal and interest by RSL Communications, Ltd.

19. Supplemental Financial Information

The following table sets forth selected unaudited quarterly financial information for the years ended December 31, 1997 and 1996.

	(in thousands, except loss per share)			
	First	Second	Third	Fourth
Year Ended December 31, 1997				
Revenues	\$ 42,168	\$ 67,193	\$ 83,243	\$ 108,192
Gross profit	\$ 5,199	\$ 7,366	\$ 8,837	\$ 14,073
Net loss	\$(19,147)	\$(21,570)	\$(27,342)	\$(32,140)
Loss per share	\$ (1.82)	\$ (1.90)	\$ (2.28)	\$ (0.77)
Weighted average number of shares of common stock outstanding	10,541	11,378	11,998	41,633
Year Ended December 31, 1996				
Revenues	\$ 15,864	\$ 23,900	\$ 30,458	\$ 43,035
Gross profit	\$ 1,180	\$ 2,927	\$ 4,530	\$ 6,159
Net loss	\$(4,789)	\$(7,489)	\$(8,431)	\$(17,531)
Loss per share	\$ (0.75)	\$ (1.17)	\$ (1.31)	\$ (1.66)
Weighted average number of shares of common stock outstanding	6,411	6,411	6,426	10,541

20. Subsequent Events (Unaudited)

On February 27, 1998, RSL PLC consummated concurrent offerings of \$200,000,000 9½% Senior Notes due 2008 and \$328,084,000 (\$200,000,000 initial accreted value) 10½% Senior Discount Notes due 2008. The notes will be guaranteed by RSL.

On February 24, 1998, the Board of Directors authorized the issuance of \$100,000,000 of Senior Discount Notes due 2006 denominated in Deutsche marks. Such issuance is expected to occur on March 16, 1998. These notes will be guaranteed by RSL.

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
International Telecommunications Group Ltd. and Subsidiaries

We have audited the consolidated statements of operations and accumulated deficit and of cash flows of International Telecommunications Group Ltd. and subsidiaries for the nine months ended September 30, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements of International Telecommunications Group Ltd. and subsidiaries present fairly, in all material respects, the results of their operations and their cash flows for the nine months ended September 30, 1995 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
New York, New York
March 14, 1997

INTERNATIONAL TELECOMMUNICATIONS GROUP LTD.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
Nine Months Ended September 30, 1995

Revenues	\$ 26,351,634
Cost of Services	<u>24,614,337</u>
Gross Profit	1,737,297
Selling, General and Administrative Expenses	<u>6,299,188</u>
Loss from Operations	(4,561,891)
Interest Income	56,148
Interest Expense	<u>(345,212)</u>
Net Loss	(4,850,955)
Accumulated Deficit, January 1, 1995	<u>(5,153,000)</u>
Accumulated Deficit, September 30, 1995	<u><u>\$(10,003,955)</u></u>

See notes to consolidated financial statements.

**INTERNATIONAL TELECOMMUNICATIONS GROUP LTD.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months Ended September 30, 1995

Cash Flows from Operating Activities:	
Net loss	\$(4,850,955)
Adjustments to reconcile net loss to net cash provided by operating activities, net of effects of purchase of subsidiaries:	
Depreciation and amortization	379,782
Provision for losses on accounts receivable	2,881,440
Changes in operating assets and liabilities:	
Increase in accounts receivables	(9,204,455)
Decrease in accounts receivables-affiliates	111,434
Increase in prepaid expenses and other current assets	(325,013)
Increase in deposits and other assets	(398,003)
Increase in accounts payable and accrued expenses	11,849,193
Increase in other current liabilities	601,084
Increase in other liabilities	1,355,703
Decrease in due to affiliates	(534,941)
Net cash provided by operating activities	<u>1,865,269</u>
Cash Flows From Investing Activities:	
Acquisition of subsidiary, net of cash acquired	(1,500,000)
Purchase of marketable debt securities	(2,200,000)
Purchase of property and equipment	(446,517)
Net cash used in investing activities	<u>(4,146,517)</u>
Cash Flows from Financing Activities:	
Repayment of short-term note payable	(1,000,000)
Proceeds from issuance of common stock	5,749,300
Proceeds from issuance of preferred stock	3,000,000
Principal payments under capital lease obligations	(100,166)
Repayment of long-term debt	(241,080)
Net cash provided by financing activities	<u>7,408,054</u>
Increase in Cash	5,126,806
Cash at January 1, 1995	451,865
Cash at September 30, 1995	<u>\$ 5,578,671</u>
Supplemental Disclosure of Cash Flows Information:	
Cash paid for:	
Interest	<u>\$ 185,996</u>
Supplemental Schedule of Noncash Investing Activities-Assets acquired under capital lease obligation	
	<u>\$ 443,710</u>

See notes to consolidated financial statements.

INTERNATIONAL TELECOMMUNICATIONS GROUP LTD.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended September 30, 1995

1. Business Description

International Telecommunications Group Ltd. and its subsidiaries ("ITG") operate a domestic and international communications network which provides international and domestic long distance telephone services for businesses and individuals in the United States and abroad.

2. Acquisition

Effective September 1, 1995, ITG's subsidiary International Telecommunications Corporation ("RSL USA") (collectively, "ITG") consummated a stock purchase agreement with Cyberlink, Inc. ("Cyberlink") and Cyberlink's principal stockholder.

The agreement provided for the purchase of 51% of the capital stock of Cyberlink. The purchase price consisted of \$1,500,000 paid to Cyberlink and assumption of net liabilities of \$14,131,000. In connection with the purchase of Cyberlink, the Company recorded approximately \$15,631,000 of goodwill as of September 30, 1995.

In connection with the acquisition of Cyberlink, the 49% minority stockholders of Cyberlink may sell their shares to RSL USA at fair market value if RSL USA consummates an initial public offering of its securities. RSL USA can call the 49% minority stockholders shares at any time after December 31, 1996 for a price equal to 49% of the sum of eight times Cyberlink's average monthly revenues of the last quarter prior to exercise date plus cash minus long-term liabilities.

The acquisition has been accounted for by the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill, which will be amortized over fifteen years.

The accompanying consolidated statements of operations and accumulated deficit and cash flows include the results of Cyberlink from its date of acquisition through September 30, 1995.

The following presents the unaudited pro forma consolidated statement of operations of the Company for the nine months ended September 30, 1995, assuming the Company had purchased Cyberlink at January 1, 1995. The consolidated statement does not necessarily represent what the Company's results of operations would have had such acquisition actually occurred on such date, or of results to be achieved in the future:

Pro Forma for the Nine
Months Ended
September 30, 1995

	(Unaudited)
Revenue	\$ 40,504,172
Cost of services	37,087,243
Gross Profit	3,416,929
Selling, general and administrative expenses	23,555,216
Loss from operations	(20,138,287)
Interest income	56,148
Interest expense	(738,496)
Net loss	<u>\$ (20,820,635)</u>

INTERNATIONAL TELECOMMUNICATIONS GROUP LTD.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nine Months Ended September 30, 1995

3. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation—The consolidated financial statements include the accounts of International Telecommunications Group Ltd. and its majority-owned subsidiaries. The Company has included 100% of its subsidiaries' operating losses since the minority interests' investment has been reduced to zero. All material intercompany accounts and transactions have been eliminated. All of the Company's subsidiaries' fiscal years end December 31.

Management Assumptions—The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Such estimates primarily relate to reserves recorded for doubtful accounts and accruals for litigation and other claims. Actual results could differ from these estimates.

Revenue Recognition—The Company records revenue based on minutes (or fractions thereof) of customer usage.

The Company records payments received in advance for prepaid calling card services and services to be supplied under contractual agreements as deferred revenues until such related services are provided. Deferred revenue is included in other current liabilities.

Goodwill—Goodwill represents the excess of cost over the fair value of the net assets of acquired entities, and is being amortized using the straight-line method over fifteen years. The Company periodically reviews the value of its goodwill to determine if an impairment has occurred. The Company measures the potential impairment of recorded goodwill by the undiscounted value of expected future cash flows in relation to its net capital investment in the subsidiary. Based on its review, the Company does not believe that an impairment of its goodwill has occurred.

Amortization expense for the nine months ended September 30, 1995 was \$86,838.

Property and Equipment and Related Depreciation—Property and equipment are stated at cost or fair values at the date of acquisition, and in the case of equipment under capital leases, the present value of the future minimum lease payments, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets, which range from five to fifteen years. Improvements are capitalized, while repair and maintenance costs are charged to operations as incurred. Construction in progress represents costs incurred in connection with the building of a switch facility center.

Deposits—Deposits consist principally of amounts paid to the Company's providers of telephone access lines.

Income Taxes—The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS No. 109 establishes financial accounting and reporting standards for the effect of income taxes that result from activities during the current and preceding years. SFAS No. 109 requires an asset and liability approach for financial reporting for income taxes.

New Accounting Standards—During 1995, the Company adopted SFAS No. 121, Impairment of Long-Lived Assets. There was no adjustment recorded as a result of adopting this standard. The Company periodically compares the carrying value of its long-lived assets, principally property and equipment, to undiscounted cash flows generated by the long-lived assets. The Company's undiscounted cash flows exceed the carrying value of its long-lived assets.

4. Concentration of Credit Risk

The Company is subject to significant concentrations of credit risk which consist principally of trade accounts receivable. The Company sells a significant portion of its services to other carriers and, as a

INTERNATIONAL TELECOMMUNICATIONS GROUP LTD.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nine Months Ended September 30, 1995

4. Concentration of Credit Risk—(Continued)

result, maintains significant receivable balances with certain carriers. If the financial condition and operations of these customers deteriorate below critical levels, the Company's operating results could be adversely affected. During 1995, one of the Company's customers, which represented approximately 18% of the Company's sales for the nine months ended September 30, 1995, failed to meet minimum payments schedules and, as a result, the Company terminated services to this customer. Consequently, the customer refused to pay outstanding receivable balances totaling approximately \$4,653,000. At September 30, 1995, the Company had written off the entire \$4,653,000. The Company has commenced legal proceedings to recover amounts owed to the Company.

The Company now performs ongoing credit evaluations of its customer's financial condition and requires collateral in the form of deposits in certain circumstances.

5. Income Taxes

No provision for income taxes has been made because the Company has sustained cumulative losses since the commencement of its operations in 1994. For the nine months ended September 30, 1995, the Company had net operating loss carryforwards generated primarily in the United States of approximately \$10,000,000. The net operating loss carryforwards will expire at various dates beginning in 2009 through 2010 if not utilized.

In accordance with SFAS No. 109, the Company has computed the components of deferred income taxes as follows:

Deferred tax assets	\$ 8,120,000
Less valuation allowance	(8,120,000)
Net deferred tax assets	\$ —

The Company's net operating losses and legal reserves generated the deferred tax assets. At September 30, 1995, a valuation allowance of \$8,120,000 is provided as the realization of the deferred tax benefits is not likely.

6. Notes Payable and Long-term Debt

RSL USA has a series of notes payable to different vendors in the amount of \$1,136,712 which bear interest at rates from 8% to 14.5%, of which \$874,066 is current.

Cyberlink has a credit agreement which provides for up to \$5,000,000 in committed credit lines to finance its accounts receivable. Interest is payable at 2¼% over the prime rate of interest (prime being 8.75% at September 30, 1995). A second credit line provides for up to \$2,000,000 in capital expenditure financing with interest payable at 2¼% over the prime rate. The total amounts outstanding at September 30, 1995 from the above credit lines are \$1,713,296 and \$0, respectively. The credit lines terminate on August 31, 1998.

Cyberlink has a long-term note payable to a vendor in the amount of \$1,000,000 which bears interest at the rate of 10%, commencing January 1, 1997.

ITG's notes payable had fair values that approximated their carrying amounts.

Interest expense on the above notes was approximately \$190,603 for the nine months ended September 30, 1995.

7. Employment Agreements

The Company has employment contracts with certain of its executive officers. These agreements expire beginning April 1998 through May 2000 unless terminated earlier by the executive or the Company, and provides for an annual base salary. Salary expense for the officers was \$253,750 for the

INTERNATIONAL TELECOMMUNICATIONS GROUP LTD.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nine Months Ended September 30, 1995

7. Employment Agreements—(Continued)

nine months ended September 30, 1995. The aggregate commitment for annual future salaries at September 30, 1995, excluding bonuses, was approximately \$453,750 for 1996, \$454,500, \$300,000, \$200,000 and \$116,667 for 1997, 1998, 1999 and 2000, respectively.

8. Commitments and Contingencies

At September 30, 1995, the Company is committed to unrelated parties for the purchase of certain capital assets and the rental of office space under operating leases. Minimum annual lease payments with respect to the leases and capital commitment is as follows:

<u>Nine Months Ended</u>	
<u>September 30,</u>	
1996	\$ 849,435
1997	808,300
1998	546,760
1999	366,998
2000	305,226
2001 and thereafter	431,612
	<u>\$ 3,308,331</u>

Rent expense for the nine months ended September 30, 1995 was \$173,072.

The Company is committed to the rental of transmission capacity under certain operating leases. The minimum annual lease payments with respect to these agreements is as follows:

<u>Nine Months Ended</u>	
<u>September 30,</u>	
1996	\$20,400,000
1997	38,000,000
1998	<u>7,500,000</u>
	<u>\$65,900,000</u>

The Company is currently negotiating the termination of these operating leases.

Litigation and Other Claims—The Company is involved in various litigation and other claims that arose in the ordinary course of its acquired businesses prior to the Company's acquisition of such businesses. The expected settlements from these matters have been accrued and are recorded as "Other Liabilities." In management's opinion, the settlement of such litigation and claims would not have a material adverse effect on the Company's consolidated financial position or results of its operations.

Letters of Credit—The Company has outstanding letters of credit aggregating approximately \$76,000 at September 30, 1995, expiring at various dates between June 1, 1996 and August 8, 1996. Such letters of credit, which were issued as deposits to vendors or security on leased premises, are fully secured by certificates of deposit and are classified as current assets.

9. Significant Customer

For the nine months ended September 30, 1995, one customer accounted for 18% of the Company's revenues.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

1,452,715 Shares

RSL Communications, Ltd.

Class A Common Shares
(par value \$.00457 per share)

TABLE OF CONTENTS

	<u>Page</u>
Available Information	2
Prospectus Summary	3
Risk Factors	12
Use of Proceeds	26
Determination of Offering Price	26
Plan of Distribution	26
Price Range of Class A Common Stock	26
Dividend Policy	27
Capitalization	27
Selected Consolidated Financial Data	29
Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Business	43
Management	90
Certain Relationships and Related Transactions	100
Principal <u>Shareholders</u> and Selling <u>Shareholder</u>	101
Description of Capital Stock	106
Description of Certain Indebtedness	109
Shares Eligible for Future Sale	113
Certain United States Federal Income Tax Considerations	115
Certain Bermuda Tax Considerations	122
Legal Matters	122
Experts	122
Service of Process and Enforcement of Injunction	---



RSLCOM

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The Registrant's expenses in connection with the issuance of the securities being registered, are estimated as follows:

Securities and Exchange Commission Registration Fee	\$ 1,828
Printing and Engraving	100,000*
Counsel Fees and Expenses	200,000*
Accountants' Fees and Expenses	30,000*
Transfer Agent and Registrar Fees and Expenses	10,000*
Nasdaq Listing Fee	17,500
Miscellaneous	15,672*
Total	<u>\$ 375,000</u>

* Estimated

Item 14. Indemnification of Directors and Officers

Under Bermuda law and the [Registrant's] Memorandum of Association and bye-laws, the directors, secretary and other officers for the time being of the [Registrant] and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the [Registrant] and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the [Registrant] from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the [Registrant] shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the [Registrant] shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Item 15. Recent Sales of Unregistered Securities

The following discussion does not give effect to the recapitalization effected by the Registrant in connection with the initial public offering of its Class A Common Shares (the "Initial Public Offering").

In August 1994, RSL Communications, Inc. (a predecessor of the Registrant) ("RSL Delaware") issued one share of common stock, par value \$0.01 per share (the "RSL Delaware Common Stock"), to Ronald S. Lauder, Chairman of the Board of Directors and a co-founder of the Registrant, for aggregate consideration of \$0.01. The issuance of such shares of RSL Delaware Common Stock to Mr. Lauder was exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In February 1995, RSL Delaware issued: (i) 3,000 shares of RSL Delaware Common Stock to Itzhak Fisher, the President and Chief Executive Officer, co-founder and a Director of the Registrant for aggregate consideration of \$2,000; (ii) 400 shares of preferred stock, par value \$1.00 per share (the "RSL Delaware Preferred Stock"), to Itzhak Fisher for aggregate consideration of \$400,000; (iii) 5,878,286 shares of RSL Delaware Preferred Stock to R. S. Lauder Gaspar & Co., L.P. for aggregate consideration of \$5,878,286; (iv) 100 shares of RSL Delaware Preferred Stock to Ronald S. Lauder for aggregate consideration of \$900,000; (v) 300 shares of RSL Delaware Preferred Stock to Jacob Schuster, Chief Financial Officer, Assistant Secretary and Treasurer and a Director of the Registrant, for aggregate consideration of \$300,000 and (vi) 121,714 shares of RSL Delaware Preferred

Stock to Nesim Bildirici, Vice President of Mergers and Acquisitions of the Registrant, for aggregate consideration of \$121,714. The issuance of such shares was exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In April 1995, RSL Delaware merged into RSL Communications Inc. ("RSL BVI"). In connection with such merger, each shareholder of RSL Delaware exchanged their respective shares of RSL Delaware common stock and RSL Delaware Preferred Stock for an equal number of shares of RSL BVI's common stock, par value \$.01 per share (the "RSL BVI Common Stock"), and preferred stock, par value \$.01 per share (the "RSL BVI Preferred Stock"). Simultaneous with the merger, RSL BVI increased the number of authorized shares of each of the RSL BVI Common Stock and RSL BVI Preferred Stock from 10,000 to 10,000,000 and declared a share dividend of 1,000 shares of RSL BVI Common Stock and RSL BVI Preferred Stock for each share of such stock respectively issued and outstanding.

In April 1995, RSL BVI increased the number of authorized shares of each of the RSL BVI Common Stock and RSL BVI Preferred Stock from 10,000,000 to 20,000,000 and declared a share dividend of two shares of RSL BVI Common Stock and RSL BVI Preferred Stock for each share of such stock respectively issued and outstanding. Additionally, in April 1995, RSL BVI issued: (i) 59,306 shares of RSL BVI Common Stock to Ronald S. Lauder for aggregate consideration of \$207,572; (ii) 197,837 shares of RSL BVI Preferred Stock to Ronald S. Lauder for aggregate consideration of \$692,428; (iii) 13,179 shares of RSL BVI Common Stock to Itzhak Fisher for aggregate consideration of \$46,873; (iv) 43,964 shares of RSL BVI Preferred Stock to Itzhak Fisher for aggregate consideration of \$153,873; (v) 422,130 shares of RSL BVI Common Stock to R. S. Lauder Gaspar & Co., L.P. for aggregate consideration of \$1,477,457; (vi) 1,292,156 shares of RSL BVI Preferred Stock to R. S. Lauder Gaspar & Co., L.P. for aggregate consideration of \$4,522,543; (vii) 3,954 shares of RSL BVI Common Stock to certain members of the family of Jacob Schuster for aggregate consideration of \$13,834.20; (viii) 13,189 shares of RSL BVI Preferred Stock to certain members of the family of Jacob Schuster for aggregate consideration of \$46,161.80 and (ix) 13,179 shares of RSL BVI Preferred Stock to Nir Tarlovsky for aggregate consideration of \$153,873. The issuance of such shares was exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In April 1995, the Board of Directors of the Company authorized, and the shareholders of the Registrant approved, the Amended and Restated 1995 Stock Option Plan (the "1995 Plan"). Under the 1995 Plan, the Registrant's Compensation Committee is authorized to grant options for up to 1,300,000 shares of the Registrant's Class A Common Stock. As of October 3, 1997, the last day of which options under the 1995 Plan were granted, the Registrant had granted options to purchase 1,275,291 shares of the Registrant's Class A Common Stock under the 1995 Plan. In general, options granted under the 1995 Plan terminate on the tenth anniversary of the date of grant. The 1995 Plan was developed to provide incentives to employees of the Registrant and to attract new employees and non-employee directors. The issuance of such shares pursuant to the 1995 Plan is exempt from registration under the Securities Act pursuant to Rule 701 thereof.

In July 1996, RSL BVI was amalgamated into the Registrant. Subsequently, the Registrant increased the number of authorized shares of each class of its common stock, par value \$.01 per share (the "RSL Common Stock"), and preferred stock, par value \$.01 per share (the "RSL Preferred Stock"), to 20,000,000. Thereafter, the Registrant issued: (i) 59,306 shares of RSL Common Stock to Ronald S. Lauder for aggregate consideration of \$593.06; (ii) 1,097,837 shares of RSL Preferred Stock to Ronald S. Lauder for aggregate consideration of \$10,978.37; (iii) 2,013,179 shares of RSL Common Stock to Itzhak Fisher for aggregate consideration of \$12,000; (iv) 243,964 shares of RSL Preferred Stock to Itzhak Fisher for aggregate consideration of \$2,439.64; (v) 422,130 shares of RSL Common Stock to R. S. Lauder Gaspar & Co., L.P. for aggregate consideration of \$4,221.30; (vi) 7,170,442 shares of RSL Preferred Stock to R. S. Lauder Gaspar & Co., L.P. for aggregate consideration of \$71,704.42; (vii) 419,770 shares of RSL Common Stock to the Schuster Family Partners I, L.P. for aggregate consideration of \$4,197.70; (viii) 365,945 shares of RSL Preferred Stock to the Schuster Family Partners I, L.P. for aggregate consideration of \$3,659.49; (ix) 13,179 shares of RSL Common Stock to Nir Tarlovsky for aggregate consideration of \$131.79; (x) 243,964 shares of RSL Preferred Stock to Nir Tarlovsky for aggregate consideration of \$2,439.64 and (xi) 121,714 shares of RSL Preferred Stock to

Nesim Bildirici for aggregate consideration of \$1,217.14. The issuance of such shares was exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In September 1996, the Registrant's capital stock was reclassified as follows: (i) the Class A Common Shares and Class B Common Shares were authorized with the RSL Common Shares being converted into Class A Common Shares; (ii) the Registrant's authorized Class B Common Shares were reclassified as Class C Common Shares with no changes to the rights of such shares; (iii) the authorized Class A Common Shares were reclassified as Class B Common Shares with no changes in the rights of such stock except that each share of Class B Common Shares are entitled to 10 votes per share; and (iv) the new Class A Common Shares was authorized.

In September 1996, the Registrant issued to Ronald S. Lauder a warrant to purchase 210,000 shares of the Registrant's Class B Common Shares in consideration of a loan from Mr. Lauder to the Registrant in the aggregate amount of \$35 million. Additionally, the Registrant issued: (i) 940,073 shares of the Registrant's Class B Common Shares to Lauder Gaspar Ventures LLC for aggregate consideration of \$25 million; (ii) 470,037 shares of the Registrant's Class B Common Shares to Ronald S. Lauder for aggregate consideration of \$12.5 million and (iii) 470,037 shares of the Registrant's Class B Common Shares to Leonard A. Lauder for aggregate consideration of \$12.5 million. The issuance of such shares was exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In May 1997, the Registrant issued to Mr. Charles M. Piluso 665,340 shares of the Registrant's Class A Common Shares in connection with the Registrant's acquisition of 15,619 shares of common stock of ITG held by Mr. Piluso. The issuance of such shares was exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

The following discussion does give effect to the recapitalization effected by the Registrant in connection with its Initial Public Offering.

In August 1995, RSL COM Europe Ltd. ("RSL Europe"), a U.K. limited liability company and a wholly-owned subsidiary of the Company, entered into an employment agreement with Richard E. Williams, the Chief Executive Officer of RSL Europe, the term of which expires in August 1998. Pursuant to the agreement, RSL Europe granted to Mr. Williams the option to purchase shares of capital stock of RSL Europe equal to up to 2.0% of the outstanding capital stock of RSL Europe (the "RSL Europe Option Rights"). In September 1997, the Company entered into an agreement pursuant to which the Company, in consideration for his waiver of the RSL Europe Options Rights, granted to Mr. Williams options to purchase 350,400 shares of Class A Common Stock, which options became exercisable upon the closing date of the Initial Public Offering, at an exercise price per share of \$0.0457. The issuance of such shares is exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In October 1996, the Company and RSL Communications PLC, a wholly owned subsidiary of the Company (the "Note Issuer"), completed an offering (the "1996 Units Offering") of 300,000 units (the "Units"), each Unit consisting of (i) \$1,000 principal amount of 12 1/4% Senior Notes due 2006 of the Note Issuer (unconditionally guaranteed by the Company) and (ii) one warrant to purchase 3.975 shares of Class A Common Stock (the "Warrants"). The Units were sold for an aggregate purchase price of \$300.0 million. The placement agents for the 1996 Units Offering consisted of Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc. and Dillon, Read & Co. Inc. The aggregate commissions were approximately \$9.0 million. The Units were not registered under the Securities Act in reliance on Rule 144A of the Securities Act and were sold only to "qualified institutional buyers" and to a limited number of "institutional accredited investors."

In connection with the Initial Public Offering, the Company issued to certain members of management and original shareholders of certain of the Company's subsidiaries an aggregate of 411,105 shares of Class A Common Stock in exchange for shares of certain of the Registrant's subsidiaries held by such persons. The issuance of such shares is exempt from registration under the Securities Act pursuant to Section 4(2) thereof.

In February 1998, the Note Issuer completed an offering (the "U.S. Dollar Notes Offering") of \$200.0 million 9 1/4% Senior Notes due 2008 and \$328.1 million of 10 1/4% Senior Discount Notes due

2008 of the Note Issuer (the "U.S. Dollar Notes") and unconditionally guaranteed by the Company pursuant to an indenture governing the U.S. Dollar Notes. The placement agents for the U.S. Dollar Notes Offering consisted of Goldman, Sachs & Co., Merrill Lynch & Co., Chase Securities, Inc., J.P. Morgan & Co., and SBC Warburg Dillon Read Inc. The aggregate commissions were approximately \$12.0 million. The U.S. Dollar Notes were sold to "qualified institutional buyers" in the U.S. and were not registered under the Securities Act in reliance on Rule 144A of the Securities Act.

In March 1998, the Note Issuer completed an offering (the "German Debt Offering") of DM296.0 million (approximately \$99.1 million) face amount at maturity 10% Senior Discount Notes due 2008 (the "German Notes") unconditionally guaranteed by the Company pursuant to an indenture governing the German Notes. The placement agents for the German Debt Offering consisted of Goldman, Sachs & Co. (HG) and Merrill Lynch International. The aggregate commissions were approximately \$3.0 million. The German Notes were sold outside the U.S. to non-U.S. persons in reliance on Regulation S under the Securities Act and through their respective selling agents, Goldman, Sachs & Co. and Merrill Lynch & Co., and in the United States only to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>
*3.1	— Certificate of Incorporation of RSL Communications, Ltd., issued by the Bermuda Registrar of Companies on March 14, 1996.
*3.2	— Memorandum of Association of RSL Communications, Ltd., filed with the Bermuda Registrar of Companies on March 14, 1996.
**3.3	— Bye-Laws of RSL Communications, Ltd. (as amended through September 2, 1997).
*4.1	— Indenture, dated October 3, 1996, by and among RSL Communications PLC, RSL Communications, Ltd. and The Chase Manhattan Bank, as Trustee, containing, as exhibits, specimens of 12¼% Senior Notes due 2006.
*4.2	— Notes Registration Rights Agreement, dated October 3, 1996, by and among RSL Communications PLC, RSL Communications, Ltd. and the Placement Agents.
*4.3	— Note Deposit Agreement, dated October 3, 1996, by and among RSL Communications PLC, RSL Communications, Ltd. and The Chase Manhattan Bank, as Book Entry Depository.
*4.4	— Collateral Pledge and Security Agreement, dated October 3, 1996, by and among RSL Communications PLC and Trustee.
*4.5	— Form of Letter of Transmittal.
*4.6	— Form of 12¼% Senior Note due 2006.
*4.7	— Form of Class A Common Share Certificate.
*4.8	— <u>Exchange and Registration Rights Agreement, dated as of February 27, 1998, among RSL Communications PLC, RSL Communications, Ltd., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chase Securities Inc., J.P. Morgan Securities Inc., and SBC Warburg Dillon Read Inc.</u>
4.9	— <u>Note Deposit Agreement, dated as of February 27, 1998, among RSL Communications PLC, RSL Communications, Ltd. and The Chase Manhattan Bank as Book-Entry Depository.</u>
4.10	— <u>Note Deposit Agreement, dated as of February 27, 1998, among RSL Communications PLC, RSL Communications, Ltd. and The Chase Manhattan Bank as Book-Entry Depository.</u>
4.11	— <u>Indenture, dated as of February 27, 1998, by RSL Communications PLC and RSL Communications, Ltd. to The Chase Manhattan Bank as Trustee.</u>
4.12	— <u>Indenture, dated as of February 27, 1998, by RSL Communications PLC and RSL Communications, Ltd. to The Chase Manhattan Bank as Trustee.</u>

Exhibit Number	Description
4.13	Exchange and Registration Rights Agreement, dated as of February 27, 1998, among RSL Communications PLC, RSL Communications, Ltd. and Goldman, Sachs & Co., oHG and Merrill Lynch International.
4.14	Note Deposit Agreement, dated as of March 16, 1998, by and between RSL Communications PLC and The Chase Manhattan Bank as Book-Entry Depository.
4.15	Indenture, dated as of March 16, 1998, by RSL Communications PLC and RSL Communications, Ltd. to The Chase Manhattan Bank as Trustee.
5.1	Opinion of Conyers, Dill & Pearman.
8.1	Opinion of Rosenman & Colin LLP.
8.2	Opinion of Conyers, Dill & Pearman.
*10.1	Warrant Agreement, dated October 3, 1996, between RSL Communications, Ltd., as Issuer, and The Chase Manhattan Bank, as warrant agent.
*10.2	Warrant Registration Rights Agreement, dated October 3, 1996, between RSL Communications, Ltd., as issuer, and The Chase Manhattan Bank, as warrant agent.
*10.3	Amendment to the Revolving Credit Facility, dated August 20, 1996, from The Chase Manhattan Bank to RSL Communications, Inc.
*10.4	Amendment to the Revolving Credit Facility, dated September 10, 1996, from The Chase Manhattan Bank to RSL Communications, Ltd.
*10.5	Subordinated Promissory Note, dated September 10, 1996, from RSL Communications, Ltd. to Ronald S. Lauder.
*10.6	Warrant for 210,000 shares of Class B Common Stock of RSL Communications, Ltd. issued to Ronald S. Lauder on September 10, 1996.
*10.7	Standby Facility Agreement, dated October 1, 1996, by and between RSL Communications, Ltd. and Ronald S. Lauder.
*10.8	Consulting Agreement, dated September 15, 1995, between Eugene Sekulow and RSL Communications, Inc.
*10.9	Amendment to Consulting Agreement, dated August 8, 1996, between Eugene Sekulow and RSL Communications, Ltd.
*10.10	RSL Communications, Ltd.'s 1995 Amended and Restated Stock Option Plan.
*10.11	Employment Agreement, dated September 15, 1995, between Itzhak Fisher and International Telecommunications Group, Ltd.
*10.12	Employment Agreement, dated September 15, 1995, between Itzhak Fisher and RSL Communications Inc.
*10.13	Employment Agreement, dated April 1, 1995, between Nir Tarlovsky and International Telecommunications Group, Ltd.
*10.14	Employment Agreement, dated April 1, 1995, between Nir Tarlovsky and RSL Communications Inc.
*10.15	Employment Agreement, dated August 9, 1995, between RSL COM Europe Limited and Richard Williams.
*10.16	Memorandum of Agreement, dated July 30, 1996, between International Telecommunications Corporation and Codetel.
*10.17	General Purchase Agreement, dated September 14, 1995, between Ericsson Inc. and International Telecommunications Corporation.
*10.18	Lease Agreement between AB LM Ericsson Finans and International Telecommunications Corporation.
*10.19	Lease Agreement, dated April 10, 1996, between RSL COM Europe Ltd. and AB LM Ericsson Finans.
*10.20	Lease Agreement, dated December 30, 1996, between RSL COM Europe Ltd. and AB LM Ericsson Finans.
*10.21	Loan and Security Agreement, dated September 8, 1995, between Cyberlink Inc. and CoastFed Business Credit Corporation.

<u>Exhibit Number</u>	<u>Description</u>
*10.22	— Accounts Collateral Security Agreement, dated September 8, 1995, between Cyberlink Inc. and CoastFed Business Credit Corporation.
*10.23	— Equipment Collateral Security Agreement, dated September 8, 1995, between Cyberlink Inc. and CoastFed Business Credit Corporation.
*10.24	— Security Stock Pledge Agreement, dated September 8, 1995, between CoastFed Business Credit Corporation and Cyberlink Inc.
*10.25	— Security Agreement, dated September 8, 1995, between CoastFed Business Credit Corporation and Cyberlink-California Inc.
*10.26	— Security Agreement, dated September 8, 1995, between CoastFed Business Credit Corporation and Cyberlink-Nevada Inc.
*10.27	— Asset Purchase Agreement, dated as of May 8, 1996, by and between RSL COM France S.A. and Sprint Telecommunications France Inc.
*10.28	— Transition Services Agreement, dated May 8, 1996, by and among Sprint Telecommunications France Inc., Sprint International France S.A. and RSL COM France S.A.
*10.29	— Transition Services Agreement, dated May 8, 1996, by and between Sprint Communications Company L.P. and RSL COM France S.A.
*10.30	— Amendment No. 1 to the Transition Services Agreement, effective as of May 8, 1996, among Sprint Communications Company L.P., Sprint International France S.A. and RSL COM France S.A.
*10.31	— Transition Services Agreement, dated May 8, 1996, by and between Global One Communications World Operations, Limited and RSL COM France S.A.
*10.32	— Asset Purchase Agreement, dated as of May 8, 1996, by and among Siena Vermögensverwaltungs-GmbH, Sprint Telecommunication Services GmbH and Sprint Fon Inc.
*10.33	— Transition Services Agreement, dated May 8, 1996, by and among Sprint Telecommunication Services GmbH, Sprint Fon Inc. and Siena Vermögensverwaltungs- GmbH.
*10.34	— Transition Services Agreement, dated May 8, 1996, by and between Sprint Communications Company L.P. and RSL COM Deutschland GmbH.
*10.35	— Amendment No. 1 to the Transition Services Agreement, effective as of May 8, 1996, among Sprint Communications Company L.P., Sprint Telecommunication Services GmbH and RSL COM Deutschland GmbH.
*10.36	— Transition Services Agreement, dated May 8, 1996, by and between Global One Communications World Operations, Limited and Siena Vermögensverwaltungs-GmbH.
*10.37	— Asset Purchase Agreement, August 12, 1996, by and between RSL COM UK Limited and Incom (UK) Ltd.
*10.38	— Stock Purchase Agreement, dated July 3, 1996, between RSL Communications Limited, Charles Piluso and International Telecommunications Group, Ltd.
*10.39	— Secured Promissory Note, dated September 9, 1996, from RSL Communications PLC to Charles Piluso.
*10.40	— Stock Pledge and Security Agreement, dated September 9, 1996 between RSL Communications PLC, Charles Piluso and Fletcher, Heald & Hildreth, P.L.C.
*10.41	— New Shareholders Agreement, dated September 9, 1996 among Charles Piluso, Jacqueline and Victoria Piluso, Richard Rebetti, RSL Communications PLC, RSL Communications, Ltd and International Telecommunications Group, Ltd.
*10.42	— Stock Purchase Agreement, dated September 9, 1996, between RSL Communications PLC, Richard Rebetti, Jr. and International Telecommunications Group, Ltd.
*10.43	— Secured Promissory Note, dated September 9, 1996, from RSL Communications PLC to Richard Rebetti.

<u>Exhibit Number*</u>	<u>Description</u>
*10.44	— Stock Pledge and Security Agreement, dated September 9, 1996, between RSL Communications PLC, Richard Rebetti, Jr. and Fletcher, Heald & Hildreth, P.L.C.
*10.45	— Agreement and Plan of Reorganization, dated September 9, 1996, among RSL Communications PLC, RSL Communications, Ltd. and Charles Piluso.
*10.46	— Tax Agreement, dated September 9, 1996, between RSL Communications PLC, RSL Communications, Ltd. and Charles Piluso.
*10.47	— Stock Purchase Agreement, dated September 22, 1995, by and between RSL Communications, Inc. and Charles Piluso.
*10.48	— Stock Purchase Agreement, dated September 22, 1995, by and between Richard Rebetti and RSL Communications, Inc.
*10.49	— Amendment to the Stock Purchase Agreement, dated September 22, 1995, between and among International Telecommunications Group, Ltd., International Telecommunications Corporation and RSL Communications, Inc.
*10.50	— Stock Purchase Agreement, dated March 10, 1995, between RSL Communication, Inc., International Telecommunications Group, Ltd. and International Telecommunications Corporation.
*10.51	— Amendment to Shareholders' Agreement, dated March 10, 1995, between and among Charles Piluso, Richard Rebetti, Incom (UK) Ltd., International Telecommunications Group, Ltd. and RSL Communications, Inc.
*10.52	— Indemnity Agreement, dated March 10, 1995, between and among International Telecommunications Group, Ltd., International Telecommunications Corporation and RSL Communications, Inc.
*10.53	— Sublease, dated July 18, 1996, between RSL Communications, Ltd. and RSL Management Corporation.
*10.54	— Lease, dated as of January 15, 1997, between Longstreet Associates L.P. and RSL COM U.S.A., Inc.
*10.55	— Employment Agreement, dated January 31, 1997, between Roland T. Mallcott and RSL Communications, Ltd.
*10.56	— Amendment of Lease, dated as of December 6, 1995, between Hudson Telegraph Associates and International Telecommunications Corporation.
**10.57	— Shareholders Agreement of RSL Communications, Latin America, Ltd., dated August 4, 1997, between and among RSL Communications, Latin America, Ltd., RSL Communications, Ltd. and Coral Gates Investments Ltd.
**10.58	— Stockholders' Agreement, dated July 23, 1997, by and among Delta Three, Inc., RSL Communications, Ltd., and the other shareholders of Delta Three, Inc.
**10.59	— Delta Three, Inc. Services Agreement.
**10.60	— Employment Agreement, dated July 31, 1997, between Andrew C. Shields and RSL Communications, Ltd.
**10.61	— Shareholders Agreement, dated October 10, 1996, between RSL COM Europe, Limited, Gerard van Leest and Belnet Nederland B.V.
†10.62	— RSL Communications, Ltd. 1997 Performance Incentive Plan.
†10.63	— RSL Communications, Ltd. 1997 Stock Incentive Plan.
**10.64	— Lease Agreement, dated June 19, 1997 for property at 430 Park Avenue, New York, New York.
**10.65	— Stock Purchase Agreement of Delta Three, Inc.
**10.66	— Employment Agreement, dated September 2, 1997, between Itzhak Fisher and RSL Communications, Ltd.
**10.67	— Employment Agreement, dated September 2, 1997, between Itzhak Fisher and International Telecommunications Group, Ltd.
†10.68	— RSL Communications Ltd. 1997 Directors' Compensation Plan.

Exhibit Number*	Description
**10.69	Registration Rights Agreement, dated September 2, 1997, among RSL Communications, Ltd., Ronald S. Lauder, Itzhak Fisher and Coral Gate Investments Ltd.
**10.70	International Telecommunication Services Agreement, dated July 1, 1995, between International Telecommunications Corporation and TELECOM Denmark.
**10.71	International Telecommunication Operating Agreement, dated July 15, 1995 between Telenor Carrier Services A.S. and International Telecommunications Corporation.
**10.72	International Telecommunication Services Agreement, dated May 10, 1994, between Mercury Communications Limited and International Telecommunications Corporation.
**10.73	Agreement Concerning Voice Distribution of International Telephony Traffic, undated, between Unisource Carrier Services AG and International Telecommunications Corporation.
**10.74	International Telecommunications Service Agreement, dated May 31, 1994, between Compañía Dominicana De Telefonos, C. Por A. and International Telecommunications Corporation.
**10.75	Second Supplementary Agreement to the UK-Netherlands 14 Cable System Construction & Maintenance Agreement, effective February 18, 1997, among the parties on the Annex thereto.
**10.76	Fourth Supplementary Agreement to the ODIN Construction and Maintenance Agreement, dated October 24, 1996, among the parties on the Annex thereto.
**10.77	Second Supplementary Agreement to Antillas I Construction & Maintenance Agreement, dated February 13, 1997, among the parties on the Annex thereto.
**10.78	Canus I Cable System Indefeasible Right of Use Agreement and Financing Agreement, dated June 4, 1996, between Optel Communications, Inc. and International Telecommunications Corporation.
**10.79	Cantat-3 Cable System Indefeasible Right of Use Agreement and Financing Agreement, dated March 12, 1996, between Teleglobe Cantat-3 Inc. and International Telecommunications Corporation.
**10.80	PTAT-1 Submarine System Indefeasible Right of Use Agreement, dated May 12, 1994, between Private Transatlantic Telecommunications System, Inc. and International Telecommunications Corporation.
**10.81	Third Supplementary Agreement to the TAT-12/TAT-13 Cable Network Construction and Maintenance Agreement, dated October 17, 1995, among the parties on the Annex thereto.
<u>10.82</u>	<u>Placement Agreement, dated as of September 30, 1996, by and among RSL Communications PLC, RSL Communications, Ltd. and Morgan Stanley & Co. Incorporated, Bear Stearns Co. Inc. and Dillon Read & Co. Inc.</u>
21.1	— Subsidiaries of the Company.
23.1	— Consent of Deloitte & Touche LLP (included on page II-11).
23.3	— Consent of Conyers, Dill & Pearman (included in Exhibits 5.1 and 8.2 hereto).
23.4	— Consent of Rosenman & Colin LLP (included in Exhibit 8.1 hereto).
24.1	— Powers of Attorney (included in the signature pages to the Registration Statement).
27.1	— Financial Data Schedule.

* Unless otherwise indicated, the exhibits have been previously filed as part of this Registration Statement.

** Incorporated by reference to Registrant's Registration Statement on Form S-4 (Registration No. 333-25749).

** Incorporated by reference to Registrant's Registration Statement on Form S-1 (Registration No. 333-34281).

(Footnotes continued on next page)

(Footnotes continued from previous page)

*** Confidential Treatment was granted by the Commission with respect to certain information contained in this exhibit.

† Incorporated by reference to Registrant's Registration Statement on Form S-8 (Registration No. 333-40085)

†† Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.

(b) Financial Statement Schedules:

For the years ended December 31, 1995, 1996 and 1997.

Schedule I - Condensed Financial Information of RSL Communications PLC (included at page S-1).

Schedule II - Schedule of Valuation Allowances (included at page S-4).

Item 17. Undertakings

1. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Act");

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in this registration statement.

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

2. Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York on the 20th day of March, 1998.

RSL COMMUNICATIONS, LTD.

By: /s/ ITZHAK FISHER
Itzhak Fisher
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Itzhak Fisher his true and lawful attorney-in-fact and agent, acting alone, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and reform each and every act and thing requisite or necessary to be done in and about the premises, as person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>(Ronald S. Lauder)</u>	Director and Chairman of the Board of Directors	<u>March 20, 1998</u>
<u>/s/ ITZHAK FISHER</u> (Itzhak Fisher)	Director, President and Chief Executive Officer (Principal Executive Officer)	<u>March 20, 1998</u>
<u>(Andrew Gaspar)</u>	Director and Vice Chairman of the Board of Directors	<u>March 20, 1998</u>
<u>/s/ JACOB Z. SCHUSTER</u> (Jacob Z. Schuster)	Director, Executive Vice President, Chief Financial Officer, Assistant Secretary and Treasurer (Principal Financial Officer)	<u>March 20, 1998</u>

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-46125 of RSL Communications, Ltd. on Form S-1 of our report dated February 18, 1998 relating to the consolidated financial statements of RSL Communications, Ltd. and subsidiaries and of our report dated March 14, 1997 relating to the consolidated financial statements of International Telecommunications Group Ltd. and subsidiaries, appearing in the Prospectus, which is part of this Registration Statement, and of our report dated February 18, 1998 relating to the consolidated financial statement schedules of RSL Communications, Ltd. and subsidiaries appearing elsewhere in this Registration Statement.

We also consent to the reference to us under the headings "Selected Financial Data" and "Experts" in such Prospectus.

DELOITTE & TOUCHE LLP
New York, New York
March 16, 1998

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF
RSL COMMUNICATIONS PLCCONDENSED BALANCE SHEETSas of December 31,
(\$ in thousands)

	1996	1997
ASSETS		
Current Assets	\$201,734	\$212,568
Marketable Securities—Held to maturity	104,370	68,836
Property and Equipment	31,941	64,649
Other Assets	88,820	190,633
Total	<u>\$426,865</u>	<u>\$536,686</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities	\$ 74,948	\$122,672
Long Term Debt	94,556	257,448
Senior Notes, 12 1/4% Due 2006	300,000	300,000
Shareholders' Deficiency	(42,639)	(143,434)
Total	<u>\$426,865</u>	<u>\$536,686</u>

SCHEDULE I (continued)

RSL COMMUNICATIONS PLC
 CONDENSED STATEMENTS OF OPERATIONS
 For the year ended December 31,
 (\$ in thousands)

	1996	1997
Revenues	\$113,257	\$266,142
Cost of Services	<u>98,461</u>	<u>235,150</u>
Gross Profit	14,796	30,992
Expenses	<u>41,619</u>	<u>100,118</u>
Loss from Operations	(26,823)	(69,126)
Interest Expense	(7,384)	(39,576)
Interest Income	—	13,565
Other (Expense) Income—Net	473	(375)
Minority Interest	(180)	88
Income Taxes	<u>(395)</u>	<u>(400)</u>
Net Loss	<u>\$ (34,309)</u>	<u>\$ (95,824)</u>

SCHEDULE I (continued)

RSL COMMUNICATIONS PLC
 CONDENSED STATEMENTS OF CASH FLOWS
 For the year ended December 31
 (\$ in thousands)

	<u>1996</u>	<u>1997</u>
Net Loss	\$ (34,309)	\$ (95,824)
Depreciation and amortization	6,618	20,270
Working capital change and other	<u>16,911</u>	<u>(15,909)</u>
Net cash used in operating activities	<u>(10,780)</u>	<u>(91,463)</u>
Purchases of Property and Equipment	(15,983)	(29,866)
Acquisitions of Subsidiaries	(38,552)	(50,814)
Purchase of Marketable Securities	(82,529)	—
Proceeds from Sales of Marketable Securities	14,701	41,038
(Purchase) Proceeds of Restricted Marketable Securities	(102,808)	54,167
Other	<u>171</u>	<u>144</u>
Net cash (used in) provided by investing activities	<u>(225,000)</u>	<u>14,669</u>
Proceeds from notes payable	300,000	—
Advances from Parent	51,362	118,999
Offering Cost and Other	<u>(11,969)</u>	<u>(15,653)</u>
Net cash provided by financing activities	<u>339,393</u>	<u>103,346</u>
Net increase in cash	103,613	26,552
Effect of Foreign Currency on Cash	—	(785)
Cash and cash equivalents at beginning of period	—	<u>103,613</u>
Cash and cash equivalents at end of period	<u>\$ 103,613</u>	<u>\$ 129,380</u>

SCHEDULE II

Schedule of Valuation Allowances
(\$ in thousands)

	Balance at January 1, 1997	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at December 31, 1997
Bad debt provision	\$ 3,881	\$ 10,908	\$ —	\$ (2,456)	\$ 12,333

	Balance at January 1, 1996	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at December 31, 1996
Bad debt provision	\$ 1,596	\$ 2,829	\$ —	\$ (544)	\$ 3,881

	Balance at January 1, 1995	Charged to Costs and Expenses	Charged to Other Accounts(1)	Deductions	Balance at December 31, 1995
Bad debt provision	\$ —	\$ 149	\$ 1,447	\$ —	\$ 1,596

(1) The bad debt provision was previously recorded in the financial statements of RSL Communications, Ltd.'s (the "Company") predecessor, International Telecommunications Group, Ltd. ("ITG"). The Company began consolidating ITG effective with its acquisition of interests in ITG in September 1995.

Exhibit V
RSL COM PrimeCall, Inc.

List of PrimeCall's Officers and Directors

RSL COM PRIMECALL, INC.

DIRECTORS:

<u>NAME</u>	<u>POSITION</u>	<u>BUSINESS ADDRESS</u>	<u>HOME ADDRESS</u>
Ed Thomas	Director	5550 Topanga Canyon Blvd., Suite 250, Woodland Hills, CA 91367	41 Knollwood Drive, Tinton Falls, NJ 07724
Nir Tarlovsky	Director	767 Fifth Avenue, Suite 4300, New York, NY 10153	29 Mountain Avenue, Larchmont, NY 10538
Mark Hirschhorn	Director	767 Fifth Avenue, Suite 4300, New York, NY 10153	25 Rockledge Avenue, #410W, White Plains, NY 10601

OFFICERS:

<u>NAME</u>	<u>POSITION</u>	<u>BUSINESS ADDRESS</u>	<u>HOME ADDRESS</u>
Ed Thomas	President	5550 Topanga Canyon Blvd., Suite 250, Woodland Hills, CA 91367	41 Knollwood Drive, Tinton Falls, NJ 07724
Arnold Goodstein	Vice President	430 Park Avenue, Fifth Floor, New York, NY 10022	194 Ronni Drive, East Meadow, NY 11554
Michael Cohen	Vice President	430 Park Avenue, Fifth Floor, New York, NY 10022	74 Warren Street, Fourth Floor, New York, NY 10013
Mark Hirschhorn	Secretary / Treasurer	767 Fifth Avenue, Suite 4300, New York, NY 10153	25 Rockledge Avenue, #410W, White Plains, NY 10601
Eric Fahman	Assistant Secretary	Fletcher, Heald, & Hildreth, P.L.C. 1300 North 17th Street, 11th Floor, Rosslyn, VA 22209-3801	11724 Auth Lane, Silver Spring, MD 20902

PREPARED BY:

<u>NAME</u>	<u>POSITION</u>	<u>BUSINESS ADDRESS</u>	<u>HOME ADDRESS</u>
David Parnes	Director - Regulatory Affairs	430 Park Avenue, Fifth Floor, New York, NY 10022	300 East 59th Street, Apt 2101, New York, NY 10022

RSLCOM U.S.A., INC

8974

INVOICE NO.	REFERENCE	AMOUNT	DISCOUNT	NET AMT.
-------------	-----------	--------	----------	----------

DATE	072998	250.00		250.00
------	--------	--------	--	--------

8/05/98
NUMBER

0008974
NUMBER

TC 98-143

\$*****250.00

ORIGINAL DOCUMENT IS PRINTED ON CHEMICAL REACTIVE PAPER & HAS A MICROPRINTED BORDER

RSLCOM U.S.A., INC.
5550 TOPANGA CANYON BLVD., SUITE 250
WOODLAND HILLS, CA 91367

CITY NATIONAL BANK
Woodland Hills, California
16-16061220

8974

NO.

0008974

TWO HUNDRED FIFTY AND NO/100 DOLLARS

DATE

AMOUNT

PAY
TO THE
ORDER
OF

South Dakota Public
Utilities Commission

8/05/98

\$*****250.00

Mark Sini

THE REVERSE SIDE OF THIS DOCUMENT INCLUDES AN ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈008974⑈ ⑆122016066⑆ 022⑈118978⑈

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of August 7, 1998 through August 13, 1998

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing. Phone: 605-773-3705. Fax: 605-773-3809.

TELECOMMUNICATIONS

TC98-142 In the Matter of the Complaint filed by W. Joseph Claflin, Rapid City, South Dakota, against U S WEST Communications, Inc., regarding Updating Lines

Mr. Claflin represents 54 homeowners and 49 potential homebuilders of the Edelweiss Mountain Development who wish to have upgraded services

Staff Attorney: Karen Cremer
Consumer Representative: Leni Healy
Date Filed: 08/07/98
Intervention Deadline: N/A

TC98-143 In the Matter of the Application of RSL COM PrimeCall, Inc., for a Certificate of Authority to Provide Telecommunications Services in South Dakota

Application by RSL COM PrimeCall, Inc. for a Certificate of Authority to "provide resold interexchange telecommunications services in the State of South Dakota" as a prepaid calling card service. "RSL COM PrimeCall propose to provide InterLATA and IntraLATA service within the geographic borders of the State of South Dakota."

Staff Attorney: Karen Cremer
Consumer Representative: Kylie Tracy
Date Filed: 08/13/98
Intervention Deadline: 08/28/98

TC98-144 In the Matter of the Complaint filed by Mike Malsom, Mina, South Dakota, against U S WEST Communications, Inc., regarding Updating Lines

Poor telephone service in the Mina, SD area

Staff Attorney: Karen Cremer
Consumer Representative: Leni Healy
Date Filed: 08/13/98
Intervention Deadline: N/A

You may receive this listing and other PUC publications via our website or via internet e-mail.
You may subscribe to the PUC mailing list at <http://www.state.sd.us/state/executive/puc/puc.htm>



RSL COM
RSL COM U.S.A., INC.

TC98-1413

RECEIVED

OCT 26 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

October 19, 1998

Mr. Harlan Best
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

Dear Mr. Best:

Attached please find evidence of a license bond for \$25,000 which was requested by the Commission as a condition for RSL COM PrimeCall, Inc. to gain full approval to do business in South Dakota.

If there are any questions, please give me a call at (212) 588-3668.

Sincerely,

David Parries

David Parries
Director - Regulatory Affairs
RSL COM PrimeCall, Inc.

Attachments

cc: Mr. Eric Fishman, Esq. (w/Attachments)

INDEMNITY BOND
to the
PEOPLE OF THE STATE OF SOUTH DAKOTA

Bond No. SU 2254776

We, RSL COM PrimeCall the principal and applicant for a CERTIFICATE OF AUTHORITY to resell long distance telecommunications services within the State of South Dakota, and Utica Mutual Insurance Company, as an admitted surety insurer, bind ourselves unto the Public Service Commission of the State of South Dakota and the consumers of South Dakota as Obligees, in the sum of \$25,000.00.

The conditions of the obligation are such that the principal, having been granted such CERTIFICATE OF AUTHORITY subject to the provision that said principal purchase this Indemnity Bond, and if said principal shall in all respects fully and faithfully comply with all applicable provisions of South Dakota State Law, and reimburse customers of RSL COM PrimeCall for any prepayment or deposits they have made which may be unable or unwilling to return to said customers as a result of insolvency or other business failure, then this obligation shall be void, discharged and forever exonerated, otherwise to remain in full force and effect.

This bond shall take effect as of the date hereon and shall remain in force and effect until the surety is released from liability by the written order of the Public Service Commission, provided that the surety may cancel this Bond and be relieved of further liability hereunder by delivering thirty (30) days written notice to the Public Service Commission. Such cancellation shall not affect any liability incurred or accrued hereunder prior to the termination of said thirty (30) day period.

Dated this 14th day of October, 1998.
To be effective this 12th day of October, 1998.

By UTICA MUTUAL INSURANCE COMPANY

Rosalie J. Anthony
Attorney-in-Fact Surety

Countersigned this 29th day of
September, 1998

Countersigned for South Dakota

By _____
Resident Agent

By David Prines

By _____
Attorney in Fact

*Original Bond is
in Aldine's bottom
desk drawer.*

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

UTICA MUTUAL INSURANCE COMPANY

NEW HARTFORD, NEW YORK

2254776
No. 543

POWER OF ATTORNEY

Know all men by these Presents, the UTICA MUTUAL INSURANCE COMPANY, as a New York Corporation, having its principal office in the Town of New Hartford, County of Oneida, State of New York, does hereby make, constitute and appoint WILLIAM S. ANTHONY, SR., ROSALIE J. ANTHONY LYNNBROOK, NEW YORK

its true and lawful Attorney(s)-in-fact in their separate capacity if more than one is named above to make, execute, sign, seal and delivery for and on its behalf as surety and as its agent and deed (without power of redelivery) any and all bonds and undertakings and other writings obligatory in the nature thereof (except bonds guaranteeing the payment of principal and interest of notes, mortgage bonds and mortgages) provided the amount of no one bond or undertaking exceeds FIVE HUNDRED THOUSAND AND 00/100---- Dollars (\$ 500,000.00----)

The execution of such bonds and undertakings shall be as binding upon said UTICA MUTUAL INSURANCE COMPANY as fully and to all intents and purposes as if the same had been duly executed and acknowledged by its regularly elected officers and its Home Office in New Hartford, New York.

This Power of Attorney is granted under and by authority of the following resolution adopted by the Directors of the UTICA MUTUAL INSURANCE COMPANY on the 27th day of November, 1961:

Resolved, that the President or any Vice-President, in conjunction with the Secretary or any Assistant Secretary, do and they are hereby authorized and empowered to appoint Attorney-in-fact of the Company, in its name and as its acts, to execute and acknowledge for and on its behalf all Surety, any and all bonds, recognizances, contracts of indemnity and all other writings obligatory in the nature thereof, with power to attach thereto the seal of the Company. Any such writings so executed by such Attorneys-in-fact shall be binding upon the Company as if they had been duly acknowledged by the regularly elected Officers of the Company in their own proper persons.

No. Therefore, the signatures of such officers and the seal of the Company may be affixed to any such Power of Attorney by a facsimile, and any such Power of Attorney bearing such facsimile signatures or seal shall be valid and binding upon the Company.

In Witness Whereof, the UTICA MUTUAL INSURANCE COMPANY has caused these presents to be signed by its Authorized Officers this 6th day of DECEMBER, 19 94.

UTICA MUTUAL INSURANCE COMPANY

George P. Wardley
Secretary



William S. Anthony, Sr.
Chairman of the Board
Chief Executive Officer

STATE OF NEW YORK }
COUNTY OF ONEIDA } SS

On this 6th day of DECEMBER, 19 94, before me, a Notary Public in and for the State of New York, personally came W. CRAIG HESTON and GEORGE P. WARDLEY to me known, who acknowledged execution of the preceding instrument and being by me duly sworn, do depose and say, that they are President and Secretary respectively of UTICA MUTUAL INSURANCE COMPANY, and that the seal affixed to said instrument is the corporate seal of UTICA MUTUAL INSURANCE COMPANY, and that the said corporate seal is affixed and their signatures subscribed to said instrument by authority and order of the Board of Directors of said Corporation.

In Testimony Whereof, I have hereunto set my hand at New Hartford, New York, the day and year first above written.



Rosmary Wadas
ROSMARY WADAS
Notary Public

STATE OF NEW YORK }
COUNTY OF ONEIDA } SS

I, STEPHEN J. LORENZ, Assistant Secretary of the UTICA MUTUAL INSURANCE COMPANY do hereby certify that the foregoing is a true and correct copy of a Power of Attorney, executed by said UTICA MUTUAL INSURANCE COMPANY, which is still in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the Seal of the said Corporation at New Hartford, New York, this 14th day of October, 19 98.

Stephen J. Lorenz
Assistant Secretary

UTICA MUTUAL INSURANCE COMPANY
FINANCIAL STATEMENT AS OF DECEMBER 31, 1997

From Annual Report Filed with New York Insurance Department

ASSETS	LIABILITIES AND SURPLUS
U.S. Governmental Direct Guaranteed Bonds \$ 93,420,966	Reserve for All Losses \$ 521,131,469
All Other Bonds 1,199,815,121	Unearned Premiums 250,531,521
Stocks 86,863,368	Reserve for Claim Expenses 196,061,961
Mortgages -0-	Dividends 8,972,004
Cash 10,811,481	Taxes Accrued 7,844,424
Equities & Deposits in Pools and Associations 5,444,791	Federal Income Tax 5,582,940
Premiums in Course of Collection 106,042,958	Amounts Withheld on Account of Others 14,153,304
Interest Due and Accrued 19,608,703	Provisions for Reinsurance 15,343,546
Other Admitted Assets 75,790,793	Miscellaneous Accounts Payable 64,420,467
Total Admitted Assets \$ 1,597,798,171	Total Liabilities \$ 1,184,021,676

Surplus Funds:	
Dividend Reserve	\$ 2,082,814
General Voluntary Reserve	1,500,000
Special Contingent Surplus	1,750,000
Divisible Surplus	408,493,881
Surplus as regards Policyholders	413,778,495
Total	\$ 1,597,798,171

STATE OF NEW YORK
 COUNTY OF ONEIDA ss:

W. Craig Heston, Chairman & CEO of the UTICA MUTUAL INSURANCE COMPANY, New Hartford, New York, being duly sworn, says that he is the above described officer of said Corporation, and that on the 31st day of December, 1997, all of the assets shown above were the absolute property of the said Corporation, free and clear from all liens or claims thereon except as above stated, and that the foregoing statement is a full and true exhibit of all assets and liabilities of the said Corporation at the close of business December 31, 1997, according to the best of his knowledge, information and belief.

Subscribed and sworn to before me the 19th day of March, 1998.

Rosemary Wadas

Notary Public in the State of New York
 Appointed in Oneida County
 My Commission Expires April 30, 1998

W. Craig Heston
 Chairman & CEO

Attest:

George P. Wadley

Secretary

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF)
RSL COM PRIMECALL, INC. FOR A)
CERTIFICATE OF AUTHORITY TO PROVIDE)
TELECOMMUNICATIONS SERVICES IN)
SOUTH DAKOTA)

ORDER GRANTING
CERTIFICATE OF
AUTHORITY

TC98-143

On August 13, 1998, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10.24.02, received an application for a certificate of authority from RSL COM PrimeCall, Inc. (RSL).

RSL proposes to offer resold interexchange telecommunications services as a prepaid calling card service. A proposed tariff was filed by RSL. The Commission has classified long distance service as fully competitive.

On August 13, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of August 28, 1998, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled November 25, 1998, meeting, the Commission considered RSL's request for a certificate of authority. Commission Staff recommended granting a certificate of authority as RSL had furnished the Commission with a surety bond.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10.24.02 and 20:10.24.03. The Commission finds that RSL has met the legal requirements established for the granting of a certificate of authority. RSL has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves RSL's application for a certificate of authority. As the Commission's final decision in this matter, it is therefore

ORDERED, that RSL's application for a certificate of authority is hereby granted. It is

FURTHER ORDERED, that RSL shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 14th day of December, 1998.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Maureen Kalko
Date: 12/8/98

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted November 25, 1998
Docket No. TC98-143

This is to certify that

RSL COM PRIMECALL, INC.

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10 24:02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 4th day of November, 1998.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:




JAMES A. BURG, Chairman


PAM NELSON, Commissioner


LASKA SCHOENFELDER, Commissioner