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July 9, 1996

FEDERAL EXPRESS DELIVERY

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Re: Joint Request of Cyberlink, Inc. and International Telecommunications Corporation
for Expedited Approval of Transfer of Control of Parent Corporation

Dear Ms. Bayo:

On behalf of Cyberlink, Inc. and International Telecommunications Corporation ("ITC") (collectively, "Applicants"), pursuant to Florida Statutes Section 364.335(4) and Florida Administrative Code Rule 25-24.473(1)-(2), we hereby request approval of a transaction whereby control of International Telecommunications Group, Ltd. ("ITG"), the parent corporation of both Cyberlink and ITC, will shift to RSL Communications Limited, as described herein. Both Cyberlink and ITC are authorized by this Commission to provide resold intrastate telecommunications services within Florida. Upon Commission approval and consummation of the transaction, both companies will remain holders of such certificates.

By this filing, applicants also request special temporary authority to effectuate these transactions on or before July 12, 1996 so as to permit the continued provision of intrastate telecommunications services by ITC and Cyberlink pursuant to their current corporate structures, and that the authority to effectuate the transaction be effective *nunc pro tunc* July 12, 1996. Such transactions are designed to ensure critical financial support imperative for ITC and Cyberlink to continue operations and avoid a disruption of customer service.

The parties further respectfully request expedited treatment of this application to permit them to consummate the final steps in the transaction transferring control of ITG as soon as possible. As

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fully described herein, approval of the transfer will permit ITC and Cyberlink to obtain much needed capital, fulfill their obligations under their current financing arrangements, and realize significant economic and marketing efficiencies which will enhance their ability to continue providing high quality, low cost telecommunications services and to compete more effectively in the intrastate telecommunications marketplace. Accordingly, grant of this application will benefit the public interest.

I. **THE PARTIES**

A. **International Telecommunications Corporation and International Telecommunications Group, Ltd.**

ITC is a privately held corporation whose principal offices are located at 169 EAB Plaza, West Tower, Uniondale, New York 11556. ITC holds a Certificate of Public Convenience and Necessity to provide interexchange telecommunications services within the State of Florida pursuant to its Telephone Certificate of Public Convenience and Necessity, Certificate No. 4068, issued in Docket No. 950601-TI, Order No. PSC-95-0991-FOF-TI, on September 6, 1995. In addition to the intrastate telecommunications services ITC provides to Florida subscribers, ITC currently is authorized to provide intrastate service in a number of states (either pursuant to certification, registration or tariff requirements, or on an unregulated basis), including New York, Texas, Michigan, New Jersey, Texas and Oregon. ITC is also currently authorized by the Federal Communications Corporation to provide domestic interstate and international services as a non-dominant carrier.

ITC's parent corporation, owning 96% of its capital stock, is International Telecommunications Group, Ltd. ("ITG"), a privately held Delaware corporation with offices at 169 EAB Plaza, West Tower, Uniondale, New York 11556. At present, ITG's principal shareholders are RSL and Charles M. Piluso, who respectively own approximately 50% and 44.25% of the company's stock. Pursuant to the relief requested herein, Mr. Piluso will sell off 106,985 shares of common stock in the company to RSL, raising RSL's interest in the company to approximately 84.2%, and reducing Mr. Piluso's interest to approximately 10%. Mr. Piluso will also have the option to sell to RSL an additional number of shares in ITG, in exchange for shares of RSL stock, reducing Mr. Piluso's interest in ITG to 5%, and increasing RSL's interest in the company to 89.2%. ITG holds no telecommunications service authorizations, and transacts business through ITC, Cyberlink and its other operating subsidiaries.

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B. Cyberlink, Inc.

Cyberlink is a privately held California corporation whose principal offices are located at 5855 Topanga Canyon Boulevard, Suite 520, Woodland Hills, California 91367. Its principal shareholder, owning 51% of its capital stock, is ITC. Cyberlink is authorized to provide interexchange telecommunications services within the State of Florida pursuant to a Telephone Certificate of Public Convenience and Necessity, Certificate No. 3592, issued in Docket No. 940824-TI, Order No. PSC-94-1312-FOF-TI by this Commission on October 24, 1994. In addition to the intrastate telecommunications services ITC provides to Florida subscribers, ITC currently is authorized to provide intrastate service in a number of states (either pursuant to certification, registration or tariff requirements, or on an unregulated basis), including New York, Massachusetts, Connecticut, California, Nevada, New Jersey and Oregon. Cyberlink is also currently authorized by the Federal Communications Corporation to provide domestic interstate and international services as a non-dominant carrier.

C. RSL Communications Limited

RSL Communications Limited is a privately held international holding company organized under the laws of the United Kingdom, with offices at 767 Fifth Avenue, Suite 4300, New York, New York 10153. Its parent corporation, RSL Communications, Inc. ("RSL Com"), is a British Virgin Islands corporation authorized by the Federal Communications Commission to resell international switched telecommunications services. The majority shareholder of RSL Com is R.S. Lauder, Gaspar and Company, L.P. ("RSLAG"), a limited partnership organized under the laws of Delaware. The general partner of RSLAG is Bukfenc, Inc., a New York corporation, whose president and majority, controlling shareholder is Andrew Gaspar. The majority interest holders of RSLAG are Ronald S. Lauder and members of the Lauder family. Messrs. Gaspar and Lauder, and all other interest holders in RSLAG are United States citizens, as are all officers and directors of RSL. United States citizens also hold approximately 98% of the capital stock of RSL Com. Mr. Nir Tarlovsky, a citizen of Israel, is a director and Vice President of RSL Com.

II. DESIGNATED CONTACT

The designated contact for questions concerning this Application is:

Eric Fishman, Esq.
Fletcher, Heald & Hildreth, PLC
1300 North 17th Street, 11th Floor
Rosslyn, VA 22209
(703) 812-0400 (Phone)
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III. THE TRANSACTION

ITG, RSL and Charles M. Piluso have entered into a Stock Purchase Agreement, a copy of which is attached hereto as Exhibit B, whereby RSL has agreed to purchase, in a two stage transaction, 106,985 shares of common stock of ITG held by Mr. Piluso, giving RSL a controlling interest (84.2% on a fully diluted basis) in the company. In consideration for these shares, Mr. Piluso will receive specified cash payments. Pursuant to the terms of a separate Exchange Agreement, Mr. Piluso will also have the right to sell to RSL an additional number of ITG shares, equivalent to 5% of the company's outstanding capital stock, in exchange for 5% of the total number of shares of common stock of RSL Com outstanding. This latter acquisition of shares will not result in a transfer of control of RSL Com.

Although the Stock Purchase Agreement contemplates two closings, control of ITG will shift only at the first closing, when RSL will acquire 104,750 shares in the company from Mr. Piluso. Applicants hereby request approval by the Commission, *nunc pro tunc*, for authority to effectuate this transaction, thereby transferring control of ITG to RSL, no later than July 12, 1996. The parties also respectfully request Special Temporary Authority to effectuate this transaction on or before July 12, 1996 in order to enable the continued operation of ITC and Cyberlink in their current corporate structure without interruption during the pendency of this application. It is respectfully submitted that the exigencies of the situation, in which ITC and Cyberlink critically need an immediate infusion of monies in order to be able to meet their operating and other costs, require the issuance of and transfer of shares of ITG to RSL. At present, ITC and Cyberlink face significant financial obligations to vendors and other creditors which, unless discharged, will result in the termination of service to customers. To avoid this result, RSL has already recently extended to ITG a loan of \$5 million, payable within 5 business days after Commission grant or denial of the instant application. Even this large infusion of funds, however, is not sufficient to satisfy several million dollars of obligations which are due early in July. RSL, which at this point is ITG's sole source of financing, is prepared to furnish additional funds to ITG to meet these obligations only if the instant request for Special Temporary Authority is granted. Commission grant of Special Temporary Authority which will enable both ITC and Cyberlink to meet these outstanding obligations and ensure continuity of service to customers.

Applicants submit that the public interest in permitting competitive intrastate service companies, like ITC and Cyberlink, to operate in the intrastate service market would be served by a grant of special temporary authority and regular authority to transfer control. At the same time, the very limited time period between the first closing and the filing of this application diminishes any negative impact on the public interest that could result from reduction of Mr. Piluso's shares. The customers of ITC and Cyberlink rely on these companies for high quality, affordable intrastate service, and an interruption in the ability of ITC and Cyberlink to provide such services will have

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a severe adverse impact on those customers. A robust and thriving competitive market for intrastate services depends on the ability of smaller carriers such as ITC and Cyberlink to survive, and such survival frequently requires the merging of financial, managerial and technical resources in order to create strengthened companies with greater financial resources. This is precisely the situation herein, in which the need of ITC and Cyberlink for immediate capital, and the ability and desire of RSL to provide funding, was the driving force behind the structuring of this transaction in the manner described herein.

A grant of the relief requested herein thus will enable ITC and Cyberlink to survive and ITC, Cyberlink and RSL Com to provide intrastate services more effectively and efficiently. After the final completion of this transaction, ITC and Cyberlink will continue to provide high quality, affordable services pursuant to their tariffs currently on file at the Commission. The proposed transaction simply will result in a change in control of ITG. As such, the transaction will not cause inconvenience or confusion to ITC or Cyberlink customers. Indeed, the transaction will be virtually transparent to ITC and Cyberlink customers in terms of the services that they receive.

IV. PUBLIC INTEREST CONSIDERATIONS

Applicants expect that, after the consummation of the transaction, ITC and Cyberlink will be led by a team of well-qualified managers comprised in part of existing ITC and Cyberlink personnel. In addition, Cyberlink and ITC will be able to draw upon the substantial technical and managerial expertise of RSL Com, as well as the financial resources discussed above. Applicants expect that the ample managerial, technical and financial expertise of this management team will enable ITC and Cyberlink to continue providing high quality service to their existing customers as well as to expand its customer base. Consummation of the proposed transaction will permit ITC and Cyberlink to meet their financial obligations, and enhance their competitive position with greater financial resources. The proposed acquisition will therefore promote competition in the Florida services market and serve the public interest.

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CONCLUSION

As demonstrated in this Application, ITC, Cyberlink and RSL respectfully submit that the public interest would be furthered by a grant of this application for consent to the transfer of control of ITG *nunc pro tunc* effective July 12, 1996, as well as by a grant of the requested special temporary authority to permit the continued operation of ITC and Cyberlink under their current corporate structures. The parties hereto respectfully submit that the public interest, convenience and necessity would be furthered by a grant of this Application.

Respectfully submitted,



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Paul J. Feldman, Esq.
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Rosslyn, VA 22209
(703) 812-0400

Counsel to
International Telecommunications Corporation
Cyberlink, Inc.
International Telecommunications Group, Ltd.

EXHIBIT A

FINANCIAL INFORMATION:

**CONSOLIDATED FINANCIAL STATEMENT OF
RSL COMMUNICATIONS, LTD.,
INTERNATIONAL TELECOMMUNICATIONS GROUP, LTD., and
CYBERLINK, INC.**

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RSL COMMUNICATIONS, LTD.

**Consolidated Financial Statements for the
Year Ended December 31, 1995 and
Independent Auditors' Report**

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RSL COMMUNICATIONS, LTD.**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1995****ASSETS****CURRENT ASSETS:**

Cash	\$ 5,163,087
Accounts receivable, net of allowance for bad debts of \$1,594,766	7,040,222
Prepaid expenses	508,305
Other current assets	948,284

Total current assets 13,659,898

PROPERTY AND EQUIPMENT:

Telecommunications equipment	3,328,739
Equipment held under capital leases	5,325,771
Furniture, fixtures and other	988,898
Construction in progress	1,189,686

10,883,094

Less accumulated depreciation (302,022)

Property and equipment - net 10,531,072

GOODWILL - And other intangible assets net of accumulated amortization

25,687,606

DEPOSITS AND OTHER ASSETS

922,441

TOTAL ASSETS

\$50,863,017

LIABILITIES AND STOCKHOLDERS' EQUITY**CURRENT LIABILITIES:**

Accounts payable and accrued expenses	\$22,802,280
Notes payable	6,235,967
Current portion of capital lease obligations	270,507
Other liabilities	3,187,532

Total current liabilities 32,496,286

OTHER LIABILITIES - NONCURRENT

9,096,032

LONG-TERM DEBT

470,000

CAPITAL LEASE OBLIGATIONS - Less current portion

5,043,498

TOTAL LIABILITIES

47,105,816

COMMITMENTS AND CONTINGENCIES**STOCKHOLDERS' EQUITY:**

Common stock - par value \$01; 10,000,000 shares authorized; 2,927,564 issued and outstanding	29,275
Preferred stock par value \$01; 10,000,000 shares authorized; 9,243,866 shares issued and outstanding	92,439
Additional paid-in capital	15,083,086
Accumulated deficit	(11,447,599)

Total stockholders' equity 3,757,201

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$50,863,017

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.**CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1995**

SALES	\$18,616,684
COST OF SALES	<u>17,510,041</u>
Gross profit	1,106,643
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>12,650,178</u>
LOSS FROM OPERATIONS	11,543,535
INTEREST INCOME	(268,884)
INTEREST EXPENSE	<u>74,928</u>
NET LOSS	<u>\$11,349,579</u>

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 1995**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Preferred Stock Shares	Preferred Stock Amount	Accumulated Deficit	Total
BALANCE, DECEMBER 31, 1994	-	\$ -	\$ -	-	\$ -	\$ (98,020)	\$ (98,020)
Issuance of Preferred Stock	-	-	13,261,087	9,243,866	92,439	-	13,353,526
Issuance of Common Stock	2,927,564	29,275	1,821,999	-	-	-	1,851,274
Net loss	-	-	-	-	-	(11,349,579)	(11,349,579)
BALANCE, DECEMBER 31, 1995	<u>2,927,564</u>	<u>\$ 29,275</u>	<u>\$ 15,083,086</u>	<u>9,243,866</u>	<u>\$ 92,439</u>	<u>\$ (11,447,599)</u>	<u>\$ 3,757,201</u>

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1995**

CASH FLOWS FROM OPERATING ACTIVITIES:	\$ (11,349,579)
Net loss	
Adjustments to reconcile net loss to net cash used in operating activities,	
net of effects of purchase of subsidiaries:	
Depreciation and amortization	772,079
Provision for losses on accounts receivable	148,690
Changes in assets and liabilities:	
Decrease in other assets	51,831
Increase in accounts receivable	(2,453,396)
Decrease in deposits	314,379
Increase in prepaid expenses	(508,305)
Decrease in other current assets	805,172
Increase in accounts payable and accrued expenses	3,510,899
Increase in deferred revenue and other current liabilities	1,501,400
	<u>(7,206,830)</u>
Net cash used in operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	(15,138,000)
Acquisition of subsidiaries	10,761,000
Assumption of liabilities upon acquisition of subsidiaries	(1,398,619)
Purchase of property and equipment	<u>(5,775,619)</u>
Net cash used in investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES:	15,204,800
Proceeds from issuance of common and preferred stock	3,000,000
Proceeds from notes payable	(61,799)
Principal payments under capital lease obligations	<u>18,143,001</u>
Net cash used provided by financing activities	
INCREASE IN CASH	5,160,552
CASH AT JANUARY 1, 1995	2,535
CASH AT DECEMBER 31, 1995	\$ 5,163,087
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:	
Cash paid for:	
Interest	<u>\$ 30,606</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES -	\$ 4,950,333
Assets acquired under capital lease obligation	

See notes to consolidated financial statements.

RSL COMMUNICATIONS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1995

1. BUSINESS DESCRIPTION

RSL Communications, Ltd. ("RSL," and together with its subsidiaries, the "Company") was formed in 1994. The Company, through its subsidiaries, is an international facilities-based telecommunications company with operations in major global telecommunications markets. The Company currently offers international telecommunications services in the United States, primarily through its subsidiary International Telecommunications Group, Inc. ("ITG"), the United Kingdom, France, Germany, Sweden and Finland. In the countries where the Company operates as a facilities-based carrier it is licensed or otherwise permitted to provide the fullest range of telecommunications services permissible under each country's applicable law. Overall, the Company is able to transit and terminate calls to over 230 countries worldwide, due, in part, to its agreements with major global telecommunications carriers.

2. ACQUISITIONS

On March 10, 1995, the Company entered into a stock purchase agreement with ITG, under which the Company agreed to purchase 66,667 shares of ITG's Series A convertible preferred stock (which represented 25% of ITG's outstanding stock, including common and preferred shares) for \$3,000,000, subject to increase, to a maximum of \$4,750,000. Based on the terms of the Agreement, the adjusted purchase price of the shares totaled \$4,750,000. The Company subsequently purchased additional shares of ITG's common stock at various times during 1995 for a total purchase price of cash aggregating \$12,870,000, and the assumption of net liabilities resulting in recorded goodwill of \$12,926,000. At December 31, 1995, the Company's investment in ITG totaled \$12,183,000, which represented in excess of 50% of the outstanding shares of ITG.

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.

Effective September 1, 1995, ITG's subsidiary International Telecommunications Corporation "ITC" (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. In connection with the purchase of Cyberlink, the Company recorded approximately \$12,105,000 of goodwill.

In connection with the acquisition of Cyberlink, the 49% minority stockholders of Cyberlink may sell their shares to ITG at fair market value if ITG consummates an initial public offering of its securities. ITG 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.

On November 11, 1995, the Company through its wholly-owned subsidiary RSL COM Europe, Ltd. completed the acquisition of 51% of Cyberlink Communications Europe Ltd. ("Cyberlink Europe"). Cyberlink Europe is a holding company which owns 100% of the shares of Cyberlink Sweden AB, Cyberlink International Telesystems Germany GmbH and Cyberlink Finland OY. The purchase price was \$2,158,381 (including contingent amounts paid in 1996) of which \$768,000 was paid in 1995. In 1995, the Company recorded \$868,000 of goodwill in connection with this purchase.

The Company is also party to a separate put and call arrangement related to the Company's 51% investment in Cyberlink Europe. The provisions of the Cyberlink Europe put and call arrangement are substantially equivalent to the provisions in the ITG and Cyberlink arrangement described above.

The accompanying consolidated statements of operations, stockholders' equity and cash flows include the results of ITG, Cyberlink and Cyberlink Europe from their dates of acquisition, respectively, through December 31, 1995.

The following presents the unaudited pro forma consolidated statement of operations of the Company for the year ended December 31, 1995, assuming the Company had purchased ITG, Cyberlink and Cyberlink Europe at January 1, 1995. The consolidated statement does not necessarily represent what the Company's results of operations would have been had such acquisitions actually occurred on such date:

	Pro Forma Year Ended December 31, 1995 (Unaudited)
Sales	\$ 57,743,960
Cost of sales	<u>(54,578,507)</u>
Gross profit	3,165,453
Selling, general and administrative expenses	<u>(22,199,570)</u>
Loss from operations	(19,034,117)
Interest expense - net	<u>(715,485)</u>
Net loss	<u>\$ 19,749,602</u>

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, ITG, and its subsidiary, Cyberlink, Inc. and RSL COM Europe and its 51% subsidiary Cyberlink Communications Europe Ltd. The Company has included 100% of its subsidiaries' operating losses since the minority interests' investments have 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 at December 31, 1995 and the reported amounts of

revenues and expenses during the year ended December 31, 1995. 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 in the accompanying balance sheet.

Foreign Currency Translation - Assets and liabilities of foreign entities have been translated 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 which at December 31, 1995 are not significant. Gains and losses from foreign currency transactions are included in net loss for the period.

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.

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. The Company's foreign subsidiaries file consolidated income tax returns in the jurisdiction of their operations. The Company's US subsidiaries file stand-alone U.S. income tax returns.

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.

Stock-Based Compensation - In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, *Accounting for Stock-Based Compensation* which requires adoption of the disclosure provisions no later than fiscal years beginning after December 15, 1995 and adoption of the measurement and recognition provisions for nonemployee transactions no later than after December 15, 1995. The new standard defines a fair value method of accounting for the issuance of stock options and other equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Pursuant to SFAS No. 123, companies are encouraged, but are not required, to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," but would be required to disclose in a note to the financial statements pro forma net income and per share amounts, as if the company had applied the new method of accounting. SFAS No. 123 also requires increased disclosures for stock-based compensation arrangements regardless of the method chosen to measure and recognize compensation for employees' stock-based arrangements. RSL has elected to continue to account for such transactions under APB No. 25. RSL has determined that if SFAS No. 123 had been adopted, its impact to the consolidated statement of operations for the year ended December 31, 1995 would have been insignificant.

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 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 26% of the Company's 1995 sales, 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 \$4,900,000. At December 31, 1995, the Company had written off the entire \$4,900,000. The Company has commenced legal proceedings to recover amounts owed to the Company.

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

5. RELATED PARTY TRANSACTIONS

The Company's management believes that the Company's stockholders will continue to support the operations of the Company.

The Company's chairman has provided a guarantee in connection with the Company's borrowings under the Company's revolving loan facility (see Note B).

6. 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 year ended December 31, 1995, the Company had net operating loss carryforwards generated primarily in the United States of approximately \$11,000,000. 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	\$ 8,440,000
Less valuation allowance	<u>(8,440,000)</u>
Net deferred tax assets	<u>\$ -</u>

The Company's net operating losses and legal reserves generated the deferred tax assets. At December 31, 1995, a valuation allowance of \$8,440,000 is provided as the realization of the deferred tax benefits are not likely.

7. RETIREMENT AND HEALTH PLANS

Employees in the United Kingdom, Germany, France, Sweden and Finland participate in their respective state pension plans.

8. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 1995, the Company had a \$10,000,000 revolving loan facility with a bank. The chairman of the Company has guaranteed this facility. The borrowings under this facility have ninety-day maturities. The interest rate applicable to these borrowings is LIBOR plus 1%. Interest is payable upon the maturity date of each respective borrowing. At December 31, 1995, the Company had \$3,000,000 outstanding on this facility.

The carrying amount of the notes payable approximates fair value because the note's maturity is generally less than three months in duration.

During June 1996 the revolving loan facility was increased to \$40,000,000.

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 2.25% over the prime rate of interest. A second credit line provides for up to \$2,000,000 in capital expenditure financing. The total amount outstanding at December 31, 1995 is \$1,566,438. The credit line terminates on August 31, 1998. Borrowings under both of these credit lines are collateralized by a pledge of the common stock owned by Cyberlink's president and substantially all of Cyberlink's assets and are personally guaranteed by the president of Cyberlink who is not an officer or affiliate of RSL.

Cyberlink has a short-term note payable to a vendor in the amount of \$1,000,000 which bears interest at the rate of 10%. The note is through December 31, 1996.

Cyberlink has a series of notes payable with a minority stockholder. The total amount of these notes payable is \$105,000. The notes bear no interest, are nonsecured, and are due on demand.

Interest expense on the above notes was approximately \$461,000 for the year ended December 31, 1995.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets at December 31, 1995 consist of the following:

Goodwill	\$25,899,086
Organization costs	<u>258,575</u>
	26,157,661
Less accumulated amortization	<u>(470,055)</u>
Intangible assets - net	<u>\$25,687,606</u>

Amortization expense for the year ended December 31, 1995 was \$470,055.

10. STOCKHOLDERS' EQUITY

Common Stock

During 1995 the Company issued 2,927,564 shares of common stock for cash aggregating \$1,851,274.

Preferred Stock

During 1995 the Company issued 9,243,866 shares of its preferred stock to the holders of its common stock for cash of \$13,353,526. The preferred stock ranks senior to the Company's common stock as to dividends and a liquidation preference of \$1,000 per share. Each share is convertible at the holder's option into one share of common stock. All preferred shares will be automatically converted into the Company's common stock in the event of the consummation of a public offering that yields proceeds in excess of \$25,000,000. Dividends, at the rate of 8%, are cumulative.

11. CAPITAL LEASE OBLIGATIONS

Future minimum annual payments applicable to assets held under capital lease obligations for years subsequent to December 31, 1995 are as follows:

1996	\$ 388,997
1997	357,256
1998	1,231,018
1999	1,571,456
2000 and thereafter	<u>4,520,057</u>
Total minimum lease obligations	8,068,784
Less interest	<u>2,754,779</u>
Present value of future minimum lease obligations	5,314,005
Less current portion	<u>270,507</u>
Long-term lease obligations at December 31, 1995	<u>\$ 5,043,498</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.

12. EMPLOYMENT AGREEMENTS

The Company has employment contracts with certain of its executive officers. These agreements are effective through December 31, 1997 unless terminated earlier by the executive or RSL, and provide for annual salaries and bonuses based on the performance of the Company. Salary expense for these officers was \$ for the year ended December 31, 1995. The aggregate commitment for annual future salaries at December 31, 1995, excluding bonuses, was approximately \$ for 1996 and \$ for 1997.

13. STOCK INCENTIVE PLAN

In April 1995, the Company established an Incentive Stock Option Plan (the "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 Plan is to be 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 1,000,000 shares of Common Stock of the Company.

During 1995, approximately 650,000 of Incentive Stock Options ("ISOs") were awarded to certain members of the Company's management. The ISOs were awarded at an exercise price equivalent to the fair market value at the time of grant. The ISOs vest according to a predetermined formula. At December 31, 1995, 81,000 ISOs were vested. No ISOs were canceled or exercised during the year ended December 31, 1995.

14. COMMITMENTS AND CONTINGENCIES

At December 31, 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:

Year Ended December 31,	
1996	\$1,462,931
1997	909,403
1998	648,134
1999 and thereafter	<u>2,220,969</u>
	<u>\$5,241,437</u>

Rent expense for the year ended December 31, 1995 was \$209,806.

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 \$75,478 at December 31, 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, classified as current assets and included in the balance sheet caption "Cash."

15. SIGNIFICANT CUSTOMERS

For the year ended December 31, 1995, one customer accounted for 26% of the Company's revenues.

16. SUBSEQUENT EVENTS

- Acquisition of Sprint voice businesses in France and Germany.
- Share purchases of ITG.
- Increase in revolving loan facility.

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EXHIBIT B
STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made as of the ___ day of July, 1996 (the "Effective Date"), by and between CHARLES M. PILUSO ("Piluso") having an address at EAB Plaza, West Tower, Eighth Floor, Uniondale, New York 11556, RSL COMMUNICATIONS LIMITED, a United Kingdom corporation (the "Investor"), with offices at 767 Fifth Avenue, Suite 4300, New York, New York 10153 and INTERNATIONAL TELECOMMUNICATIONS GROUP, LTD., a Delaware corporation (the "Company") with offices at EAB Plaza, West Tower, Eighth Floor, Uniondale, New York 11556.

W I T N E S S E T H:

WHEREAS, Piluso owns 132,223 shares of Common Stock, par value \$.01 per share (the "Common Stock") of the Company; and

WHEREAS, Piluso desires to sell and the Investor desires to purchase up to 106,985 shares of the Common Stock owned by Piluso (the "Shares") at a Purchase Price as set forth in Section 1.1 of this Agreement.

NOW, THEREFORE, in consideration for the agreements contained herein, intending to be legally bound, Piluso, the Company and the Investor hereby agree as follows:

ARTICLE I**Purchase and Sale of Common Stock****Section 1.1 Sale of Shares and Purchase Price.**

Subject to the terms and conditions set forth in this Agreement, the Investor agrees to purchase from Piluso at the Initial Closing Date and the Second Closing Date (as defined below, each of which is herein referred to as a "Closing" and which together are referred to as the "Closings"), and Piluso agrees to sell to the Investor at the Closings the Shares at an aggregate price to the Investor of Ten Million Dollars in cash, payable at the Initial Closing Date, and

by issuance by Investor of its 6% secured promissory note or notes in the form set forth as Exhibit A hereto (the "RSL Note") providing for three principal payments aggregating on each of the first, second and third anniversary dates of the Initial Closing Date (the "Purchase Price"), provided, that the full Purchase Price may not be paid, as more fully set forth in Section 1.2, below. In addition, (1) Investor, the Company, Piluso, Victoria Piluso, Jacqueline Piluso (Victoria Piluso and Jacqueline Piluso hereinafter referred to together as the "Piluso Daughters") and Richard P. Rebetti, Jr. ("Rebetti") shall also, at the Initial Closing Date, enter into a New Shareholders Agreement providing certain exchange rights for

Piluso's and the Piluso Daughters' remaining Common Stock of the Company and terminating all prior Company shareholders agreements as they relate to Piluso, the Piluso Daughters, Investor and Rebetti, in the form as set forth in Exhibit B hereto, and (ii) the Company and Piluso shall have executed, at the Initial Closing Date, an amendment to the Piluso Employment Agreement (as defined below) in the form of Exhibit C attached hereto. The New Shareholders Agreement and the Amendment to the Piluso Employment Agreement are herein referred to as the "Other Agreements."

Section 1.2. Right of First Refusal Shares. Piluso's obligation to sell the Shares to Investor is subject to the right of first refusal of Incom (UK) Ltd. ("Incom") to purchase 2,235 of such Shares (the "Right of First Refusal Shares") pursuant to a Shareholders Agreement dated September 1, 1994, as amended, between Investor, the Company, Incom, Piluso and Rebetti (the "Company Stockholders Agreement"). The Closings, therefore, shall consist of (A) an Initial Closing Date on the third business day following notice to the Company and Investor of approval by the Federal Communications Commission ("FCC") of a Transfer of Control Application or at such other time and place or date as Piluso, the Company and the Investor shall agree upon, at which Initial Closing Date 104,750 Shares shall be sold to Investor by Piluso for _____ in cash and an RSL Note for _____ and (B) provided that Incom declines to exercise its rights of first refusal under the Company Stockholders Agreement, a Second Closing Date which shall occur on the second business day following the date on which Incom's rights of first refusal expire under Section I.D. (in the case of no exercise) and Section IV.A (in the case of an exercise but no payment) of the Company Stockholders Agreement, at which Second Closing Date 2,235 Shares shall be sold to Investor by Piluso for _____ in cash and an RSL Note for _____. All cash payments shall be made by certified or bank check payable to the order of Piluso or by wire transfer to an account previously designated in writing by Piluso at least two days prior to the applicable Closing. If Incom exercises its rights of first refusal under the Company Stockholders Agreement and fully performs its payment obligations in connection therewith, the Second Closing Date shall not occur, Piluso shall not be required to deliver to Investor the Right of First Refusal Shares, and Investor shall not be required to deliver the Purchase Price therefor as set out in (B), above.

ARTICLE XX
Closing; Delivery

Section 2.1. The Closings. The Closings shall take place at 10:00 a.m. at the offices of Rosenman & Colin LLP, 575 Madison Avenue, New York, New York 10022.

Section 2.2 Deliveries. At each of the Closings, Piluso shall deliver to the Investor a certificate or certificates representing the Shares being purchased by the Investor at such Closing, free and clear of all liens, charges and encumbrances, registered in Investor's name or duly endorsed or accompanied by executed stock powers, in exchange for delivery to Piluso by the Investor of the Purchase Price payable at such Closing as provided in Section 1.2, above, and the documents referred to in Articles VI and VII shall be delivered by the appropriate parties.

ARTICLE III
Representations, Warranties and Covenants of Piluso

Except as set forth in the Schedules attached hereto, which describe the nature of the exception in reasonable detail and which specifically refer to the Section of this Agreement to which such exception applies (the "Schedules"), and except as to those matters as to which Investor has actual knowledge, Piluso hereby represents, warrants and/or covenants to the Investor as follows:

Section 3.1 Governmental and Other Consents. To the best of their knowledge, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority or any other third party is required on the part of the Company or Piluso in connection with the Company's and Piluso's valid execution, delivery and performance of this Agreement or the Other Agreements, or the assignment of the Shares by Piluso to the Investor; provided, however, that prior approval by the FCC will be required prior to the sale of the Shares. The Company and Piluso hereby agree to promptly file with the FCC and all relevant state Public Service Commissions ("PSC") and will diligently pursue support to completion and not oppose, a Transfer of Control Application, any special temporary authorization deemed appropriate by Investor's counsel to that effect as well as corresponding applications and authorization from all relevant PSC's.

Section 3.2 Litigation; Compliance with Law. Except as provided on Schedule 3.2 attached hereto, to the best of their knowledge there are no actions, suits, proceedings or investigations pending (a) against the Company or any of its subsidiaries (other than against Cyberlink, Inc.) (excluding Cyberlink, Inc., the "Entities") or against the assets, properties or business of any of the Entities which could have a material adverse effect on the business, properties, assets or financial condition of any such Entity, including, without limitation, any action, suit, proceeding or investigation pending

or, to the knowledge of the Company or Piluso, threatened, in which it is sought to restrain, prohibit, invalidate or put aside, in whole or in part, the transactions contemplated hereby, (b) which questions the validity of this Agreement or of any action taken or to be taken by any of the Entities pursuant to or in connection with the provisions of this Agreement and the transactions contemplated hereby or (c) which would otherwise prevent or materially hinder the consummation or performance of this Agreement. To the best of their knowledge, none of the Entities is a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality that would reasonably be expected to have a material adverse effect on the respective Entities' business, assets, properties or financial condition. To the best of their knowledge, there is no action, suit, proceeding or investigation by any of the Entities currently pending or, to the knowledge of the Company or Piluso, threatened, or that such Entity currently intends to initiate, which, if determined adversely to such Entity, could reasonably be expected to have a material adverse effect on the business, assets, properties or financial condition of any such Entity. "Pending" for this purpose shall mean an action, suit, proceeding or investigation as to which Piluso or the Entity shall have knowledge or received notice, whether in proper form or not. To the best of their knowledge, except as set forth on Schedule 3.2, none of the Entities is in material violation of any applicable statute, law or regulation relating to its or their business operations the result of which violation would have a material, adverse effect upon the Company, and no material expenditures will be required in order to comply with any such existing statute, law or regulation.

Section 3.3 Transactions with Affiliates. Except for regular salary payments, bonuses and fringe benefits under an individual's compensation package with the Company or International Telecommunications Corporation, and except as set forth on Schedule 3.3 hereof, none of the officers, employees, directors or other affiliates of the Entities, or members of their families, has to the best of the knowledge of Piluso, received payments, whether in cash or in kind, from the Company, or is a party to any material agreements, understandings, indebtedness or proposed transactions with the Entities. Neither the Company nor the Subsidiary has guaranteed or assumed any material obligations of the Company's officers, directors or employees.

Section 3.4 Voting. Piluso covenants that, as Custodian for his daughters, Victoria and Jacqueline, he will vote their shares of stock of the Company, and vote them in accordance with any agreements he has made relating to voting of shares of the Company.

ARTICLE IV
Representations and Warranties of Piluso

Piluso hereby represents and warrants to Investor as follows:

Section 4.1 Authority. Piluso has adequate power and authority to enter into and to perform his obligations under this Agreement and the Other Agreements and to consummate the transaction contemplated hereby and thereby.

Section 4.2 Binding Obligation. This Agreement and the Other Agreements constitute the valid, binding and enforceable obligations of Piluso, except to the extent that such enforcement may be limited by bankruptcy, insolvency and other laws now or hereafter in effect relating to the enforcement of creditors' rights generally, and except to the extent that equitable principles may limit the right to obtain specific performance or other equitable remedies.

Section 4.3 No Conflicts. To the best of Piluso's knowledge, the entry into and performance by Piluso of this Agreement and the Other Agreements will not: (i) violate any judgment, order, law or regulation applicable to Piluso; or (ii) result in any breach of, constitute a default under or result in the creation of any lien, charge, security interest, pledge, or other encumbrance on the Shares pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which Piluso is a party or to which his assets are bound.

Section 4.4 Consents. Except for Rebetti's waiver (see Section 6.4 below) all consents and/or waivers to the transaction contemplated herein as required by the Company Stockholders Agreement have been obtained except for Incom's waiver of its rights of first refusal, for which the Right of First Refusal Shares have been reserved in the event that Incom elects to purchase its proportionate share of the Shares.

Section 4.5 Ownership of Shares. The Shares are owned of record and beneficially by Piluso, free and clear of any liens, charges, encumbrances, pledges, claims, security interests or other rights of third parties. Piluso has good and marketable title to the Shares and has the absolute right, power and capacity to sell, assign and transfer the Shares to Investor free and clear of any liens, encumbrances, security interests or other restrictions (other than restrictions imposed generally by state and federal securities laws with respect to unregistered securities).

ARTICLE V
Representations and Warranties of the Investor

The Investor hereby represents and warrants to the Company that:

Section 5.1 Investment Intent. The Shares are being acquired by the Investor solely for its own account, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of such Shares. The Investor understands that the Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the Investor's investment intent and accuracy of the Investor's representations, as expressed herein.

Section 5.2 Restricted Securities. The Investor understands that the Shares it is purchasing are "restricted securities" under the federal securities laws inasmuch as they are being acquired from an affiliate of the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances. The Investor understands that there is no public market for the Shares and that there may never be a public market for such securities, and that even if a market develops for such securities the Investor may never be able to sell or dispose of the Shares and may thus have to bear the risk of its investment in such stock for a substantial period of time, or forever.

Section 5.3 Authorization. All corporate action on the part of the Investor and its officers, directors and shareholders necessary for the authorization, execution, delivery and performance by the Investor of this Agreement, the RSL Note(s) and the Other Agreements, the purchase of the Shares and the performance of all of the Investor's obligations hereunder has been taken or will be taken prior to the Closings.

Section 5.4 Organization and Standing. The Investor is a corporation which is duly organized, validly existing and in good standing under the laws of the United Kingdom. The Investor has all requisite legal and corporate power to execute and deliver this Agreement, the RSL Note(s) and the Other Agreements, to purchase the Shares hereunder and to carry out and perform its obligations under the terms of this Agreement, the RSL Note(s) and the Other Agreements.

Section 5.5 Legend. It is understood that the certificates evidencing the Shares shall bear the following legend:

"These securities have not been registered under the Securities Act of 1933, as amended. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to International Telecommunications Group, Ltd. that such registration is not required or unless sold pursuant to Rule 144 of such Act."

Section 5.6 Line of Credit. Investor, through its parent, RSL Communications Inc. (the "Parent"), has in place a line of credit with a commercial bank for U.S.\$40,000,000.

Section 5.7 Senior Notes. Investor is currently negotiating the terms of issuance of U.S.\$200,000 principal amount of senior notes and will use reasonable efforts to consummate such a transaction. Investor currently intends to utilize the proceeds of the issuance of such notes to pay down its line of credit and generally for purposes relating to the furtherance of its global telecommunications network. If (i) any of the principal shareholders of Investor currently intends to involve the creation of a global telecommunications network, which business would not benefit the current shareholders of Investor and (ii) Investor's President, Itzhak Fisher ("Fisher"), participates in such business, then the Investor will assure that Piluso is provided the opportunity to participate in such business with Fisher in the same proportion as Fisher and Piluso own equity securities of Investor, and on the same terms.

ARTICLE VI

Conditions to Investor Obligations at Closings

The obligations of the Investor to purchase and pay for the Shares which it has agreed to purchase at each Closing and the other obligations of the Investor under this Agreement are subject to the fulfillment at or prior to the relevant Closing of the following conditions, any of which may be waived in writing in whole or in part by the Investor:

Section 6.1 Representations and Warranties. On the date of each Closing, the representations and warranties of Piluso contained in this Agreement shall be true and correct in all material respects with the same force and effect as though

such representations and warranties had been made at and as of the time of each such Closing, except to the extent that any changes therein are specifically contemplated by this Agreement. Piluso shall deliver to the Investor at each Closing, a certificate to such effect.

Section 6.2 New Shareholders Agreement. The New Shareholders Agreement as set forth in Exhibit B attached hereto shall have been entered into at the Initial Closing Date.

Section 6.3 Amendment to Employment Agreement. There has been executed, effective as of the Initial Closing Date, an amendment to the Amended and Restated Employment Agreement dated March 10, 1995, as amended by the First Amendment to Employment Agreement dated as of September 22, 1995, between the Company and Piluso (the "Piluso Employment Agreement") as set forth on Exhibit C attached hereto.

Section 6.4 First Refusal Rights. Rebetti shall have waived his first refusal rights under the Company Stockholders Agreement. Investor shall have been furnished evidence of the waiver by Incom of its first refusal rights or such rights shall have expired as described in Section 1.2, above, prior to any Second Closing Date.

Section 6.5 FCC Approval. The FCC shall have approved the Transfer of Control Application.

Section 6.6 Company Stockholders Meeting. There shall have been a stockholders meeting of the Company or the execution of a written consent in lieu thereof at which meeting or by such written consent the holders of the requisite number of shares in the Company shall have approved the waiver by the Company of its first refusal rights in connection with the sale of the Shares to Investor and shall have set an appropriate price (substantially equal to the Purchase Price per Share) for Incom's first refusal rights under the Company Stockholders Agreement.

Section 6.7 Performance. The Company and Piluso shall have performed and complied in all material respects with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by them on or before the Closing. The Company and Piluso shall deliver to the Investor at the Closing certificates to such effect.

ARTICLE VII
Conditions of Piluso's Obligations at Closing

The obligations of Piluso under this Agreement are subject to the fulfillment at or prior to the relevant Closing of the following conditions, any of which may be waived in writing in whole or in part by Piluso:

Section 7.1 Representations and Warranties. On the date of each Closing, the representations and warranties of the Investor contained in Article V shall be true and correct in all material respects with the same force and effect as though such representations and warranties had been made at and as of the time of such Closing, except to the extent that any changes therein are specifically contemplated by this Agreement. The Investor shall deliver to Piluso at each Closing a certificate of its President or Vice President to such effect.

Section 7.2 Performance. The Investor shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied in all material respects with by such Investor on or before such Closing, including payment to Piluso of the applicable portion of the Purchase Price set forth in Section 1.2 of this Agreement. The Investor shall deliver to Piluso at each Closing a certificate of its President or Vice President to such effect.

Section 7.3 New Shareholders Agreement. The New Shareholders Agreement as set forth in Exhibit B attached hereto shall have been entered into at the Initial Closing Date.

Section 7.4 Amendment to Employment Agreement. There has been executed, effective as of the Initial Closing Date, an amendment to the Piluso Employment Agreement as set forth on Exhibit C attached hereto.

Section 7.5 Agreements with Rebetti. Investor shall have made available to Rebetti for signing, effective as of the Initial Closing Date, (i) an agreement between Rebetti and the Investor similar in form and substance to this Agreement (without any representations and warranties concerning the Company) providing for the purchase of up to 11,510 shares of the Company's common stock ("Rebetti Shares") at a purchase price of \$96 per share, 25% of such purchase price to be payable at the closing, and the remaining 75% of such purchase price to be payable in three annual payments of 25% of the purchase price each, payable on the first, second and third anniversaries of the closing, with interest at a rate of 6% annually, pursuant to a secured promissory note or notes and further secured by a Stock Pledge and Security Agreement pledging the Rebetti Shares, and in

each case subject to the right of first refusal of Incom granted pursuant to the Company Stockholders Agreement and (ii) a registration rights agreement between Rebetti and the Investor, in connection with shares of the Investor obtained pursuant to the New Shareholders Agreement, mutually acceptable to the parties' counsel, providing for Form S-3 piggy-back registration rights beginning twelve months after Investor's initial public offering.

Section 7.6. Agreement with the Piluso Daughters.
Investor shall have made available to Piluso, for signing as custodian for the Piluso Daughters, effective as of the Initial Closing, a registration rights agreement between the Piluso Daughters and the Investor, mutually acceptable to the parties' counsel, in connection with shares of the Investor obtained pursuant to the New Shareholders Agreement, providing for Form S-3 piggy-back registration rights beginning twelve months after the Investor's initial public offering.

ARTICLE VIII Closing and Post-Closing Covenants

Section 8.1 Indemnification.

(a) Indemnification Obligation of Piluso. Piluso agrees to indemnify and hold harmless Investor, its directors, officers and employees from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees and all costs and expenses of enforcing such right of indemnification against Piluso) and penalties, if any, arising out of or based on or with respect to the breach of any representation or warranty made by Piluso herein.

(b) Indemnification Obligation of Investor. Investor agrees to indemnify and hold harmless Piluso from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees and all costs and expenses of enforcing such right of indemnification against Investor) and penalties, if any, arising out of or based on or with respect to the breach of any representation or warranty made by Investor herein.

(c) Survival of Indemnity Obligations. The indemnities contained in this Section 8.1 shall survive until December 31, 1996.

Section 8.2 Amendment to Certificate of Incorporation of the Company. The Investor agrees to cause the Company to amend its Certificate of Incorporation to update the reference to

Piluso's Employment Agreement in paragraph 8 of Article Fourth thereof so that such reference shall include amendments to the Employment Agreement as of even date herewith.

ARTICLE IX
Miscellaneous

Section 9.1 Survival of Representations, Warranties and Covenants. The representations, warranties, covenants and agreements of the Company, Piluso and the Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing until December 31, 1996.

Section 9.2 Successors and Assigns. Except as otherwise expressly provided herein, this Agreement may not be assigned by any party hereto without the consent of the other party hereto. Except as otherwise expressly provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective heirs, successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective heirs, successors and permitted assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

Section 9.3 Governing Law. The validity, interpretation and effect of this Agreement shall be governed by the laws of the State of New York applicable to contracts entered into and to be performed entirely within such state. All parties hereto hereby consent to the nonexclusive jurisdiction of all courts in said State.

Section 9.4 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 9.5 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 9.6 Notices. (i) Any notice required or permitted to be given under the terms and provisions of this Agreement, or by any law or governmental regulation, shall be in writing and, deemed duly given if mailed by registered mail, postage prepaid, addressed as follows:

- (a) Any notice to the Investor shall be addressed to such party at its address hereinabove set forth,

with a copy to:

Rosenman & Colin LLP
 575 Madison Avenue
 New York, New York 10022,

Attention: Robert L. Kohl, Esq.

- (b) Any Notice to the Company shall be addressed to such party at its address hereinabove set forth,

with a copy to:

Fletcher, Heald & Hildreth, P.L.C.
 1300 North 17th Street
 Rosslyn, Virginia 22209,

Attention: Eric Fishman, Esq.

(ii) By giving the other party at least ten (10) days' prior written notice, any party may, by notice given as above provided, designate a different address or addresses for notices.

Section 9.7 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the parties hereto.

Section 9.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision or provisions shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision or provisions were so excluded and shall be enforceable in accordance with its terms.

Section 9.9 Entire Agreement. This Agreement, the Exhibits hereto, the Other Agreements and the other documents required to be delivered pursuant hereto, constitute the entire understanding and agreement between the parties with regard to the specific subject matter hereof and no party shall be liable or bound by any representation, warranty, covenant or agreement except as specifically set forth herein. Any previous agreement (whether written, oral or implied) among the parties relative to

the specific subject matter hereof is superseded by this Agreement.

Section 9.10 Expenses. The Company shall pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred by Piluso, Rebetti and the Investor in connection with entering into this Agreement.

Section 9.11 Arbitration. Any dispute between the parties with respect to this Agreement or any of the terms included herein and including the validity, interpretation, breach, and remedies for breach, and the enforcement of this Agreement, shall be resolved by an arbitrator in accordance with the following provisions. The arbitration shall be before a single arbitrator (the "Arbitrator") appointed upon the mutual agreement of the parties; provided, however, that in the event the parties cannot reach such agreement, each of the parties shall appoint an arbitrator and such arbitrators shall select the Arbitrator. The Arbitrator will be bound by the substantive law of the State of New York but will not be bound by the laws of evidence and procedure customary in courts of law. The arbitration shall take place in New York. The execution of this Agreement shall constitute an execution of an arbitration agreement as well.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

INTERNATIONAL TELECOMMUNICATIONS GROUP,
LTD.

By

Name: Charles M. Piluso
Title: President

RSL COMMUNICATIONS LIMITED

By:

Name:
Title:

Charles M. Piluso

Charles M. Piluso as custodian for
Victoria Piluso

Charles M. Piluso as custodian for
Jacqueline Piluso

STATE OF NEW YORK)
COUNTY OF NEW YORK)

President and CEO of

VERIFICATION

I, Itzhak Fisher, am the RSL Communications Limited, and am authorized to make this verification on its behalf. The statements made in the foregoing document regarding RSL Communications Limited are true of my knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true this 8 day of July, 1996.

By: *Itzhak Fisher*
Itzhak Fisher

Subscribed and sworn to me, in and for the State and County name above this 8th day of July, 1996.

Ellen Warren
Notary Public

My Commission expires _____

ELLEN WARREN
Notary Public, State of New York
No. 31-4847374
Qualified in New York County
Commission Expires July 31, 1997

STATE OF CALIFORNIA)
)
COUNTY OF Los Angeles)

VERIFICATION

I, Richard Leslie Lydiate, am the President of Cyberlink, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing document regarding Cyberlink, Inc. are true of my knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true this 9 day of July, 1996.

By:

Richard Leslie Lydiate
Richard Leslie Lydiate

Subscribed and sworn to me, in and for the State and County name above this 9 day of July, 1996.

Jamie M. Souie
Notary Public

My Commission expires April 29, 2000



STATE OF NEW YORK)

COUNTY OF New York

VERIFICATION

I, Charles M. Piluso, am the President of International Telecommunications Corporation and of International Telecommunications Group, Ltd., and am authorized to make this verification on its behalf. The statements made in the foregoing document regarding International Telecommunications Corporation and International Telecommunications Group, Ltd. are true of my knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true this 9th day of July, 1996.

By:

Charles M. Piluso
Charles M. Piluso

Subscribed and sworn to me, in and for the State and County name above this 9th day of July, 1996.

Donna M. O'Leary
Notary Public

DONNA M. O'LEARY
Notary Public, State of New York
No. 31-4940164
Qualified in New York County
Commission Expires 9/14/96

My Commission expires