

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

GLOBETEL COMMUNICATIONS CORP
Form 10KSB
April 27, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1994

For the transition period from _____ to _____

Commission File Number: 0-23532

GLOBETEL COMMUNICATIONS CORP.

(Name of small business issuer in its charter)

Delaware

88-0292161

(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

9050 Pines Blvd. Suite 110 Pembroke Pines, Florida

33024

(Address of Principal Executive Offices)

(Zip Code)

Issuer's telephone number: (954) 241-0590

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class

Name of exchange on which registered

Securities registered under Section 12 (g) of the Exchange Act:

Common Stock, Par Value \$.00001 Per Share

(Title of class)

(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

subject to the filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year ended December 31, 2003: \$11,351,939.

As of April 12, 2004, there were 741,771,766 shares of the issuer's common stock issued and outstanding. Affiliates of the issuer own 93,731,725 shares of the issuer's issued and outstanding common stock and the remaining 648,040,051 shares are held by non-affiliates. The aggregate market value of the shares held by non-affiliates at April 12, 2004, was \$68,044,205.

DOCUMENTS INCORPORATED BY REFERENCE:

There are documents incorporated by reference in this Annual Report on Form 10-KSB, which are identified in Part III, Item 13.

Transitional Small Business Disclosure Format (Check one): Yes No

(*) Affiliates for the purposes of this Annual Report refer to the officers, directors of the issuer and subsidiaries and/or persons or firms owning 5% or more of issuer's common stock, both of record and beneficially.

TABLE OF CONTENTS

	Page
PART I	
Item 1. Description of Business	3
Item 2. Description of Property	7
Item 3. Legal Proceedings	7
Item 4. Submission of Matters to a Vote of Security Holders	7
PART II	
Item 5. Market for Common Equity and Related Stockholder Matters	8
Item 6. Management's Discussion and Analysis of Financial Conditions and Results of Operations	10
Item 7. Financial Statements	13
Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	35
Item 8a. Controls and Procedures	35
PART III	
Item 9. Directors, Executive Officers, Promoters and Control Persons	35
Item 10. Executive Compensation	37
Item 11. Security Ownership of Certain Beneficial Owners and Management	38
Item 12. Certain Relationships and Related Transactions	38
Item 13. Exhibits and Reports on Form 8-K	39
Item 14. Principal Accountant Fees and Services	39

PART I

Forward-Looking Statements and Risk Factors

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Certain information included in this Form 10-KSB and other materials filed or to be filed by Globetel Communications Corp. ("Globetel," "we" "us" or "ours") with the Securities and Exchange Commission (as well as information included in oral or written statements made from time to time by us, may contain forward-looking statements about our current and expected performance trends, growth plans, business goals and other matters. These statements may be contained in our filings with the Securities and Exchange Commission, in our press releases, in other written communications, and in oral statements made by or with the approval of one of our authorized officers. Words or phrases such as "believe", "plan", "will likely result", "expect", "intend", "will continue", "is anticipated", "estimate", "project", "may", "could", "would", "should" and similar expressions are intended to identify forward-looking statements. These statements, and any other statements that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended from time to time (the "Act").

In connection with the "safe harbor" provisions of the Act, we are filing the following summary to identify important factors, risks and uncertainties that could cause our actual results to differ materially from those projected in forward-looking statements made by us, or on our behalf. These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the Securities and Exchange Commission. Because of these factors, risks and uncertainties, we caution against placing undue reliance on forward-looking statements. Although we believe that the assumptions underlying forward-looking statements are reasonable, any of the assumptions could be incorrect, and there can be no assurance that forward-looking statements will prove to be accurate. Forward-looking statements speak only as of the date on which they are made. We do not undertake any obligation to modify or revise any forward-looking statement to take into account or otherwise reflect subsequent events, or circumstances arising after the date that the forward-looking statement was made.

The following risk factors may affect our operating results and the environment within which we conduct our business. If our projections and estimates regarding these factors differ materially from what actually occurs, our actual results could vary significantly from any results expressed or implied by forward-looking statements. These risk factors include, but are not limited to, changes in general economic, demographic, geopolitical or public safety conditions which affect consumer behavior and spending or restaurant dining occasions, including the ongoing ramifications of the September 11, 2001 terrorist attacks and the governmental response to those attacks, including the armed conflict in Iraq or other potential countries; increasing competition in the VoIP segment of the telecommunications industry; adverse Internet conditions which impact customer traffic on our Company's networks in general and which cause the temporary underutilization of available bandwidth; various factors which increase the cost to develop and/or affect the number and timing of the openings of new networks, including factors under the influence and control of government agencies and others; fluctuations in the availability and/or cost of local minutes or other resources necessary to successfully operate our Company's networks; our Company's ability to raise prices sufficiently to offset cost increases, including increased costs for local minutes; depth of management; adverse publicity about us and our networks; our current dependence on affiliates in our overseas markets; the rate of growth of general and administrative expenses associated with building a strengthened corporate infrastructure to support our Company's growing operations; relations

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

between our Company and its employees; legal claims and litigation against the Company; the availability, amount, type, and cost of capital for the Company and the deployment of such capital, including the amounts of planned capital expenditures; changes in, or any failure to comply with, governmental regulations; the amount of, and any changes to, tax rates and the success of various initiatives to minimize taxes; and other risks and uncertainties referenced in this Annual Report on Form 10-KSB. This statement, and any other statements that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933 and Section 21E and the Securities Exchange Act of 1934, as amended from time to time (the "Act").

This annual report also contains certain estimates and plans related to the telecommunications industry in which we operate. The estimates and plans assume that certain events, trends and activities will occur, of which there can be no assurance. In particular, we do not know what level of growth will exist, if any, in the telecommunications industry, and particularly in those Voice over Internet Protocol ("VoIP") markets in which we operate. Our growth will be dependent upon our ability to compete with larger telecommunications companies, and such factors as our ability to collect on our receivables and to generate revenues from operations and/or from the sale of debt or equity securities, of which there can be no assurance. If our assumptions are wrong about any events, trends and activities, then our estimates for the future growth of GlobeTel and our consolidated business operations may also be wrong. There can be no assurance that any of our estimates as to our business growth will be achieved.

2

ITEM 1. DESCRIPTION OF BUSINESS

General

GlobeTel Communications Corp. (Globetel), a Delaware corporation established in July 2002, is engaged in the business of providing telecommunication services, primarily involving Internet telephony using Voice over Internet Protocol ("VoIP") equipment.

GlobeTel is authorized to issue up to 1,500,000,000 shares of Common Stock, par value \$0.00001 per share, and 10,000,000 shares of Preferred Stock, par value \$0.001. The preferred stock is a so-called "blank check" preferred, meaning that its terms such as dividends, liquidation and other preferences, are to be fixed by our Board of Directors at the time of issuance.

We were previously a wholly-owned subsidiary of American Diversified Group, Inc. (ADGI). At a special meeting of stockholders of ADGI held on July 24, 2002, the stockholders of ADGI approved a plan (the "Plan") for the exchange of all outstanding shares of ADGI for an equal number of shares of GlobeTel.

ADGI was incorporated under the laws of the State of Nevada as Terra West Homes, Inc. on January 16, 1979. On March 15, 1995, its name was changed to "American Diversified Group, Inc." During the period ended July 24, 2002, ADGI's business activities included (i) sale of telecommunication services primarily involving Internet telephony using VoIP through its Global Transmedia Communications Corporation subsidiary ("Global"), and (ii) wide area network and local area network services provided through its NCI Telecom, Inc. subsidiary ("NCI"). Global Transmedia was acquired by ADGI on February 19, 2000, and NCI was acquired on June 29, 2000. During 2002, Global and NCI were merged with and into ADGI, with ADGI as the surviving corporation.

When ADGI exchanged all of its outstanding shares of common stock for GlobeTel common stock, ADGI became a wholly-owned subsidiary of GlobeTel and GlobeTel

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

began conducting the business formerly conducted by ADGI. Therefore, the financial statements of ADGI in this report should be regarded as the financial statements of GlobeTel and any references to ADGI throughout this report shall be construed to apply to GlobeTel, if applicable.

Business of GlobeTel

Internet Telephony

Our business is the transmission of telephone calls using Internet facilities. The transmission method is called VoIP, which stands for Voice over Internet Protocol.

Internet Protocol or IP, is not ideal for voice transmission. The "protocol" defines the means by which digital transmissions are broken into small pieces, called "packets," and the packets are sent to, or received from, the desired location. IP does not require that the packets all take the same path through the Internet, or that they arrive in the same sequence in which they were sent. When they do arrive, they are reassembled in correct order and presented to the user. The users see this when browsing the Internet, as the "thermometer" on the browser shows the packets arriving until all are present and the Web page is presented. This process of reassembling out-of-order packets is called "buffering."

Applying buffering to VoIP calls results in an unacceptable delay between the time the "sender" speaks and the time the "receiver" hears what's been spoken. It's been compared to two-way radio transmissions between the earth and the moon, where radio waves take more than a second to reach their destination. The earthbound speaker speaks for, say, 3 seconds, and 1.5 seconds after he stops, his speech begins to be heard on the moon. The listener requires 3 seconds to hear what was said, and makes his reply. 1.5 seconds later the reply begins to be heard on earth. The speaker has waited 1.5 plus 3 plus 1.5 seconds, a total of six seconds, to hear the reply. The delay while VoIP packets are reassembled in correct order produces exactly the same sort of delay.

The VoIP solution to this problem is simple in theory but hard to put into practice. The solution is simply to have the transmitted sequence of packets all follow the same path through the Internet so that they arrive in the same sequence in which they were transmitted. This eliminates the need for buffering and allows VoIP telephone conversations to take place just as they do on wired telephones.

The difficulty is that, without special arrangements, the public Internet cannot be used in a manner that avoids buffering. IP was designed for data, not voice transmissions. Data transmissions are not seriously impacted by buffering, as you notice when you view a Web page. Sometimes it snaps right up, other times there are waits of a few seconds. How long it takes depends on the volume of data traffic over the multiple paths that the different IP packets take in their trip from sender to receiver. If one path is congested, IP quickly routes some packets via another, less congested path. The resulting buffering time is not a serious inconvenience for data, but is a real problem for voice transmissions.

3

Networks

To provide our services without buffering delays, we arrange with licensed communications carriers in each desired country to place electronic equipment, called a "hub," on the carrier's premises. The hub is connected to the regular telephone network in that country. We maintain similar hubs in New York City, Miami and Los Angeles in the United States. The hubs are connected by one of two

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

kinds of network, either of which allows VoIP packets to be received in the same order they were transmitted, avoiding any buffering.

The first method, used when we first establish service to a new country and traffic volume is relatively low, is to create a "virtual" network connection between the two hubs. Virtual networks have been described as "tunnels" through the Internet. These "tunnels" create "reserved" Internet bandwidth that is used only by the parties at the ends of the "tunnel," so there is no congestion caused by other Internet users sending and receiving traffic through the "tunnel."

A virtual network is limited as to the amount of traffic it can handle. When the limit begins to be approached, we make arrangements with one of several major Internet service providers who maintain a physical connection between the United States and the desired country, in the form of a leased high-speed line. Leased lines have much greater traffic-carrying capacity than virtual networks. We connect our hubs to the leased line at both ends and are immediately able to handle a greater volume of calls than the virtual network allows.

At present we have virtual networks serving callers in Venezuela, the United Kingdom, Australia, China, Philippines and Malaysia and physical networks serving customers in Hong Kong, Brazil and Mexico. Within each country served, depending on traffic volume within the country, we may establish subsidiary hubs in other major cities, fed from the principal hub.

Enhanced Services Platform

Our Enhanced Services Platform, or ESP, is a proprietary software package that runs on our hubs and provides a group of enhanced messaging features to users of our networks. These services include:

- o Call waiting, call forwarding, conference calling, voice mail;
- o Voice to e-mail. This feature permits customers to dial a local number and have e-mail messages in his or her e-mail inbox read aloud by the ESP, over the phone. Customers may also dictate a reply over the phone, which the ESP will record and transmit to the e-mail sender as a voice attachment to a reply message.
- o "Follow me" service. This feature allows customers to "program" the ESP to have calls forwarded to another location.
- o Fax service. This feature allows customers to send and receive faxes from their phones over our facilities.
- o Calling card services. These allow customers to use pre-paid calling cards purchased from a Web site or from a local vendor to place calls over our facilities. After obtaining a calling card and getting a personal identification number (PIN), customers dial their local access number and enter their PIN to place calls.

A number of the features provided by the ESP mirror services that are available to persons using regular telephone lines, but that are not generally available for VoIP calls.

International Customers -- Purchase and Resale of Telephony Minutes

Because calls to other countries must terminate at the called residential or business telephone number, which can be reached only through the facilities of an authorized local telephone carrier, we enter into an agreement with an established international telephone carrier as our "partner" in each of the countries we serve, usually the same carrier that hosts our hub in that country. Under these agreements, we purchase a bulk "package" of minutes that we are entitled to use for calls between the United States and the countries in question. We then resell these minutes at a profit to individual and business customers. Most of our customers either prepay for these minutes or post letters

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

of credit with our bank securing their transaction, by means of prepaid calling cards which are issued by the local carrier, who collects the revenue and divides it with us. The revenue retained by the carrier pays for our bulk purchase of minutes.

4

Stored Value Cards

In late 2003, we began offering a new international telecommunications and financial services program which we call the Magic Money Card Program ("Program"). The Magic Money Card is a true stored value debit card offering prepaid long distance and international calling services along with a host of non-telephony services in each country that it is offered. We developed the Magic Money Card as a stored value product to sell into specific ethnic communities in the United States which connects them with their families in their home countries. We provide them with such stored value services as inexpensive prepaid calling services, money remittance services, electronic banking services and a full complement of debit card services that are offered anywhere the Maestro and Cirrus logos are found, which covers over 20 million merchants and 1 million ATMs around the world.

At the moment, our programs are geared towards the ethnic communities of Latin Americans and Asians living in the U.S. and tying them to their home countries. One of our key goals is to tap into the multi-billion dollar money remittance market while providing all of the other financial and non-financial services not commonly available to these ethnic groups and not found in competitors' programs.

The Magic Money Card services are available to our cardholders in all of the countries that are registered on our network. We are able to issue Magic Money Cards to each cardholder in their respective country and cardholders are able to link services and features with other cardholders. Additionally, with our telephone networks and international carrier agreements, we are able to offer them access to our calling network through each local carrier participating in the Program.

To connect these overseas network "spokes" to the main "hub" of the Program in the United States, we enter into relationships with local banks to act as a depository for the cardholder's funds in the U.S. and provide us with a bank identification number (BIN) with MasterCard to issue domestic Magic Money Cards to be registered on our network ("BIN Bank Program"). The BIN Bank Program proposal is fee based whereby the bank will act as a depository for Magic Money Card cardholder's funds, receiving the benefits of these deposits while receiving a monthly fee from us for each active Magic Money Card cardholder in the U.S. and, independently, the bank will receive a portion of the fees collected by MasterCard for each service rendered to Magic Money Card cardholders. There are no administrative services required or expenses incurred by the bank nor are there any financial risks as we and our in-country partners will be providing all of the MasterCard processing services. We, along with our in-country partners, will be providing customer service to the Magic Money Card cardholders.

For example, one of our major market is Mexico. We have a carrier services agreement and are providing prepaid calling services to one of the licensed Mexican telephone companies. Our program is able to connect Mexicans working in the U.S. with their families in Mexico providing an inexpensive way for families to stay in touch and for Mexican workers in this country to send money home to their families. We have developed the same business relationships in Venezuela, Brazil and Colombia. In Asia, we are forming relationships with banks and carriers in the Philippines, Hong Kong, Australia, and the U.K.

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Super Hubs (TM)

Our strategic plan is to install a worldwide VoIP network, which will consist of regional centers (which we refer to as VoIP International Super Hubs(TM), or simply Super Hubs(TM)) strategically located around the world. Each Super Hub(TM) controls network activity regionally, for example in South America or in East Asia, and is connected directly to a United States point of presence (PoP).

We have consolidated our operations to focus on the Super Hub(TM) and our enhanced services platform to market to maturing foreign markets, utilizing VoIP technology. Further, we have limited our activities in some markets to focus on opportunities with greater margins. VoIP technology continues to be the most cost effective and efficient alternative to traditional circuit switching technology.

Each Super Hub(TM) will be interconnected and equipped with our enhanced services platform to provide one-stop shopping for quality voice communications, e-mail, voicemail, faxing, etc. The Super Hub(TM), with the enhanced services platform, makes the network unique in its design. It will not be built on the conventional, hub-and-spoke connection but will instead follow a high connectivity, multi-route design only available by using VoIP.

In March 2004, we entered into a binding letter of intent to purchase substantially all of the assets of Sanswire Technologies, Inc., subject to the completion of due diligence, the satisfaction of several conditions set forth in the binding letter of intent and the execution of a definitive Purchase Agreement by April 30, 2004.

5

Sanswire is developing a National Wireless Broadband Network utilizing high-altitude airships called Stratellites that will be used to provide wireless voice, video, and data services. A Stratellite is similar to a satellite, but is stationed in the stratosphere rather than in orbit. At an altitude of only 13 miles, each Stratellite will have clear line-of-sight to an entire major metropolitan area and should allow subscribers to easily communicate in "both directions" using readily available wireless devices. Each Stratellite will be powered by a series of solar powered hybrid electric motors and other regenerative fuel cell technologies.

In addition to Sanswire's National Wireless Broadband Network, proposed telecommunications uses include cellular, 3G/4G mobile, MMDS, paging, fixed wireless telephony, HDTV and others.

We strongly believe that we will be able to use the Stratellites as the most efficient and cost-effective means of interconnecting our Super Hubs(TM). However, the technology for the Stratellites is new and we do not know if all of this technology can and will be developed for commercial use.

Competitive Business Conditions

The telecommunications industry is highly competitive, rapidly evolving and subject to constant technological change and to intense marketing by different providers of functionally similar services. Since there are few, if any, substantial barriers to entry, except in those markets that have not been subject to governmental deregulation, we expect that new competitors are likely to enter our markets. Most, if not all, of our competitors are significantly larger and have substantially greater market presence and longer operating history as well as greater financial, technical, operational, marketing, personnel and other resources than we do. Our use of VoIP technology and

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

proprietary enhanced services platform enables us to provide customers with competitive pricing for their telecommunications needs. Nevertheless, there can be no assurance that we will be able to successfully compete with major carriers including other VoIP telephony providers and traditional phone companies, in present and prospective markets. These markets include Mexico, Brazil, Venezuela, Colombia, Australia, the Philippines Hong Kong and Malaysia. GlobeTel's business strategy is to provide competitive pricing to small to mid-sized businesses and individuals to increase our customer base and we are pursuing large multi-national corporations which operate in a number of our markets. We are dependent upon local independent affiliates or associates partners in each market for sales and marketing, customer service and technical support to terminate and originate our IP telephony services. This marketing strategy should minimize our dependency on any single market and/or group of customers and lessen our costs and expedite our entry into markets. There can be no assurance that we will be able to successfully compete in our present and prospective markets.

Sources and Availability of Hardware and Software

All equipment used by GlobeTel is provided by major suppliers and is readily available. Software to operate the network is commercially available from software suppliers and equipment suppliers, and GlobeTel has developed in-house proprietary software for network applications and new telecommunications products. We are not dependent upon any supplier of hardware or software. We use equipment from major telecommunication equipment manufacturers such as Cisco, Motorola and Newbridge Networks, among others.

Regulatory Matters

Carriers seeking to provide international telecommunication services are required by Section 214 of the Telecommunications Act to obtain authorization from the Federal Communications Commission to provide those services. We have applied for and obtained the required authorization.

Our operations in foreign countries must comply with applicable local laws in each country we serve. The communications carrier with which we "partner" in each country is licensed to handle international call traffic, and takes responsibility for all local law compliance. For that reason we do not believe that compliance with foreign laws will affect our operations or require us to incur any significant expense.

Effect of Existing or Probable Governmental Regulations

In February 1997, the United States and approximately seventy (70) other countries of the World Trade Organization (WTO) signed an agreement committing to open their telecommunications markets to competition and foreign ownership beginning in January 1998. These countries account for approximately 90% of world telecommunications traffic. The WTO agreement provides us and all companies in our industry with significant opportunities to compete in markets where access was previously either denied or extremely limited. However, the right to offer telecommunications services is subject to governmental regulations and therefore our ability to establish ourselves in prospective markets is subject to the actions of the telecommunications authorities in each country. In the event that new regulations are adopted that limit the ability of companies such as ourselves to offer VoIP telephony services and other services, we could be materially adversely affected.

Number of total employees and number of full-time employees

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

GlobeTel at present has 15 full-time employees, including our executive officers and two consultants. We do not believe that we will have difficulty in hiring and retaining qualified individuals in the field of Internet telephony, although the market for skilled technical personnel is highly competitive.

ITEM 2. DESCRIPTION OF PROPERTY

GlobeTel leased facilities at 444 Brickell Avenue, Suite 522, Miami, Florida 33131. The Company is under a five-year lease expiring April 2005 with a present monthly rent of \$3,463. Since the Miami facility does not provide sufficient space for equipment and personnel for our growing operations, we have leased additional facilities at 9050 Pines Blvd., Suite 110, Pembroke Pines, Florida 33024, as of April 1, 2004. For this new facility, the lease will expire in June 2009, with an initial monthly rent of \$5,462, and increases of 4% per year. The condition of our leased facility is deemed to be satisfactory for our business operations for the foreseeable future.

We had another facility leased in Jersey City, New Jersey, which, effective November 2001, was sub-leased to one of our consultants and customer. Pursuant to the sublease agreement, the customer/consultant maintained the obligation of the monthly rent of \$1,600, and at January 31, 2003, the lease expired and the Company has no further obligation to the lessee.

ITEM 3. LEGAL PROCEEDINGS

We are a defendant in a lawsuit file by Matthew Milo and Joseph Quattrocchi, two former consultants, filed in the Supreme Court of the State of New York (Richmond County, Case no. 12119/00 and 12118/00). This lawsuit relates to consulting services that were provided by Mr. Milo and Mr. Quattrocchi and a \$50,000 loan advanced by these individuals, dated May 14, 1997, of which \$35,000 has been repaid.

We entered into an agreement with Mr. Milo and Mr. Quattrocchi as consultants on June 25, 1998. The agreement was amended on August 15, 1998. On November 30, 1998, both Mr. Milo and Mr. Quattrocchi resigned from their positions as consultants to our company without fulfilling all of their obligations under their consulting agreement. We issued 3 million shares each to Mr. Milo and Mr. Quattrocchi as consideration under the consulting agreement. We have taken the position that Mr. Milo and Mr. Quattrocchi received compensation in excess of the value of the services that they provided and the amounts that they advanced as loans.

Mr. Milo and Mr. Quattrocchi disagreed with our position and have commenced an action against us that is pending in the Supreme Court of the State of New York. Mr. Milo and Mr. Quattrocchi claim that they are entitled to an additional 24,526,000 shares of our common stock as damages under the consulting agreement and to the repayment of the loan balance. We believe that we have meritorious defenses to the Milo and Quattrocchi action, and we have counterclaims against Mr. Milo and Mr. Quattrocchi. However, we cannot project an outcome with any certainty. We have not entered into any settlement negotiations with Mr. Milo and Mr. Quattrocchi and we do not believe that we would be materially adversely affected by the outcome of this proceeding.

There is presently an outstanding claim against us related to an equipment lease which approximates \$53,311 and is reflected as part of capital lease obligations, current portion. As of April 12, 2004, the lessor has not commenced any legal action against us and we believe that we may be able to enter into settlement agreement. We do not believe that we will be materially adversely affected by these liabilities.

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Globetel is in the process of taking legal actions against our associate and customer in Mexico for non-payment of the amount they owe us. This customer has substantial assets, including telecommunications equipment, existing working networks and Mexico tax refunds which they have proposed to turn over to us. The motion filed in the Mexican courts was necessary to formally request that Globetel become the assigned payee of the tax refund receivable and formally secure the equipment and to take over the operations of the existing networks.

This situation with our customer has caused us to write-off \$648,812 as a bad debt expense. In February 2004, the customer agreed that proceeds from the network operations will be paid totally to Globetel, including the customer's portion of the profit-sharing, until the amount they owe us has been fully paid. Upon full payment, we will begin the sharing profits again in accordance with the contract.

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

There were no matters submitted to a vote of security holders in 2003.

7

PART II

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

(a) Market Price

Our shares of common stock are quoted on the Over-the-Counter Bulletin Board (OTCBB) quotation system under the symbol GTEL. As of April 12, 2004, there are approximately 22 market makers in our common shares.

The following information sets forth the high and low bid price of our common stock during fiscal 2003 and 2002 and was obtained from the National Quotation Bureau. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	High	Low
CALENDAR 2002		
Quarter Ended March 31,	\$.0690	\$.0185
Quarter Ended June 30,	\$.0530	\$.0250
Quarter Ended September 30,	\$.0510	\$.0250
Quarter Ended December 31,	\$.0500	\$.0295
CALENDAR 2003		
Quarter Ended March 31,	\$.0440	\$.0200
Quarter Ended June 30,	\$.0290	\$.0151
Quarter Ended September 30,	\$.0400	\$.0190
Quarter Ended December 31,	\$.1310	\$.0250
CALENDAR 2004		
Quarter Ended March 31,	\$.1960	\$.0500

(b) Holders

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

As of April 12, 2004, there were approximately 24,000 beneficial owners of our common stock.

(c) Dividends

We have never paid a dividend and do not anticipate that any dividends will be paid in the near future. We currently have no funds from which to pay dividends

and as of December 31, 2003 and our accumulated deficit was \$26,494,167. We do not expect that any dividends will be paid for the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

In September 2003, the board of directors authorized the issuance of stock options totaling 47,751,200 shares to the officers of the company in return for the forgiveness of \$683,168 in accrued salaries and \$33,100 in other accrued expenses through December 31, 2002. The stock options were exercisable at the lower of \$.015 per share or 50% of the closing market price.

In December 2003, the board of directors authorized the issuance of stock options totaling 16,333,333 shares to the officers of the company in return for the forgiveness of \$245,000 in accrued salaries through December 31, 2003. The stock options were exercisable at the lower of \$.015 per share or 50% of the closing market price.

On January 8, 2004, the officers exercised their rights to convert the stock options into common stock at \$.015 and as a result, we issued 64,084,533 shares of common stock in January 2004, in accordance with the stock option agreements.

8

Recent Sales of Unregistered Securities

The following information is given with regard to unregistered securities issued and/or sold by us during the twelve months ended December 31, 2003, including the dates and amounts of securities sold; the persons or class of persons to whom we sold the securities; the consideration received in connection with such sales and if the securities were issued or sold other than for cash, the description of the transaction and the type and amount of consideration received.

Date	Amount of Securities Title	Sold	Persons	Cash or Non-Cash Consideration
02/14/2002	Common Stock	5,500,000	Sigma Online	Services valued at \$92,500
03/25/2002	Common Stock	6,000,000	Paul Taboada	Broker fees valued at \$150,000
03/25/2002	Common Stock	2,000,000	John Rooney	Broker fees valued at \$50,000
03/25/2002	Common Stock	1,000,000	Eric Ellenhorn	Broker fees valued

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

at \$25,000

03/25/2002	Common Stock	500,000	Zoe Ellenhorn (Trustee)	Broker fees valued at \$12,500
03/25/2002	Common Stock	500,000	Zach Ellenhorn (Trustee)	Broker fees valued at \$12,500
06/26/2002	Common Stock	10,000,000	Schrader & Schoenber (Custodial for Charterhouse Consultancy)	Services valued at \$300,000
06/26/2002	Common Stock	10,000,000	Schrader & Schoenber (Custodial for Charterhouse Consultancy)	Services valued at \$300,000
07/09/2002	Common Stock	1,000,000	George LeFevre	Services valued at \$30,000
07/09/2002	Common Stock	1,000,000	Scott Abscher	Services valued at \$30,000
07/09/2002	Common Stock	3,000,000	Charterhouse Investments	Services valued at \$90,000
08/02/2002	Common Stock	250,000	Robinson Markel	Private Placement at \$.028
08/21/2002	Common Stock	5,837,500	Paul Taboada	Broker fees valued at \$116,750
08/21/2002	Common Stock	412,500	Sperry Younger	Broker fees valued at \$8,250
08/21/2002	Common Stock	6,250,000	Charles Morgan Securities	Broker fees valued at \$125,000
08/28/2002	Common Stock	7,500,000	Clay Realty	Loan collateral
08/28/2002	Common Stock	7,500,000	Brantridge Holdings	Loan collateral
10/01/2002	Common Stock	2,220,000	Sigma Online	Services valued at \$33,300
11/07/2002	Common Stock	15,000,000	Andrew Roth	Loan collateral
11/14/2002	Common Stock	500,000	Robinson Markel	Private Placement at \$.035
12/06/2002	Common Stock	15,000,000	Andrew Roth	Loan collateral
12/06/2002	Common Stock	30,000,000	TR Enterprises	Loan collateral
12/06/2002	Common Stock	12,500,000	Paul Taboada	Broker fees valued \$250,000
12/30/2002	Common Stock	1,000,000	James E. Kimble	Services valued at \$15,000
12/31/2002	Common Stock	2,000,000	Marcelino Reyes	Services valued at \$40,000

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

12/31/2002	Common Stock	500,000	Robert McInerney	Services valued at \$10,000
12/31/2002	Common Stock	2,000,000	Bretton Hill (2)	Balance due for Acquisition of Global
12/31/2002	Common Stock	673,338	Bretton Hill	Interest valued at \$10,000
03/14/2003	Common Stock	2,200,000	Mandalay Industries, Inc.	Services valued at \$22,000
03/14/2003	Common Stock	1,800,000	Fordham Fin. Mgmt. Inc.	Broker fees valued \$18,000
05/07/2003	Common Stock	1,100,000	Mandalay Industries, Inc.	Services valued at \$11,550
05/07/2003	Common Stock	900,000	Fordham Fin. Mgmt. Inc.	Broker fees valued \$18,000
05/22/2003	Common Stock	2,500,000	Clay Realty, Inc.	Loan collateral
05/22/2003	Common Stock	2,500,000	Brantridge Holdings	Loan collateral
05/22/2003	Common Stock	9,000,000	Infinity Capital Partners	Conversion of 60% of \$239,206 of debt
05/22/2003	Common Stock	6,000,000	Timothy M. Huff	Conversion of 40% \$239,206 of debt
05/22/2003	Common Stock	4,000,000	Gerard Harryman	Settlement of \$55,000 of debt
07/18/2003	Common Stock	12,844,000	Michael Terry	Conversion of \$256,880 of debt
09/03/2003	Common Stock	944,444	Charles Morgan Securities	Services valued at \$11,806
09/03/2003	Common Stock	900,000	Fordham Fin. Mgmt. Inc.	Services valued at \$11,250
09/03/2003	Common Stock	1,100,000	Mandalay Industries, Inc.	Services valued at \$13,750
09/03/2003	Common Stock	3,847,222	Mandalay Industries, Inc.	Services valued at \$48,090
09/29/2003	Common Stock	656,867	Charles Morgan Securities	Services valued at \$8,211
10/09/2003	Common Stock	4,281,333	Michael Terry	Additional shares due for conversion of debt
10/09/2003	Common Stock	3,650,000	Leigh A. Coleman	Consulting services valued at \$73,000
10/09/2003	Common Stock	2,000,000	Thomas Y. Jimenez	Officer's salary valued at \$40,000

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

12/31/2003	Common Stock	7,500,000	Timothy M. Huff	Officer's salary valued at \$112,500
<hr/>				
12/31/2003	Common Stock	1,166,667	Thomas Y. Jimenez	Officer's salary valued at \$17,500

9

As further discussed in Note 4 in the Notes to the Financial Statements, we entered into an agreement with Fordham Financial Management Inc. to raise \$2,500,000 to finance our purchase of the assets of Advantage Telecommunications, Ltd. In accordance with the agreement, the investors will receive preferred shares convertible into common stock upon investment. An Offering Circular was made available to investors on October 17, 2003.

We had \$1,200,000 subscribed as of December 31, 2003, and had received \$717,140, which represents the subscriptions less fees totaling \$107,860 and \$375,000 that were not received until after December 31, 2003. The full amount of \$2,500,000 had been subscribed as of January 31, 2004 and funds fully received as of February 2004.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

General

This discussion and analysis should be read in conjunction with our Company's Consolidated Financial Statements and related notes found elsewhere in this Annual Report on Form 10-KSB.

Twelve months ended December 31, 2003 ("Fiscal 2003") compared to twelve months ended December 31, 2002 ("Fiscal 2002")

Results of Operations

Revenues. During the fiscal 2003, our gross sales were \$11,351,939, representing a decrease of 2.9% over the same period in the prior year when our gross sales were \$11,689,573. This decrease is primarily because there were no related party transactions in fiscal 2003 as compared to fiscal 2002, when related party transactions totaling \$5,717,150 were reported.

Our gross sales, compared to the prior year when excluding related party transactions, actually increased by \$5,379,516 or 90.07%.

Our two main customers were the source of over 93% of all revenues. Our customer utilizing the Mexico network generated \$7,569,007 or 67% of gross sales and our customer utilizing the Brazil network generated \$3,043,348, or 26% of gross sales.

We did not have income from international sales during fiscal 2003, compared to 2002 when we had international sales totaling 49% of total sales, representing revenues related to the network sales and services to related parties (Charterhouse) domiciled outside of the United States.

Cost of Sales. Our cost of sales consists primarily of the wholesale cost of buying bandwidth purchased by us for resale, technical services, rents and the

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

costs of depreciation of telecommunications equipment. We had cost of sales of \$8,840,872 for fiscal 2003, compared to \$6,566,944 for fiscal 2002. We expect cost of sales to increase in future periods to the extent that our sales volume increases.

Gross Margin. Our gross margin was \$2,511,067 or 22.12% for fiscal 2003, compared to \$5,122,629 or 43.5% of total revenues in fiscal 2002, a decrease of \$2,611,562 or 51%. The decrease is primarily due to the fact that there was a higher margin resulting from the related party transactions in fiscal 2002. The gross margin for non-related party transaction is 22% for 2003 and 16% for 2002.

Operating Expenses. Our operating expenses consist primarily of payroll and related taxes, expenses for executive and administrative personnel, facilities expenses, professional and consulting service expenses, travel and other general corporate expenses. Our operating expenses for fiscal 2003 were \$3,805,388 compared to fiscal 2002 operating expenses of \$3,492,894, an increase of \$292,494 or 8%. The increase is primarily due to an increase in bad debts resulting from our networks in Mexico and Brazil, totaling \$1,409,994. When excluding bad debt expense, our actual operating expenses decreased by 22% from the previous year, primarily because of substantially reduced consulting and brokers' fees paid in fiscal 2003. (See Note 11 and Note 12 to the Notes to Financial Statements with respect to consulting agreements executed in January 2002, and August 2002, respectively, for investment banking services).

10

Our operating expenses are expected to further decrease as a percentage of revenues in future periods because our existing operating infrastructure will allow increases in revenues without having to incrementally add operating expenses. However, our expenses may increase in absolute dollars as we continue to expand our network termination locations worldwide and incur additional costs related to the growth of our business and being a public company.

Income(Loss) from Operations. We had an operating loss of \$1,294,321 for fiscal 2003 as compared to operating income of \$1,629,735 in fiscal 2002. The results of operations of the company were directly impacted by the bad debt recognized in fiscal 2003 as discussed above and in the prior year, we had higher margins resulting from the related party transactions, also as previously discussed above. (See Note 3 to the Notes to Financial Statements).

Other Income (Expense).

We had net other expenses totaling \$4,908,205 during fiscal 2003 compared to \$308,441 during fiscal 2002.

Other income during fiscal 2003 resulted from a gain of \$26,274 by paying a vendor a lesser amount than what was recorded in the books as settlement for providing equipment that did not function as purported. We also reported a net gain of \$55,842 in connection with the closing of operations of our St. Louis, Missouri office after accounting adjustments were made.

We did not have interest income in fiscal 2003 compared to \$6,528 in fiscal 2002. This amount was substantially all the other income in fiscal 2002.

Other expense of \$4,834,878 in fiscal 2003 was as a result of the write-off of assets and liabilities resulting from the transactions in Australia and a loss of \$42,301 resulting from the disposal of defective equipment. For fiscal 2002, other expenses included \$247,379 associated with the reincorporation of the company and loss of \$43,488 on forgiveness of accrued interest receivable from officers. Interest expense for fiscal 2003 was \$113,142 compared to \$24,102 during fiscal 2002. Interest expense increases were due to substantially more

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

notes and loans payable in fiscal 2003.

Net Income (Loss). We had a net loss of \$6,202,526 in fiscal 2003 compared to net income of \$1,321,294 during fiscal 2002. The net loss is primarily attributable to the writing-off of our assets, specifically, the IPW stock which we are rendering without value as it is presently in liquidation and not listed in the Australian Exchange and the recording of bad debts or write-offs of accounts receivable.

In order for us to pay our operating expenses during 2003 and 2002, including certain operating expenses of our then wholly-owned subsidiaries, we raised \$500,000 and \$24,500 from the sale of common stock in 2003 and 2002 respectively and raised \$144,194 and \$8,593 from proceeds from related party payables in 2003 and 2002, respectively. We generated \$784,259 from loans and notes payable in 2003 and \$1,922,488 in 2002. During 2003, we also raised a net amount of \$717,140 from the sales of preferred stock.

Liquidity and Capital Resources

At December 31, 2003, we had total assets of \$4,144,231 compared to total assets of \$8,344,884 as of December 31, 2002. The current assets at December 31, 2003, were \$3,691,721 compared to \$3,549,450 at December 31, 2002.

The decrease in total assets was primarily due to the write-off of receivables related to the related party transactions totaling \$4,301,500 as discussed in Note 3 of the Notes to the Financial Statements. The increase in current assets is primarily attributable to an increase in accounts receivable to \$3,093,427 (net of an allowance for doubtful accounts of \$378,787) at year end 2003, compared to \$1,747,819 (net of an allowance for doubtful accounts of \$1,094,420) at year end 2002. Further, we had made deposits totaling \$302,300 for purchase of equipment and \$71,000 as prepayment to our carriers in fiscal 2003. Finally, we recorded a write-off of \$1,600,000 in non-readily marketable securities, available-for-sale as also discussed in Note 3 of the Notes to the Financial Statements.

Our total current liabilities were \$1,908,686 at December 31, 2003, compared to \$4,131,015 at December 31, 2002. The decrease in current liabilities was primarily a result of writing-off accounts payable, to be satisfied with non-readily marketable securities as discussed in Note 3 of the Notes to the Financial Statements, paying off notes payable and paying off accrued officers' salaries by issuances of stock options.

Accounts payable increased from \$639,323 to \$871,241 primarily due to costs associated with operations of the network.

11

As of December 31, 2002, we had long-term notes payable to our former chairman, totaling \$55,000 which we satisfied in 2003 by issuing common stock totaling 4,000,000 shares. We do not have any other long-term liabilities as of December 31, 2003.

We had a negative cash flow from operations of \$1,389,102 in 2003 compared to \$1,038,461 in 2002. The significant change was primarily due to the increased level of operations and operating activities.

We used \$607,401 for investing activities in 2003 compared to \$74,290 in 2002. The increase is due to deposits and purchase of equipment.

Net cash provided by financing activities increased substantially in 2003 to \$2,019,866 from \$1,282,149 in 2002. The increase was principally due to proceeds

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

from sales of common and preferred stock and financing and notes payable. As reflected in the accompanying financial statements, during the year ended December 31, 2003, we had a net loss of \$6,202,526 compared to a net income of \$1,321,294 during 2002. Consequently, there is an accumulated deficit of \$26,494,164 at December 31, 2003, compared to \$20,291,641 at December 31, 2002.

12

ITEM 7. FINANCIAL STATEMENTS

GLOBETEL COMMUNICATIONS CORP. AND SUBSIDIARY CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003 AND 2002

TABLE OF CONTENTS

	Page

INDEPENDENT AUDITORS' REPORT	21
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	22
Consolidated Statements of Income (Loss)	24
Consolidated Statements of Cash Flows	26
Consolidated Statements of Stockholders' Equity	28
Notes to Consolidated Financial Statements	29

13

Dohan and Company
Certified Public Accountants
A Professional Association

7700 North Kendall Drive, #200
Miami, Florida 33156-7564
Telephone: (305) 274-1366
Facsimile: (305) 274-1368
e-Mail: info@uscpc.com
Web site: www.uscpc.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
GlobeTel Communications Corp. and Subsidiary
Pembroke Pines, Florida

We have audited the accompanying consolidated balance sheets of GlobeTel Communications Corp. and Subsidiary, as of December 31, 2003 and 2002, and the related consolidated statements of income (loss), cash flows, and stockholders' equity for the years then ended. These consolidated financial statements are the

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GlobeTel Communications Corp. and Subsidiary, as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Dohan and Company, CPAs, P.A.

March 30, 2004,
Miami, Florida

Member:
Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants
Private Companies and SEC Practice Sections
Accounting Group International
Offices in Principal Cities World-Wide

14

GLOBETEL COMMUNICATIONS CORP. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 224,994	\$ 201,631
Accounts receivable, less allowance for doubtful accounts of \$378,787 and \$1,094,420	3,093,427	1,747,819
Deposits to carriers	71,000	-
Deposits on equipment	302,300	-
Non-readily marketable, available-for-sale equity securities	-	1,600,000
Deferred taxes (less valuation allowance of \$3,104,649 and \$2,303,276)	-	-
TOTAL CURRENT ASSETS	3,691,721	3,549,450

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

PROPERTY AND EQUIPMENT, NET	436,375	403,030
OTHER ASSETS		
Non-readily marketable, available-for-sale equity securities due from related party - Charterhouse Investment	-	4,301,500
Organization costs, net	-	283
Deposits	16,135	90,621
	-----	-----
TOTAL OTHER ASSETS	16,135	4,392,404
	-----	-----
TOTAL ASSETS	\$ 4,144,231	\$ 8,344,884
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 871,241	\$ 639,323
Accounts payable, to be satisfied with non-readily marketable, available-for-sale equity securities	-	974,951
Current portion of capital lease obligations	53,311	82,984
Notes payable	438,700	960,528
Loans payable to related party - Charterhouse Investment	361,960	311,960
Loans payable	10,000	-
Accrued payroll and related taxes	-	12,785
Accrued expenses and other liabilities	57,423	48,700
Deferred revenues	31,528	51,353
Deferred revenues - related party	-	184,350
Accrued officers' salaries and bonuses	-	730,000
Due to former employees	27,023	-
Related party payables	57,500	134,081
	-----	-----
TOTAL CURRENT LIABILITIES	1,908,686	4,131,015
	-----	-----

LONG-TERM LIABILITIES

Notes payable-shareholder	-	55,000
	-----	-----
TOTAL LONG-TERM LIABILITIES	-	55,000
	-----	-----
TOTAL LIABILITIES	1,908,686	4,186,015
	-----	-----

COMMITMENTS AND CONTINGENCIES (NOTES 3 and 14)

- -

STOCKHOLDERS' EQUITY

Preferred stock, \$.001 par value, 10,000,000 shares authorized; 72,000 issued	72	-
Additional paid-in capital - Preferred stock	1,092,068	
Common stock, \$.00001 par value, 1,500,000,000 shares authorized; 653,224,471 and 605,320,283 shares issued and outstanding	6,532	6,053
Additional paid-in capital	28,006,040	24,444,457
Stock subscription receivable		
- Preferred stock	(375,000)	-
Accumulated deficit	(26,494,167)	(20,291,641)
	-----	-----

TOTAL STOCKHOLDERS' EQUITY	2,235,545	4,158,869
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,144,231	\$ 8,344,884

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

See accompanying notes.

15

GLOBETEL COMMUNICATIONS CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	For the Years Ended December 31,	
	2003	2002
	-----	-----
REVENUES		
Sales	\$ 11,351,939	\$ 5,972,423
Sales - related parties	-	5,717,150
	-----	-----
Total sales	11,351,939	11,689,573
	-----	-----
Cost of sales	8,840,872	6,407,944
Cost of sales - related parties	-	159,000
	-----	-----
Total cost of sales	8,840,872	6,566,944
	-----	-----
GROSS MARGIN	2,511,067	5,122,629
	-----	-----
EXPENSES		
Payroll and related taxes	283,408	138,485
Professional fees	694,530	539,713
Officers' salaries and bonuses	595,000	730,000
Consulting and brokers' fees	199,167	1,230,800
Bad debts	1,409,994	445,147
Other operating expenses	160,609	95,353
Telephone and communications	69,169	56,408
Advertising and marketing	105,314	15,987
Travel and related expenses	95,213	73,433
Rents	46,231	40,971
Insurance and employee benefits	102,383	82,568
Depreciation and amortization	44,370	44,029
	-----	-----
TOTAL EXPENSES	3,805,388	3,492,894
	-----	-----
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSE) AND INCOME TAXES	(1,294,321)	1,629,735
	-----	-----
OTHER INCOME (EXPENSE)		
Gain on discontinued operations	55,842	-
Gain on forgiveness of debt	26,274	-
Interest income	-	6,528
Interest expense	(113,142)	(24,102)
Reincorporation expenses	-	(247,379)
Loss on forgiveness of accrued interest receivable from officers	-	(43,488)
Loss on disposal of equipment	(42,301)	-
Write-off of non-readily marketable, available-for-sale equity securities	(4,834,878)	-
	-----	-----
NET OTHER INCOME (EXPENSE)	(4,908,205)	(308,441)
	-----	-----
NET INCOME (LOSS) BEFORE INCOME TAXES	(6,202,526)	1,321,294
	-----	-----
INCOME TAXES		
Provision for income taxes	-	(528,518)
Tax benefit from utilization of net		

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

operating loss carryforwards	-	528,518
	-----	-----
TOTAL INCOME TAXES	-	-
	-----	-----
NET INCOME (LOSS)	\$ (6,202,526)	\$ 1,321,294
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		
OUTSTANDING		
BASIC	627,814,875	501,679,301
DILUTED	627,814,875	505,617,703
	=====	=====
NET INCOME (LOSS) PER SHARE		
BASIC	\$ (0.01)	\$ 0.00
DILUTED	\$ (0.01)	\$ 0.00
	=====	=====

See accompanying notes.

16

GLOBETEL COMMUNICATIONS CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (6,202,526)	\$ 1,321,294
Adjustments to reconcile net income		
(loss) to net cash used by operating activities:		
Depreciation and amortization	227,200	134,262
Bad debt expenses	1,409,994	-
Gain on discontinuance of operation	55,842	-
Gain on debt forgiveness	26,274	-
Loss on write-off of asset	4,834,878	-
Loss on sale of equipment	42,301	-
Common stock exchanged for severance pay	36,000	-
Common stock exchanged for services	568,510	1,690,800
Property and equipment used in cost of sales	-	233,191
Non-readily marketable, available-for-sale equity securities due from related party - Charterhouse Investment	-	(4,051,500)
Non-readily marketable, available-for-sale equity securities	-	(1,600,000)
(Increase) decrease in assets:		
Accounts receivable	(2,755,602)	(1,446,047)
Accounts receivable, related party	-	872,248
Prepaid expenses	(71,000)	-
Deposits	74,486	37,301
Increase (decrease) in liabilities:		
Accounts payable	1,111,960	299,202
Accounts payable, to be satisfied with non-readily marketable, available-for-sale equity securities	(974,951)	632,451
Accrued payroll and related taxes	(12,785)	(133,075)
Accrued officers' payroll and bonuses	-	541,569
Accrued expenses and other liabilities	439,245	250,330
Deferred revenues	(46,106)	(4,837)
Deferred revenues - related party	(152,822)	184,350
	-----	-----

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

NET CASH USED BY OPERATING ACTIVITIES	(1,389,102)	(1,038,461)

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(305,101)	(77,512)
Deposit on equipment	(302,300)	-
Payments for related party receivables (net)	-	3,222

NET CASH USED BY INVESTING ACTIVITIES	(607,401)	(74,290)

CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of common stock	500,000	24,500
Sale of preferred stock	717,140	-
Payments on capital lease financing	(29,674)	(6,029)
Proceeds from notes and loans payable	784,259	1,922,488
Payments on notes and loans payable	-	(650,000)
Proceeds from related party payables	144,194	8,593
Payments on related party payables	(96,053)	(17,403)

NET CASH PROVIDED BY FINANCING ACTIVITIES	2,019,866	1,282,149

NET INCREASE IN CASH AND EQUIVALENTS	23,363	169,398

CASH AND EQUIVALENTS - BEGINNING	201,631	32,233

CASH AND EQUIVALENTS - ENDING	\$ 224,994	\$ 201,631
=====		

SUPPLEMENTAL DISCLOSURES Cash paid during the period for:

Interest	\$ 113,142	\$ 24,102
Income taxes	\$ -	\$ -

In addition to amounts reflected above, common stock was issued for:

Options issued for services	\$ 10,000	\$ -
Options issued for settlement of debt	\$ 1,016,648	\$ -
Settlement of debt	\$ 1,431,084	\$ 10,000
Non-readily marketable, available-for-sale equity securities due from related party in payment of notes and accounts receivable	\$ -	\$ 4,301,500
Non-readily marketable, available-for-sale equity securities - due from related party, received in payment of notes and accounts receivable	\$ -	\$ 1,600,000
=====		

See accompanying notes.

GLOBETEL COMMUNICATIONS CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Common Stock		Preferred Stock	
-----		-----	
	Additional Paid-in	Additional Paid-in	Sto Subscri

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Description	Shares	Amount	Capital	Shares	Amount	Capital	Receiv
	-----	-----	-----	-----	-----	-----	-----
Balance, Dec. 31, 2001	467,276,945	\$4,673	\$22,720,537	-	\$ -	\$ -	\$
Shares issued for services	71,220,000	712	1,690,088	-	-	-	
Shares issued for extinguishment of debt	673,338	7	9,993	-	-	-	
Shares issued for cash	750,000	7	24,493	-	-	-	
Shares issued for loan collateral	75,000,000	750	(750)	-	-	-	
Adjustment for actual number of shares issued for Global acquisition	(9,600,000)	(96)	96	-	-	-	
Net income	-	-	-	-	-	-	
Balance, Dec. 31, 2002	605,320,283	6,053	24,444,457	-	-	-	
Shares issued for services	23,748,533	237	568,273	-	-	-	
Options issued for services	-	-	10,000	-	-	-	
Shares issued for severance pay	1,200,000	12	35,988	-	-	-	
Shares issued for extinguishment of debt	44,792,000	448	1,430,636	-	-	-	
Options issued for extinguishment of debt	-	-	1,016,468	-	-	-	
Shares issued for cash	20,080,321	201	499,799	-	-	-	
Shares issued for loan collateral	5,000,000	50	(50)	-	-	-	
Shares returned for loan collateral	(46,916,666)	(469)	469	-	-	-	
Preferred shares issued for cash	-	-	-	72,000	72	1,092,068	(375)
Net loss	-	-	-	-	-	-	
Balance, Dec. 31, 2003	653,224,471	\$6,532	\$28,006,040	72,000	\$ 72	\$1,092,068	\$ (375)

GLOBETEL COMMUNICATIONS CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Operations

GlobeTel is engaged in the business of providing telecommunication services, primarily involving Internet telephony using Voice over Internet Protocol ("VoIP") technology and equipment.

Organization and Capitalization

GlobeTel Communications Corp. ("GlobeTel") was organized in July 2002, under the laws of the State of Delaware. Upon its incorporation, GlobeTel was a wholly-owned subsidiary of American Diversified Group, Inc. (ADGI). ADGI was organized January 16, 1979, under the laws of the State of Nevada. ADGI had two other wholly-owned subsidiaries, Global Transmedia Communications Corporation (Global), a Delaware corporation, and NCI Telecom, Inc. (NCI), a Missouri corporation.

On July 1, 2002, both Global and NCI were merged into ADGI. On July 24, 2002, ADGI stockholders approved a plan of reincorporation for the exchange of all outstanding shares of ADGI for an equal number of shares of GlobeTel. Subsequently, ADGI was merged into GlobeTel, which is now conducting the business formerly conducted by ADGI and its subsidiaries, and all references to ADGI in these financial statements now apply to GlobeTel interchangeably.

In July 2002, pursuant to the reincorporation, the Company authorized the issuance of up to 1,500,000,000 shares of common stock, par value of \$0.00001 per share and up to 10,000,000 shares of preferred stock, par value of \$0.001 per share.

Basis of Presentation

The Company has a 99% ownership of GTCC de Mexico, S.A. de C.V., a Mexican company established to represent its interests in Mexico. The remaining 1% is owned by the Company's Mexican lawyer who is representing the Company in all matters of the operations in Mexico.

The financial statements for periods prior to the merger and reincorporation include the consolidated accounts of ADGI and its two then wholly-owned subsidiaries, Global and NCI, all of which together and individually are referred to as the Company.

All material intercompany balances and transactions were eliminated in the consolidation.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

Cash and Cash Equivalents

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

The Company considers all highly liquid debt instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Property and Equipment

Property and equipment consists of telecommunications equipment, office furniture and equipment, and vehicles which are stated at cost. Depreciation is based on the estimated useful lives of the assets, ranging from five years for office furniture and equipment and vehicles to seven years for telecommunications equipment, using the straight-line method. Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Gains and losses on disposition of property and equipment are included in income as realized.

Revenue Recognition

Revenues for voice, data, and other services to end-users are recognized in the month in which the service is provided. Amounts invoiced and collected in advance of services provided are recorded as deferred revenue. Revenues for carrier interconnection and access are recognized in the month in which the service is provided.

Sales of telecommunications networks are recognized when the networks are delivered and accepted by the customer. Sales of computer hardware, equipment, and installation are recognized when products are shipped to customers. Provisions for estimated returns and allowances are provided for in the same period the related sales are recorded. Revenues on service contracts are recognized ratably over applicable contract periods. Amounts billed and collected before services are performed are included in deferred revenues.

19

Income Taxes

Income taxes are computed under the provisions of the Financial Accounting Standards Board (FASB) Statement 109 No. (SFAS 109), Accounting for Income Taxes. SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the difference in events that have been recognized in the Company's financial statements compared to the tax returns.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the period incurred. Advertising and marketing expense for the years ended December 31, 2003 and 2002, were \$105,314 and \$15,987, respectively.

Fair Value of Financial Instruments

Financial instruments, including cash, receivables, securities, accounts payable, and notes payable are carried at amounts which reasonably approximate their fair value due to the short-term nature of these amounts or due to variable rates of interest which are consistent with market rates.

Concentrations of Credit Risk and Economic Dependence

Financial instruments, which potentially subject the Company to a concentration of credit risk, are cash and cash equivalents, accounts receivable, and non-readily marketable securities equity securities. The Company currently maintains its day-to-day operating cash balances at a single financial

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

institution. The Company had cash balances of \$224,994 and \$201,631 as of December 31, 2003 and 2002, respectively, which are in excess of federally insured limit. As of December 31, 2003 and 2002, the Company had \$137,705 and \$111,565, respectively, in excess of federally insured limits.

The Company operates worldwide. Consequently, the Company's ability to collect the amounts due from customers may be affected by economic fluctuations in each of the geographical locations in which the Company provides its services, principally Central and South America and Asia. The Company is dependent upon certain major customers, key suppliers, and contractual agreements, the absence of which may affect the Company's ability to operate its telecommunications business at current levels.

Recently Issued Accounting Pronouncements

In April 2002, FASB issued Statements of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). SFAS 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect and eliminates an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Generally, SFAS 145 is effective for transactions occurring after May 15, 2002.

In June 2002, FASB issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") that nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereby EITF 94-3 had recognized the liability at the commitment date to an exit plan. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002 with earlier application encouraged.

In December 2002, FASB issued Statements of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of FASB Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for fiscal years ending after December 15, 2002.

20

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others", an interpretation of FIN No. 5, 57 and 107, and rescission of FIN No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others". FIN 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002; while, the provisions of the disclosure requirements are effective for financial statements

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

of interim or annual periods ending after December 15, 2002.

In April 2003, FASB issued Statements of Financial Accounting Standards No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003.

In May 2003, FASB issued Statements of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003.

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R addresses consolidation by business enterprises of variable interest entities and significantly changes the consolidation application of consolidation policies to variable interest entities and, thus improves comparability between enterprises engaged in similar activities when those activities are conducted through variable interest entities. The Company does not hold any variable interest entities.

The adoption of these new pronouncements did not or are not expected to have a material effect on the Company's consolidated financial position or results of operations.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share has been computed based upon the weighted average number of shares of common stock outstanding during each period. The basic net income (loss) is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during each period. Available stock options at December 31, 2003, were anti-dilutive and therefore were excluded from the net income (loss) per common share calculation.

Following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the year ended December 31, 2002:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
Basic Net Income per Share:			
Income available to common stockholders	\$ 1,321,294	501,679,301	\$.00
			=====
Effect of Dilutive Convertible Notes	-	3,938,402	
	-----	-----	

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Diluted Net Income per Share:

Income available to common stockholders plus assumed conversions	\$ 1,321,294 =====	505,617,703 =====	\$.00 =====
--	-----------------------	----------------------	-----------------

Impairment of Long-Lived Assets

The Company follows FASB Statement No. 144 (SFAS 144), "Accounting for the Impairment of Long-Lived Assets." SFAS 144 requires that long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.

21

NOTE 2. ACCOUNTS RECEIVABLE AND SALES - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK AND ECONOMIC DEPENDENCE

Two customers accounted for 97% of the Company's sales for 2003 and three customers accounted for 92.58% of the Company's sales for 2002. One of the Company's customers, Global VOIP, deemed an affiliate based on common control, accounted for \$2,100,000 or 17.85% of the Company's sales for 2002.

Charterhouse Investment Holdings, Ltd., a shareholder and related party, accounted for \$5,717,150 or 48.60% of the Company's sales for 2002.

Sales attributable to foreign operations for the year ended December 31, 2003, were \$11,256,907 or 99% of total sales and \$5,204,778 or 44.24% of total sales for December 31, 2002. The amounts include \$2,979,286 or 26% for 2003 and \$1,978,910 or 16.82% for 2002 from Brazil and \$8,089,013 or 71% for 2003 and \$3,225,878 or 27.42% from Mexico. Revenue is attributable to these countries, since calls either originate or terminate in these countries. All transactions were accounted for in U.S. currency, and no gain or loss was recorded on fluctuations in foreign currency.

In connection with the Brazil network, \$1,955,818 and \$916,629 during years ended December 31, 2003 and 2002, respectively, was paid by our Brazilian network customer directly to a local provider of network termination services, and, accordingly, the accounts receivable due from the customer was reduced by the same amounts.

In connection with the Mexico network, \$5,609,939 and \$2,674,552 during the years ended December 31, 2003 and 2002, respectively, was paid by our Mexico network customer directly to a local provider of network termination services, and, accordingly, the accounts receivable due from the customer was reduced by the same amounts.

NOTE 3. NON-READILY MARKETABLE AVAILABLE-FOR-SALE EQUITY SECURITIES

Network Sales - Charterhouse Investment Holdings, Ltd.

In May 2002, the Company entered into a Network Purchase Agreement with IP World Ltd., (IPW) an Australian corporation to build as many as five (5) networks to be located in different countries throughout the world. Pursuant to the agreement, the Company built and provided to IPW a network capable of terminating up to a minimum of four million minutes of monthly international voice traffic to and from the country of Brazil (Brazil Network) and a network

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

capable of terminating up to a minimum of four million minutes of monthly international voice traffic to and from the country of the Philippines ("Philippines Network"). The terms of this agreement are substantially the same as the terms of the Brazil Network agreement.

As payment for each network the Company agreed to accept 64 million shares of IPW stock, at an agreed-upon value of \$.10 (US) per share, in full payment of the promissory note for the Brazil and Philippines networks. The IPW shares were not listed for sale on the Australian Stock Exchange (ASX) or any other domestic or international securities exchange. At the time, the Company was informed that such listing was imminent, and the Company would be able to sell all or a portion of the IPW shares.

The above agreements and transactions were facilitated by and through Charterhouse Consultancy Service, Ltd, a Nevis corporation, and it's successor corporation, Charterhouse Investment Holdings Ltd., a Malaysian corporation (collectively known as "Charterhouse"), and Global VoIP, a Delaware Corporation, of which Timothy Huff, the Company's current CEO was a 99% owner and officer. Although Mr. Huff, by and through GVoIP, originally functioned as consultant to Charterhouse, neither Mr. Huff nor GVoIP were directly compensated for participating in the agreements and transactions described above and below. Instead, Mr. Huff became an officer and a Director of the Company and assigned any and all interest GVoIP had to the Company without compensation. GVoIP was dissolved immediately thereafter.

In connection with agreements between Charterhouse and the Company, Charterhouse paid for the two networks sold to date by the transfer of shares in IPW to the Company. In that connection, Charterhouse maintained 70 million IPW shares in escrow for the Company, and, accordingly, the Company was deemed beneficial owner of the shares.

As of June 30, 2003, the Company had included in its current assets, \$1,600,000 in non-readily marketable, available-for-sale equity securities, which represent 16 million shares of IP World (IPW) unrestricted stock, valued at \$.10 per share, held in the company's name and \$4,301,500 in non-readily marketable, available for sale equity securities, due from a related party, Charterhouse, which represent 70 million shares of IPW restricted stock valued at \$.06145 per share, held by Charterhouse on the Company's behalf.

As of September 30, 2003, IP World Ltd. was in liquidation and was no longer listed in the Australian Exchange. The Company is still transacting with IPW to move out of liquidation and be relisted in the Australian Exchange. However, the outcome of the transaction can not be determined, therefore, the company has written-off \$4,301,500 in stock receivable as well as the \$1,600,000 in stock it had in its name.

22

Service and Installation Agreements

In June 2002, the Company entered into a one-year service agreement with IP World Ltd. for \$240,000, related to servicing the Brazil network, the revenues from which are recognized ratably over the term of the agreement, beginning in July 2002. Revenue of \$120,000 was initially recognized in connection with this agreement.

In July 2002, the Company also entered into an installation and one-year service agreement with IP World Ltd. for \$300,000 (\$60,000 for installation and \$240,000 for maintenance), related to the Philippines network. The revenues from installation were recorded during 2002. The revenues from maintenance services were recognized ratably over the term of the agreement, beginning in October

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

2002. Revenue of \$60,000 for maintenance services was initially recognized during 2002.

In 2003, the Company continued to report revenues for the agreement for the first and second quarter of the year. Upon writing off the receivable as discussed above, no further revenue was recognized by the Company.

NOTE 4 - Deposit on Equipment

In September 2003, the Company entered into an agreement with Advantage Telecommunications Ltd. (ATC), an Australian telecommunications corporation where, for a strategic investment of \$1.2 million, the Company would own up to 50% of the stock of ATC, and would have control of the board of directors of ATC. ATC had operations in England and Hong Kong and had points of presence in over 15 countries. The agreement was subsequently modified to where our investment of \$1.2 million would be for purchase of the ATC's telecommunication equipment and network operations in Hong Kong and England.

As of December 31, 2003, the Company had remitted \$302,300 to ATC and ATC's assignee as partial payment towards the purchase of the assets. The asset purchase was consummated in February 2004 upon the payment of the balance of the amount agreed upon in restricted shares of the Company's restricted common stock totaling 16,500,000 shares, valued at a total of \$897,700. The issuance of the shares, based on an average of \$.0544 per share, completes the Company's purchase of ATC's assets totaling \$1.2 million.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2003	2002
	-----	-----
Telecommunications equipment	\$ 706,892	\$ 476,808
Office furniture and equipment	154,169	185,682
Vehicles	-	12,440
	-----	-----
	861,061	674,930
Accumulated depreciation	(424,686)	(271,900)
	-----	-----
Property and equipment, net book value	\$ 436,375	\$ 403,030
	=====	=====

Total depreciation expense for the years ended December 31, 2003 and 2002 amounted to \$227,200 and \$134,262, respectively. Included in cost of sales is \$182,830 in 2003 and \$90,233 in 2002.

Certain telecommunications equipment acquired by the Company, capitalized in property and equipment, and placed into service in 2001 was recorded as cost of sales during 2002. This equipment was ultimately utilized in constructing the network built for IPW, and the net book value of the equipment, \$233,191 (cost of \$353,500, less \$110,309 accumulated depreciation) was included in cost of sales during 2002. The Company initially depreciated this equipment because at the time the equipment was purchased, the Company did not anticipate using this equipment in the construction of the IPW networks, or any networks to be produced and sold to any customers.

NOTE 6. BUSINESS MERGERS

Prior to GlobeTel taking over the operations of ADGI, ADGI had two operating, wholly-owned subsidiaries, Global and NCI. The two companies were merged into ADGI as of July 1, 2002 and on July 24, 2002 ADGI stockholders approved a plan

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

of reincorporation for the exchange of all outstanding shares of ADGI for an equal number of shares of GlobeTel Communications Corp. ("GlobeTel").

NOTE 7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	2003	2002
	-----	-----
Professional fees	\$ 35,000	\$ 28,600
Interest	22,423	20,100
	-----	-----
	\$ 57,423	\$ 48,700
	=====	=====

23

NOTE 8. MISCELLANEOUS RECEIVABLE

In September 1999, the Company was awarded a judgment against Imaging Systems Synergies, Inc. (ISS) in the amount of \$125,000. However, the Company is uncertain if it will be successful in recovering any damages against ISS. There has been an allowance for uncollectibility for the entire \$125,000. During 2003, the Company determined that this amount is unrecoverable and therefore wrote-off the balance.

NOTE 9. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consisted of the following:

	2003	2002
	-----	-----
Lease payments, payable in monthly installments totaling \$5,109, inclusive of imputed interest at rates from 10% through 20% annually, maturing at various dates through September 2003.	\$ 53,311	\$ 82,984
Current obligations under capital leases	(53,311)	(82,984)
	-----	-----
Long-term obligations under capital leases	\$ -	\$ -
	=====	=====

Future minimum lease payments under capital leases for years subsequent to December 31, 2003 are as follows:

2004	\$ 104,026
Amount representing interest	(50,715)

Present value of future minimum lease payments	\$ 53,311
	=====

Interest expense recorded on all capital lease obligations of the Company amounted to \$15,924 and \$11,704 for the years ended December 31, 2003 and 2002, respectively. The assets subject to the above capital lease obligations consist primarily of telecommunications equipment.

NOTE 10. ACCRUED OFFICERS' SALARIES AND BONUSES

Effective January 1, 2002, GlobeTel entered into three-year employment

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

agreements with its key management. For the year 2002, the agreements provide for annual compensation of \$150,000 for its Chief Executive Officer (CEO), \$125,000 each for its Chief Financial Officer (CFO) and Chief Operating Officer (COO) and \$75,000 each for its Chief Administrative Officer (CAO) and VP of Network Operations. Further, there remained an employment contract with its President, as described below, which calls for annual salaries of \$100,000 per annum. In addition to the base compensation, the employment agreements provide for payment of bonuses that at a minimum equal the executives' base compensation. As of December 31, 2002, the executives all agreed not to receive bonuses they were entitled to pursuant to the employment agreement.

In 2003, the base compensation increased to \$175,000 for its CEO, \$150,000 each for its CFO and COO, \$90,000 each for its CAO and VP of Network Operations. In 2004, the base compensation increases to \$200,000 for its CEO, \$175,000 each for its CFO and COO, \$120,000 for its CAO and \$110,000 for its VP of Network Operations. Bonuses for each year will also be equal to the base salaries as a minimum, unless otherwise agreed to by the executives.

From October 1, 1996, through December 31, 2003, the Company had an employment agreement with its President wherein the Company agreed to pay compensation of \$100,000 annually. In September 2003, the Company's president resigned effective December 31, 2003 but remained as a member of the board of directors of the Company.

Pursuant to the above employment agreements, the Company recorded accrued officers' salaries totaling \$519,168 as of December 31, 2002.

In September 2003, the officers agreed to forego their accrued salaries in exchange for stock options at \$.015 per share or 50% of the market price as of the exercise date. The officers subsequently exercised their stock options in January 2004.

As of December 31, 2003, the Company recorded accrued officers salaries totaling \$245,000, which the officers again agreed to forego their accrued salaries in exchange for stock options at \$.015 per share or 50% of the market price as of the exercise date. The officers subsequently exercised their stock options in January 2004.

24

NOTE 11. NOTES PAYABLE AND LOAN DUE TO CONSULTANT/CUSTOMER

Secured Promissory Notes Payable

On April 9, 2002, the Company executed a \$250,000 secured promissory note payable to an unrelated third party, due April 9, 2003, with interest payable monthly at a rate of 12.5% per annum. The note was collateralized with 8 million unrestricted shares of the Company's common stock, plus additional shares to be issued should the loan-to-value ratio drop below 65%. The note also provided for an accommodation fee of 1 million shares of ADGI shares payable to the lender which was paid by GVoIP. Pursuant to the note's prepayment option, in May 2002, the principal balance was paid by Global VoIP and \$250,000 was offset against the accounts receivable balance due to the Company from Global VoIP.

On April 9, 2002, the Company executed a \$100,000 secured promissory note payable to another unrelated third party, due April 9, 2003, with interest payable monthly at a rate of 12.5% per annum. The note was collateralized with 3.2 million unrestricted shares of the Company's common stock, plus additional shares to be issued should the loan-to-value ratio drop below 65%. The note also provided for an accommodation fee of 400,000 shares of ADGI shares payable to the lender which was paid by GVoIP. Pursuant to the note's prepayment option, in

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

May 2002, the principal balance was paid by Global VoIP and \$100,000 was offset against the accounts receivable balance due to the Company from Global VoIP.

On June 24, 2002, the Company executed a \$150,000 secured promissory note payable to an unrelated third party, due December 24, 2002, with interest payable upon the due date of the principal of the loan at a rate of 15% per annum. The note is collateralized with 10 million unrestricted shares of the Company's common stock, which was provided by Charterhouse. The note also provided for an accommodation fee of \$3,750, which was paid to the lender during 2002 by the Company.

On June 24, 2002, the Company executed another \$150,000 secured promissory note payable to an unrelated third party, due December 24, 2002, with interest payable upon the due date of the principal of the loan at a rate of 15% per annum. The note is collateralized with 10 million unrestricted shares of the Company's common stock, which was provided by Charterhouse. The note also provided for an accommodation fee of \$3,750, which was paid to lender by the Company during 2002.

In October 2002, the holders of the above two promissory notes agreed that in lieu of payment of principal and interest under the loans, each agreed to accept six (6) million shares of common stock of GlobeTel as payment, which were paid to the note holders directly by the Company's primary customer who was also a consultant. Accordingly, the Company recorded the \$300,000, plus interest of \$11,960, as a loan payable to that consultant/customer.

Convertible Subordinated Notes

On August 21, 2002, the Company executed a \$125,000 convertible subordinated promissory note payable to an unrelated third party, due August 21, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 7.5 million shares of the Company's common stock, which were issued by the Company and held in escrow under the agreement. The Company recorded the issuance of these shares at par value. The note is convertible into shares of the Company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note in effect on any conversion date shall be the lesser of \$.25 or 75% of the per share market value price as of the close of business on the conversion date. Any conversion pursuant to this agreement shall be for a minimum principal of \$10,000 and until the first day of the month preceding the maturity date of this note, the holder may not, during any 30-day period, convert more than the greater of \$100,000 of the principal amount of this note, or 10% of the preceding month's trading value of the common stock as reported by the principal market in which the common stock is traded.

In July 2003, the holder exercised his right to convert the debt into shares of the Company's common stock in accordance with the terms of the note. The conversion rate was determined to be \$.04 and accordingly, the holder retained 3,055,556 shares and returned 4,444,444 to the Company.

On August 27, 2002, the Company executed a \$125,000 convertible subordinated promissory note payable to an unrelated third party, due August 27, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 7.5 million shares of the Company's common stock, which were issued by the Company and held in escrow under the agreement. The Company recorded the issuance of these shares at par value. The note is convertible into shares of the company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note in effect on any conversion date shall be the lesser of \$.25 or 75% of the per share market value price as of the close of business on the conversion date. Any conversion pursuant to this agreement shall be for a minimum principal of \$10,000 and until the first day of the month preceding the maturity date of this

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

note, the holder may not, during any 30-day period, convert more than the greater of \$100,000 of the principal amount of this note, or 10% of the preceding month's trading value of the common stock as reported by the principal market in which the common stock is traded.

25

In December 2003, the holder exercised his right to convert the debt into shares of the Company's common stock in accordance with the terms of the note. The conversion rate was determined to be \$.035 and accordingly, the holder retained 3,500,000 shares and returned 4,000,000 to the Company.

On October 22, 2002, the Company executed a \$125,000 convertible subordinated promissory note payable to an unrelated third party, due October 22, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 15 million shares of the Company's common stock, which were issued by the Company and held in escrow under the agreement. The Company recorded the issuance of these shares at par value. The note is convertible into shares of the Company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note in effect on any conversion date shall be the lesser of \$.20 or 75% of the per share market value price as of the close of business on the conversion date. Any conversion pursuant to this agreement shall be for a minimum principal of \$10,000 and until the first day of the month preceding the maturity date of this note, the holder may not, during any 30-day period, convert more than the greater of \$100,000 of the principal amount of this note, or 10% of the preceding month's trading value of the common stock as reported by the principal market in which the common stock is traded.

On November 18, 2002, the Company executed a \$125,000 convertible subordinated promissory note payable to an unrelated third party, due November 18, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 15 million shares of the Company's common stock, which were issued by the Company and held in escrow under the agreement. The Company recorded the issuance of these shares at par value. The note is convertible into shares of the Company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note in effect on any conversion date shall be the lesser of \$.20 or 75% of the per share market value price as of the close of business on the conversion date. Any conversion pursuant to this agreement shall be for a minimum principal of \$10,000 and until the first day of the month preceding the maturity date of this note, the holder may not, during any 30-day period, convert more than the greater of \$100,000 of the principal amount of this note, or 10% of the preceding month's trading value of the common stock as reported by the principal market in which the common stock is traded.

The October 22 and November 18 notes were from the same investor, and in July 2003, the holder exercised the right to convert the debt into shares of the Company's common stock in accordance with the terms of the note. The conversion rate was determined to be \$.024 and accordingly, the holder retained 10,416,666 shares and returned 19,583,334 to the Company.

On November 25, 2002, the Company executed a \$125,000 convertible subordinated promissory note payable to an unrelated third party, due November 25, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 15 million shares of the Company's common stock, which were issued by the Company and held in escrow under the agreement. The Company recorded the issuance of these shares at par value. The note is convertible into shares of the Company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note in effect on any conversion date shall be the lesser of \$.20 or 75% of the per

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

share market value price as of the close of business on the conversion date. Any conversion pursuant to this agreement shall be for a minimum principal of \$10,000 and until the first day of the month preceding the maturity date of this note, the holder may not, during any 30-day period, convert more than the greater of \$100,000 of the principal amount of this note, or 10% of the preceding month's trading value of the common stock as reported by the principal market in which the common stock is traded.

Also on November 25, 2002, the Company executed a second \$125,000 convertible subordinated promissory note payable to an unrelated third party, due November 25, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 15 million shares of the company's common stock, which were issued by the company and held in escrow under the agreement. The company recorded the issuance of these shares at par value. The note is convertible into shares of the company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note in effect on any conversion date shall be the lesser of \$.20 or 75% of the per share market value price as of the close of business on the conversion date. Any conversion pursuant to this agreement shall be for a minimum principal of \$10,000 and until the first day of the month preceding the maturity date of this note, the holder may not, during any 30-day period, convert more than the greater of \$100,000 of the principal amount of this note, or 10% of the preceding month's trading value of the common stock as reported by the principal market in which the common stock is traded.

Both the November 25 notes were from the same investor, and in July 2003, the holder exercised the right to convert the debt into shares of the Company's common stock in accordance with the terms of the note. The conversion rate was determined to be \$.022 and accordingly, the holder retained 11,111,112 shares and returned 18,888,888 to the Company.

26

On November 5, 2002, the Company executed a second \$125,000 convertible subordinated promissory note payable to an unrelated third party, due November 5, 2003, with interest payable monthly at a rate of 12% per annum. The note is collateralized with 15 million shares of the Company's common stock, which were issued by the Company and held in escrow under the agreement. The Company recorded the issuance of these shares at par value. The note is convertible into shares of the Company's common stock at the option of the holder in whole or in part, in accordance with the terms of the note. The conversion price for this note is of \$.025 per share. The note holder also received a common stock purchase warrant giving them the right to purchase 5 million shares of the company's common stock at the price of \$.03 per share. Subsequent to the execution of this note, additional amounts of \$85,528 were received from the note holder, bringing the total balance to \$210,528.

In May 2003, the holder and the Company agreed that the balance of \$210,528 be converted into shares of the Company's common stock and as a result the collateralized shares were then issued to the holder. In addition, it was agreed upon that the holder's 15 million shares are non-dilutable for 18 months from April 1, 2003. Further, the holder of the note is comprised of three (3) owner, one of whom is Timothy M. Huff who owns 40% of the entity. Timothy Huff is the CEO of the Company.

NOTE 12 - NOTES AND LOANS PAYABLE, UNSECURED

In February 2003, the Company executed two unsecured promissory notes payable, each for \$100,000 (to fund operations and pay operating expenses), to an unrelated third party, which is also a secured promissory note holder. Each note was originally due in May 2003, and included interest payable monthly at a rate

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

of 25% per annum. The Company and the note holder subsequently agreed to extend due dates of the loans on a month-to-month basis under the same interest rate. The notes remain outstanding as of the date of this report. However, in February 2004, the Company paid both notes.

In February 2003, the Company executed a \$40,000 promissory note payable to another party, due on demand with interest and payable at a rate of 2.5% per annum.

In June 2003, the Company executed a \$200,000 promissory note payable to Commercebank, N.A., due in June 2004, with interest payable at a rate of one percent over the prime rate, currently 4%.

LOAN PAYABLE TO RELATED PARTY - CHARTERHOUSE

In January 2003, the Company received a \$50,000 loan from Charterhouse. This loan payable, as well as the previous balance of \$311,960, is unsecured, non-interest bearing and provided for no formal repayment terms.

NOTE 13. RELATED PARTY TRANSACTIONS

Related party payables

As of December 31, 2003 and 2002, related party payables are as follows:

	2003	2002
	-----	-----
Corporation owned by consultant	\$ -	\$ 24,990
Officers	-	33,100
Consultant and officer	57,500	57,500
IPW	-	18,491
	-----	-----
Related party payables	\$ 57,500	\$ 134,081
	=====	=====

The 2003 balance represents a short-term loan by an officer of the Company, due on demand.

Notes Payable - Stockholder

As of December 31, 2002, the Company was obligated under a convertible promissory note payable to a stockholder and former director for \$55,000, principally representing advances to the Company. In fiscal 2003, the Company issued 4 million shares in complete settlement of the balance due.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation

Globetel is in the process of taking legal actions against its associate and customer in Mexico, GTCC Qualnet Mexico, for non-payment of amounts owed and non-payment to carrier in Mexico. The customer, however, has been cooperating and continues to work with the Company. The customer has Mexican tax refunds receivable and the Company has filed a motion to be the first assigned payee to receive the tax refunds which the customer expects to receive in the second quarter of 2004. The customer also has telecommunications equipment and existing working networks and customers, which the Company is taking over its operations. The Company and the customer, through the court system, are working towards continuing the operations together reaping the full benefits of the working network until the loan has been paid in full.

As a result of the non-payment and because the outcome of the motion cannot be

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

determined, the Company wrote off \$648,812 of accounts receivables as bad debts.

The Company is presently in a dispute with two former consultants who resigned as consultants to the Company prior to December 31, 1998. The remaining balance of a loan payable of \$15,000 originally advanced by the consultants was written-off based on the belief that such loans had been satisfied based in part on the consideration given in the consulting agreement. The Company has taken the position that it owes no further compensation to the consultants, and further that the loans from these two individuals have been satisfied, as a result of the consideration given to the consultants, the consultants' resignation and their failure to provide services required under the consulting agreement. The agreement provided for the arbitration in the event of any dispute. As of the date of this report, the Company cannot predict the outcome of any legal proceeding or arbitration, or whether, as a result of any such proceeding or arbitration, the Company will be required to issue additional common stock as consideration or repay any loans.

27

Letters of Credit

The Company has available up to \$500,000 for letters of credit with Commercebank, N.A., which is guaranteed by Florida Export Finance Corporation (FEFC). As of December 31, 2002, a \$200,000 letter of credit was issued to the Mexican telecom provider that provides local connectivity. In March 2003, the Company issued another \$100,000 to the same Mexican telecom provider. The remaining \$200,000 was used by the Company as collateral for its \$200,000 loan with Commercebank, N.A., the funds of which were used to purchase the telecom equipment used in the Brazil operations.

Service Provider Agreement - Brazil Network

On March 23, 2002, GlobeTel signed a memorandum of understanding with a company called Trans Global Ventures, Inc. (TGV), a company based in Miami, to form a joint venture to be registered as an LLC (Limited Liability Company) in the State of Florida to build out a VoIP network in Brazil offering call origination including but not limited to prepaid calling and 800 number calling as well as access to GlobeTel's Enhanced Services Platform technology.

TGV has been operating in Brazil and had networks with a capacity of 3 million minutes per month in Rio de Janeiro, Sao Paulo and Belo Horizonte. Initially, the venture was to be based on a 50/50 ownership between the two companies. Subsequently, the memorandum of understanding was modified to give GlobeTel 80% ownership, a percentage determined based on the investments to be made by the Company in the venture. Ultimately, however, both companies determined that TGV acting as a service provider would best serve the needs of each company, and therefore both companies agreed to terminate the memorandum of understanding and accordingly, the LLC was never formed.

Under the service provider agreement, for service provided, TGV shall be entitled to receive 20% of the project income, defined as: the revenues from the Brazil network, less direct costs of sales for operating this network, less other costs allocated to this project (based on multiplying total operating expenses by the percentage of Brazil network sales to total Company revenues for the year).

The Brazilian network operated at a ramp-up rate during the first six months of 2002, and upon delivery of equipment during this period, the network began operating at capacity of approximately 4 million minutes per month starting in July 2002. The network continued to operate at or near capacity throughout the

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

year and still continues to operate as of the date of this filing.

The Company recognized revenues of \$3,043,348 and \$1,976,135 for December 31, 2003 and 2002, respectively. The cost of sales, substantially all of which was paid directly to third-party suppliers, were \$1,955,818 in 2003 and of \$916,628 in 2002.

Service Provider Agreement - Mexico Network

On June 26, 2002, GlobeTel signed a memorandum of understanding with Qualnet Telecom, LLC for a joint venture to be known as GlobeTel Qualnet LLC, to be registered as an LLC (Limited Liability Company) in the State of Florida. The purpose of the venture was to build out a VoIP network in Mexico for call termination throughout the country that will have initial capacity to transport 8 million minutes per month.

Qualnet has been operating in Mexico for several years and has contracts with various Mexican telecom companies. GlobeTel's role in the agreement was to provide financing and equipment to build the network. The agreement was for GlobeTel to have 80% ownership of the venture and Qualnet 20%, and accordingly GlobeTel committed 80% of the funding of the venture in the form of working capital, equipment and guarantees for the issuance of letters of credit as required by the Mexican telecom companies.

Since Qualnet already had points of presence in several cities in Mexico and since they had an established customer base, installation of the equipment and ramping up of the traffic required substantially less time than if the network was to be built from the ground up. As a result, the venture was able to operate within several weeks and was able to fill the network near capacity.

The network continued to operate at capacity throughout the year and it was subsequently determined that each party would be better served by continuing to do business with Qualnet as a service provider. Both parties agreed not to proceed with the joint venture, and accordingly, the LLC was never formed and the parties signed an agreement not to pursue the joint venture agreement as contemplate in the memorandum of agreement dated June 26th 2002.

Under the service provider agreement, for services provided, Qualnet shall be entitled to receive 20% of the project income, defined as: the revenues from the Mexico network, less direct costs of sales for operating this network, less other costs allocated to this project (based on multiplying total operating expenses by the percentage of Mexico network sales to total Company revenues for the year).

The Company recognized revenues of \$7,596,007 for the year ended December 31, 2003 and \$3,198,502 for 2002. The cost of sales which substantially was paid directly to third-party suppliers were \$6,029,939 in 2003 and \$2,674,552 in 2002.

The network is currently still operating at or near capacity and the relationship continues as that of a service provider. However, as described above, the Company is in the process of taking over the operations of the network and if successful, will control all income and expenses of the operations.

Joint Venture Agreement

On September 19, 2002, the Company entered into a joint venture agreement with TrueSpeed Wireless, Inc., a Nevada corporation based in Aliso Viejo, California.

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

The venture is incorporated in Nevada as TrueSpeed Wireless International, Inc. and the structure of the joint venture is based on 50% ownership by GlobeTel and 50% ownership by TrueSpeed Wireless, Inc. The purpose of the joint venture shall be for the deployment of the wireless technology services currently being deployed by TrueSpeed Wireless, Inc. and to market and distribute high-speed wireless data communications.

The venture had not been able to secure contracts in targeted countries and as of December 2003, both companies agreed to dissolve the joint venture. No revenues were generated from the joint venture during 2003 and 2002.

Leases and Rents

GlobeTel currently leases facilities at 444 Brickell Avenue, Suite 522, Miami, Florida 33131. The Company is under a five-year lease expiring April 2005, with a present monthly rent of \$3,463. In order to provide sufficient space for equipment and personnel for their operations, the Company leased another office facility at 9050 Pines Blvd., Suite 110, Pembroke Pines, Florida 33024, as of April 1, 2004. This lease will expire in June 2009, and has an initial monthly rent of \$5,462 with increases of 4% per year.

The Company had operations in Hackensack, N.J. which ceased operations in February 2001. The Company moved out of the facility in March 2001, and since the lessee found new tenants for the office, was released from the lease. The Company is still in debt with the landlord, the amount of which is included in accounts payable.

Effective November 2001, the Company signed a sub-lease agreement for the Jersey City facility with a customer /consultant of the Company. Pursuant to the sublease agreement, the customer/consultant has maintained the obligation of the monthly rent of \$1,600, and at January 31, 2003, the lease expired and the Company has no further obligation to the lessee.

Future minimum rental payments required under the above operating leases subsequent to the year ended December 31 are as follows:

2004	\$	74,328
2005		80,707
2006		69,530
2007		72,311
2008 and thereafter		113,542

	\$	410,418
		=====

Rent expense for 2003 and 2002 was \$46,231 and \$40,971, respectively.

NOTE 15. CONSULTING AND INVESTMENT BANKING AGREEMENTS

On August 15, 2002, the Company entered into an agreement with Charles Morgan Securities, Inc. ("Charles Morgan") to provide consulting services for a period of 12 months, including arranging for funding, assisting with corporate and business planning, advice regarding potential mergers and acquisitions, private placements of the Company's stock, and other related services.

The agreement provided that the Company pay Charles Morgan a monthly fee of \$5,000 from August to January 2003, and \$10,000 thereafter for the next six months. The Company also paid an engagement fee of \$30,000 upon initial funding.

In accordance with the agreement, the Company also paid Charles Morgan a total of 2.7 million shares of common stock of the Company for services provided in fiscal 2002 and 1.3 million shares in fiscal 2003, for a total of 4 million

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

shares.

In addition to the shares described above, in August 2002, Charles Morgan received 12.5 million restricted shares (Rule 144) in connection with arranging for the convertible subordinated notes payable above. The Company valued the shares at \$250,000, based on one-half of the closing bid price of the Company's shares on the date of issuance and charged this amount to consulting expense. Pursuant to the agreement, Charles Morgan received an additional 12.5 million restricted shares (Rule 144) for arranging additional financing of \$500,000 during the quarter ending December 31, 2002.

During the third quarter 2002, Global VoIP, a principal customer and related party to the Company, paid Charles Morgan \$35,000 for the initial monthly fee of \$5,000 and the engagement fee of \$30,000. This amount, was offset against the remaining accounts receivable balance owed by Global VoIP to the Company.

In January 2003, Fordham Financial Management, Inc., an investment banking firm, based in New York City, assumed all functions and responsibilities of Charles Morgan Securities to provide consulting services. Under the agreement, the Company was obliged to pay a monthly fee of \$10,000. In June 2003, the firm and the Company agreed to suspend the monthly fee until both parties agree it will resume. The Company paid total fees of \$40,000 during the six months ended June 30, 2003. Pursuant to agreement, the Company issued 4.9 million restricted shares of the Company's common stock as payment for services rendered. The Company charged \$51,250 to expense during the three months ended September 30, 2003, based on an amount equal to one-half of the average bid and asked price of the Company's shares on the date of issuance. No further payments were made in the fourth quarter as it relates to this investment banking agreement.

In October 2003, the Company entered into an agreement with Fordham Financial to raise \$2,500,000 resulting in issuance of circular offering dated October 17, 2003. Fordham Financial agreed to receive 10% commission for the raising of the investments. Fordham Financial had subscriptions of \$1,092,140 as of December 31, 2003 and had raised the full \$2,500,000 as of January 31, 2004.

29

NOTE 16 - GAIN(LOSS) ON DISPOSITION OF ASSETS AND SETTLEMENT OF LIABILITIES

At December 2003, the Company settled with one its vendors to pay a lesser amount for the purchase of equipment that ultimately did not function as purported. Likewise, the Company wrote off other long-term outstanding liabilities for purchase of equipment that also did not function properly. The settlement and write-off resulted in a gain of \$26,274.

In June 2003, the Company ceased operations of its St. Louis, Missouri office. As part of the termination agreement with the employees of the St. Louis office, the employees were authorized to maintain and service the existing clients and keep the property and equipment of that office, and the Company agreed to return the customer deposits made by the St. Louis clients. The Company recorded a gain of \$55,842 in connection with these transactions.

Three terminated employees were issued a total of 1.2 million free-trading shares of the Company's stock as severance pay. The Company charged \$36,000 to expense based on an amount equal to the average bid and asked price of the Company's shares on the date of issuance.

NOTE 17. BAD DEBT AND DEPOSIT WRITE-OFF

During 2003, the Company wrote-off \$1,409,994 as bad debts, predominantly from the receivables from the Mexico and Brazil networks, representing amounts

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

receivable older than 90 days which have not been received as of the date of this report.

During 2002, the Company recorded as a bad debt write-off the \$283,051 remaining balance due from Sigma Online (Sigma), an Indian company. In addition, the Company charged a \$50,000 deposit given to Sigma, related to its India projects, to cost of sales. Whereas the expected payment source of the accounts receivable balance was Sigma's anticipated revenues from operating networks in India, the company deemed this balance uncollectible and the deposit of no realizable value, since it does not contemplate establishing such networks in India in the near term, due to the highly unstable political atmosphere in that country.

NOTE 18. REINCORPORATION EXPENSES

Reincorporation expenses of \$247,429 incurred during the year ended December 31, 2002, include legal, professional and shareholder communications costs related to the merger and related transaction described in Note 6 above.

NOTE 19. INCOME TAXES

Deferred income taxes and benefits for 2003 and 2002 are provided for certain income and expenses, which are recognized in different periods for tax and financial reporting purposes. The tax effects (computed at 15%) of these temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	2002	Current Period Changes	2003
	-----	-----	-----
Deferred tax assets:			
Accrued officers' compensation	\$ 452,000	\$ (314,995)	\$ 137,005
Allowance for doubtful accounts	437,768	(380,950)	56,818
Consulting services elected as start-up costs under IRC Sec. 195 (b)	43,793	807,464	851,257
Reincorporation expenses amortized Under IRC Sec. 248	-	25,975	25,975
Accumulated depreciation	-	(376,829)	(376,829)
Net operating loss carryforwards	1,369,715	1,040,708	2,410,423
	-----	-----	-----
Valuation allowance	2,303,276 (2,303,276)	801,373 (801,373)	3,104,649 (3,104,649)
	-----	-----	-----
Net deferred tax asset	\$ -	\$ -	\$ -
	=====	=====	=====

A reconciliation of income benefit provided at the federal statutory rate of 15% to income tax benefit follows:

	2003	2002
	-----	-----
Income tax benefit computed at federal statutory rate	(\$ 930,379)	\$ 198,194
Accrued officers' salaries	27,505	80,326
Allowance for doubtful accounts	(107,345)	46,198
Depreciation	(7,179)	(3,440)
Losses not benefited (benefited)	1,017,398	(321,278)
	-----	-----
	\$ -	\$ -
	=====	=====

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

The Company has accumulated net operating losses, which can be used to offset future earnings. Accordingly, no provision for income taxes is recorded in the financial statements. A deferred tax asset for the future benefits of net operating losses and other differences is offset by a 100% valuation allowance due to the uncertainty of the Company's ability to utilize the losses. These net operating losses begin to expire in the year 2021.

At the end of 2002, the Company had net operating loss carryforwards (of its successor due to accounting for the reincorporation as an "F" reorganization under the Internal Revenue Code) of approximately \$5,758,191 which expire at various dates through 2021.

30

NOTE 20. COMMON STOCK TRANSACTIONS

During the year ended December 31, 2002, the Company issued the following shares of Common stock:

Date Issued	Shares	Consideration	Valuation	Relationship
February 12, 2002	5,500,000	Consulting services	\$ 92,500	Consultant/Customer
March 25, 2002	10,000,000	Investment banking	250,000	Consultant
June 26, 2002	20,000,000	Consulting	600,000	Consultant/Customer
June 26, 2002	60,000,000	Network performance guarantee	-	Charterhouse customer
July 9, 2002	1,000,000	Investment banking	30,000	Consulting
July 9, 2002	1,000,000	Investment banking	30,000	Consulting
July 9, 2002	3,000,000	Consulting	90,000	Consultant/Customer
August 22, 2002	5,837,500	Brokers' fees	116,750	Consultant
August 22, 2002	412,500	Brokers' fees	8,250	Consultant
August 26, 2002	250,000	Sale of stock	7,000	Invest/Legal Counsel
August 28, 2002	6,250,000	Investment banking	125,000	Consultant
August 28, 2002	7,500,000	Loan Collateral	-	Note Holder
September 3, 2002	7,500,000	Loan Collateral	-	Note Holder
September 30, 2002	2,220,000	Consulting	33,300	Consultant/Customer
November 7, 2002	15,000,000	Loan Collateral	-	Note Holder
November 11, 2002	500,000	Sale of stock	17,500	Invest/Legal Counsel
December 6, 2002	12,500,000	Brokers' fees	250,000	Consultant

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

December 6, 2002	15,000,000	Loan Collateral	-	Note Holder
December 6, 2002	30,000,000	Loan Collateral	-	Note Holder
December 30, 2002	1,000,000	Consulting	15,000	Consultant
December 31, 2002	2,000,000	Consulting	40,000	Consultant
December 31, 2002	500,000	Consulting	10,000	Consultant
December 31, 2002	673,338	Satisfaction of debt	10,000	Investor

31

During the year ended December 31, 2003, the Company issued the following shares of Common stock:

March 14, 2003	2,200,000	Consulting services	\$ 22,000	Consultant
March 14, 2003	1,800,000	Investment banking	18,000	Consultant
May 7, 2003	1,100,000	Consulting services	11,550	Consultant
May 7, 2003	900,000	Investment banking	9,450	Consultant
May 22, 2003	2,500,000	Loan Collateral	-	Note Holder
May 22, 2003	2,500,000	Loan Collateral	-	Note Holder
May 22, 2003	15,000,000	Conversion of debt	239,206	Investor
May 29, 2003	4,000,000	Satisfaction of debt	55,000	Shareholder/ Former director
July 18, 2003	200,000	Severance pay	6,000	Employee
July 18, 2003	500,000	Severance pay	15,000	Employee
July 18, 2003	500,000	Severance pay	15,000	Employee
July 18, 2003	450,000	Legal services	13,500	Legal counsel/ former corporate secretary
July 18, 2003	800,000	Consulting services	24,000	Consultant/employee
July 18, 2003	12,844,000	Conversion of debt	256,880	Investor
August 5, 2003	20,080,321	Sale of stock	500,000	Investor/consultant
August 5, 2003	-	Marketing services	100,402	Investor/consultant
August 8, 2003	3,400,000	Consulting services	102,000	Consultant/employee
August 28, 2003	(42,916,666)	Return of shares issued for loan collateral	-	Note Holders
August 28, 2003	-	Conversion of debt	125,000	Investor
August 28, 2003	-	Conversion of debt	250,000	Investor/consultant

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

August 28, 2003	-	Conversion of debt	125,000	Investor
August 28, 2003	-	Conversion of debt	250,000	Investor
September 3, 2003	944,444	Consulting services	11,806	Consultant
September 3, 2003	900,000	Consulting services	11,250	Consultant
September 3, 2003	1,100,000	Consulting services	13,750	Consultant
September 3, 2003	3,847,222	Consulting services	49,090	Consultant
September 29, 2003	656,687	Consulting services	8,211	Consultant
October 9, 2003	4,281,333	Additional shares due For Conversion of debt	-	Investor
October 9, 2003	3,650,000	Consulting services	73,000	Consultant/employee
October 9, 2003	2,000,000	Officer's salary	40,000	Chief Financial Officer
December 31, 2003	7,500,000	Officer's salary	112,500	Chief Executive Officer
December 31, 2003	1,166,667	Officer's salary	17,500	Chief Financial Officer
December 31, 2003	(4,000,000)	Return of shares issued or loan collateral	-	Note Holder

In connection with the above, for certain issuances of shares, Forms S-8 have been filed with the Securities and Exchange Commission relative to such issuances of stock. The shares issued were valued by the Company based upon the average bid and asked price of the shares on the date of issuance. The value of these shares was charged to expense unless they were in consideration for future services, in which case they were recorded as deferred consulting fees.

For other issuances of shares during the periods described above, the Company issued restricted shares (Rule 144) of its common stock to consultants and officers for services to the Company. Issuance of restricted shares (Rule 144) are valued, due to limitations in current marketability, by the Company based upon half of the average bid and asked price of the Company's shares on the date of issuance, unless the services provided were valued at another amount as agreed upon between the parties.

Shares issued (retired) for loan collateral were recorded at par value.

32

NOTE 21. STOCK OPTIONS

During the year ended December 31, 2003, the Company issued the following options to acquire Common stock:

Date Issued	Shares	Consideration	Valuation	Relationship
September 26, 2003	2,206,667	Satisfaction of debt	33,100	Former President

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

September 26, 2003	17,600,000	Accrued salary	264,200	Former President
September 26, 2003	8,944,467	Accrued salary	134,167	Chief Executive Officer
September 26, 2003	7,444,467	Accrued salary	111,667	Chief Operating Officer
September 26, 2003	7,444,467	Accrued salary	111,667	Chief Financial Officer
September 26, 2003	4,111,133	Accrued salary	61,667	Controller
December 18, 2003	6,666,667	Officer salary	100,000	Former President
December 18, 2003	5,333,333	Officer salary	80,000	Chief Operating Officer
December 18, 2003	3,333,333	Salary	50,000	Controller
December 18, 2003	1,000,000	Officer salary	15,000	President
December 18, 2003	1,666,667	Accounting services	25,000	Accountants
December 18, 2003	2,666,667	Network services	40,000	Vendor

According to option agreements in connection with the above shares, the option prices were the lower of \$.015 per share or one-half of the closing market price on the last reported sale or closing price on the date of the agreement. The above options were issued at \$.015 per share.

The above option shares were issued in "cashless exercises". Accordingly, the option shares actually issued were reduced by the number of shares required to pay for the options as \$.015 per share.

All of the stock options were subsequently exercised in January 2004.

Options Pursuant to Convertible Promissory Notes

On December 16, 2002, the Company filed an SB-2 registration statement to register shares pursuant to the convertible promissory notes as described in Note 11. During 2003, the Company and its lenders decided to wait until the waiting period is over, thereby eliminating the need to file the SB-2 registration statement.

NOTE 22 - PREFERRED STOCK

In October 2003, the Company entered into an agreement with Fordham Financial Management Inc. to raise funds to finance the ATC transaction. In accordance with the agreement, the investors will receive preferred shares convertible into common stock upon investment. An Offering Circular was made available to investors on October 17, 2003.

The offering was for maximum of 150,000 shares ("Shares") of Series A Convertible Redeemable Preferred Stock, par value \$.001 per share ("Series A Preferred"). The shares have a liquidation preference of \$16.67 per share and each share is convertible into a number of shares of Common Stock determined by dividing the number of shares of Common Stock outstanding as of the date of conversion by three, and dividing the result of that calculation by 250,000. The Company may redeem the Shares at \$.001 per share at any time after the second anniversary of the date of issuance. Such redemption would he effectively require the investor to convert his shares at that time or lose the entire amount of his investment.

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

As part of the offering, the Company agreed to pay its investment banking consultant, Fordham Financial Management, Inc. a 10% commission.

The Company had \$1,200,000 subscribed as of December 31, 2003, and had received \$717,140 (\$1,200,000 less related expenses of \$107,860 and \$375,000 of subscriptions receivable). The full amount of \$2,500,000 has been subscribed as of January 31, 2004, and the full \$2,500,000 investments had been received as of February 6, 2004.

In May and June 2003, the Company applied for a loan with a financing company that brokers the transaction with several major European banks. The loans were to be collateralized with preferred stock, which the banks can only convert in the case of a default by the Company. As of September 30, 2003, the transaction had not been consummated and the Company withdrew its application and the preferred stock totaling 1,194,356 shares that were being held in escrow were cancelled.

33

NOTE 23 - SUBSEQUENT EVENTS

In March 2004, the Company entered into a binding letter of intent to purchase substantially all of the assets of Sanswire Technologies, Inc., a company that is developing a National Wireless Broadband Network utilizing high-altitude airships called Stratellites that will be used to provide wireless voice, video, and data services. The agreement is subject to the completion of due diligence, which is expected to be finalized during the second quarter of 2004. The agreement would require an advance of \$150,000 working capital to Sanswire and initial issuance of 28,000,000 shares of common stock. There will be additional incentives in the agreement that will be based on the performance of Sanswire and its technology.

NOTE 24. SEGMENTS AND RELATED INFORMATION

During the prior year 2001, the Company adopted FASB Statement No. 131 (SFAS No. 131), "Disclosures about Segments of an Enterprise and Related Information," which changes the way the Company reports information about its operating segments. The company's two segments, Global and NCI had separate management teams and infrastructures that offer different services during 2001

During the year ended December 2002, the Company merged the infrastructure and the management teams and operated as one company. NCI's operations represented less than 2% of gross revenues in 2002, and accordingly segment information is not presented for 2002 as well as for 2003.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. All inter-segment sales prices are market based. The Company evaluates performance based on operating earnings of the respective business units.

34

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 8a. CONTROLS AND PROCEDURES

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the evaluation, they concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in this report. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Name	Age	Position	Term
Przemyslaw L. Kostro	41	Chairman	One Year
Timothy M. Huff	38	Chief Executive Officer & Director	One Year
Jerrold R. Hinton, PhD	62	Director	One Year
Leigh A. Coleman	55	President & Director	One Year
Mitchell A. Siegel	57	Chief Operating Officer & Director	One Year
Thomas Y. Jimenez	45	Chief Financial Officer	

All directors hold office until the next annual meeting of our stockholders and until their successors have been elected and shall qualify. Officers serve at the discretion of our Board of Directors. Przemyslaw L. Kostro, Chairman, was first elected to the Board of Directors in November 2001. From November 2001 to April 2002, Mr. Kostro also served as the CEO of GlobeTel before relinquishing the position to our current CEO. Over the past five years, Mr. Kostro has been an attorney engaged in international law, and has been providing professional and consulting services to several large and mid-sized entities in Europe. During the past year, he has been providing services to assist us in expanding our business and services world-wide.

Timothy M. Huff, Director, Chief Executive Officer, joined GlobeTel in October 1999, and has served as CEO and as a member of the Board of Directors since April 2002. Prior to joining GlobeTel, Mr. Huff spent over five years owning and operating several successful private telecom companies. Mr. Huff has over eighteen years experience in international telecom business that included working with Sprint and MCI International, where he was involved in the construction of MCI's first international gateways.

Leigh Coleman, President, joined the company in September 2003. Mr. Coleman was CEO of a major division for an internationally recognized Dutch public company based in the United States. In 2001, Mr. Coleman was CEO of an Australian public company specializing in IP PBX applications and CP equipment before joining GlobeTel. Mr. Coleman has a Masters in Business Administration, and has lectured in Strategic Management at Curtin University in Australia. He

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

has focused on growing companies and international business development since 1986.

Jerrold R. Hinton, Director, has served on the Board of Directors since March 1995. He had previously served as chief executive officer, President and Chairman of the Board from March 1995 to November 2001. Dr. Hinton, a graduate of Florida State University, holds bachelors, masters and doctorate degrees in management, engineering and real estate. From 1992 to early 1995, prior to joining the company, Dr. Hinton served as an officer of United Biomedical, Inc., a private company.

35

Mitchell A. Siegel, Director, Chief Operating Officer, has served in this capacity and as a member of the Board of Directors since May 2002. Since 1996, he was a consultant to Global Transmedia Communications Corporation and was instrumental in defining our role as a licensed telecommunications company. Mr. Siegel graduated from American University, holding a Bachelors Degree in Business Administration and has completed Masters Degree courses in finance at C.C.N.Y - Bernard Baruch School of Finance.

Thomas Y. Jimenez, CPA, Chief Financial Officer, has served as our CFO since joining the Company in October 1999. For the three years prior to joining the Company, Mr. Jimenez was a consultant to various telecommunications companies, running their financial department and assisted in building networks in different countries. Mr. Jimenez graduated from Cleveland State University with a degree in Business Administration.

(B) COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires that our officers and directors, and persons who own more that ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and with any exchange on which the Company's securities are traded. Officers, directors and persons owning more than ten percent of such securities are required by Commission regulation to file with the Commission and furnish the Company with copies of all reports required under Section 16(a) of the Exchange Act. Based solely upon our review, we did not disclose any failures to file reports under Section 16(a) of the Exchange Act.

36

ITEM 10. EXECUTIVE COMPENSATION.

(a)	(b)	Annual Compensation			Long Term Compensation	
		(c)	(d)	(e)	(f)	(g)
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Award	Options
		(\$)	(\$)	(\$)	(\$)	

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

Przemyslaw L. Kostro Chairman since Nov. 2001	2003	0	0	0	0
Przemyslaw L. Kostro Chairman since Nov. 2001	2002	0	0	0	0
Przemyslaw L. Kostro Chairman since Nov. 2001 CEO, Nov 2002 - July 2002	2001	0	0	0	0
Timothy M. Huff CEO	2003	\$175,000 (a)	0	0	0
Timothy M. Huff CEO	2002	\$150,000 (a)	0	0	0
Jerrold R. Hinton President	2003	\$100,000 (a)	0	0	0
Jerrold R. Hinton CEO, President	2002	\$100,000 (a)	0	0	0
Jerrold R. Hinton CEO, President	2001	\$100,000 (a)	0	0	0
Mitchell A. Siegel COO	2003	\$150,000 (a)	0	0	0
Mitchell A. Siegel COO	2002	\$125,000 (a)	0	0	0
Thomas Y. Jimenez CFO	2003	\$150,000 (a)	0	0	0
Thomas Y. Jimenez CFO	2002	\$125,000 (a)	0	0	0
Thomas J. Craft, Jr., Secretary, Counsel and a Director until November 2001	2002	0	0	0	0
Thomas J. Craft, Jr., Secretary, Counsel and a Director until November 2001	2001	0	0	\$46,250	0
Vivian Manevich CAO	2002	\$75,000	0	0	0
Vivian Manevich, President, Director Global	2001	\$75,000	0	0	0

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

At April 12, 2004, we had 741,771,766 shares issued and outstanding. The table below sets forth the share ownership of our executive officers and directors, individually and as a group, and the executive officers of GlobeTel. No other

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

person is the beneficial owner of more than 5% of our issued and outstanding shares

Title of Class	Name and Address of Beneficial Owner	Amount and Nat Beneficial Ow
Common Stock	Przemyslaw L. Kostro, Chairman, 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	9,100,00
Common Stock	Timothy M. Huff, CEO, 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	26,744,46
Common Stock	Jerrold R. Hinton, PhD., Board Member 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	26,562,35
Common Stock	Mitchell A. Siegel, COO, 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	12,777,80
Common Stock	Leigh Coleman, President 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	500,00
Common Stock	Thomas Y. Jimenez, CFO, 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	9,517,63
Common Stock	Vivian Manevich, Controller, 9050 Pines Blvd. Suite 110 Pembroke Pines, FL 33024	8,479,46
Common Stock	All executive officers and directors of the Company as a group (seven persons)	93,681,72

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See Note 9, Common Stock Transactions, to the Notes to Consolidated Financial Statements and Item 5, Recent Sales of Unregistered Securities above.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

EXHIBIT NO. DESCRIPTION

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

- 3.1 Articles of Incorporation (filed as Exhibits 3.1, 3.2 and 3.3 to the Company's Registration Statement on Form 10-SB and incorporated herein by reference)
-
- 3.2 Bylaws (filed as Exhibit 3.4 to the Company's Registration Statement on Form 10-SB and incorporated herein by reference)
-
- Material Contracts-Consulting Agreements and Employment Agreement (filed as Exhibits to Registration 10.1 Statements on Form S-8 and post-effective amendments thereto and incorporated herein by reference)
-
- 10.2 Share Purchase Agreement between the Company and the shareholders of Global Transm Communications Corporation (filed as an exhibit to our Annual Report on Form 10-KSB ended December 31, 1999 and incorporated by reference)
-
- 10.3 Amendment to Share Purchase Agreement between the Company and the shareholders of G exhibit to our Form 8-K on January 10, 2001 and incorporated by reference)
-
- 31.1 Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a)
-
- 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a)
-
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
-
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
-
- 99.1 Safe Harbor Compliance Statement for Forward-Looking Statements filed herewith
-

(B) REPORTS ON FORM 8-K

NONE

Item 14. Principal Accountant Fees and Services

Audit Fees

Dohan and Company CPA's billed \$66,284 for professional services rendered for the audit of our annual financial statements for fiscal year 2002, the reviews of the financial statements included in our Forms 10-QSB for that fiscal year and assistance in filing various proxy statements. For fiscal year 2003, we anticipate the amount billed and/or accrued for the same services to be \$67,322.

The above fees were pre-approved by the audit committee based on estimated budgets presented to the audit committee.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on

Edgar Filing: GLOBETEL COMMUNICATIONS CORP - Form 10KSB

its behalf by the undersigned, thereunto duly authorized.

GLOBETEL COMMUNICATIONS CORP.

By: /s/ Timothy M. Huff
Timothy M. Huff, CEO
Miami, Florida
Dated: April 27, 2004

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBETEL COMMUNICATIONS CORP.
Registrant

By: /s/ Timothy Huff
Timothy Huff, Chief Executive Officer and Director
Dated: April 27, 2004

By: /s/ Thomas Y. Jimenez
Thomas Y. Jimenez, Chief Financial Officer
Dated: April 27, 2004

By: /s/ Leigh A. Coleman
Leigh Coleman, President and Director
Dated: April 27, 2004

By: /s/ Mitchell A. Siegal
Mitchell A. Siegal, Chief Operating Officer and Director
Dated: April 27, 2004