Name	Age	Position
Yoel Gat	48	Co-Chairman and Director(1)
Zur Feldman	42	Co-Chairman, Chief Executive Officer and Director(1)
David Trachtenberg	38	President and Chief Marketing Officer
William McMoil	36	Corporate Controller, Secretary and Treasurer
Orey Gilliam	40	Vice President Engineering and Operations and Chief Information Officer
Richard De Shong	53	Vice President Logistics
Donna Tanenbaum	40	Vice President Human Resources and Administration
Sandy Colony	55	Vice President Corporate Communications
Amit Dembsky	41	Vice President Product Integration
Jon DeVaan	40	Director(2)
Brian Friedman	44	Director(3)
Mark Jackson	39	Director(4)

(1) Nominated to our board of directors by Spacenet. See "Principal Stockholders — Stockholders Agreement."

(2) Nominated to our board of directors by Microsoft. See "Principal Stockholders — Stockholders Agreement."

(3) Nominated to our board of directors by ING Furman Selz Investments. See "Principal Stockholders — Stockholders Agreement."

(4) Nominated to our board of directors by EchoStar. See "Principal Stockholders — Stockholders Agreement."

Yoel Gat served as Chairman of our board of directors since our inception in January 2000 and became Co-Chairman in August 2000. Mr. Gat co-founded Gilat Satellite Networks Ltd. in 1987 and since that time has served as Chairman of the board of directors and Chief Executive Officer of that company. Mr. Gat is also the Chairman of the board of directors of KSAT, and serves on the board of ILAN-GAT Engineering Ltd. Mr. Gat holds a B.S. in Electrical Engineering and Electronics from the Technion-Israel Institute of Technology and an M.M.S. from the Recanati Graduate School of Business Administration of Tel Aviv University. Mr. Gat is a two-time winner of the Israel Defense Award, Israel's most prestigious research and development award.

Zur Feldman has been our Chief Executive Officer since February 2000 and was named Co-Chairman of our board of directors in August 2000. Mr. Feldman served as the Executive Vice President of Packard Bell Electronics from 1995 to 1999 and as Vice President of Operations from 1989 to 1995. Mr. Feldman holds a B.A. in Photo Journalism, Television Broadcasting and Communications. Mr. Feldman has also completed a two-year program at the University of California, Los Angeles professional Business and Management school. In addition, Mr. Feldman graduated from the Stanford University Graduate School of Business and Management for Executives.

David Trachtenberg has served as our President and Chief Marketing Officer since August 2000. Mr. Trachtenberg served as President and Chief Operating Officer of Prodigy Communications Corporation from November 1998 to June 2000. In addition, from 1990 to 1998, he was employed at MCI Communications, where he was Executive Director of Marketing from

1996 to 1998. Mr. Trachtenberg

holds a B.A. in International Relations from Tufts University, an M.A. from the University of Pennsylvania and an M.B.A. from The Wharton Business School of the University of Pennsylvania.

William McMoil has served as our Corporate Controller, Secretary and Treasurer since May 2000. Prior to joining our company, Mr. McMoil served as Controller and Secretary Treasurer for OnePoint Communications Corp., a residential CLEC, from 1998 to 2000. In addition, he served as Controller for IoWave, Inc., a wireless telecommunications equipment manufacturer from 1997 to 1998. From 1995 to 1997, Mr. McMoil was Director of Finance of Martin's Herend Imports, Inc. Mr. McMoil holds a B.A. degree from Furman University and an M.B.A. from George Mason University.

Orey Gilliam has served as our Vice President of Engineering and Operations and Chief Information Officer since January 2000. Mr. Gilliam joined Gilat in 1992 and served in various operation and marketing positions until 1998 when he was appointed Vice President and General Manager of Gilat, Inc., then the U.S. subsidiary of Gilat. In 1999, after leading the U.S. integration team for the acquisition of the company by Gilat, Mr. Gilliam was appointed Chief Information Officer of Spacenet Inc. and continues to hold that position. Prior to joining Gilat, Mr. Gilliam worked for Intel Corporation in technical and marketing positions. Mr. Gilliam graduated with honors from the Technion-Israel Institute of Technology with a degree in Computer Engineering.

Richard De Shong has been our Vice President of Logistics since he joined us in March 2000. Prior to joining us, Mr. De Shong worked for Packard Bell NEC, Inc. where he served as Director of Materials from 1997 to 2000 and Director of Planning and Scheduling from 1993 to 1997. From 1992 to 1993, Mr. De Shong served as Project Manager at Western Data Systems and from 1989 to 1990 he was Senior Manager of Manufacturing Systems Consulting with Price Waterhouse. Mr. De Shong earned a B.S. in business administration from Arizona State University.

Donna Tanenbaum has been our Vice President of Human Resources and Administration since February 2000. Prior to her employment with us, Ms. Tanenbaum was Vice President of Human Resources with Teleglobe Communications Corporation from 1996 to 2000. Prior to her position with Teleglobe, Ms. Tanenbaum held various positions in human resources with Science Applications International Corporation from 1994 to 1996, and also with MCI Communications Corporation, Freddie Mac and Metropolitan Life Insurance. Ms. Tanenbaum earned an M.E. with an emphasis in Organizational Development from the Harvard Graduate School of Education and her B.S. in Human Development from Cornell University.

Sandy Colony has been our Vice President of Corporate Communications since August 2000. Prior to joining us, Ms. Colony served as the Vice President of Corporate Communications for Road Runner, the first high-speed online service over cable in the United States, from 1998 to 2000. Before working at Road Runner, Ms. Colony served as the Vice President of Corporate Communications at Time Warner Cable of New York City from 1996 to 1998. She also worked

with TV Food Network from 1994 to 1996 as the Vice President of Public Relations. Ms. Colony earned a B.A. in history from Skidmore College and holds an M.A. in psychology from The New School of Social Research.

Amit Dembsky has served as our Vice President of Product Integration since May 2000. Prior to joining us, Mr. Dembsky was Vice President of Product Development at Synthonics Inc. from January 2000 until joining us. Prior to working at Synthonics, Mr. Dembsky was with Packard Bell NEC Inc. from 1992 to 1999, where he served in various capacities including Director of the Advanced Technology Group. Mr. Dembsky attended the Israel Air Force Electronics Officers' Academy, earned a B.Sc. in Architecture from Technion-Israel Institute of Technology and studied computer science at UCLA and Pierce College.

Jon DeVaan has served as a director of our company since February 2000. Mr. DeVaan is a Senior Vice President of Microsoft Corporation's Personal Services and Devices Group. Prior to his current position, Mr. DeVaan was vice president of development and director of development of Microsoft Office 95 and 97. From 1985 to 1994 Mr. DeVaan served in various capacities at Microsoft, from software design

engineer to development manager of various versions of Microsoft Excel. Mr. DeVaan earned B.S. degrees in mathematics and computer science from Oregon State University.

Brian Friedman has served as a director of our company since April 2000. Mr. Friedman has been the President of ING Furman Selz Investments, a private equity investment firm, since 1994. Mr. Friedman also serves on the boards of directors of Acapulco Restaurants, Inc., Au Bon Pain Corporation, BricsNet N.V., California Pizza Kitchen, Inc., Cognitive Arts, Inc. and IDB Carries B.V. Mr. Friedman also serves on the boards of managers of Apartment Media Works LLC, Beacon Industrial Group LLC and Stagebill LLC.

Mark Jackson has served as a director of our company since April 2000. Mr. Jackson also serves as Senior Vice President of EchoStar Technologies Corporation, a division of EchoStar Communications Corporation, where he has been employed since he began as Director of Engineering in April of 1993. Prior to joining EchoStar, Mr. Jackson was Director of Engineering at Tandon Corporation, Inc. for seven years. Mr. Jackson attended Texas Tech University.

Committees of the Board of Directors

Our board of directors has established an audit committee and a compensation committee and may also establish additional committees to assist it in its duties. The functions of the audit committee include:

- recommending to the board of directors the retention of independent auditors;
- reviewing the scope of the annual audit undertaken by our company's independent auditors and the progress and results of their work; and
- reviewing our company's financial statements, internal accounting and auditing procedures and corporate program to ensure compliance with applicable laws.

The functions of the compensation committee include:

- reviewing and approving executive compensation policies and practices;
- reviewing salaries and bonuses for some of our officers; and
- considering other matters as may from time to time be referred to the committee by our board of directors.

We intend to expand our board of directors to include three independent directors, who will serve on our audit committee.

Election of Directors and Officers

Our board of directors consists of five directors, all of whom are elected by our shareholders for one-year terms. Our executive officers are elected by the board of directors and may be removed at any time by the board of directors. Our executive officers do not serve fixed terms of office. Our principal stockholders have entered into a stockholders agreement to vote to ensure that a specified number of directors nominated by these principal stockholders are appointed to the board. See "Principal Stockholders — Stockholders Agreement."

Board Compensation

No director will receive cash compensation for services as a director. All directors will, however, be reimbursed for their expenses incurred in attending meetings. Zur Feldman, our Co-Chairman, currently has been granted options to acquire a total of 2,568,220 shares of our common stock.

Executive Compensation

The following table sets forth all compensation awarded to, earned by or paid to our Chief Executive Officer and the next four most highly compensated executive officers of our company whose annual salary

and bonus is expected to exceed $100,000 in 2000 for services rendered in all capacities. In

accordance with the rules of the SEC, other compensation in the form of perquisites and other personal benefits has been omitted for the named executive officers because the aggregate amount of perquisites and other personal benefits is expected to be less than the lesser of $50,000 or 10% of the total of annual salary and bonuses for each of the named executive officers in 2000.

Summary Compensation Table

Name and Principal Position	Annual Compensation		All Other Compensation	
	Salary(1)	Bonus(2)		
Zur Feldman, Chief Executive Officer	$ 250,000	$ 150,000	$500,000(3)	900,000
David Trachtenberg, President and Chief Marketing Officer	200,000	150,000	100,000(3)	450,000
Orey Gilliam, Chief Information Officer and Vice President, Engineering and Operations	180,000	63,000	—	243,000
Richard De Shong, Vice President, Logistics	160,000	48,000	—	208,000
Sandy Colony, Vice President, Corporate Communications	160,000	48,000	75,000(3)	283,000
				2,084,000

(1) Full calendar year.

(2) Annualized target.

(3) Transition bonus.

Option Grants and August 31, 2000 Option Values

The following table sets forth information regarding options granted to the named executive officers listed above during the period from our inception through August 31, 2000 pursuant to our 2000 Stock Incentive Plan.

Option Grants

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(5)		
	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in 2000 (2)	Exercise or Base Price ($/Share) (3)	Expiration Date (4)	0%	5%	10%
Zur Feldman	2,568,220	47.1%	$ 2.50	5/26/10	$10,144,000 3.94	$20,562,000	$36,545,000
David Trachtenberg	1,500,000	27.5	6.45	8/23/10	5,925,000 3.95	12,010,000	21,344,000
Orey Gilliam	125,000	2.3	2.50	5/26/10	494,000 3.95	1,001,000	1,779,000
Richard DeShong	50,000	0.9	2.50	5/26/10	198,000 3.96	400,000	711,000
Sandy Colony	60,000	1.1	6.45	8/7/10	237,000 3.95	480,000	854,000
All others	1,146,000	21.0					
	5,449,220	100%					

Suggests offering price = $3.95

(1) All options were granted under our 2000 Stock Incentive Plan. These options are subject to vesting in the event of a change in control of our company.

(2) Based on options to purchase 5,449,220 shares of our common stock granted to employees in 2000.

(3) The exercise or base price per share reflects the fair value of the common stock if the options are issued with exercise prices below that amount. The actual exercise prices of each of Mr. Trachtenberg's and Ms. Colony's options granted in August 2000 were $2.50 per share which resulted in an unrealized gain on the date of grant of approximately $5.9 million and $0.2 million, respectively. (6.45 - 2.50) x 1.5mm and 60,000 respectively.

(4) The options have ten year terms, subject to earlier termination upon death, disability or termination of employment.

(5) Potential realizable value based on actual exercise price of $2.50 per share and the estimated market value of $6.45 per share at August 31, 2000.

Table of Contents

Aggregate Option Exercises in 2000 and Option Values

The following table sets forth, for the named executive officers listed above, the shares acquired and the value realized on each exercise of stock options during the current year, and the number and value of securities underlying unexercised options held by these executive officers at August 31, 2000. The value of unexercised in-the-money options at August 31, 2000 has been calculated using $6.45 per share.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options		Value of Unexercised In-The-Money Options ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Zur Feldman	—	—	—	2,568,220	—	$ 10,144,000
David Trachtenberg	—	—	—	1,500,000	—	5,925,000
Orey Gilliam	—	—	—	125,000	—	494,000
Richard De Shong	—	—	—	50,000	—	198,000
Sandy Colony	—	—	—	60,000	—	237,000

2000 Stock Incentive Plan

We may issue up to 23.0 million shares of common stock pursuant to the StarBand Communications Inc. 2000 Stock Incentive Plan, which has been adopted by our Board of Directors and approved by our stockholders. No more than 8.0 million shares may be issued pursuant to awards under this plan prior to January 1, 2001. The plan provides for the granting to employees and directors of incentive stock option and nonqualified options to purchase shares of our common

stock. The plan also provides for the granting of shares of restricted stock and stock appreciation rights (SARs). As of August 31, 2000, we have granted options to purchase an aggregate of 5.4 million shares of common stock, and 2.6 million shares of common stock remain available for grants until January 1, 2001. As of August 31, 2000, none of the options granted are exercisable.

The plan is administered by our Board of Directors. The administrator of the plan has the power to determine the persons to whom, the times at which, and the prices at which awards shall be granted, and to determine the type of option or award to be granted and the number of shares subject to options and awards.

If we merge with or into another corporation or sell all or substantially all of our assets and we are not the surviving corporation, the options and SARs will become immediately exercisable unless the successor company agrees to assume or provide equivalent options or SARs. If we are the surviving corporation in such an event, any option granted under the plan will apply to the securities that the holders of shares of our company would have been entitled to immediately following such transaction had the holder of such option exercised the option in full immediately prior to such transaction.

In the event that the outstanding shares are modified by reason of a recapitalization, reclassification, stock split-up, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, the administrator of the plan will adjust the number and kind of shares available under the plan, the number of shares outstanding and the price per share of outstanding awards made under the plan.

The administrator of the plan determines the option price for options. For an incentive stock option, the option price shall be 100% of the fair market value of a share of company stock on the date the option is granted. If the recipient of an incentive stock option owns more than 10% of our outstanding securities, the option price shall be at least 110% of the fair market value of a share of company stock on the date of grant. Options granted pursuant to the plan generally vest at a rate of 25% at the end of the first year and 6.25% at the end of each quarter thereafter, and generally expire ten years from the date on which they are granted. All of the options granted will become exercisable according to the terms of each specific agreement.

Table of Contents

Employment Agreements

We have employment agreements with Zur Feldman, our Chief Executive Officer and David Trachtenberg, our President and Chief Marketing Officer.

Mr. Feldman entered into an employment agreement with us on March 9, 2000. Under the agreement, Mr. Feldman will be employed for a period of three years from February 7, 2000, at an annual salary of $250,000, subject to an annual review and possible upward adjustment of his salary at the discretion of our board of directors. The agreement also provides for an annual performance bonus of up to $150,000 upon achieving mutually agreed targets. The agreement contains

non-compete provisions prohibiting Mr. Feldman from competing with us during his term of employment and for twelve months following the term. If we terminate the agreement without cause, or if Mr. Feldman terminates the agreement for cause, we are obligated to pay him $1.5 million as severance.

Mr. Trachtenberg entered into an employment agreement with us on August 15, 2000. Under the agreement, Mr. Trachtenberg will be employed for a period of three years from the date of the agreement, at an annual salary of $200,000, subject to an annual review and possible upward adjustment of his salary at the discretion of our board of directors. The agreement also provides for an annual performance bonus of up to $150,000 upon achieving mutually agreed targets. The agreement contains non-compete provisions prohibiting Mr. Trachtenberg from competing with us during the term of his employment and for twelve months following the term. If we terminate the agreement without cause, or if Mr. Trachtenberg terminates the agreement for cause, we are obligated to pay him his remaining base salary over the original employment term.

Each of these agreements contains confidentiality restrictions, as well as provisions recognizing that we own or license all intellectual property rights to any products, hardware, software, or services that the named executive officer may work on during the term of his employment agreement.

Limitation of Liability and Indemnification Matters

We have adopted provisions in our amended and restated certificate of incorporation that limit the liability of our directors for monetary damages for breach of their fiduciary duty as directors, except for liability that cannot be eliminated under the Delaware General Corporation Law, or DGCL. In addition, we have taken out directors and officers insurance with a maximum coverage of $5 million per claim. The DGCL provides that directors of a company will not be personally liable for monetary damages for breach of their fiduciary duty as directors, except liability associated with any of the following:

- any breach of their duty of loyalty to the company or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation and bylaws also provide for indemnification of our directors and officers to the fullest extent permitted by the DGCL. We intend to enter into separate indemnification agreements with our directors and some of our officers that could require us, among other things, to indemnify these persons against liabilities that may arise by reason of their status or service as directors or officers and to advance their expenses as a result of any proceeding against them as to which they could be indemnified. We believe that the limitation of liability provision in our amended and restated certificate of incorporation and the indemnification agreements will facilitate our ability to continue to attract and retain qualified individuals to serve as directors and officers.

Table of Contents

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of August 31, 2000, and as adjusted to reflect the sale of common stock offered in this offering, as to:

- each person (or group of affiliated persons) who is known by us to beneficially own five percent or more of the outstanding shares of our common stock;
- each of our directors;
- each of our executive officers named in the summary compensation table; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting and/or investment power with respect to securities. Unless otherwise noted, we believe that all persons named in the table have sole voting and sole investment power with respect to all shares shown as beneficially owned by them. Shares of common stock subject to options currently exercisable or exercisable, or subject to conversion, within 60 days of August 31, 2000 are deemed outstanding for purposes of computing the percentage beneficially owned by the person holding options but are not deemed outstanding for purposes of computing the percentages beneficially owned by any other person.

	Beneficial Ownership Prior to Offering		Beneficial Ownership After Offering(1)	
Name or Group of Beneficial Owner	Number of Shares	Percent	Number of Shares	Percent
Executive Officers and Directors				
Yoel Gat(2)(3)(4)	3,345,338	~~3.8%~~		4.0%
Zur Feldman(3)	—	—		
David Trachtenberg	—	—		
Orey Gilliam(3)	—	—		
Richard De Shong	—	—		
Sandy Colony	—	—		
Jon DeVaan	—	—		
Mark Jackson	—	—		
Brian Friedman(5)	~~6,823,385~~	—		
All executive officers and directors as a group (13 persons)(2)	~~10,168,723~~	~~11.5%~~		
Five Percent or Greater Stockholders				
Spacenet Inc.(4)(6)	39,423,351	~~44.7%~~		47.4%
Microsoft G-Holdings, Inc.(7)	16,748,844	19.0		20.2%
EchoStar Communications Corporation(8)	16,755,317	19.0		20.2%
ING Furman Selz Investments(5)(9)	6,823,385	7.7		8.2%
	83,096,235	105		100.0%

Same shares

(1) Assumes the issuance of common shares offered by this prospectus and that the underwriters' over-allotment option is not exercised.

(2) Represents shares held by an irrevocable trust, the beneficiaries of which include the children and other family members of Mr. Gat. Mr. Gat expressly disclaims beneficial ownership of the shares held by the trust, and the filing of this registration statement is not an admission that Mr. Gat is the beneficial owner of these shares.

(3) Mr. Feldman beneficially owns 3,125 shares of common stock of Gilat, issuable upon the exercise of options exercisable currently or within 60 days of August 31, 2000. Mr. Gilliam beneficially owns 26,683 shares of Gilat, 17,375 of which are issuable upon the exercise of options held by Mr. Gilliam and exercisable currently or within 60 days of August 31, 2000. The beneficial ownership of these shares represents less than 1% of the outstanding shares of Gilat. Mr. Gat is the beneficial owner of

325,336 shares of common stock of Gilat, of which 146,871 are subject to the exercise of options exercisable currently or within 60 days of August 31, 2000, and representing approximately 1% of the outstanding shares of common stock of Gilat.

(4) Includes 306,155 shares of common stock issuable upon conversion of a note issued by Spacenet Inc. to the trust described in note (2), based upon the capitalization of StarBand as of August 31, 2000, including warrants issued as of that date, pursuant to the terms of the note. Currently, and until the note is converted by the trust, the shares issuable upon conversion of the note are deemed to be beneficially owned by both the trust and Spacenet Inc.

(5) Mr. Friedman is deemed a control person of the manager making the investment decisions for these entities, and as such may be deemed, for purposes of determining the beneficial ownership of these shares, to have shared voting and investment power with respect to these shares. Accordingly, the beneficial ownership of these shares has been attributed to both Mr. Friedman and ING Furman Selz Investments.

(6) Includes 28,022,240 shares issuable upon conversion of 140,111,199 shares of Series B convertible preferred stock and 1,401,112 shares issuable upon conversion of accrued dividends. The address for Spacenet Inc. is 1750 Old Meadow Road, McLean, VA 22102.

(7) Includes 9,845,652 shares issuable upon conversion of 49,228,259 shares of Series A convertible preferred stock and 453,170 shares issuable upon conversion of accrued dividends. The address for Microsoft G-Holdings, Inc. is c/o Microsoft Corporation, One Microsoft Way, Redmond, WA 98052.

(8) Includes 9,845,652 shares issuable upon conversion of 49,228,259 shares of Series A-1 convertible preferred stock and 459,643 shares issuable upon conversion of accrued dividends. The address for EchoStar Communications Corporation is 5701 S. Santa Fe Drive, Littleton

The address for EchoStar Communications Corporation is 9601 S. Santa Fe Drive, Littleton, CO 80120.

(9) Includes 4,014,030 shares issuable upon conversion of 24,686,284 shares of Series A-2 convertible preferred stock and 187,394 shares issuable upon conversion of accrued dividends, consisting of 3,007,596, 257,772, 146,324, 2,584,139, 578,357, and 249,197 shares held by Furman Selz Investors II L.P., FS Employees Investors L.L.C., FS Parallel Fund L.P., ING Furman Selz Investors III L.P., ING Barings U.S. Leveraged Equity Plan L.L.C. and ING Barings Global Leveraged Plan, Ltd., respectively, all affiliates of ING Furman Selz Investments. The address for the ING Furman Selz Investments entities is c/o ING Furman Selz Investments, 55 East 52nd Street, New York, NY 10055.

Investment Agreements

Spacenet, EchoStar, Microsoft and ING Furman Selz Investment entities purchased shares of our preferred stock pursuant to investment agreements with us in February and April 2000. Under the investment agreement with Microsoft, we have the obligation to repurchase all of our shares held by Microsoft if we, Gilat or Spacenet breach any of the material terms of the MSN satellite broadband access supply agreement and related ancillary agreements. In August 2000, we assigned this contingent obligation to Spacenet.

Stockholders Agreement

Spacenet, EchoStar, Microsoft and the ING Furman Selz Investments entities have entered into a stockholders agreement with us relating to their ownership, transfer and voting of our common and preferred shares. Under the stockholders agreement, all shares owned by these principal stockholders are subject to resale restrictions. Each of EchoStar, Microsoft and the ING Furman Selz Investments entities are restricted from selling or otherwise transferring their shares, except in limited circumstances, until April 2001. Spacenet is similarly restricted until April 2003. Gilat is required to hold sufficient shares of Spacenet so that Gilat will remain our affiliate at all times. Each principal stockholder has a right of first

refusal to purchase when another principal stockholder wishes to transfer its shares to an unaffiliated third party in a transaction that is not conducted on Nasdaq.

In accordance with the stockholders agreement, our principal stockholders may appoint and remove a controlling majority of our board of directors. Our board currently consists of five directors. Our principal stockholders have agreed that they will vote to ensure that the board of our company will include:

- two directors nominated by Spacenet, currently Yoel Gat and Zur Feldman;
- one director nominated by Microsoft, currently Jon DeVaan;
- one director nominated by EchoStar, currently Mark Jackson; and
- one director nominated by the ING Furman Selz Investments entities, currently Brian Friedman.

The presence of the Microsoft-nominated director and either the EchoStar-nominated director or the ING Furman Selz Investments-nominated director is required in order to constitute a quorum at a meeting of the board of directors. The stockholders agreement will be amended to provide for the election of three independent directors. In addition, EchoStar and Microsoft each have the right to appoint one observer to our board. The observers are entitled to attend all meetings of the board of directors but do not have voting rights.

Table of Contents

RELATED PARTY TRANSACTIONS

We have engaged in transactions with our principal stockholders. We describe these transactions in further detail in Note 3 to our financial statements contained elsewhere in this prospectus. We provide details of the material transactions with our principal stockholders below. We believe that each of the transactions described below were on terms no less favorable than we could have obtained from unaffiliated third parties.

Gilat Satellite Networks and Spacenet

Since we began operations, Gilat and Spacenet have provided us with:

- technology, research and development;
- customer premises equipment;
- network operations technology, facilities and services;
- office space;
- management services; and
- administrative services encompassing information technology, marketing, legal, finance and human resources.

On January 11, 2000, we issued 10 shares of our common stock to Spacenet for $10, in connection with our organization and initial capitalization. From our inception until August 31,

2000, in addition to issuing shares of our common stock to Spacenet, we paid a total of approximately $20.0 million to Gilat and approximately $38.7 million to Spacenet as payment for services rendered to us under our various agreements and arrangements with them.

Gilat Supply Agreements

In February 2000, we entered into a five-year supply agreement with Gilat and Spacenet. The Gilat supply agreement sets forth the commercial terms under which we will offer StarBand service outside our arrangement with MSN, and the terms under which Gilat and Spacenet provide us with licenses, intellectual property and satellite capacity on the GE Americom GE4 satellite for that purpose. In addition, Spacenet and Gilat have agreed not to offer services that compete with our service to residential and small office/home office customers throughout North America.

Pursuant to this agreement we are obligated to pay $7.2 million to Spacenet, which has been accrued as part of our payable to Gilat, as reimbursement for a payment made by Spacenet to reserve the GE4 satellite capacity. GE Americom owns approximately 19% of the outstanding shares of common stock of Gilat.

Master Supply and Services Agreement

We expect to enter into a four-year master supply and services agreement with Gilat and Spacenet that will replace the existing Gilat supply agreements. This agreement will automatically renew for two-year periods. Pricing terms, however, will be renegotiated every two years. Under this agreement, Gilat and Spacenet will provide us with the facilities, equipment, software and services that we will use in our business, including:

- customer premises equipment, network operations equipment, software necessary for the network to operate, and our multicast system;

- consulting and administrative services, including information technology, marketing, financial, and legal services for a transition period while we establish our own systems and processes, for which we expect the total cost to be approximately $2.1 million per calendar quarter. While we will pay for these administrative and management services for up to two years, we may terminate these services

Table of Contents

at any time without penalty or payment obligation, with some exceptions, with ninety days written notice. In this event, the termination will take effect as of the last day of the next calendar quarter;

- facilities in Virginia and Georgia; and

- research and development support in connection with hardware, equipment and software maintenance that arises out of this agreement. During the first two years of the agreement, we will pay Gilat $1.0 million per calendar quarter to assist with basic ongoing research and development expenses associated with the products provided under the agreement. Beginning in 2001, we will share with Gilat product development costs focused exclusively on reducing the cost to manufacture the next-generation StarBand modem.

Each month we will submit to Gilat order forecasts that specify the equipment we will need in the following twelve months. The forecast for the first three months is a firm order. The forecasts for the second and third three-month periods are binding, subject to an adjustment within predetermined limits established in the forecasts. The forecast for the final three months is non-binding. Gilat will allocate up to 70% of its manufacturing capacity for the production and delivery of products that we order from Gilat.

We will purchase most of the equipment and services necessary for our business exclusively from Gilat and Spacenet, and they will grant us exclusive rights to use the technology that we require to provide our service to customers in the United States, Canada and Mexico. Upon establishment of StarBand Latin America, which will be our affiliate, we are considering contributing exclusive rights in Mexico in return for a minority equity stake in StarBand Latin America. We will pay Gilat various one-time fees in connection with its assistance in the preparation of our business plan, product plan, and training program.

Spacenet will grant us rights to use its enterprise resource planning system and the software with which we perform back-office functions. We will in the future provide Spacenet with equipment and services that Spacenet may then re-sell to various enterprise and small office/home office non-residential customers, subject to Spacenet's recognition of our exclusive marketing rights and compliance with guidelines that we establish.

Telecommunications Service Agreement

We entered into a one-year telecommunications services agreement with Spacenet dated February 15, 2000, which is renewable for up to four years at the option of Microsoft. MSN is the third-party beneficiary of this agreement. Under this agreement, Spacenet operates telecommunications facilities and provides services, including access to Spacenet's transmission and switching facilities necessary for us to fulfill our obligations to MSN, for which we reimburse Spacenet at their cost. In addition, in exchange for technologies and equipment provided to us by Spacenet, we issued 9,999,989 shares of our common stock and 140,111,199 shares of our Series B convertible preferred stock to Spacenet.

Yoel Gat, Co-Chairman of our board of directors, also serves as Chairman of the board of directors and Chief Executive Officer of Gilat. Orey Gilliam, our Vice President of Engineering and Operations and Chief Information Officer, also serves as Chief Information Officer of Spacenet.

Microsoft/ MSN

In March 2000, in connection with Microsoft's investment in our company, we entered into a four-year agreement to supply wholesale satellite broadband Internet access to MSN. The agreement renews automatically for additional one-year terms unless terminated by either us or MSN. The agreement requires us to achieve five milestones during the initial term relating primarily to our fulfilling production levels for our StarBand modem, achieving minimum levels of MSN subscribers and other technical matters set forth in the agreement. MSN's commitment to the agreement is contingent upon our meeting these milestones. To date, we have not completed any of the milestones set forth in this agreement. Upon our completion of the milestones, MSN will purchase StarBand modem-based systems in predetermined quantities and at predetermined prices for use as part of a high-speed Internet access offering by MSN. We agreed to supply MSN with StarBand modems in accordance with a specified production schedule. MSN will provide a subsidy for a portion of the cost of the customer premises equipment for MSN

subscribers. Pursuant to this agreement, we agreed to pay MSN a one time fee of $1.25 million to offset a portion of MSN's subscriber acquisition costs.

The agreement also sets the monthly per subscriber fee we will collect from MSN, and the minimum monthly fees that MSN will collect from its subscribers. We also granted MSN most favored customer status and agreed, for a limited time, to refrain from providing our service to a number of Internet service providers. We have entered into a series of other operative agreements with MSN, Gilat and Spacenet in order to carry out the objectives and meet the obligations set forth in the MSN agreement.

In March 2000, Gilat entered into a performance guarantee agreement pursuant to which Gilat unconditionally and irrevocably guaranteed to MSN our compliance with various material obligations under the MSN broadband supply agreement and related operative agreements.

We and MSN recently agreed in principle to amend the agreement and we are currently negotiating a definitive agreement which if approved would:

- replace the five production related milestones currently in the agreement with a single milestone that requires us to produce a specified quantity of our next generation StarBand modems in compliance with mutually agreed upon technical specifications;

- amend the exclusivity provisions in the current agreement;

- eliminate Gilat's guarantee to MSN of our performance of obligations under various operating agreements;

- cancel the $1.25 million fee we owe MSN as reimbursement for a portion of MSN's subscriber acquisition cost subsidy; and

- establish revised minimum equipment purchase commitments for MSN.

Jon DeVaan, a member of our board of directors, also serves as Senior Vice President of Microsoft's Personnel Services and Devices Group.

EchoStar/ DISH

We, Gilat and EchoStar entered into a memorandum of agreement on February 22, 2000 setting forth the terms under which we will jointly market our high-speed Internet access service with EchoStar's DISH direct broadcast satellite television service. The agreement with EchoStar expires on March 31, 2001. EchoStar will market our service to their customers and DISH retailers. In exchange, we have agreed to market DISH's satellite television programming service together with our high-speed Internet access service. EchoStar has made no commitments to us and is subject to no penalties if it ceases to sell our service. EchoStar and Gilat are also currently conducting research and development of a product to provide our Internet service through a TV-centric platform in the future.

Under the terms of this memorandum of agreement, we will pay EchoStar activation fees and residual commissions for each StarBand subscriber we acquire through the DISH retail sales channel. We will provide all customer premises equipment and EchoStar will provide the initial point of contact for service calls. DISH Network Service Corporation, an EchoStar affiliate, will install the equipment and EchoStar will split any associated costs of such installation with us. We will pay incentive fees to EchoStar's independent installers and DISH retailers who sell our equipment. We will also market EchoStar's DISH direct broadcast satellite television services to StarBand subscribers not acquired through EchoStar for which EchoStar will pay us commissions. This memorandum of agreement contains provisions which restrict us and EchoStar from entering into co-marketing relationships with competitors of each other for a limited time.

Mark Jackson, a member of our board of directors, also serves as Senior Vice President of EchoStar Technologies Corporation, a division of EchoStar.

Table of Contents

DESCRIPTION OF CAPITAL STOCK

The following statements summarize several provisions of our amended and restated certificate of incorporation and by-laws and Delaware law. These summaries do not purport to be complete and are qualified in their entirety by reference to our amended and restated certificate of incorporation and by-laws which have been filed as exhibits to this registration statement, of which this prospectus forms a part, and to the provisions of applicable law.

General

Our authorized capital stock consists of:

- 110,000,000 shares of common stock, $0.05 par value per share; and
- 310,000,000 shares of preferred stock, par value $0.05 per share, as follows:
  - — 55,000,000 shares of Series A convertible preferred stock, $0.05 par value per share;
  - — 55,000,000 shares of Series A-1 convertible preferred stock, $0.05 par value per share;
  - — 30,000,000 shares of Series A-2 convertible preferred stock, $0.05 par value per share;
  - — 150,000,000 shares of Series B convertible preferred stock, $0.05 par value per share;
  - — 10,000,000 shares of Series C convertible preferred stock, $0.05 par value per share; and
  - — 10,000,000 shares of Series D convertible preferred stock, $0.05 par value per share.

Upon completion of this offering, there will be shares of common stock outstanding and no shares of preferred stock outstanding.

As of August 31, 2000, we had:

- 33,879,757 shares of common stock outstanding;
- 263,254,001 shares of convertible preferred stock outstanding; and
- outstanding options and warrants to purchase 9,349,644 shares of common stock.

Common Stock

The holders of our common stock are entitled to one vote for each share on all matters to be voted on by stockholders. Our amended and restated certificate of incorporation does not provide for cumulative voting in connection with the election of directors, and accordingly, holders of more than 50% of the shares voting will be able to elect all of the directors.

Holders of shares of common stock are entitled to share ratably in dividends, if any, as may be declared from time to time by the board of directors in its discretion, from available funds. Upon any voluntary or involuntary liquidation, dissolution, or winding up of our affairs, the holders of

shares of our common stock are entitled to share ratably in all assets remaining after payment in full of creditors and holders of preferred stock. All of the outstanding shares of common stock are, and the shares offered by us will be, fully paid and non-assessable.

Preferred Stock

Under our amended and restated certificate of incorporation, our board of directors is authorized to issue additional shares of preferred stock from time to time without stockholder approval. Our board of directors will also be authorized to establish the number of shares to be included in such series and to fix the terms, limitations, relative rights and preferences and variations to each series. Although we have no present plans to issue additional shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could decrease the amount of earnings and assets available for distribution to the holders of common stock, could adversely affect the rights and powers, including voting rights, of the common stock, and could have the effect of delaying, deterring or preventing a change in control of StarBand or an unsolicited acquisition proposal.

Table of Contents

Warrants

In connection with the June 2000 senior debt facility between us and Bank Leumi USA, for itself and in its capacity as agent for the additional lenders, we entered into a Series C convertible preferred stock purchase warrant agreement with each of Bank Leumi USA, The First International Bank of Israel Ltd. and the Israel Discount Bank Ltd. As discussed in detail below, the lenders have the right to purchase the number of Series C shares that, assuming conversion to common stock on the exercise date, equals an aggregate of either 2.0% of our fully diluted outstanding common stock, if exercised on the date of our initial public offering, or up to 2.25% of our fully diluted outstanding common stock, if exercised after June 26, 2002. The Bank Leumi USA warrants are exercisable on the earlier of (i) the date of our initial public offering or (ii) June 26, 2002 and automatically expire on June 26, 2005. The First International Bank of Israel and the Israel Discount Bank Ltd. warrants are exercisable on the earlier of (i) the date of this offering or (ii) August 7, 2002 and automatically expire on August 7, 2005.

The lenders were issued warrants to purchase shares of Series C convertible preferred stock based on its respective funding commitment to the financing. We issued Bank Leumi USA warrants to purchase the number of Series C preferred shares convertible into 1.2% of the fully diluted outstanding common stock if exercised prior to June 26, 2002 or 1.35% of the fully diluted outstanding common stock if exercised after June 26, 2002. We issued each of The First International Bank of Israel and the Israel Discount Bank Ltd. warrants to purchase the number of Series C preferred shares convertible into 0.4% of the fully diluted outstanding common stock if exercised prior to August 7, 2002 or 0.45% of the fully diluted outstanding common stock if exercised after August 7, 2002. Currently, these warrants have an exercise price of $3.74 per Series C preferred share, and the lenders are entitled to purchase, for an aggregate purchase price of approximately $7.0 million, 11,521,886 shares of Series C convertible preferred stock, which may

be converted into 1,873,477 shares of common stock upon the this offering. The lenders also received the right to purchase 1,910,947 shares of common stock, issuable upon the conversion of Series D convertible preferred stock with a weighted average price of $4.49. Pursuant to this right the lenders had the ability to use $10 million in principal amount of the term loan for the purchase. This right expired in September 2000.

Authorized But Unissued Capital Stock

We estimate that following this offering we will have (or if the underwriters' over-allotment option is exercised in full) shares of authorized but unissued stock. Delaware law does not require stockholder approval for the issuance of authorized shares. However, the listing requirements of the Nasdaq National Market, which apply so long as the common stock remains included in that inter-dealer quotation system, require prior stockholder approval of specific issuances, including issuances of shares bearing voting power equal to or exceeding 20% of the pre-issuance outstanding voting power or pre-issuance outstanding number of shares of common stock. These additional shares could be used for a variety of corporate purposes, including future public offerings to raise additional capital or to facilitate corporate acquisitions. We currently do not have any plans to issue additional shares of common stock other than in connection with employee stock option plans or warrants already issued. One of the effects of the existence of issued and unreserved common stock may be to enable the Board to issue shares to persons who may agree or be inclined to vote in concert with current management on issues put to consideration of stockholders, which issuance could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and protect the continuity of our management and possibly deprive the stockholders of the opportunity to sell their shares of common stock at prices higher than prevailing market prices.

Section 203 of the Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law could make the acquisition of StarBand Communications and the removal of its officers and directors difficult. The statute is expected to discourage specific types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of StarBand Communications to negotiate with us first. We believe that

the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure StarBand Communications outweigh the disadvantages of discouraging proposals, because, among other things, negotiation of proposals could result in an improvement in their terms.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, this statute prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date that the person became an interested stockholder unless (with some exceptions) the business combination

the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior, did own) 15% or more of the corporation's voting stock. These provisions may have the effect of delaying, deferring or preventing a change of control of us without further action by our stockholders.

Registration Rights Agreements

We and our principal stockholders are party to an agreement that grants our principal stockholders registration rights. Each of our principal stockholders has an option to cause us to effect up to three registrations of the shares owned by it and its affiliates and transferees. If one party exercises its registration rights, the other parties having registration rights may elect to include their shares in the registered offering. Our principal stockholders have agreed not to exercise their registration rights until after the transfer restriction dates set forth in the registration rights agreement. The transfer restriction dates are April 2001 for Microsoft, EchoStar and ING Furman Selz Investments, and April 2003 for Spacenet. The registration rights agreement also provides that if we register any equity securities for an offering after the transfer restriction dates set forth in the agreement, we must permit each of our principal stockholders, and anyone to whom they have transferred shares in a private placement, to include their shares in the offering. We have agreed to bear a portion of the expenses related to any of these registered offerings.

We are also party to registration rights agreements with each of Bank Leumi USA, The First International Bank of Israel Ltd. and Israel Discount Bank Ltd. We entered into each of these registration rights agreements as part of debt financing we consummated with these three banks. Each of these registration rights agreements contains substantially the same provisions. Each bank has an option to cause us to effect up to three registrations of the shares it may own in the future issued by us pursuant to the conversion of preferred shares they may obtain by exercising warrants or converting debt instruments. If any securityholder exercises its registration rights, each bank may elect to include their shares in the registered offering. Each of the banks has agreed not to exercise any of their registration rights until after the completion of this offering. The registration rights agreements also provide that if we register any equity securities in a subsequent public offering, we must permit each bank, and anyone to whom they have transferred shares in a private placement, to include their shares in the offering. We have agreed to bear a portion of the expenses related to any of these registered offerings.

We have agreed to comply with other covenants set forth in the registration rights agreements. Among other things, we have agreed to indemnify, hold harmless against and pay on behalf of or reimburse any losses which our principal stockholders or third parties may suffer or become subject to as a result of untrue statements, misrepresentations or material omissions we may make in the registration of our shares.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the common shares is American Stock Transfer & Trust Company.

DESCRIPTION OF INDEBTEDNESS

We entered into a senior debt facility on June 26, 2000 with Bank Leumi USA, as agent and lender, under which Bank Leumi USA made a term loan to us in principal amount of $90 million. The senior debt facility was amended on September 8, 2000, when The First International Bank of Israel Ltd. and the Israel Discount Bank Ltd. joined the agreement as additional lenders and provided loans of $30 million each, bringing the total amount of financing to $150 million. All $150 million is currently held in interest-bearing accounts. Once we have expended the $126 million raised in our earlier equity placements with Microsoft, EchoStar, ING Furman Selz Investments and the other investors, we may use all or a portion of the loan funds deposited in the accounts to fund our business operations. We have also entered into ancillary security agreements with the lenders to provide them with collateral for the loan. Under the security agreements, we have granted to Bank Leumi USA, as agent for the lenders, a security interest in substantially all of our assets except our contractual rights to receive capacity and other services under our transponder lease agreements. The term loan will become due and payable on June 26, 2003, with interest payable quarterly in arrears. As of August 31, 2000, the entire loan amount of $90 million was bearing interest at LIBOR plus 0.75%. The interest rate will rise to LIBOR plus 1.5% after June 26, 2002. Subject to certain conditions, we are permitted to convert the LIBOR loan to a base rate loan, which would bear interest at the higher of the prime rate and the Federal Funds Rate plus 0.5%. We may prepay the term loan, in whole or in part, without premium or penalty after June 26, 2001. In the event that we receive an aggregate amount of proceeds in excess of $50 million in a public offering of capital stock or if we receive at least $10 million in insurance proceeds or from the sale of any asset, we are required to prepay the term loan. We are negotiating with the lenders to obtain a waiver of the prepayment requirement for this offering. We expect that the First International Bank of Israel will require prepayment of its portion of the loan, but the other lenders will waive prepayment.

In connection with the term loan we also issued each of the lenders warrants to purchase our Series C convertible preferred stock, and granted a right to acquire Series D convertible preferred stock in exchange for $10 million of the principal amount of the loan. This right to acquire Series D convertible preferred stock expired in September 2000. If the preferred shares were converted into shares of our common stock prior to June 26, 2002, the lenders would own in the aggregate approximately 3.9% of our fully diluted common stock. If the preferred shares were converted into shares of our common stock after August 7, 2002, the lenders would own in the aggregate approximately 4.12% of our fully diluted common stock.

As a condition of the term loan, we are required to provide financial reports and other information to the lenders and maintain insurance, and we are not permitted to incur additional bank loans and certain other types of indebtedness. We are also not permitted to exceed stated limits on aggregate capital expenditures without the prior written consent of the lenders.

Events of default under the term loan include, among others:

- non-payment;
- breach of obligation;
- misrepresentation;
- invalidity or illegality of documents;
- insolvency or insolvency proceedings;
- change of control; and
- breach or termination of material contracts.

Table of Contents

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices. Furthermore, because only a limited number of shares of our common stock will be available for resale after this offering due to existing contractual and legal restrictions on sale as described below, there may be sales of substantial amounts of our common stock in the public market after these restrictions lapse. Such sales may adversely affect the then prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have shares of common stock outstanding, assuming no exercise of options outstanding as of , 2000. Of these shares, the shares sold in this offering will be freely transferable without restrictions or further registration under the Securities Act, except for any shares purchased by one of our existing "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock outstanding are "restricted shares" as defined in Rule 144. Restricted shares may be sold in the public market only if their offering is registered or qualifies for an exemption from registration under Rules 144 or 701 under the Securities Act. As a result of the contractual 180-day lock-up period described below and the provisions of Rules 144 and 701, these shares will be available for sale in public market as follows:

Number of Shares	Date
	On the date of this prospectus
	After (subject, in some cases, to volume limitations)
	At various times after (subject, in some cases, to volume limitations)

Lock-Up Agreements

We, our directors and executive officers and our existing stockholders have each agreed not to

offer, pledge, sell, contract to sell, lend, or otherwise transfer or dispose of any shares of common stock for a period of 180 days after the date of the U.S. purchase agreement, subject to limited exceptions. See "Underwriting." Merrill Lynch, Pierce, Fenner & Smith Incorporated, however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements. See "Underwriting."

Rule 144

In general, under Rule 144, beginning 90 days after the date of this offering, a person, or persons whose shares are aggregated, who has owned shares that were purchased from us, or any affiliate, for at least one year, is entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of our then outstanding shares of common stock which will equal approximately shares immediately after this offering; or

- the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of the notice of the sale on Form 144.

Sales under Rule 144 are also subject to manner of sale provisions, notice requirements and the availability of current public information about us. Any person, or persons whose shares are aggregated, who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who has owned shares within the definition of "restricted securities" under Rule 144 that were purchased from us, or any affiliate, for at least at least two years, would be entitled to sell shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements.

Table of Contents

Rule 701

Subject to limitations on the aggregate offering price of a transaction and other conditions, Rule 701 may be relied upon for the resale of securities originally purchased from us by our employees, directors or officers prior to the date we became subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act. Those purchases must have been made pursuant to written compensatory benefit plans or written contracts relating to the compensation of these persons. In addition, the Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of the options. This would include exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its maximum holding period requirements.

Stock Options

As of August 31, 2000, options to purchase a total of 5.4 million shares of common stock under our 2000 Stock Incentive Plan have been granted. Substantially all shares issuable pursuant to outstanding options are subject to lock-up agreements until . An additional 2.6 million shares of common stock are currently available for future grants under the plan. As of January 2001, options for an additional 15 million shares will be available for future grants under our stock plans.

Upon completion of this offering, we intend to file a registration statement under the Securities Act covering all shares of common stock subject to outstanding options or issuable under our stock option plans. Subject to Rule 144 volume limitations applicable to affiliates, shares registered under any registration statements will be available for sale in the open market beginning 180 days after the date of the prospectus, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions described above.

Table of Contents

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a beneficial owner that is a "Non-U.S. Holder." A "Non-U.S. Holder" is a person or entity that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership, or a foreign estate or trust.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), and administrative interpretations as of the date of this prospectus, all of which are subject to change, including changes with retroactive effect. This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders should consult their tax advisors with respect to the particular tax consequences to them of owning and disposing our common stock, including the consequences under the laws of any state, local or foreign jurisdiction.

Dividends

Dividends paid to a Non-U.S. Holder of our common stock generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. For purposes of determining whether tax is to be withheld at a reduced rate under an income tax treaty, we will presume that dividends paid on or before December 31, 2000 to an address in a foreign country are paid to a resident of that country unless we have knowledge that the presumption is not warranted.

In order to obtain a reduced rate of withholding for dividends paid after December 31, 2000, a

Non-U.S. Holder will be required to provide us with an Internal Revenue Service Form W-8BEN certifying its entitlement to benefits under a treaty. In addition, in some cases where dividends are paid to a Non-U.S. Holder that is a partnership or other pass-through entity, persons holding an interest in the entity may need to provide us with the required certification.

The withholding tax does not apply to dividends paid to a Non-U.S. Holder that provides a Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the Non-U.S. Holder were a U.S. resident. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional "branch profits tax" imposed at a rate of 30% (or a lower treaty rate) on an earnings amount that is net of the regular tax.

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of our common stock unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States;
- in the case of some Non-U.S. Holders who are non-resident alien individuals and hold our common stock as a capital asset, the individuals are present in the United States for 183 or more days in the taxable year of the disposition;
- the Non-U.S. Holder is subject to tax under the provisions of the Code regarding the taxation of U.S. expatriates; or
- the Non-U.S. Holder beneficially owns or has owned 5% or more of our common stock and at any time within the five-year period preceding the disposition or the Non-U.S. Holder's holding period, whichever period is shorter, we are or were a U.S. real property holding corporation at any time within such period.

We believe that we are not, and do not anticipate becoming, a U.S. real property holding corporation.

Information Reporting Requirements and Backup Withholding

We must report to the IRS the amount of dividends paid, the name and address of the recipient, and the amount of any tax withheld. A similar report is sent to the Non-U.S. Holder. Under tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence. Dividends paid on or before December 31, 2000 at an address outside the United States are not subject to backup withholding, unless we have knowledge that the

payee is a U.S. person. However, a Non-U.S. Holder may need to certify its non-U.S. status in order to avoid backup withholding at a 31% rate on dividends paid after December 31, 2000 or dividends paid on or before that date at an address inside the United States.

U.S. information reporting and backup withholding generally will not apply to a payment of proceeds of a disposition of our common stock where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, a Non-U.S. Holder may need to certify its non-U.S. status in order to avoid information reporting and backup withholding at a 31% rate on disposition proceeds where the transaction is effected by or through a U.S. office of a broker. In addition, U.S. information reporting requirements may apply to the proceeds of a disposition effected by or through a non-U.S. office of a U.S. broker, or by a non-U.S. broker with specified connections to the United States.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. When withholding results in an overpayment of taxes, a refund may be obtained if the required information is furnished to the IRS.

Federal Estate Tax

An individual Non-U.S. Holder who is treated as the owner of, or has made particular lifetime transfers of, an interest in our common stock will be required to include the value of the stock in his gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Table of Contents

UNDERWRITING

We intend to offer the shares in the U.S. and Canada through the U.S. underwriters and elsewhere through the international managers. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse First Boston Corporation, Salomon Smith Barney Inc., CIBC World Markets Corp. and ING Barings LLC are acting as U.S. representatives of the U.S. underwriters named below. Subject to the terms and conditions described in a U.S. purchase agreement among us and the U.S. underwriters, and concurrently with the sale of shares to the international managers, we have agreed to sell to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

U.S. Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Credit Suisse First Boston Corporation	
Salomon Smith Barney Inc.	
CIBC World Markets Corp.	
ING Barings LLC	
Total	

We have also entered into an international purchase agreement with the international managers for sale of the shares outside the U.S. and Canada for whom Merrill Lynch International, Credit Suisse First Boston (Europe) Limited, Salomon Brothers International Limited, CIBC World Markets plc and ING Barings Limited are acting as lead managers. Subject to the terms and conditions in the international purchase agreement, and concurrently with the sale of shares to the U.S. underwriters pursuant to the U.S. purchase agreement, we have agreed to sell to the international managers, and the international managers severally have agreed to purchase shares from us. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. purchase agreement and the international purchase agreement.

The U.S. underwriters and the international managers have agreed to purchase all of the shares sold under the U.S. and international purchase agreements if any of these shares are purchased. If an underwriter defaults, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the U.S. underwriters and the international managers are conditioned on one another.

We have agreed to indemnify the U.S. underwriters and the international managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the U.S. underwriters and international managers may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The U.S. representatives have advised us that the U.S. underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The U.S. underwriters may allow, and

the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the U.S. underwriters and the international managers of their over-allotment options.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us.

Over-allotment Option

We have granted options to the U.S. underwriters to purchase up to additional shares at the public offering price less the underwriting discount. The U.S. underwriters may exercise these options for 30 days from the date of this prospectus solely to cover any over-allotments. If the U.S. underwriters exercise these options, each will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that U.S. underwriter's initial amount reflected in the above table.

We have also granted options to the international managers, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares to cover any over-allotments on terms similar to those granted to the U.S. underwriters.

Intersyndicate Agreement

The U.S. underwriters and the international managers have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the U.S. underwriters and the international managers may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the international managers and any dealer to whom they sell will not offer to sell or sell shares to U.S. persons or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares offered by this prospectus for sale to some of our directors, officers, employees, distributors, dealers, business associates and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

We are concurrently offering shares at the initial public offering price directly to some of our employees pursuant to this prospectus in jurisdictions outside the U.S. where the underwriters are prohibited by law from selling the shares. These shares are included in the shares being sold pursuant to this prospectus. Since these shares are being sold directly by us and not through the underwriters, no underwriting discount or commission will be paid to the underwriters for these shares.

Table of Contents

No Sales of Similar Securities

We and our executive officers and directors and all existing stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be selected by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Quotation on the Nasdaq National Market

We expect the shares to be approved for quotation on the Nasdaq National Market, subject to notice of issuance, under the symbol "STRB."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the U.S. representatives and the lead manager. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the U.S. representatives and the lead manager believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the U.S. representatives of the

underwriters may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the U.S. representatives may reduce that short position by purchasing shares in the open market. The U.S. representatives

may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The U.S. representatives may also impose a penalty bid on underwriters and selling group members. This means that if the U.S. representatives purchase shares in the open market to reduce the underwriter's short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the U.S. representatives or the lead manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They received customary fees and commissions for these transactions.

Furman Selz Investors II L.P., FS Employees Investors L.L.C., FS Parallel Fund L.P., ING Furman Selz Investors III L.P., ING Barings U.S. Leveraged Equity Plan L.L.C. and ING Barings Global Leveraged Plan Ltd., each of which is an affiliate of ING Barings LLC, are stockholders of StarBand.

Table of Contents

LEGAL MATTERS

The validity of the shares of our common stock under Delaware law will be passed upon for us by Clifford Chance Rogers & Wells LLP. Certain legal matters in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell.

EXPERTS

The financial statements of StarBand Communications Inc. at August 31, 2000, and for the period from January 11, 2000 (inception) through August 31, 2000 appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a Form S-1 registration statement with the Securities and Exchange Commission. This prospectus, which is a part of the registration statement, does not contain all of the information included in the registration statement. You should refer to our registration statement and its exhibits if you would like to find out more about us and about the common stock. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or other document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

Upon completion of this offering, we will be subject to the periodic reporting and other information-supplying requirements of the Securities Exchange Act of 1934. In accordance with those requirements, we will file reports, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information with the Commission. You may inspect copies of the registration statement, its accompanying exhibits, and any other document that we file with the Commission, without charge. You also may copy or obtain any of these documents at prescribed rates at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at Seven World Trade Center, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the Commission Public Reference Room by calling the Commission at 1-800-SEC-0330. Our filings with the Commission, including this prospectus, are or will be available to the public at the Commission's web site at www.sec.gov.

We will furnish our stockholders with annual reports. These reports will include a review of operations and annual audited financial statements prepared in conformity with accounting principals generally accepted in the United States. We also will furnish our stockholders with unaudited financial information prepared in conformity with accounting principles generally accepted in the United States for each quarter of each fiscal year as soon as practicable following the end of each quarter.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

Table of Contents

REPORT OF INDEPENDENT AUDITORS

Board of Directors
StarBand Communications Inc.

We have audited the accompanying balance sheet of StarBand Communications Inc. (the "Company"), a development stage enterprise, as of August 31, 2000 and the related statements of operations, mandatorily redeemable convertible preferred stock and stockholders' deficit, and cash flows for the period from January 11, 2000 (inception) through August 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of StarBand Communications Inc., a development stage enterprise, at August 31, 2000 and the results of its operations and its cash flows for the period from January 11, 2000 (inception) through August 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

McLean, Virginia
October 5, 2000

Table of Contents

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

BALANCE SHEET

	August 31, 2000	Pro Forma August 31, 2000 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,302,815	$ 68,302,815
Accounts receivable, net of allowance for doubtful accounts of $82,385	1,285,298	1,285,298
Employee advances	31,556	31,556
Inventory	10,327,075	10,327,075
Deferred customer acquisition costs	1,557,680	1,557,680
Prepaid expenses and other	420,105	420,105
Total current assets	81,924,529	81,924,529
Restricted cash and cash equivalents	90,559,295	90,559,295
Property and equipment, net of accumulated depreciation	13,661,359	13,661,359
Other assets, net of accumulated amortization	10,366,647	10,366,647
Total assets	$ 196,511,830	$ 196,511,830
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 3,273,282	$ 3,273,282
Accrued expenses and other liabilities	6,631,205	6,631,205
Deferred revenue	1,671,916	1,671,916
Due to Gilat Satellite Networks, Ltd. and Spacenet, Inc.	36,335,390	36,335,390
Due to Microsoft Corporation	1,250,000	1,250,000
Due to EchoStar	50,000	50,000
Due to Employees	110,934	110,934
Total current liabilities	49,322,727	49,322,727
Term loan, net of unamortized discount	81,088,650	81,088,650
Total liabilities	130,411,377	130,411,377
Commitments and contingencies		
Mandatorily redeemable convertible preferred stock:		
Series A, A-1, A-2, B, C, and D mandatorily redeemable convertible preferred stock, $.05 par value; 12% cumulative dividends:		
Series A; 55 million shares authorized; 49,228,259 actual and 0 pro forma shares issued and outstanding, plus accrued dividends	51,494,108	—
Series A-1; 55 million shares authorized; 49,228,259 actual and 0 pro forma shares issued and outstanding, plus accrued dividends	51,526,477	—
Series A-2; 30 million shares authorized; 24,686,284 actual and 0 pro forma shares issued and outstanding, plus accrued dividends	25,838,761	—
Series B; 150 million shares authorized; 140,111,199 actual and 0 pro forma shares issued and outstanding, plus accrued dividends	14,011,120	—
Series C and D; 10 million shares authorized each; 0 shares issued and outstanding	—	—
Total mandatorily redeemable convertible preferred stock	142,870,466	—

Stockholders' (deficit) equity:		
Common stock; $.05 par value; 110 million shares authorized; 33,879,757 actual and 88,108,650 pro forma shares issued and outstanding	1,693,988	4,405,433
Additional capital	17,462,758	157,621,779
Deferred compensation	(7,951,674)	(7,951,674)
Deficit accumulated during development stage	(87,975,085)	(87,975,085)
Total stockholders' (deficit) equity	(76,770,013)	66,100,453
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' (deficit) equity	$ 196,511,830	$ 196,511,830

See accompanying notes.

Table of Contents

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

STATEMENT OF OPERATIONS

	Period from January 11, 2000 (inception) through August 31, 2000
Revenues:	
Internet access	$ 3,264
Customer premises equipment and installation	3,681
Total revenues	6,945
Costs and expenses:	
Network	4,149,048
Customer premises equipment and installation	22,707,245
Sales and marketing	14,822,427
General and administrative (exclusive of non-cash compensation shown below)	25,862,221
Non-cash compensation	300,601
Depreciation	741,962
Total costs and expenses	68,583,504
Loss from operations	(68,576,559)
Non-operating (expense) income:	
Interest expense	(1,564,740)
Interest income	3,292,882
Non-operating income, net	1,728,142

Loss before provision for income taxes	(66,848,417)
Provision for income taxes	—
Net loss	(66,848,417)
Preferred stock dividends and accretion	(15,245,439)
Net loss attributable to common stockholders	$ (82,093,856)
Basic and diluted loss per share	$ (4.06)
Shares used in the calculation of basic and diluted loss per share	20,232,428
Unaudited pro forma net loss attributable to common stockholders	$ (66,848,417)
Unaudited pro forma basic and diluted loss per share	$ (1.23)
Shares used in the calculation of unaudited pro forma basic and diluted loss per share	54,456,199

(3.30) Net loss/sh
(0.75) Preferred dividends

See accompanying notes.

Table of Contents

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

STATEMENT OF MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

	Common Stock				Deficit Accumulated During	
	Shares	Par Value	Additional Capital	Deferred Compensation	Development Stage	Total Stockholders' Deficit
Issuance of Common Stock to founders on January 11, 2000 (inception)	10	$ 1	$ 9	$ —	$ —	$ 10
Issuance of Common Stock to Spacenet, Inc. on April 1, 2000	9,999,989	499,999	(499,999)	—	—	—
Issuance of 140,111,199 shares of mandatorily redeemable convertible Preferred Stock to Spacenet, Inc. on April 1,						

2000, including accrued dividends of $7,005,560	—	—	(1,124,331)	—	(5,881,229)	(7,005,560)
Issuance of Common Stock at $0.12 per share to EchoStar Communications Corporation on April 11, 2000	6,450,022	322,501	449,240	—	—	771,741
Issuance of 49,228,259 shares of mandatorily redeemable convertible Preferred Stock at $1.00 per share to EchoStar Communications Corporation on April 11, 2000, including accrued dividends of $2,298,218	—	—	—	—	—	—
Issuance of Common Stock at $0.12 per share to ING Furman Selz Investments on April 11, 2000	2,621,960	131,098	182,618	—	—	313,716
Issuance of 24,686,284 shares of mandatorily redeemable convertible Preferred Stock at $1.00 per share to ING Furman Selz Investments on April 11, 2000, including accrued dividends of $1,152,477	—	—	—	—	—	—
Issuance of Common Stock at $0.12 per share to Microsoft G-Holdings, Inc. on April 11, 2000	6,450,022	322,501	449,240	—	—	771,741
Issuance of 49,228,259 shares of mandatorily redeemable convertible Preferred Stock at $1.00 per share to Microsoft G-Holdings, Inc. on April 13, 2000, including accrued dividends of $2,265,849	—	—	—	—	—	—
Issuance of Common Stock at $0.12 per share to other investors on May 3, 2000	8,357,754	417,888	582,112	—	—	1,000,000
Equity issuance costs	—	—	(38,889)	—	—	(38,889)
Issuance of common stock options to employees and non-employee consultants	—	—	7,580,115	(7,580,115)	—	—
Issuance of warrants to non-employee consultants	—	—	672,160	(672,160)	—	—
Amortization of deferred compensation	—	—	—	300,601	—	300,601
Issuance of warrants in connection with the term loan	—	—	9,210,483	—	—	9,210,483
Net loss for the period						

from January 11, 2000 (inception) to August 31, 2000	—	—	—	—	(66,848,417)	(66,848,417)
Preferred stock dividends and accretion	—	—	—	—	(15,245,439)	(15,245,439)
Balance at August 31, 2000	33,879,757	$1,693,988	$17,462,758	$ (7,951,674)	$(87,975,085)	$(76,770,013)

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Mandatorily Redeemable Convertible Preferred Stock
Issuance of Common Stock to founders on January 11, 2000 (inception)	$ —
Issuance of Common Stock to Spacenet, Inc. on April 1, 2000	—
Issuance of 140,111,199 shares of mandatorily redeemable convertible Preferred Stock to Spacenet, Inc. on April 1, 2000, including accrued dividends of $7,005,560	14,011,120
Issuance of Common Stock at $0.12 per share to EchoStar Communications Corporation on April 11, 2000	—
Issuance of 49,228,259 shares of mandatorily redeemable convertible Preferred Stock at $1.00 per share to EchoStar Communications Corporation on April 11, 2000, including accrued dividends of $2,298,218	51,526,477
Issuance of Common Stock at $0.12 per share to ING Furman Selz Investments on April 11, 2000	—
Issuance of 24,686,284 shares of mandatorily redeemable convertible Preferred Stock at $1.00 per share to ING Furman Selz Investments on April 11, 2000, including accrued	

dividends of $1,152,477	25,838,761
Issuance of Common Stock at $0.12 per share to Microsoft G-Holdings, Inc. on April 11, 2000	—
Issuance of 49,228,259 shares of mandatorily redeemable convertible Preferred Stock at $1.00 per share to Microsoft G-Holdings, Inc. on April 13, 2000, including accrued dividends of $2,265,849	51,494,108
Issuance of Common Stock at $0.12 per share to other investors on May 3, 2000	—
Equity issuance costs	—
Issuance of common stock options to employees and non-employee consultants	—
Issuance of warrants to non-employee consultants	—
Amortization of deferred compensation	—
Issuance of warrants in connection with the term loan	—
Net loss for the period from January 11, 2000 (inception) to August 31, 2000	—
Preferred stock dividends and accretion	—
Balance at August 31, 2000	$142,870,466

See accompanying notes.

Table of Contents

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

STATEMENT OF CASH FLOWS

	Period from January 11, 2000 (inception) through August 31, 2000
Operating activities:	
Net loss	$ (66,848,417)
Adjustments to reconcile net loss to net cash used in operating activities:	
Amortization of deferred compensation	300,601
Depreciation	741,962
Provision for bad debts	82,385
Interest earned on restricted cash and cash equivalents	(959,295)
Amortization of debt discount and issuance costs	374,413
Changes in operating assets and liabilities:	
Accounts receivable	(1,367,683)
Employee advances	(31,556)
Inventory	(10,327,075)
Deferred customer acquisition costs	(1,557,680)
Prepaid expenses and other	(420,105)
Accounts payable	2,696,449
Accrued expenses and other liabilities	6,631,205
Deferred revenue	1,671,916
Due to Gilat Satellite Networks, Ltd. and Spacenet, Inc.	20,695,971
Due to EchoStar	50,000
Due to Employees	110,934
Net cash used in operating activities	(48,155,975)
Investing activities:	
Increase in restricted cash and cash equivalents	(89,600,000)
Purchases of property and equipment	(9,541,220)
Net cash used in investing activities	(99,141,220)
Financing activities:	
Proceeds from issuance of Common Stock	2,857,208
Proceeds from issuance of Preferred Stock	123,142,802
Proceeds from issuance of term loan, net of debt issuance costs totaling $400,000	89,600,000
Net cash provided by financing activities	215,600,010
Net increase in cash	68,302,815
Cash at beginning of period	—
Cash at end of period	$ 68,302,815

See accompanying notes.

Table of Contents

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

1. Organization and Business Activities

Principal Business

StarBand Communications Inc. (the "Company" or "StarBand"), formerly known as Gilat-to-Home, Inc., provides two-way, always-on, high-speed Internet access to residential and small office/ home office customers available virtually everywhere in North America via satellite. The StarBand network provides high-capacity, high-speed transmission of data, audio, and video. The Company offers stand-alone Internet access as well as a bundled product with a direct broadcast satellite ("DBS") subscription television service. The Company is in the development stage and has not commenced full operations at August 31, 2000. The Company believes that it operates in one operating segment.

Organization and Formation

The Company, a Delaware corporation located in McLean, Virginia, was founded on January 11, 2000 by Spacenet, Inc. ("Spacenet"), a wholly owned subsidiary of Gilat Satellite Networks ("Gilat"). On February 15, 2000, Microsoft Corporation ("Microsoft"), through its wholly owned subsidiary Microsoft G-Holdings, Inc., entered into certain investment and operating agreements with the Company. On March 30, 2000, EchoStar Communications Corporation ("EchoStar") entered into certain investment and operating agreements with the Company and ING Furman Selz Investments ("ING") entered into an investment agreement with the Company. Contemporaneously with the investment agreements, the Company entered into certain supply and operating agreements with Gilat, Spacenet, Microsoft, and EchoStar that provide the Company with access to consumer brand names, proprietary technology, retail distribution and supply channels, as more fully described in Note 3.

The network and related technology utilized by the Company to provide Internet access service was developed by Gilat, a provider of satellite-based networks. On April 1, 2000, Gilat, through Spacenet, contributed to the Company the exclusive North American rights for its high-speed satellite Internet service for an initial term of five years, for use in the residential and small office/ home office market segments, as well as management, employees and technological expertise, including the operation of corporate satellite networks, in exchange for mandatorily redeemable convertible Series B convertible preferred stock and Common Stock. Pursuant to Staff Accounting Bulletin No. 48, *Valuation of Assets Acquired From Promoters and Stockholders,* the Company recorded this transfer at Gilat's historical cost basis of $0.

The Company provides transmission-only Internet services and second-level help desk services to Microsoft. Microsoft markets an MSN-branded high speed access service through direct customer solicitation, a RadioShack retail distribution network alliance, and other retail organizations. The Company's satellite based service enables Microsoft to deliver multimedia content and e-commerce services to its subscribers. Microsoft invested $50 million on April 13, 2000 in exchange for mandatorily redeemable convertible Series A Preferred Stock and the

Company's Common Stock, par value $0.05 (the "Common Stock").

The Company offers its service on both a stand alone basis and bundled with DISH Network's DBS service. EchoStar is also an international supplier of digital satellite receivers and a provider of other satellite services. EchoStar invested $50 million on April 11, 2000 in exchange for mandatorily redeemable convertible Series A-1 Preferred Stock and Common Stock.

ING invested $25 million on April 11, 2000 in exchange for mandatorily redeemable convertible Series A-2 Preferred Stock and Common Stock. In addition, certain other parties affiliated with Gilat invested $1 million on May 3, 2000 in exchange for Common Stock.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

Significant Risk and Uncertainties

The Company is in the development stage during which time it has generated negative cash flows from operations and a net loss. The Company expects negative cash flows from operations and net losses to continue as it builds its subscriber base. The ability to generate positive cash flow from operations in the future is dependent upon many factors, including general economic conditions, the level of market acceptance for the Company's services, and the degree of competition encountered by the Company. Additional funding may be required to develop operations; however, there can be no assurance when or if future operations of the Company will be successful or that further financing will be available with terms acceptable to the Company, or at all.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents except for restricted cash and cash equivalents,

Inventory

Inventory primarily consists of uninstalled customer premises equipment ("CPE"), including personal computers, satellite modem cards, and dish antenna units and is stated at the lower of cost or market value. Substantially all of the Company's inventory represents finished goods. Cost is determined using the moving weighted-average cost method.

Restricted Cash and Cash Equivalents

A lending institution holds restricted cash and cash equivalents in connection with the $90 million term loan, as more fully described in Note 7. The funds are available to the Company pursuant to specific approval by the lenders' agent after the Company has exhausted all equity funds raised.

Property and Equipment

Property and equipment includes computers and electronic equipment, office furniture and equipment, and leasehold improvements and are stated at historical cost. The costs of additions and leasehold improvements are capitalized, while maintenance and repairs are expensed as incurred. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset.

Internal Use Software

The Company follows the provisions of Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1") that requires the capitalization and amortization of certain costs incurred in connection with developing or obtaining internal use software.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

The Company capitalized approximately $4.1 million related to internal use software that is being amortized over three years. Accumulated amortization was approximately $0.4 million at August 31, 2000.

Impairment of Long Lived Assets

The Company assesses the impairment of long-lived assets, including intangible assets, in accordance with Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of* ("SFAS No. 121").

SFAS No. 121 requires impairment losses to be recognized for long-lived assets when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets' carrying amounts. Intangibles are also evaluated for recoverability by estimating the projected undiscounted cash flows, excluding interest, of the related business activities. The impairment loss of these assets is measured by comparing the carrying amount of the asset to its fair value less disposal costs with any excess of carrying value over fair value written off. Fair value is based on market prices where available, an estimate of market value, or various valuation techniques including discounted cash flow.

Financial Instruments

The carrying value of the Company's financial instruments including cash and cash equivalents, accounts receivable, restricted cash and cash equivalents, accounts payable, accrued expenses and other liabilities, and term loan approximate fair value. Management estimates that the carrying value of the Company's Series A, Series A-1, Series A-2, and Series B mandatorily redeemable convertible Preferred Stock approximates fair value at August 31, 2000.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and restricted cash and cash equivalents. The Company deposits its cash and cash equivalents and restricted cash and cash equivalents with high credit quality financial institutions.

Revenue and Expense Recognition

The Company's revenues are derived from fees from customers for Internet access and the related sale and installation of CPE necessary to provide such access. These services are primarily distributed through joint marketing agreements with Microsoft through its MSN Internet portal and independent retail distribution network, EchoStar through its direct broadcast satellite and independent dealer networks, and, to a lesser extent, through internally generated customers. Substantially all customers execute subscription agreements with either the Company or Microsoft specifying the term of the agreement, fees payable, if any, for monthly Internet access, CPE necessary to receive the Internet access service, and installation services. Revenue derived from services offered to subscribers through the MSN network are billed to and collected from Microsoft. The Company does not have direct billing responsibilities or collection risk for each subscriber serviced through the MSN network. The Company does have billing responsibilities and collection risk related to each subscriber executing a subscription agreement through the EchoStar network or internally generated customer.

The Company considers the sale and installation of CPE and the Internet access to be a multi-element, single arrangement with the subscriber. Total revenue from the arrangement is recognized as earned on a straight-line basis over the service period that is defined as the lesser of the contractual term of the subscription agreement or expected life of the subscriber. The Company normally commences the recognition of revenue upon activation of the Internet access. Accordingly, revenue and costs of CPE sold

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

are deferred until customer service agreements are entered into and the CPE is installed and access is provided and is then recognized over the service period as defined above. Certain service agreements include clauses whereby the subscriber has the right to cancel the service without substantial penalty during the initial service period. Revenue attributable to service agreements containing cancellation clauses is deferred and recognized on a straight-line basis over the service period remaining subsequent to risk free cancellation period.

The costs of the CPE and installation are generally capitalized and recognized as cost of sales on a straight-line basis over the service period. However, through August 31, 2000, such costs have been expensed to the extent they exceed deferred access revenue because realization of future cash flows in amounts sufficient to ensure recoverability of such costs is not assured. During the development stage, the Company ran a pilot program in which a significant number of subscribers received CPE at no charge.

Other subscriber acquisition costs, which consist principally of commissions payable to the Company's distribution channels, are expensed as incurred.

Sources of Supplies

The Company currently leases transponder space from two third-party suppliers. These contracts generally provide the Company with non-preemptible transponder service; however, they may not provide for alternative service in the event of an anomaly or failure. Management believes alternative satellite capacity can be found if such events occur. The Company also relies on Gilat and Spacenet for a majority of the technology necessary to operate the network, including certain CPE as well as research and development activities, as more fully described in Note 3. Any disruption of these services could have a material adverse effect on the Company's operating results.

Significant Customers and Suppliers

Substantially all inventory was purchased from its three largest suppliers, including Gilat, during the period from January 11, 2000 (inception) through August 31, 2000.

Advertising Costs

All advertising and promotion costs are expensed as incurred. The Company considers all direct mail, telephone, print, video, audio, and similar costs associated with solicitation of new subscribers and brand awareness as advertising costs. The Company expensed approximately $14.8 million as advertising and promotion costs during the period from January 11, 2000 (inception) through August 31, 2000.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs were approximately $1.7 million during the period from January 11, 2000 (inception) through August 31, 2000.

Stock Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 allows companies to account for stock-based compensation under the provisions of SFAS No. 123 or under the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25"), but requires pro forma disclosures in the footnotes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. The Company accounts for its stock-based compensation in accordance with APB No. 25.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

Basic and Diluted Loss per Share

Basic and diluted loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Convertible preferred stock, stock options, warrants, and other potentially dilutive securities have been excluded from the calculation of diluted loss per share for all periods the Company reports a net loss since their effect is anti-dilutive.

The weighted average number of shares of common stock used in the calculation of pro forma basic and diluted loss per share assumes the mandatorily redeemable convertible preferred stock plus accrued dividends were converted to common stock on the actual issuance date of the related preferred stock. Mandatorily redeemable Series C and D Preferred Stock are not included in the pro forma basic and diluted weighted average number of shares because its issuance and conversion to common stock is not dependent upon an initial public offering.

Statement of Cash Flows

Non-cash investing and financing activities and supplemental cash flow information includes the acquisition of property and equipment financed by accounts payable and due to Gilat of approximately $4.9 million and the issuance of mandatorily redeemable convertible Series B Preferred Stock and Common Stock to Spacenet in exchange for intellectual property rights and

non-compete agreements, as more fully described in Note 3. The Company also issued warrants in connection with the term loan, as more fully described in Notes 7 and 9. In addition, the Company recognized 12% cumulative dividends and accretion attributable to its convertible Series A, A-1, A-2, and B Preferred Stock.

Recent Pronouncements

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB No. 101"). SAB No. 101 is effective in the fiscal quarter commencing October 1, 2000 and provides clarification with regard to existing authoritative guidance with regard to the manner and timing under which revenue is recognized. The Company elected to adopt the guidance provided by SAB No. 101 effective with its commencement of operations. Future interpretations of SAB No. 101 will be evaluated upon issuance and are not expected to have a material effect on future operations.

On March 16, 2000, the Emerging Issues Task Force issued EITF 99-19, *Recording Revenue Gross as a Principal versus Net as an Agent.* The EITF discusses various indicators that a company would use in determining whether to record revenue on a gross versus net basis. The Company considered these indicators in developing its revenue recognition policies.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair market value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. The Company believes the adoption of SFAS No. 133 will not have a material effect on the financial statements.

Table of Contents

3. Related Party Transactions

Broadband Access Services Supply Agreement

The Company entered into a Broadband Access Services Supply Agreement ("Supply Agreement") with Gilat, Spacenet, and Microsoft on February 15, 2000 whereby the Company will provide broadband access via satellite to and from the Microsoft MSN Portal and the Internet for use by Microsoft customers in North America with a term of four years. The agreement renews automatically for additional one-year terms unless terminated by either the Company or MSN. The

agreement requires the Company to achieve five milestones during the initial term relating primarily to the Company fulfilling production levels for StarBand modems, achieving minimum levels of MSN subscribers and other technical matters set forth in the agreement. MSN's commitment to the agreement is contingent upon the Company meeting these milestones. To date, the Company has not completed any of the milestones set forth in this agreement. Upon completion of the milestones, MSN will purchase StarBand modem-based systems in predetermined quantities and at predetermined prices for use as part of a high-speed Internet access offering by MSN. The Company will supply MSN with StarBand modems in accordance with a specified production schedule. MSN will provide a subsidy for a portion of the cost of the customer premises equipment for MSN subscribers. Pursuant to this agreement, the Company agreed to pay MSN a one time fee of $1.25 million to offset a portion of MSN's subscriber acquisition costs. Such amount was accrued at August 31, 2000 and will reduce revenues as MSN provides the CPE subsidies.

The agreement also sets the monthly per subscriber fee the Company will collect from MSN, and the minimum monthly fees that MSN will collect from its subscribers. The Company also granted MSN most favored customer status and agreed, for a limited time, to refrain from providing its service to a number of Internet service providers.

In March 2000, Gilat entered into a performance guarantee agreement pursuant to which Gilat unconditionally and irrevocably guaranteed to MSN the Company's compliance with various material obligations under the Supply Agreement and related operative agreements.

The parties have also agreed to certain non-compete arrangements for specific periods of time limiting the counter-parties ability to enter into similar arrangements with each other competitors. Microsoft will also provide marketing to its current customers with no reimbursements from the Company pursuant to the Supply Agreement.

The Company made no payments to and received no payments from Microsoft attributable to the Supply Agreement during the period from January 11, 2000 (inception) through August 31, 2000.

Gilat Supply Agreements

The Company entered into a five year supply agreement with Gilat, Spacenet, and Microsoft on February 15, 2000 ("Gilat Supply Agreement"). The Gilat Supply Agreement sets forth the commercial terms under which the Company offers StarBand service outside the Company's arrangement with MSN, and the terms under which Gilat and Spacenet provide the Company with licenses, intellectual property and satellite capacity on the GE Americom GE4 satellite for that purpose. In addition, Spacenet and Gilat have agreed not to offer services that compete with the Company's service to residential and small office/home office customers throughout North America.

Pursuant to this agreement, the Company assumed Spacenet's monthly payment obligations for the GE4 satellite capacity and accrued $7.2 million due to Spacenet as reimbursement for a $7.2 million payment made by Spacenet to reserve the GE4 satellite capacity.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

In addition, Gilat and Spacenet are required to provide certain services, network equipment and hubs, and CPE at fixed prices through the term of the Gilat Supply Agreement. Gilat is also required to provide all additional research and development necessary to create the next generation of CPE units. The terms of these commitments will be covered by the Master Supply and Services Agreement discussed below. In addition, Gilat provided certain performance guarantees to Microsoft and EchoStar. This agreement terminates upon termination of the Supply Agreement.

Telecommunication Services Agreement

The Company entered into a one-year telecommunications services agreement with Spacenet dated February 15, 2000, which is renewable for up to four years at the option of Microsoft. MSN is the third-party beneficiary of this agreement. Under this agreement, Spacenet provides and operates telecommunications facilities and services, including access to Spacenet's transmission and switching facilities, which the Company needs to fulfill its obligations to MSN. The Company is obligated to reimburse Spacenet for actual direct costs, including employee costs, without mark-up or profit pursuant to the Services Agreement. In exchange for these technologies, and certain other rights, the Company issued 9,999,989 shares of its common stock and 140,111,199 shares of its Series B convertible preferred stock to Spacenet.

The Company incurred approximately $95.0 million of reimbursable expenses and capital expenditures attributable to the Gilat Supply Agreements and the Telecommunications Services Agreement and paid approximately $20.0 million to Gilat and $38.7 million to Spacenet attributable to operations pursuant to these Agreements during the period from January 11, 2000 (inception) through August 31, 2000. The Company has accrued the remaining $36.3 million as due to Gilat and Spacenet at August 31, 2000.

Master Supply and Services Agreement

The Company expects to enter into a four-year master supply and services agreement with Gilat and Spacenet that will replace the existing Gilat Supply Agreements. This agreement will automatically renew for two-year periods unless terminated by any party. Pricing terms, however, will be renegotiated every two years. Under this agreement, Gilat and Spacenet will provide the Company with the equipment, software and services needed in its business, including: customer premises equipment, network operations equipment, software necessary for the network to operate, and the multicast system; and consulting and administrative services, including information technology, marketing, financial, and legal services for a transition period until the Company establishes its own systems and processes. The Company expects the total cost to be approximately $2.1 million per calendar quarter, which the Company believes approximates the fair value for such services.

Gilat will also provide research and development support in connection with hardware,

equipment and software maintenance that arises out of this agreement. During the first two years of the agreement, the Company will pay Gilat $1.0 million per calendar quarter to assist with basic ongoing research and development expenses which the Company believes approximates fair value for such services. Beginning in 2001, the Company will share with Gilat product development costs focused exclusively on reducing the cost to manufacture the next-generation StarBand modem.

The Company will purchase most of the equipment and services necessary for its business exclusively from Gilat and Spacenet, who have granted the Company an exclusive license to use the technology required to provide the service to customers in the United States and Canada. The Company will pay Gilat various one-time fees in connection with its assistance in the preparation of our business plan, product plan, and training program which is expected to be on a cost reimbursement basis.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

Spacenet granted the Company a sublicense to use its enterprise resource planning system and the software for the Company to perform back-office functions. In the future, the Company will provide Spacenet with equipment and services that Spacenet may then re-sell to various enterprise and small office/home office non-residential customers, subject to Spacenet's recognition of the Company's exclusive marketing rights and compliance with the Company's guidelines.

Memorandum of Agreement

The Company, Gilat and EchoStar entered into a memorandum of agreement on February 22, 2000 setting forth the terms under which the Company will jointly market its high-speed Internet access service with EchoStar's DISH DBS television service. The agreement with EchoStar expires on March 31, 2001. EchoStar will market the Company's service directly to their customers and through their DISH retailers. In exchange, the Company agreed to market DISH's satellite television programming service together with its high-speed Internet access service. EchoStar has made no commitments and is subject to no penalties if it ceases to sell the Company's services. EchoStar and Gilat are also currently conducting research and development of a product to provide the Company's Internet service through a TV-centric platform in the future.

Under the terms of this memorandum of agreement, the Company will pay EchoStar activation fees and residual commissions for each StarBand subscriber the Company acquires through the DISH retail sales channel. The Company will provide all customer premises equipment and EchoStar will provide the initial point of contact for service calls. DISH Network Service Corporation, an EchoStar affiliate, will install the equipment and EchoStar will split any associated costs of such installation with the Company. The Company will pay incentive fees to EchoStar's independent installers and DISH retailers who sell its equipment. The Company will also market

EchoStar's DISH direct broadcast satellite television services to StarBand subscribers not acquired through EchoStar for which EchoStar will pay the Company commissions. This memorandum of agreement contains provisions which restrict the Company and EchoStar from entering into co-marketing relationships with competitors of each other for a limited time.

The Company shipped approximately $1 million of CPE to EchoStar pursuant to this memorandum of agreement during the period from January 11, 2000 (inception) through August 31, 2000. The Company had a net receivable of approximately $1 million from EchoStar at August 31, 2000.

4. Accounts Receivable

The Company's accounts receivable consist of amounts due from subscribers and its distribution alliance partners attributable to CPE, installations, and monthly access fees as follows:

	August 31, 2000
Due from EchoStar — CPE	$ 1,028,439
Other CPE	154,871
Installation services	59,373
Other	125,000
	1,367,683
Allowance for doubtful accounts	(82,385)
Total	$ 1,285,298

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

The Company provides an allowance for accounts receivable amounts deemed uncollectible as determined by management. Activity in the allowance for doubtful accounts was as follows:

	Period from January 11, 2000 (inception) through August 31, 2000
Beginning balance	$ —
Charge-offs	—
Provision for bad debts	82,385
Ending balance	$ 82,385

5. Property and Equipment

Property and equipment consist of the following:

	August 31, 2000
Computers and electronic equipment	$ 1,041,548
Machinery and equipment	5,380,767
Furniture, fixtures, and office equipment	648,072
Software	4,121,740
Leasehold improvements	3,211,194
	14,403,321
Less: accumulated depreciation	(741,962)
Net property and equipment	$ 13,661,359

Repairs and maintenance costs were approximately $66,288 during the period from January 11, 2000 (inception) to August 31, 2000.

6. Other Assets

Other assets include a lease reservation fee of $7.2 million, CPE subsidies advanced to Microsoft of $1.25 million, and debt issuance costs aggregating $1,991,934 less accumulated amortization of $75,287 at August 31, 2000. Lease reservation fees for satellite transponder capacity are amortized on a straight-line basis over the shorter of the life of the lease or upon forfeiture of transponder space. The CPE subsidies advanced to Microsoft will be amortized on a dollar for dollar basis as the subsidies are paid to the Company from Microsoft for such equipment. The debt issuance costs are amortized over the period of the term loan as an additional component of interest expense using the effective interest method.

7. Term Loan

The Company entered into a senior debt facility on June 26, 2000 with Bank Leumi USA, as agent and lender, under which Bank Leumi USA made a term loan to us in principal amount of $90 million. The senior debt facility was amended on September 8, 2000, when the First International Bank of Israel and the Israel Discount Bank Ltd. joined the agreement as additional lenders and provided loans of $30 million each, bringing the total amount of financing to

$150 million. All outstanding amounts are currently held in interest-bearing accounts. All proceeds raised in the Company's equity placements with Microsoft, EchoStar, ING Furman Selz Investments and the other investors must be expanded to fund our business operations prior to the proceeds from the senior debt facility being available to the Company to

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

fund operations or capital expenditures. The initial minimum draw of term loan proceeds is $5 million and $1 million increments in excess thereof. The Company has also entered into ancillary security agreements with the lenders to provide them with collateral for the loan. Under the security agreements, the Company has granted to Bank Leumi USA, as agent for the lenders, a security interest in substantially all of its assets, except for its contractual rights to receive capacity and other services under its transponder lease agreements. The term loan will become due and payable on June 26, 2003, with interest payable quarterly in arrears. As of August 31, 2000, the entire loan amount of $90 million was bearing interest at LIBOR plus 0.75% (7.5625% at August 31, 2000). The interest rate will rise to LIBOR plus 1.5% after June 26, 2002. Subject to certain conditions, the Company is permitted to convert the LIBOR loan to a base rate loan, which would bear interest at the higher of the prime rate and the Federal Funds Rate plus 0.5% (10.0% at August 31, 2000). The Company may prepay the term loan, in whole or in part, without premium or penalty after June 26, 2001. In the event the Company receives an aggregate amount of proceeds in excess of $50 million in a public offering of capital stock or at least $10 million in insurance proceeds or from the sale of any asset, the Company is required to prepay the term loan.

In connection with the term loan, the Company also issued each of the lenders warrants to purchase its Series C convertible preferred stock and a right to acquire Series D convertible preferred stock in exchange for $10 million of the principal amount of the loan. This right to acquire Series D preferred stock expired on September 9, 2000. If the Series C convertible preferred shares were converted into common stock prior to June 26, 2002, the lenders would own in the aggregate approximately 2% of the Company's fully diluted common stock. If the Series C convertible preferred shares were converted into common stock after August 7, 2002, the lenders would own in the aggregate approximately 2.25% of the Company's fully diluted common stock. The Series C convertible preferred stock warrants were estimated to have a fair value of $9.2 million and was recorded as an original issuance debt discount and is being amortized over the period of the term loan as a component of interest expense. As of August 31, 2000, if the Series C convertible preferred stock was converted into common stock, the lenders would own, in the aggregate, approximately 1,873,477 shares.

As a condition of the term loan, the Company is required to provide financial reports and other information to the lenders and maintain insurance, and is not permitted to incur additional bank loans and certain other types of indebtedness. The Company is also not permitted to exceed stated

limits on aggregate capital expenditures without the prior written consent of the lenders.

Events of default include non-payment, breach of obligation, misrepresentation, invalidity or illegality of documents, insolvency or insolvency proceedings, change of control, and breach or termination of material contracts.

The Company's Series C and D convertible preferred stock is more fully described in Note 9.

8. Income Taxes

The Company accounts for taxes under Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS No. 109). Under SFAS No. 109, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

The difference between amounts computed by applying the statutory federal income tax rates to the net loss and total income tax benefit were as follows:

	Period from January 11, 2000 (inception) through August 31, 2000
Federal tax benefit at statutory rates	$ (23,396,946)
State income taxes, net of federal benefit	(2,607,088)
Change in valuation allowance	26,004,034
	$ —

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts for income tax purposes. The significant components of the deferred tax asset is as follows:

	August 31, 2000
Net operating loss carryforwards	$ 26,004,034
Less valuation allowance	(26,004,034)
Net deferred tax assets	$ —

The Company had net operating losses of approximately $66.8 million at August 31, 2000. The timing and manner in which the operating loss carryforward may be utilized by the Company will be limited to the Company's ability to generate future taxable income. Current net operating loss carryforwards will begin expiring in 2021. As the Company has not generated earnings and no assurance can be made of future earnings needed to utilize these net operating losses, a valuation allowance in the amount of the deferred tax asset has been recorded.

The Company paid no income taxes during the period from January 11, 2000 (inception) through August 31, 2000.

9. Preferred Stock

On April 1, 2000, the Company issued 140,111,199 shares of its mandatorily redeemable convertible Series B Preferred Stock ("Series B Preferred") to Spacenet in exchange for certain assets, intellectual property rights and licenses. Pursuant to Staff Accounting Bulletin No. 48, *Valuation of Assets Acquired From Promoters and Shareholders,* the Company recorded the transfer at Gilat's historical cost basis of $0. The Series B Preferred is convertible into common shares at 5:1 at the election of the holder and automatically converts upon consummation of an initial public offering. The Series B Preferred has no voting rights other than matters subject to shareholder votes that would dilute or reduce the rights or privileges of the Series B Preferred. Dividends accrue at 12% per annum on a cumulative basis and are payable in additional shares of Series B Preferred. In addition, the holder of the Series B Preferred has liquidation preferences in the event of a dissolution or similar termination of the Company equal to $1.00 per share of Series B Preferred plus any accrued and unpaid dividends. The Series B Preferred holder has the right to require the Company to repurchase such shares if an Event of Default, as defined, occurs and is continuing subsequent to notice of such default. This mandatory redemption right is payable in cash, at $1.00 per share of Series B Preferred plus any accrued and unpaid dividends and expires upon consummation of an initial public offering of the Company's common stock with gross proceeds to the

Company of at least $40 million. As of August 31, 2000, the redemption value of the Series B Preferred was approximately $147 million.

On April 13, 2000, the Company sold 49,228,259 shares of its mandatorily redeemable convertible Series A Preferred Stock ("Series A Preferred") to Microsoft and affiliates for $1.00 per share. The Series A Preferred is convertible into common shares at 5:1 at the election of the holder and automatically converts upon consummation of an initial public offering. The Series A Preferred has no voting rights other than matters subject to shareholder votes that would dilute or reduce the rights or privileges of the Series A Preferred. Dividends accrue at 12% per annum on a cumulative basis and are payable in additional shares of Series A Preferred. In addition, holder of the Series A Preferred has a liquidation preference in the event of a dissolution or similar termination of the Company equal to $1.00 per share of Series A Preferred plus any accrued and unpaid dividends. The Series A Preferred holder has the right to require the Company to repurchase such shares if an Event of Default, as defined, occurs and is continuing subsequent to notice of such default. This mandatory redemption right is payable in cash, at $1.00 per share of Series A Preferred plus any accrued and unpaid dividends and expires upon consummation of an initial public offering of the Company's common stock with gross proceeds to the Company of at least $40 million. In the event the Series A Preferred holder receives a valuation of the Company equal to or in excess of $2 billion by a nationally recognized investment bank, the holder has the right to require the Company to repurchase 100% of the Series A Preferred and any common stock held at its fully diluted pro rata portion of such valuation. This valuation put expires upon consummation of an initial public offering of the Company's common stock with gross proceeds to the Company of at least $40 million. In the event the Company has not consummated an initial public offering of its common stock prior to February 1, 2003, the Series A Preferred holder has the right to require the Company to repurchase 50% of the Series A Preferred and any common stock held on such date, 35% of the Series A Preferred and Common Stock held 12 months thereafter, and 15% of the Series A Preferred and common stock held on February 1, 2005 at an independently appraised fair value of the shares on such date as determined by a nationally recognized investment bank. In addition, upon breach by the Company, Spacenet, or Gilat under the Supply Agreement, Gilat Supply Agreement, or the Services Agreement, the holder has the right to require the Company to repurchase 100% of the Series A Preferred and any Common Stock held at fair market value based on the closing market price of such securities or independent appraisal by a nationally recognized investment bank. In August 2000, the Company, Microsoft and Spacenet entered into an agreement whereby these redemption obligations were assigned from the Company to Spacenet and Spacenet accepted such assignment. As the Articles of Incorporation related to the Series A Preferred contain redemption obligations if an Event of Default occurs, the Series A Preferred is classified with the mandatorily redeemable convertible preferred stock. The redemption value of the Series A Preferred is approximately $51.5 million at August 31, 2000.

On April 11, 2000, the Company sold 49,228,259 shares of its mandatorily redeemable convertible Series A-1 Preferred Stock ("Series A-1 Preferred") to EchoStar for $1.00 per share. The Series A-1 Preferred is convertible into common shares at 5:1 at the election of the holder and automatically converts upon consummation of an initial public offering. The Series A-1 Preferred has no voting rights other than matters subject to shareholder votes that would dilute or reduce the rights or privileges of the Series A-1 Preferred. Dividends accrue at 12% per annum on a cumulative basis and are payable in additional shares of Series A-1 Preferred. In addition, holder of the Series A-1 Preferred has a liquidation preference in the event of a dissolution or similar termination of the Company equal to $1.00 per share of Series A-1 Preferred plus any accrued and unpaid dividends. The Series A-1 Preferred holder has the right to require the Company to

repurchase such shares if an Event of Default, as defined, occurs and is continuing subsequent to notice of such default. This mandatory redemption right is to be settled, in cash, at $1.00 per share of Series A-1 Preferred plus any accrued and unpaid dividends and expires upon consummation

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

of an initial public offering of the Company's common stock with gross proceeds to the Company of at least $40 million. The redemption value of the Series A-1 Preferred is approximately $51.5 million at August 31, 2000.

On April 11, 2000, the Company sold 24,686,284 shares of its mandatorily redeemable convertible Series A-2 Preferred Stock ("Series A-2 Preferred") to ING for $1.00 per share. The Series A-2 Preferred is convertible into common shares at 6.15:1 at the election of the holder and automatically converts upon consummation of an initial public offering. The Series A-2 Preferred has no voting rights other than matters subject to shareholder votes that would dilute or reduce the rights or privileges of the Series A-2 Preferred. Dividends accrue at 12% per annum on a cumulative basis and are payable in additional shares of Series A-2 Preferred. In addition, holders of the Series A-2 Preferred have liquidation preferences in the event of a dissolution or similar termination of the Company equal to $1.00 per share of Series A-2 Preferred plus any accrued and unpaid dividends. The Series A-2 Preferred holders have the right to require the Company to repurchase such shares if an Event of Default, as defined, occurs and is continuing subsequent to notice of such default. This mandatory redemption right is to be settled, in cash, at $1.00 per share of Series A-2 Preferred plus any accrued and unpaid dividends and expires upon consummation of an initial public offering of the Company's common stock with gross proceeds to the Company of at least $40 million. The redemption value of the Series A-1 Preferred is approximately $25.8 million at August 31, 2000.

On June 26, 2000, in connection with the $90 million term loan, the Company issued warrants to purchase mandatorily redeemable convertible Series C Preferred Stock ("Series C Preferred") at an aggregate price of $4.7 million. If the initial measurement date (defined as the earlier of (1) the date of an initial public offering whereby the Company receives at least $40 million or (2) June 26, 2002) occurs prior to June 26, 2002, the number of warrants issued is sufficient to represent a 1.20% interest in the Company, assuming full dilution. If the initial measurement date occurs after June 26, 2002, the number of warrants issued is sufficient to represent a 1.35% interest in the Company, assuming full dilution. In connection with the term loan, the Company issued the lenders the right to acquire Series D convertible preferred stock ("Series D Preferred") in exchange for $10 million of principal amount of the term loan. This right expired on September 9, 2000. If the right was exercised and the Series D Preferred was converted into common stock, the Company would have been required to issue 1,910,947 shares of common stock as of August 31, 2000. The Series D Preferred has terms substantially identical to the Series C Preferred.

On August 7, 2000, in connection with the $60 million term loan, the Company issued warrants to purchase Series C Preferred Stock at an aggregate price of $2.3 million. If the initial measurement date (defined as the earlier of (1) the date of an initial public offering whereby the Company receives at least $40 million or (2) August 7, 2002) occurs prior to August 7, 2002, the number of warrants issued is sufficient to represent a 0.80% interest in the Company, assuming full dilution. If the initial measurement date occurs after August 7, 2002, the number of warrants issued is sufficient to represent a 0.90% interest in the Company, assuming full dilution.

The Series C and D Preferred Stock is convertible into common shares at 6.15:1 at the election of the holder and automatically converts upon consummation of an initial public offering or exercise if after an initial public offering. The Series C and D have no voting rights other than matters subject to shareholder votes that would dilute or reduce the rights or privileges of the Series C and D Preferred. Dividends accrue at 12% per annum on a cumulative basis and are payable in additional shares of Series C and D Preferred. In addition, holders of the Series C and D Preferred have liquidation preferences in the event of a dissolution or termination of the Company equal to $1.00 per share of Series C and D Preferred plus any accrued and unpaid dividends. The Series C and D Preferred holders have the right to require the

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

Company to repurchase such shares if an Event of Default, as defined, occurs and is continuing subsequent to notice of such default. This mandatory redemption right is to be settled, in cash, at $1.00 per share of Series C and D Preferred plus any accrued and unpaid dividends and expires upon consummation of an initial public offering and August 7, 2005, respectively. The warrants issued in connection with the $90 million term loan must be exercised on the earlier of twenty days after an initial public offering or June 26, 2005. The warrants issued in connection with the $60 million term loan must be exercised on the earlier of twenty days after an initial public offering or August 7, 2005. The fair value of the warrants was recognized as a reduction in the face value of the term loan based on the appraised fair value of approximately $9.2 million.

The Series A, A-1, A-2, C and D Preferred rank equal with respect to dividends and the liquidation preference and are senior to all other equity securities issued by the Company. The Series B Preferred is junior to the Series A, A-1, and A-2 Preferred but senior to all other equity securities issued by the Company. So long as the Series A, A-1, A-2, B, C and D Preferred are outstanding, no dividends may be declared or paid on junior securities and no junior securities may be redeemed, purchased, or otherwise acquired by the Company.

There were 54,228,893 shares of the Company's common stock issuable to the holders of the Series A, A-1, A-2, and B Preferred assuming conversion of all outstanding preferred shares

including conversion of accrued dividends of 2,501,320 shares at August 31, 2000. In addition, 1,873,477 and 1,910,947 shares of the Company's Common Stock are issuable to the holders of the Series C and D Preferred, respectively, assuming the warrants or rights were fully exercised prior to the initial measurement date and the resulting Series C and D Preferred shares were fully converted to Common Stock.

Preferred stock dividends and accretion amounting to $15,245,439 at August 31, 2000 includes accrued dividends of $12,722,104 and accretion to the liquidation value for allocated equity issuance costs of $2,523,335.

10. Stockholders' Equity

Common Stock

In connection with the organization and initial capitalization, the Company issued 10 shares of Common Stock to its founder, Spacenet, on January 11, 2000 for $1.00 per share and, except for the additional shares issued to Spacenet, the following shares of common stock at $0.12 per share:

Date	Name	Shares
January 11, 2000	Spacenet, Inc	10
April 1, 2000	Spacenet, Inc	9,999,989
April 11, 2000	EchoStar Communications Corporation	6,450,022
April 11, 2000	ING Furman Selz Investments and affiliates	2,621,960
April 13, 2000	Microsoft Corporation and affiliates	6,450,022
May 3, 2000	Various investors	8,357,754

On April 1, 2000 the Company issued 9,999,989 shares of Common Stock to Spacenet in exchange for the exclusive North American rights for Spacenet and Gilat's high-speed satellite internet service for an initial term of five years for use in residential and small office/ home office market segment as well as management, employees, and technical expertise, and certain assets pursuant to the Services Agreement as discussed in Notes 1 and 3. Pursuant to Staff Accounting Bulletin No. 48, *Valuation of Assets Acquired*

From Promoters and Shareholders, the Company recorded the transfer at Spacenet's historical cost basis of $0.

The Common Stock issued to Spacenet and Microsoft may receive an annual dividend of $0.12 per share if the Company issues any equity security other than the Series A, A-1, A-2, and B

Preferred with dividend rights.

The Company has 110 million common shares authorized. As of August 31, 2000, excluding 15 million shares of common stock to be made available for the Company's stock option plan on January 1, 2001, the Company had 33.9 million shares of common stock issued and outstanding and reserved 58.1 million shares of common stock for issuance in connection with dividends and conversions of Series A, A-1, A-2, B, C and D convertible preferred stock and 8 million shares for stock options and warrants.

Common Stock Warrants

The Company issued warrants to purchase approximately 116,000 shares of the Company's Common Stock with an exercise price of $2.50 per share to certain third parties during the period from January 11, 2000 (inception) through August 31, 2000. These warrants generally vest over a four year period with the initial vesting occurring on the first anniversary of the grant date and on a quarterly basis thereafter. The Company accounts for such warrants pursuant to the provisions of SFAS No. 123 and recognizes related compensation expense ratably over the vesting period, as re-measured on each balance sheet date. The Company recorded non-cash deferred compensation aggregating $672,160 based on the fair value of such stock options at August 31, 2000 using a Black-Scholes option valuation model, which is being amortized on a straight line basis over the related vesting periods. There were no warrants exercisable at August 31, 2000.

Common Stock Options

Options to purchase the Company's Common Stock under its stock option plan have been granted to employees, directors and consultants of the Company, generally, at fair market value at the date of grant. The options generally become exercisable over periods of up to 4 years and expire 10 years from the date of grant. There are 23 million shares of common stock available for issuance pursuant to the stock option plan of which approximately 15 million shares become available for grant on January 1, 2001.

The Company determines the fair value of its common stock used in its accounting for stock option grants based on both arms length equity transactions and independent valuations obtained during the period from January 11, 2000 (inception) to August 31, 2000.

Certain employees qualify as common law employees as defined in FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation — An Interpretation of APB Opinion No. 25* ("FIN No. 44"). Stock options issued to these employees are accounted for under APB 25. Certain stock options were granted to employees with an exercise price below the deemed fair value of the Company's Common Stock on the measurement date. The Company has recorded non-cash deferred compensation, based on the intrinsic value of such options aggregating $6,923,435, which is being amortized on a straight-line basis over the related vesting periods.

The Company granted 471,000 stock options to with an exercise price of $2.50 per share certain leased-employees who continue to vest in stock options they received from Gilat for services performed for Gilat prior to their employment with the Company. The stock options granted to these employees are accounted for under SFAS No. 123 in accordance FIN No. 44. The Company recorded non-cash deferred compensation aggregating $656,680 based on the fair value of such stock options at the measurement date

Table of Contents

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

using a Black-Scholes option valuation model, which is being amortized on a straight line basis over the related vesting periods.

Option activity is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding at January 11, 2000 (inception)	—	$ —
Granted:		
May 2000	3,545,220	2.50
June 2000	173,000	2.50
July 2000	90,000	2.50
August 2000	1,646,500	2.50
Total granted	5,454,720	
Exercised	—	—
Cancelled	5,500	—
Outstanding at August 31, 2000	5,449,220	2.50

Information about stock options outstanding at August 31, 2000 is as follows:

Range of Exercise Prices	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
2.50	5,449,220	3.6 years	2.50	—	2.50

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For purposes of the pro forma disclosure, the estimated fair value of the options is amortized to expense

over the options' vesting period.

The Company's net loss attributable to common shareholders would have been approximately $82.7 million, or $(4.09) per share, during the period from January 11, 2000 (inception) to August 31, 2000 had compensation expense for the Company's stock option plans been determined based upon the fair value at the grant dates for awards under the plans consistent with the methodology prescribed under SFAS No. 123. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: volatility of 75%; dividend yield of 0%; risk-free interest rate of 6.0%; and expected life of the option term of 4 years. The effect of applying SFAS No. 123 on the net loss is not necessarily representative of the effects on reported net income (loss) for future years due to, among other things, (1) the vesting period of the stock options and (2) the fair value of additional stock options in future years.

Gilat issued stock options related to its common stock to certain StarBand executives. These stock options are being accounted for under EITF Issue No. 00-12 "Accounting by an Investor for Stock Based Compensation Granted to Employees of Equity Method Investees".

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

Reserve for Issuance

The Company had 8 million shares of common stock reserved for issuance pursuant to the stock option plan at August 31, 2000. After giving effect to options granted through August 31, 2000, there were 2,550,780 shares of Common Stock reserved and available for future issuances upon exercise of outstanding and unissued stock options, warrants, and preferred stock at August 31, 2000 before giving effect to the 15 million shares of common stock available for grant commencing January 1, 2001 as authorized by the Company's Board of Directors on September 19, 2000.

11. Employee Benefit Plan

401(k) Plan

The Company's employees participate in a defined contribution 401(k) retirement plan sponsored by Spacenet. The plan allows employees of the Company to make pre-tax contributions to the plan, subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the investment earnings. The plan also provides for the Company to match the employees' contributions up to a stated limit. The Company's contributions vest over 3 years. During the period from January 11, 2000 (inception) through August 31, 2000, the Company contributed $33,675 to the plan on behalf of employees.

12. Commitments and Contingencies

Leases

The Company entered into an agreement with Spacenet to assign the Company Spacenet's rights in a non-preemptible transponder capacity service lease on the GE-4 Satellite ("GE-4") in 2000. The terms of service provide that transponders be placed in service on January 17, 2000 extending through the earlier of the end-of-life or replacement date, the date the satellite or transponder becomes a satellite or transponder failure, or January 16, 2005. Significant terms of the operating lease include that the Company pay a $7.2 million reservation fee and monthly payments of approximately $0.15 million per transponder. Rental expense under the GE-4 capacity service lease was approximately $3.1 million during the period from January 11, 2000 (inception) through August 31, 2000.

The Company entered into a non-preemptible transponder capacity service lease on the Telstar 7 Satellite ("Telstar 7") on August 31, 2000. The terms of service provide that transponders be placed in service on September 1, 2000, January 1, 2001, and April 1, 2001. The Company's rights to the exclusive use of the transponders extend through December 31, 2007. The Company has the right to extend the terms of service for any or all transponders through the anticipated end-of life of Telstar 7, which is currently anticipated to be October 31, 2013 in incremental two-year periods or a single extension commencing on January 1, 2008 through the end-of life. Significant terms of the operating lease include that the Company pay $0.8 million upon contract signing for three months of service, a reservation fee of $2.3 million on December 1, 2000, providing an irrevocable letter of credit in favor of the lessor or a cash security deposit of approximately $26.3 million on December 1, 2000, and monthly payments per transponder.

The Company leases office space and various office and computer equipment under noncancelable operating lease agreements. Rental expense during the period from January 11, 2000 (inception) to August 31, 2000 was approximately $391,000.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

Minimum future lease payments under operating leases, including transponder capacity service, at August 31, 2000 are summarized as follows:

	Operating Leases
2001	$ 28,970,000
2002	36,638,000
2003	36,590,000
2004	36,590,000
2005	31,475,000
Thereafter	57,190,000
	$227,453,000

Contingencies

On or about July 26, 2000, Globecomm Systems, Inc. ("Globecomm") commenced a lawsuit against us in the Eastern District of New York alleging the willful infringement of United States Patent No. 5,912,883. Globecomm is seeking an award for an undisclosed sum of money. The Globecomm patent is directed through an earth-orbiting satellite. The system claimed in the patent includes a central hub gateway server including a plurality of modems. In particular, each of the modems is assigned to receive and transmit signals in a specified data channel. There is also a means for modulating the data signals from all of the modems to a satellite frequency band. The system claimed in the Globecomm patent employs one data channel per modem, which is commonly referred to as a single carrier per channel technology. The Company has not yet filed an answer to the complaint of Globecomm. The Company intends to answer the complaint and vigorously contest the claims made by Globecomm in due course. The outcome of this lawsuit is inherently uncertain and management is unable to evaluate the chances of the claim or its effect on the Company.

In addition, on May 8, 2000, Hughes Electronics Corporation ("Hughes") commenced a lawsuit against Gilat and Spacenet in the District of Maryland, Southern Division, concerning U.S. Patent Nos. 5,699,384; 5,995,725; 5,995,726; and 6,016,388. The Company is not a party to the lawsuit, but a ruling against Gilat or Spacenet could significantly harm the Company's business because it uses license technology from Gilat/ Spacenet that forms part of Hughes claim. In particular, U.S. Patent No. 5,699,384 is related to personal computer based receiver cards that the Company uses as part of its service offering to customers. The Company may not be able to continue to use the technology if Hughes prevails on its claim regarding this technology. Gilat and Spacenet have filed motions for partial summary judgment on the issue of patent claim construction and the Court has scheduled a hearing on these motions for November 20, 2000. The outcome of this lawsuit is inherently uncertain and management is unable to evaluate the chances of the claim or its effect on the Company.

The Company does not currently have insurance that would indemnify it for any liability that may be imposed in connection with the legal actions described above. Accordingly, if the final disposition of these lawsuits is in favor of the plaintiff, the related liability could result in a material adverse effect on the Company's financial position and results of operations.

The Company has entered into employment agreements with certain members of senior management and other key employees. These agreements specify minimum annual salaries as well

as performance bonus amounts and criteria. In addition, these executives have certain severance benefits, which would have a negative impact on the Company's results of operations if such executives were terminated under certain circumstances.

STARBAND COMMUNICATIONS INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS — (Continued)

13. Subsequent Events

During September 2000, the Board of Directors approved the payment of $4 million to Gilat for its assistance in obtaining debt and equity for the Company. This payment has been allocated on a pro-rata basis between debt and equity securities issued as reductions in additional capital and additional deferred debt issuance costs, respectively, as of August 31, 2000. The deferred debt issuance costs have been recognized as a component of other assets and are amortized over the period of the term loan as an additional component of interest expense using the effective interest method.

The Company's Board of Directors authorized the Company to file an initial registration statement on Form S-1 to register shares of the Company's common stock for an initial public offering. The ultimate terms and conditions of such transaction, if and when consummated, will be determined based on market conditions and other variables not within the control of the Company and are not estimable at this time.

14. Pro Forma Adjustments (Unaudited)

The Company's Preferred Stock will automatically convert into Common Stock at consummation of an initial public offering resulting in aggregate proceeds to the Company of at least $40 million. The pro forma balance sheet at August 31, 2000 reflects the conversion of all classes of the Company's Preferred Stock into common stock as of that date. The pro forma loss per share reflects the conversion of all classes of the Company's outstanding convertible preferred stock as of the respective date of issuance.

INSIDE BACK COVER

TEXT ON STARBAND INDIAN NATIONS PROJECT FOR PROSPECTUS

The promise of StarBand is greater than just high-speed Internet access. StarBand is already changing the lives of thousands of Native Americans in the Southwest, impacting education, law enforcement, and quality of life.

"This is a turning point for our community." The Havasupai Indians hope that some of their tribal members will get online college degrees, remaining on the reservation to teach the next generation.

Sally Tisoult, Director of the Havasupai Head Start School
[Picture of Head Start School and Kids]

"Yesterday I was thinking that technology was so far into the future, but today it's right here. We have it. Now, we can be part of the international as well as the national community."

[Photo of Ben Jones, Director of Communications Services, Navajo Nation Government]

"These Indian Nations are jumping generations of technology in a couple of hours and into the 21st century. They have gone from dial-up service that didn't work very well to StarBand's unique, high-speed service."

Ed Groenhout, Vice President for Strategic Initiatives at Northern Arizona University

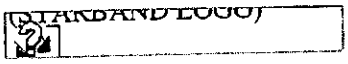
[Photo of install in Grand Canyon]

StarBand connects its subscribers, from the Grand Canyon to Silicon Alley, to new experiences, communities, and opportunities. Our first-to-market service is a compelling solution for users nationwide who need a highly reliable, high-speed connection to the Internet today.

Table of Contents

Through and including , 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares



Common Stock

PROSPECTUS

Merrill Lynch & Co.