



February 11, 1998

Florida Public Service Commission
Division of Communications
Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

980.250-TX

Re: NeTel, Inc. d.b.a. TEL3

To Whom It May Concern:

Enclosed please find an original and 6 copies of the Application Form for Authority to Provide Alternative Local Exchange Service within the State of Florida, for the above referenced company.

Thank you very much for your assistance in this matter.

Very truly yours,

Lynn A. Froesch
Executive Administrator

Check received with filing and forwarded to Federal for deposit. Filing fee with copy of check to be deposited.

In closing, please find enclosed check:

LAF/lf

Enclosures

RECEIVED

FEB 13 1998

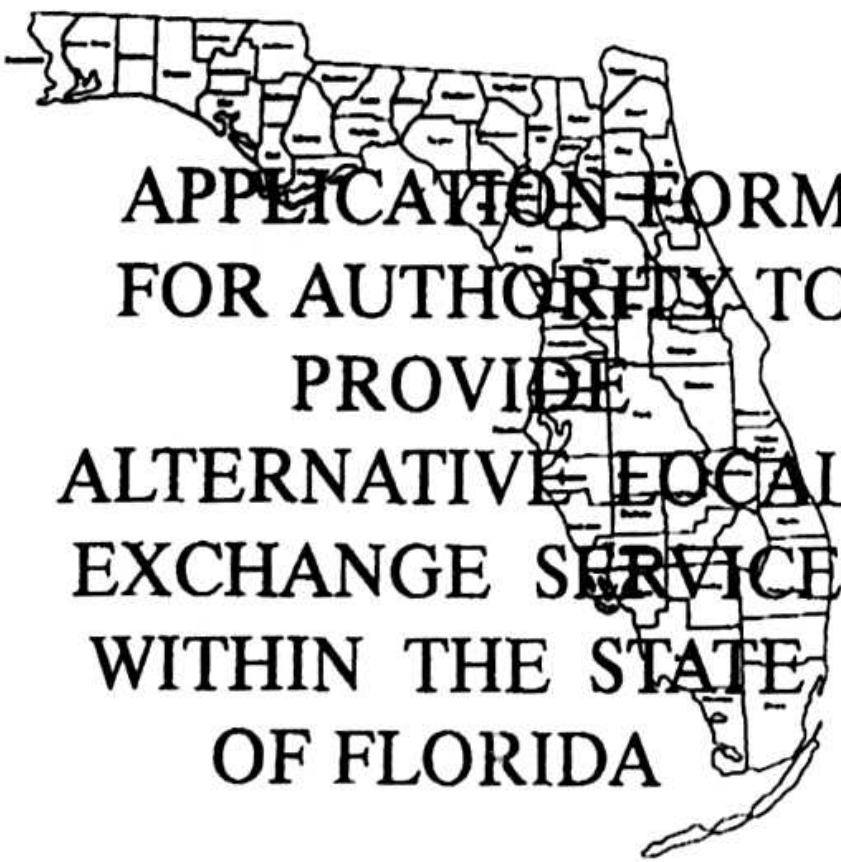
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DOCUMENT NUMBER-DATE

02274 FEB 16 98

FPSC-RECORDS/REPORTING

980250



APPLICATION FORM
FOR AUTHORITY TO
PROVIDE
ALTERNATIVE LOCAL
EXCHANGE SERVICE
WITHIN THE STATE
OF FLORIDA

DOCUMENT NUMBER-DATE

02274 FEB 16 88

1988 RECEIPT REPORTING

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

APPLICATION FORM

for

AUTHORITY TO PROVIDE (ALEC) ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

INSTRUCTIONS

- ◆ This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
- ◆ Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(850) 413-6600

- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.

APPLICATION FORM

1. This is an application for \checkmark (check one):

(x) Original authority (new company)

() Approval of transfer (to another certificated company)

Example, a certificated company purchases an existing company and desires to retain the original certificate authority.

() Approval of assignment of existing certificate
(to a noncertificated company)

Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

() Approval for transfer of control (to another certificated company)

Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

NeTeL, Inc.

3. Name under which the applicant will do business (d/b/a):

TEL3

4. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: G96212000171

APPLICATION FORM

5. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

6300 Northeast First Avenue, Third Floor

Fort Lauderdale, FL 33334

954/776-9100

- B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

6300 Northeast First Avenue, Third Floor

Fort Lauderdale, Florida 33334

954/776-9100

6. Structure of organization: Check appropriate box(s)

<input type="checkbox"/> Individual	<input type="checkbox"/> Corporation
<input checked="" type="checkbox"/> Foreign Corporation	<input type="checkbox"/> Foreign Partnership
<input type="checkbox"/> General Partnership	<input type="checkbox"/> Limited Partnership
<input type="checkbox"/> Joint Venture	<input type="checkbox"/> Other, Please explain _____

7. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

APPLICATION FORM

8. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No

9. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F95000000117

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Scott Lehman, President

6300 NE First Avenue, Third Floor

Fort Lauderdale, FL 33334

954/776-9100; 954/776-9120 (FAX); slehman@tel3.com

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

None. However, Netel, Inc. d.b.a. TEL3 is an IXC, with
a Florida Public Service Commission Company Code of

TI361.

APPLICATION FORM

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

No

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No

14. Please indicate how a customer can file a service complaint with your company.

Customer can contact customer service by telephone at

800/962-2181 between 9a-6p. They can fax their complaint

toll-free 800/355-6080 24 hours a day, or e-mail a complaint

to customer@tel3.com

15. Please complete and file a price list in accordance with Commission Rule 25-24.825.(Rule attached)

To be forwarded under separate cover before beginning to provide service.

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

APPLICATION FORM

1. the balance sheet
2. income statement
3. statement of retained earnings.

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

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.
3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

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

If available, the financial statements should be audited financial statements.

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

- B. Managerial capability.
- C. Technical capability.

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served described in detail the difference.)

APPLICATION FORM

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official

Art Lehman

Signature

2-6-98

Date

Title:

President

(954) 776-9100

Telephone Number

Address:

6300 NE FIRST AVENUE
FORT LAUDERDALE, FL
33334

25-24.825 Price List.

(1) Prior to providing service, each company subject to these rules shall file and maintain with the Commission a current price list which clearly sets forth the following information for basic local telecommunications services, as defined in s. 364.02(2), F. S. If basic local telecommunications service is offered on a package basis, the following information must be provided for the package:

- (a) current prices,
- (b) customer connection charges,
- (c) billing and payment arrangements, and
- (d) levels of service quality which the company holds itself out to provide for each service.

(2) At the company's option, price list information in paragraph (1) above and other information concerning the terms and conditions of service may be filed for services other than basic local telecommunication services.

(3) A price list revision must be physically received by the Commission's Division of Communications at least one day prior to its effective date.

(4) Price lists must be on 8 ½ by 11 inch paper in loose-leaf form and must utilize an ongoing page identification system which will allow for the identification of inserted and removed pages. The color of paper on which price lists are filed must be amenable to being clearly photocopied on standard photocopy equipment.

(5) Complete information concerning a company's service offerings, rates and charges, conditions of service, service quality, terms and conditions, service area, and subscribership information identified by local exchange company exchange must be made available to Commission staff upon request.

Specific Authority: 350.127(2)

Law Implemented: 364.04, 364.337(5), F.S.

History: New 12/26/95.

16 A.

FINANCIAL CAPABILITY

NeTeL, Inc.
Balance Sheet
Period: 12-95 As of: 12/31/1995

04-96-392
 Date 04/30/96 06:30pm

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ASSETS

CURRENT ASSETS

00000	Barnett Operating	12,251.48
00000	Barnett Payroll	1,416.97
00000	Barnett Commission	(107.15)
00000	Merrill Lynch	19,248.44
00000	Accounts Receivable	301,412.97
		334,222.74

TOTAL CURRENT ASSETS

FIXED ASSETS

00000	Furniture & Fixtures	58,062.07
00000	Equipment Hardware	274,290.60
00000	Equipment Software	52,299.46
00000	Leasehold Improvements	15,775.00
		400,447.13

TOTAL FIXED ASSETS

OTHER ASSETS

00000	Security Deposits	82,080.14
00000	Long Term Investments	6,000.00
		88,080.14

TOTAL ASSETS

822,749.98
 =====

LIABILITIES & OWNERS EQUITY

LIABILITIES

CURRENT LIABILITIES

00000	Accounts Payable	135,753.00
00000	Accrued Expenses	91,484.30
00000	Taxes Payable	1,615.63
00000	Customer Deposits	250.00
00000	Short Term Loans	621,500.00
		850,602.93

TOTAL CURRENT LIABILITIES

LONG TERM LIABILITIES

00000	Long Term Loans	67,447.27
		67,447.27

TOTAL LONG TERM LIABILITIES

TOTAL LIABILITIES

918,050.20

SHAREHOLDERS EQUITY

00000	Common Stock	10.00
00000	Additional Paid in Capital	450,000.00
00000	Retained Earnings	(14,997.01)
00000	YTD Net Income	(509,234.02)

30000	YTD Net Income	(21,079.19)
	TOTAL SHAREHOLDERS EQUITY	<u>(95,300.22)</u>
	TOTAL LIABILITIES & EQUITY	<u><u>822,749.98</u></u>

NeTeL, Inc.
Income Statement
For the Period 12/01/1995 Through 12/31/1995

04-96-392
 Date 04/30/96 06.31pm

Page 1

		Current Period		Year-to-Date	
		Amount	%	Amount	%
SALES					
00000	Minute Revenue	317,255.95	0.00	463,359.42	0.00
30000	Minute Revenue	9,952.97	0.00	12,792.97	0.00
00000	Catalog Revenue	825.00	0.00	630.00	0.00
GROSS OPERATING INCOME		328,033.92	0.00	476,782.39	0.00
COST OF SALES					
00000	Cost of Minutes	230,297.84	0.00	334,345.36	0.00
00000	Dedicated Sale Cost	2,395.60	0.00	2,395.60	0.00
00000	Commission	3,973.00	0.00	22,869.70	0.00
00000	Billing & Collection Cost	45,500.29	0.00	48,794.29	0.00
COST OF SALES		282,166.73	0.00	408,404.95	0.00
GROSS PROFIT		45,867.19	0.00	68,377.44	0.00
OPERATING EXPENSES					
00000	Payroll - Sales	10,415.58	0.00	63,373.70	0.00
30000	Payroll - Sales	8,520.50	0.00	29,590.32	0.00
00000	Payroll - Customer Service	6,269.25	0.00	30,326.90	0.00
30000	Advertising - List Purchase	0.00	0.00	3,000.00	0.00
00000	Advertising - Commercial Prod.	0.00	0.00	14,924.23	0.00
00000	Advertising - TV	0.00	0.00	2,941.00	0.00
00000	Advertising - Interactive Cap.	0.00	0.00	65.00	0.00
00000	Advertising - Mailing & Print	11,948.15	0.00	74,015.79	0.00
00000	Advertising - Promotional Exp.	0.00	0.00	5,152.17	0.00
00000	Advertising - Consulting	0.00	0.00	2,708.45	0.00
00000	Telephone Expense Sales	345.45	0.00	11,971.49	0.00
30000	Telephone Expense Sales	115.05	0.00	257.34	0.00
00000	Payroll - Officers	2,200.00	0.00	12,100.00	0.00
00000	Payroll - Administrative	1,966.49	0.00	13,134.44	0.00
00000	Payroll - Taxes	2,539.39	0.00	14,373.69	0.00
00000	Employee Benefits	1,046.22	0.00	1,796.02	0.00
00000	Payroll - Processing Fees	144.00	0.00	1,015.00	0.00
00000	Building Rent	9,865.07	0.00	115,883.32	0.00
00000	Building Maintenance/Security	0.00	0.00	546.89	0.00
00000	Utilities	0.00	0.00	11,501.77	0.00
00000	Equipment Expenses	4,232.58	0.00	10,772.59	0.00
00000	Telephone Exp. - Administ.	917.02	0.00	9,208.44	0.00
30000	Telephone Exp. - Administ.	0.00	0.00	10.00	0.00
00000	Office & Computer Supplies	228.51	0.00	15,178.88	0.00
00000	Classified Advertising	0.00	0.00	1,225.00	0.00
00000	Auto Expenses	11,707.98	0.00	11,707.98	0.00
00000	Travel & Entertainment	(5,886.80)	0.00	15,465.69	0.00
30000	Travel & Entertainment	1,000.00	0.00	1,000.00	0.00
00000	Licenses/Certif. Business	3,000.00	0.00	79,507.67	0.00
00000	Taxes Franchise, Tangible, Etc	0.00	0.00	858.41	0.00
00000	Insurance Exp. - Business	299.40	0.00	5,964.55	0.00
00000	Insurance Exp. - Medical	463.88	0.00	3,717.10	0.00
00000	Insurance Exp. - Workers Comp.	0.00	0.00	1,495.00	0.00
00000	Professional Exp. - Legal	0.00	0.00	18,312.93	0.00

		Current Period		Year-to-Date	
		Amount	%	Amount	%
30000	Professional Exp. - Legal	14.50	0.00	14.50	0.00
00000	Professional Exp. - Accounting	0.00	0.00	250.00	0.00
00000	Professional Exp. - Consulting	250.00	0.00	3,350.00	0.00
00000	Dues & Pubs.	33.93	0.00	2,055.18	0.00
00000	Interest Exp. - Capital Lease	0.00	0.00	10,515.15	0.00
00000	Banking Charges	620.29	0.00	2,475.54	0.00
TOTAL OPERATING EXPENSES		72,256.44	0.00	601,762.13	0.00
NET OPERATING INCOME		(26,389.25)	0.00	(533,384.69)	0.00
<u>OTHER INCOME</u>					
00000	Interest Revenue	75.72	0.00	3,071.48	0.00
TOTAL OTHER INCOME		75.72	0.00	3,071.48	0.00
NET INCOME BEFORE TAXES		(26,313.53)	0.00	(530,313.21)	0.00
NET INCOME AFTER TAX		(26,313.53)	0.00	(530,313.21)	0.00

NeTel, Inc.
Balance Sheet
Period: 12-96 As of: 12/31/1996

12-97-122
 Date 01/19/98 07:08pm

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ASSETS

CURRENT ASSETS

00000	Barnett Bank - Operating	11,700.15
00000	Barnett Bank - Payroll	338.38
00000	Barnett Bank - Commissions	991.08
00000	Merrill Lynch - Operating	5,152.21
00000	Accounts Receivable	338,322.51
00000	Accounts Receivable-Other	152,878.00
00000	Prepaid Expenses	17,115.91
00000	Prepaid Media	29,649.65

TOTAL CURRENT ASSETS

553,947.87

FIXED ASSETS

00000	Furniture & Fixtures	71,169.57
00000	Computer Hardware	518,315.44
00000	Computer Software	57,066.53
00000	Leasehold Improvements	15,775.00
00000	Accum.Dep-Furniture&Fixtures	(8,297.00)
00000	Accum.Dep-Computer Hardwre	(54,858.00)
00000	Accum.Dep-Computer Softwre	(10,460.00)
00000	Accum.Dep-Leaseholds	(181.00)

TOTAL FIXED ASSETS

588,530.54

OTHER ASSETS

00000	Security Deposits	88,537.54
00000	Long Term Investments	7,500.00

TOTAL ASSETS

1,238,515.95
 =====

LIABILITIES & OWNERS EQUITY

LIABILITIES

CURRENT LIABILITIES

00000	Accounts Payable	417,410.92
00000	Accrued Expenses	11,500.00
00000	L/D Phone Taxes Payable	5,912.94
00000	Customer Deposits	250.00

TOTAL CURRENT LIABILITIES

435,073.86

LONG TERM LIABILITIES

00000	Long Term Loan-EIS Equipment	44,241.98
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TOTAL LONG TERM LIABILITIES

44,241.98

TOTAL LIABILITIES

479,315.84

SHAREHOLDERS EQUITY

00000	Common Stock	10.00
00000	Additional Paid in Capital	1,884,212.25
00000	Retained Earnings	(810,854.80)
30000	Retained Earnings	(21,079.19)
00000	YTD Net Income	(329,041.13)
30000	YTD Net Income	36,982.78
TOTAL SHAREHOLDERS EQUITY		759,200.11
TOTAL LIABILITIES & EQUITY		1,238,515.85

NeTeL, Inc.
Income Statement
For the Period 12/01/1996 Through 12/31/1996

12-97-122
 Date 01/19/98 07:08pm

Page 1

		Current Period		Year-to-Date	
		Amount	%	Amount	%
SALES					
00000	Long Distance Revenue	340,396.24	88.88	2,792,286.20	88.90
30000	Long Distance Revenue	4,373.80	1.14	49,770.97	1.58
00000	Service Charge Revenue	26,124.21	6.82	207,559.56	6.61
00000	Pager Revenue	691.44	0.18	1,419.15	0.05
00000	Promo Materials Revenue	6,473.16	1.69	70,408.37	2.24
00000	Old Calling Card Revenue	3,090.88	0.81	12,144.08	0.39
00000	Set-Up Charge Revenue	347.10	0.09	860.99	0.03
00000	Downline Report Revenue	628.00	0.16	2,687.00	0.09
00000	Newsletter Revenue	225.00	0.06	546.50	0.02
00000	Miscellaneous Revenue	280.00	0.07	2,485.40	0.08
00000	Postage & Shipping Revenue	245.08	0.06	615.33	0.02
00000	Sponsor Fee Revenue	210.85	0.06	210.85	0.01
GROSS OPERATING INCOME		383,085.76	100.00	3,140,994.40	100.00
COST OF SALES					
00000	Carrier Charges	180,961.66	47.24	1,731,738.42	55.13
00000	Dedicated Minutes Cost	6,998.66	1.83	91,331.25	2.91
00000	Pager Charges	268.50	0.07	268.50	0.01
00000	Commission Expense-L/D	26,810.66	7.00	216,416.62	6.89
30000	Commission Expense-L/D	594.32	0.16	9,337.34	0.30
00000	Collection Funding Charges	48,676.91	12.71	372,081.01	11.85
00000	Credit Card Processing Charges	569.31	0.15	6,369.08	0.20
COST OF SALES		264,882.22	69.14	2,427,542.22	77.29
GROSS PROFIT		118,203.54	30.86	713,452.18	22.71
OPERATING EXPENSES					
00000	Payroll - Sales L/D	7,988.93	2.09	80,225.08	2.55
30000	Payroll - Sales L/D	0.00	0.00	4,377.68	0.14
00000	Payroll - Graphics/Mktg	4,507.68	1.18	22,495.36	0.72
00000	Payroll - Customer Service	5,888.25	1.54	77,184.00	2.46
00000	Payroll - Sponsor Relations	3,022.76	0.79	15,713.53	0.50
00000	Advertising-Print Media	250.00	0.07	250.00	0.01
00000	Advertising-Mailing List Purch	0.00	0.00	4,590.00	0.15
00000	Advertising-Internet	0.00	0.00	872.50	0.03
00000	Advertising-TV	0.00	0.00	2,141.00	0.07
00000	Advertising-Newsletters	3,500.00	0.91	6,123.00	0.19
00000	Advertising-Calling Cards	0.00	0.00	19,332.70	0.62
00000	Advertising-Promo Merchandise	2,615.00	0.68	62,270.20	1.98
00000	Advertising-Promotional Merch	477.13	0.12	2,548.99	0.08
00000	Graphic Arts Consultant Exp	0.00	0.00	6,416.80	0.20
00000	Postage & Shipping Costs	5,952.89	1.55	69,975.31	2.23
30000	Postage & Shipping Costs	0.00	0.00	25.00	0.00
00000	Telephone Expense - Sales	5,493.77	1.43	62,457.98	1.99
30000	Telephone Expense - Sales	0.00	0.00	68.17	0.00
00000	Payroll - Officers	2,550.00	0.67	55,908.90	1.78
00000	Payroll - Administrative	1,450.94	0.38	40,071.80	1.28
00000	Payroll - Accounting	3,000.00	0.78	18,108.53	0.58
00000	Payroll - MIS	9,787.92	2.56	56,640.56	1.80
00000	Payroll Tax Expense	3,351.66	0.87	35,437.70	1.13

		Current Period		Year-to-Date	
		Amount	%	Amount	%
00000	Employee Benefits	598.26	0.16	2,320.17	0.07
00000	Payroll Processing Fees	95.55	0.02	1,608.46	0.05
00000	Rent Expense	15,172.47	3.98	121,826.93	3.88
00000	Building Maintenance/Security	41.81	0.01	1,557.35	0.05
00000	Utilities Expense	1,332.12	0.35	16,027.98	0.51
00000	Equipment Maintenance & Repair	0.00	0.00	6,408.20	0.20
00000	Equipment Expense	1,071.01	0.28	4,150.34	0.13
00000	Printing Expenses- Admin	0.00	0.00	516.05	0.02
00000	Telephone Expense - Admin	1,810.52	0.47	17,167.91	0.55
00000	Office Supplies & Expenses	716.60	0.19	14,372.78	0.46
00000	Computer Supplies & Expenses	(138.21)	-0.04	4,104.34	0.13
00000	Advertising - Classified	878.20	0.23	2,441.81	0.08
00000	Auto Expenses	3,302.16	0.86	37,092.51	1.13
00000	Entertainment Expenses	1,508.74	0.39	10,454.93	0.33
00000	Travel Expenses	(948.00)	-0.25	5,722.34	0.18
00000	Business License/Certificates	0.00	0.00	1,085.00	0.03
00000	Regulatory Fees & Assessments	0.00	0.00	1,898.76	0.05
00000	Compliance Fees & Assessments	500.00	0.13	2,459.75	0.08
00000	Sales Tax Expense-Capital Ls.	0.00	0.00	1,852.23	0.06
00000	Insurance - Business	0.00	0.00	3,555.28	0.11
00000	Insurance - Auto	273.80	0.07	2,236.20	0.07
00000	Insurance - Employee Medical	(214.25)	-0.06	9,556.01	0.30
00000	Insurance - Workers Comp	0.00	0.00	2,991.00	0.10
00000	Professional Fees - Legal	0.00	0.00	21,723.51	0.69
00000	Professional Fees - Accounting	0.00	0.00	1,500.00	0.05
00000	Professional Fees - Consulting	0.00	0.00	5,577.50	0.18
00000	Professional Fees - Regulatory	0.00	0.00	7,599.00	0.24
00000	Professional Fees - Searches	0.00	0.00	7,680.00	0.24
00000	Dues,Subscriptions,Publications	390.00	0.10	2,040.43	0.06
00000	Interest Exp-Fundings	6,815.05	1.78	46,771.69	1.49
00000	Interest Exp-Capital Leases	0.00	0.00	3,740.41	0.12
00000	Interest Expense - Other	0.00	0.00	54.57	0.00
00000	Bank Charges	328.24	0.09	920.81	0.03
TOTAL OPERATING EXPENSES		93,371.00	24.37	1,012,069.94	32.22
NET OPERATING INCOME		24,832.54	6.48	(298,617.76)	-9.51
OTHER INCOME					
00000	Other Revenue	0.00	0.00	5,012.93	0.16
00000	Interest Income	39.43	0.01	526.48	0.02
TOTAL OTHER INCOME		39.43	0.01	5,539.41	0.18
NET INCOME BEFORE TAXES		24,871.97	6.49	(293,078.35)	-9.33
NET INCOME AFTER TAX		24,871.97	6.49	(293,078.35)	-9.33

NeTeL, Inc.
Balance Sheet
Period: 12-97 As of: 12/31/1997

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 Date 01/28/98 12:07pm

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ASSETS

CURRENT ASSETS

00000	Cash in Bank - All Accounts	311,303.36
00000	Accounts Receivable	819,638.02
00000	Loans Receivable - Other	480,152.05
00000	Prepaid Expenses	23,288.52
00000	Prepaid Media	16,814.60

TOTAL CURRENT ASSETS

1,651,196.55

FIXED ASSETS

00000	Furniture & Fixtures	269,557.83
00000	Computer Hardware	763,872.59
00000	Computer Software	59,523.22
00000	Video & Audio Assets	84,536.24
00000	Leasehold Improvements	22,171.97
00000	Warehouse Equipment	14,403.19
00000	Accum.Dep-Warehouse Equipment	(960.21)
00000	Accum.Dep-Furniture&Fixtures	(38,008.95)
00000	Accum.Dep-Computer Hardwre	(232,620.18)
00000	Accum.Dep-Computer Softwre	(32,787.13)
00000	Accum.Dep-Leaseholds	(9,554.87)
00000	Accum.Dep-Video & Audio Assets	(21,134.08)

TOTAL FIXED ASSETS

879,019.84

OTHER ASSETS

00000	Security Deposits	120,738.12
00000	Certificate of Deposit	50,000.00
00000	Long Term Investments	7,500.00

TOTAL ASSETS

2,708,454.51

LIABILITIES & OWNERS EQUITY

LIABILITIES

CURRENT LIABILITIES

00000	Accounts Payable	2,424,314.50
00000	Accrued Commissions Payable	75,986.74
00000	Customer Deposits	15,000.00

TOTAL CURRENT LIABILITIES

2,515,301.24

LONG TERM LIABILITIES

00000	Long Term Loan-EIS Equipment	44,241.98
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TOTAL LONG TERM LIABILITIES

44,241.98

TOTAL LIABILITIES

2,559,543.22

SHAREHOLDERS EQUITY

00000	Common Stock	10.00
00000	Additional Paid in Capital	2,239,634.25
00000	Retained Earnings	(1,432,854.90)
00000	YTD Net Income	(857,884.55)
30000	YTD Net Income	6.49

TOTAL SHAREHOLDERS EQUITY

148,911.29

TOTAL LIABILITIES & EQUITY

2,706,454.51

NeTel, Inc.
Income Statement
For the Period 12/01/1997 Through 12/31/1997

12-97-125
Date 01/28/98 12:07pm

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	Current Period		Year-to-Date		
	Amount	%	Amount	%	
SALES					
00000	Long Distance Revenue-LEC	904,081.91	53.13	6,122,348.54	53.04
00000	Long Distance Revenue-Direct	8,595.91	0.51	232,511.19	2.01
00000	Payphone Revenue	1,364.40	0.08	19,530.46	0.17
00000	Service Charge Revenue	112,506.45	6.61	857,247.14	7.43
00000	Promo Materials Revenue	236,790.09	13.92	1,707,532.08	14.79
00000	Calling Card Revenue	157,100.00	9.23	1,550,650.00	13.44
00000	Calling Card Recharge Revenue	156,175.00	9.18	927,159.89	8.03
00000	Proprietary Software Revenue	125,000.00	7.35	125,000.00	1.08
	GROSS OPERATING INCOME	1,701,613.76	100.00	11,542,179.30	100.00
COST OF SALES					
00000	Carrier Charges	701,488.70	41.22	4,958,471.36	42.96
00000	Access Charges	13,586.07	0.80	13,586.07	0.12
00000	L/D Verification Charges	4,876.90	0.29	10,156.00	0.09
00000	Internet Charges	1,405.00	0.08	17,736.31	0.15
00000	Promo Materials Charges	30,516.04	1.79	402,093.01	3.48
00000	Shipping Charges	12,664.00	0.74	239,730.58	2.08
00000	Commission Expense-L/D	64,177.85	3.77	475,689.64	4.12
00000	Credit Expense-ZPDI	5,292.70	0.31	36,297.19	0.31
00000	Credit Card Credit/Chargebacks	81,731.65	4.80	499,649.55	4.33
00000	Unbillable Carrier Charges	11,150.20	0.66	296,077.05	2.57
00000	Collection Charges	124,284.74	7.30	729,049.95	6.32
00000	Credit Card Processing Charges	27,534.21	1.62	208,374.74	1.81
00000	Bad Debt Expense - LEC	36,073.29	2.12	247,439.91	2.14
00000	Bad Debt Expense - Direct	0.00	0.00	98,525.00	0.85
	COST OF SALES	1,114,781.35	65.51	8,232,876.36	71.33
	GROSS PROFIT	586,832.41	34.49	3,309,302.94	28.67
OPERATING EXPENSES					
00000	Payroll - Sales L/D	22,247.51	1.31	347,751.42	3.01
00000	Payroll - Sales Calling Cards	33,256.17	1.95	114,340.24	0.99
00000	Contract Labor-Sales	740.25	0.04	42,889.71	0.37
00000	Payroll - Graphics/Mkting	2,818.71	0.17	32,531.64	0.28
00000	Payroll - Shipping	8,831.26	0.52	49,491.76	0.43
00000	Payroll - Customer Service	32,969.04	1.94	220,299.90	1.91
00000	Contract Labor-Cust Service	3,525.00	0.21	18,221.54	0.16
00000	Payroll - Sponsor Relations	33,981.69	2.00	222,124.20	1.92
00000	Contract Labor-Sponsor Rel	0.00	0.00	4,063.50	0.04
00000	Advertising-Print Media	155,809.40	9.16	998,406.20	8.65
00000	Advertising-TV	0.00	0.00	59,048.70	0.51
00000	Advertising-Promo Merchandise	0.00	0.00	6,000.00	0.05
00000	Graphic Arts Consultant Exp	0.00	0.00	1,512.50	0.01
00000	Postage & Shipping Costs	0.00	0.00	(354.04)	0.00
00000	Telephone Expense - Sales	41,460.89	2.44	396,562.54	3.44
30000	Telephone Expense - Sales	0.00	0.00	(6.49)	0.00
00000	Payroll - Officers	7,260.00	0.43	72,760.00	0.63
00000	Payroll - Administrative	10,042.75	0.59	59,784.96	0.52
00000	Payroll - Accounting	6,682.68	0.39	58,609.16	0.51
00000	Payroll - MIS	12,043.08	0.71	130,748.42	1.13

		Current Period		Year-to-Date	
		Amount	%	Amount	%
00000	Payroll Tax Expense	16,274.93	0.96	129,338.03	1.12
00000	Employee Benefits	232.14	0.01	3,181.94	0.03
00000	Payroll Processing Fees	369.40	0.02	2,672.73	0.02
00000	Rent Expense	17,586.45	1.03	197,044.09	1.71
00000	Show & Display Expenses	0.00	0.00	5,186.08	0.04
00000	Building Maintenance/Security	40.00	0.00	3,606.18	0.03
00000	Utilities Expense	2,714.30	0.16	26,226.85	0.23
00000	Equipment Maintenance & Repair	789.43	0.05	789.43	0.01
00000	Equipment Expense	1,554.73	0.09	30,484.21	0.26
00000	Printing Expenses- Admin	327.00	0.02	22,272.87	0.19
00000	Telephone Expense - Admin	1,078.63	0.06	23,976.56	0.21
00000	Office Supplies & Expenses	3,233.18	0.19	33,139.55	0.29
00000	Computer Supplies & Expenses	0.00	0.00	11,322.03	0.10
00000	Advertising - Classified	1,482.15	0.09	26,155.57	0.23
00000	Warehouse Supplies & Expenses	424.00	0.02	1,569.28	0.01
00000	Auto Expenses	6,334.93	0.37	55,027.22	0.48
00000	Entertainment Expenses	10,982.84	0.65	31,723.76	0.27
00000	Travel Expenses	2,776.49	0.16	25,262.39	0.22
00000	Business License/Certificates	3,322.15	0.20	9,880.73	0.09
00000	Business Taxes	0.00	0.00	19,364.09	0.17
00000	Compliance Fees & Assessments	50.00	0.00	10,100.61	0.09
00000	Insurance - Business	0.00	0.00	15,453.11	0.13
00000	Insurance - Auto	562.50	0.03	7,201.44	0.06
00000	Insurance - Employee Medical	3,148.15	0.19	25,956.07	0.22
00000	Insurance - Workers Comp	140.00	0.01	140.00	0.00
00000	Professional Fees - Legal	4,250.00	0.25	16,466.91	0.14
00000	Professional Fees - Accounting	0.00	0.00	18,749.97	0.16
00000	Professional Fees - Consulting	0.00	0.00	5,380.00	0.05
00000	Professional Fees - Regulatory	0.00	0.00	500.00	0.00
00000	Dues,Subscriptions,Publications	0.00	0.00	7,160.92	0.06
00000	Depreciation-Furniture&Fixtue	3,209.02	0.19	29,711.95	0.26
00000	Depreciation-Computer Hardwre	13,869.04	0.82	183,110.02	1.59
00000	Depreciation-Computer Softwre	992.05	0.06	22,307.13	0.19
00000	Depreciation-Leaseholds	0.00	0.00	9,373.67	0.08
00000	Depreciation-Audio/Video	2,348.23	0.14	21,134.06	0.18
00000	Depreciation-Whse.Equipment	240.05	0.01	960.21	0.01
00000	Interest Exp-Fundings	12,757.63	0.75	87,461.64	0.76
00000	Interest Expense - Other	4,542.96	0.27	6,166.29	0.05
00000	Bank Charges	259.68	0.02	9,053.44	0.08
TOTAL OPERATING EXPENSES		487,560.49	28.65	3,969,396.89	34.39
NET OPERATING INCOME		99,271.92	5.83	(660,093.95)	-5.72
OTHER INCOME					
00000	Interest Income	424.48	0.02	2,215.89	0.02
TOTAL OTHER INCOME		424.48	0.02	2,215.89	0.02
NET INCOME BEFORE TAXES		99,696.40	5.86	(657,878.06)	-5.70
NET INCOME AFTER TAX		99,696.40	5.86	(657,878.06)	-5.70

16 B.

MANAGERIAL CAPABILITY

NeTeL, Inc.

Management Biographies

Scott D. Lehman **President, Board of Directors**

Mr. Lehman has been the President of TEL3 since November, 1996. Mr. Lehman joined TEL3 in 1996 and has held positions as Director of Operations and Business Development Manager.

Prior to joining TEL3, Mr. Lehman practiced law within the communication industry after graduating from the University of Florida with Accounting, Masters of Accounting and Law degrees in 1993. Prior to entering law school, Mr. Lehman was a staff auditor with KPMG Peat Marwick in South Florida. Mr. Lehman is a member in good standing with the Florida Bar and is an inactive member of the Florida Institute of Certified Public Accountants.

Nelson Futch **Secretary/Treasurer, Board of Directors**

Mr. Futch has been operating his own Marketing and Promotion Consulting Company, Words For Hire, Inc. since 1988. He has extensive executive level expertise in creating marketing and advertising plans, assessing and dealing with important public relations concerns.

Mr. Futch's previous experience includes six years as Vice President and Marketing Director of the largest Florida based Mexican fast food chain, Taco Viva, Inc., and seventeen years as Vice President – Marketing Manager of Playboy Enterprises, Inc. Mr. Futch has a B.A. degree in Journalism from Temple University.

Mr. Futch's accomplishments includes holding office of Chairman of the National Restaurant Association Marketing Executives Group, developing "REACTS" the first effective computerized reader to advertiser response service in the magazine industry, responsible for exploitation of unique DC-9 Playboy corporate aircraft utilized by Hugh Hefner.

Ragip Devres
Vice President

Mr. Devres has been the Vice president of Devres Real Estate Development and Management, Inc. for the last four years. The company with its roots dating back to 1920, owns and manages residential and commercial real estate valued over \$70 million. Mr. Devres reactivated the development branch of this company by investing in Southern Coast of Turkey where there is an explosion in tourism.

Mr. Devres has a M.A. in Marketing and Finance from Boston College, School of Management. Previous experience includes feasibility analysis for new real estate projects in Southern Florida for Olympia and York.

Menderes Akdag
Chairman, Board of Directors

Mr. Akdag has been the Chief Executive Officer and Director of Lens Express, Inc., for the last three years. Lens Express is the largest distributor of contact lenses and accessories to retail consumers in the United States. Mr. Akdag has overall responsibility for the operation of Lens Express. In addition, he also acts as the Chief Financial Officer and has the responsibility of coordinating marketing and sales activities including advertising and media buying agencies.

Mr. Akdag has a B.S. in Business Administration with a major in finance from the University of Florida where he graduated with high honors. Previous experience includes five years as business manager/controller with Remco Truck Sales, Inc., and two years as finance manager with Beksa Steel Cord Manufacturing and Trading, Inc.

16 C.

TECHNICAL CAPABILITY

TECHNICAL CAPABILITY

Applicant will be a reseller of Bell South services. NeTeL, Inc. d.b.a. TEL3 has the technical capability to provide such service as a result of being a nationwide long distance reseller for three years. We maintain electronic data exchange services with all vendors, including carriers and billing services.