TECHNOLOGIES · MANAGEMENT INC

210 N. Park Ave.
Winter Park, FL
32789

P.O. Drawer 200
Winter Park, FL
32790-0200

Tel: 407-740-8575
Fax: 407-740-0613
tmi@tminc.com

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION
99 SEP -8 AM 11:00
MAIL ROOM

September 7, 1999
Via Overnight Mail

Mr. Walter D'Haeseleer, Director Communications
Florida Public Service Commission
Division of Communication
2540 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, FL 32399-0850

991339-TI

RE: Initial Application and Tariff of Questel, Corp. for Authority to Provide Interexchange Telecommunications Services within the State of Florida.

Dear Mr. D'Haeseleer:

Enclosed for filing are the original and six (6) copies of the above-referenced application of Questel, Corp. Also enclosed is a $250 check to cover the filing fee.

Please acknowledge receipt of this filing by returning, filed stamped, the extra copy of this letter in the self-addressed stamped envelope.

I may be reached at (407) 740-8575 with any questions, comments or correspondence regarding this application. Thank you for your assistance.

Sincerely,

Monique Byrnes

Monique Byrnes
Consultant to
Questel, Corp.

cc: C. Pereira, Questel
file: Questel - FL
tms: fll9900

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check: _______

DOCUMENT NUMBER-DATE
10796 SEP-8 99
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

APPLICATION FORM

for

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

971339

Instructions

- This form is used for an original application for a certificate and for approval of the assignment or transfer of an existing certificate. In case of an assignment or transfer, the information provided shall be for the purchaser, assignee or transferee. (See appendix A.)

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet f or each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

Florida Public Service Commission
Division of Records and Reporting
2450 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(850) 413-6770

- If you have and questions about completing the form, contact:

Florida Public Service Commission
Division of Telecommunications
Bureau of Certification and Service Evaluation
2450 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
(850) 413-6600

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.815, 25-24.810, and 25-24.815

DOCUMENT NUMBER-DATE
10796 SEP-8 98
FPSC-RECORDS/REPORTING

APPLICATION

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

   ☑ **Original certificate** (new company)

   ☐ **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate authority.

   ☐ **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

   Questel Corp.

3. Name under which the applicant will do business (fictitious name, etc.):

   Questel Corp.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

   Name: **Questel Corp.**
   Street: **2999 NE 191st Street, Penthouse 8**
   P.O. Box:
   City: **Aventura**
   State: **Florida**
   Zip Code: **33180**

5. Florida address (including street name & number, post office box, city, state, zip code):

   Name: **Questel Corp.**
   Street: **2999 NE 191st Street, Penthouse 8**
   P.O. Box:
   City: **Aventura**
   State: **Florida**
   Zip Code: **33180**

6. Structure of organization:

- ☐ Individual
- ☐ Foreign Corporation
- ☐ General Partnership
- ☐ Other, Please explain :
- ☑ Corporation
- ☐ Foreign Partnership
- ☐ Limited Partnership

7. **If individual**, provide:

Name:
Title:
Address:
City, State, Zip:
Telephone No.: **Fax No.:**
Internet E-Mail Address:
Internet Website Address:

8. **If incorporated in Florida**, provide proof of authority to operate in Florida:

   (A) The <u>Florida Secretary of State corporate</u> registration number:

   072100000032

9. **If foreign corporation**, provide proof of authority to operate in Florida:

   (A) The <u>Florida Secretary of State corporate</u> registration number:

10. **If using fictitious name-d/b/a**, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

   (A) The <u>Florida Secretary of State fictitious name</u> registration number:

   Not applicable

11. **If a limited liability partnership**, provide proof of registration to operate in Florida:

   (A) The <u>Florida Secretary of State registration</u> Number:

12. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name:
Title:
Address:
City, State, Zip:
Telephone No.: **Fax No.:**
Internet E-Mail Address:
Internet Website Address:

13. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

    (A) The Florida registration number:

14. Provide **F.E.I. Number** (if applicable):

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

    (A) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

    Mr. Camilo Pereira filed a personal bankruptcy action (Chapter 13) in the United States Bankruptcy court for the southern district of Florida. An order of discharge was entered.

    (B) an officer, director, partner or stockholder in any other Florida certificated telephone company, If yes, give name of company and relationship. If no longer associated with company, give reason why not.

    No officer, director, partner or stockholder of the Company was an officer, director, partner or stockholder in any other Florida certificated telephone company.

16. Who will serve as liaison to the Commission with regard to the following?

(A) The application:

Name:	**Monique Byrnes**
Title:	**Consultant, Technologies Management, Inc.**
Address:	**210 N. Park Avenue**
City, State, Zip:	**Winter Park, Fl 32789**
Telephone No.:	**407-740-8575 Fax No.: 407-740-0613**
Internet E-Mail Address:	**mbyrnes@tminc.com**
Internet Website Address:	**www.tminc.com**

(B) Official point of contact for the ongoing operations of the company:

Name:	**Camilo Pereira**
Title:	**President**
Address:	**2999 NE 19th Street, PH-8**
City, State, Zip:	**Aventura, FL 33180**
Internet E-Mail Address:	
Internet Website Address:	

(C) Complaints/Inquiries from customers:

Name:	**Camilo Pereira**
Title:	**President**
Address:	**2999 NE 19th Street, PH-8**
City, State, Zip:	**Aventura, FL 33180**
Telephone No.:	**305-935-1080 Fax No.: 305-935-1031**
Internet E-Mail Address:	
Internet Website Address:	

17. List the states in which the applicant:

(A) has operated as an alternative local exchange company

Not applicable

(B) has applications pending to be certificated as an alternative local exchange company.

Not applicable

(C) is certificated to operate as an alternative local exchange company.

Not applicable

(D) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

Not applicable

(E) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

Not applicable

(F) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

Not applicable

18. Submit the following:

(A) <u>Financial capability.</u>

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer <u>affirming that the financial statements are true and correct</u> and should include:

1. The balance sheet:

2. Income statement: and

3. Statement of retained earnings.

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.

Further, the following (which includes supporting documentation) should be provided:

1. **Written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **Written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **Written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

B. <u>Managerial capability.</u>

Give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

C. <u>Technical capability.</u>

Give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with this application.

UTILITY OFFICIAL:

CEO

Camilo Pereira
Chairman, CEO, President & Director

09-02-99
Date

Telephone: 305-935-1080

Fax Number: 305-935-1031

Address: 2999 NE 19th Street, PH-8
Aventura, FL 33180

ATTACHMENTS:

A- CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B- INTRASTATE NETWORK
C- AFFIDAVIT
GLOSSARY

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

Location	Owned or Leased
1)	
2)	
3)	
4)	

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

Location	Type	Owned or Leased
1)		
2)		
3)		
4)		

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) And indicate if owned or leased.

Type of POP-to POP	Owned or Leased
1)	
2)	
3)	
4)	

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".

UTILITY OFFICIAL:

Camilo Pereira
Chairman, CEO, President & Director

09-22-99
Date

Telephone: 305-935-1080

Fax Number: 305-935-1031

Address: 2999 NE 19th Street, PH-8
Aventura, FL 33180

Questel Corp.

EXHIBIT I

Financials

Questel Corp. is a wholly owned subsidiary of Quest Net Corp. As the applicant Questel Corp. is a newly incorporated venture (2/99), the company submits the financial statements of the parent company.

Questel, Corp.
Statement of Financial Capability

Questel Corp. is a wholly owned subsidiary of Quest Net Corp. The financial statements of Quest Net Corp. are provided with this application. The parent company is prepared to support Questel Corp. financially in its start-up and maintenance phases. The parent company has sufficient financial capability to provide the requested telecommunication services, the financial capability to maintain these services, and the financial capability to meet its lease and ownership obligations.

The financial statements of Quest Net Corp. indicate a healthy current ratio and enough cash and cash flow to sustain the company and its subsidiaries. The Company has stablized and has plans in place to generate to increase revenue generation.

The Company has established a team of professionals with telecommunications experience to support its venture into the telecommunications market. The Company will outsource business functions to obtain expertise and provide a financial and technical competitive advantage in the industry.

QUEST NET CORP

(A Development Stage Company)

To the Board of Directors and Shareholders
Quest Net Corp. and Subsidiaries

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of Quest Net Corp. and subsidiaries (a Florida corporation in the development stage) as of June 30, 1999 and 1998 and the related consolidated statements of operations, shareholders' equity and cash flows for the years ended June 30, 1999 and 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Quest Net Corp. and subsidiaries, as of June 30, 1999 and 1998 and the results of their operations and cash flows for the years ended June 30, 1999 and 1998, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, the Company incurred a net loss of $8,019,883 during the period from November 28, 1995 (inception) through June 30, 1999, negative cash flows from operations and has a limited operating history. These and other factors discussed in Note A to the consolidated financial statements raise a substantial doubt about the ability of the Company to continue as a going concern. Management's plans in regard to those matters are also described in Note A. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Pro forma financial information provided in Note G giving effect to the Company's acquisition of Wings Online, Inc. is on an unaudited basis.

Cordovano and Harvey, P.C.

Cordovano and Harvey, P.C.
Denver, Colorado
July 10, 1999

QUEST NET CORP.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

JUNE 30, 1999

ASSETS

CURRENT ASSETS		
Cash	$	3,298,289
Accounts receivable, net of $867,842 allowance		11,084
Accounts receivable, other		2,276
Prepaid expenses		29,155
TOTAL CURRENT ASSETS		3,340,804
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $266,159 (Note C)		1,329,364
PROPERTY NOT IN SERVICE (Note C)		434,144
INTANGIBLE ASSETS, net of accumulated amortization of $41,453 (Note A)		501,031
DEPOSITS		69,800
	$	5,675,143

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable, trade	$	44,114
Accrued compensation (Note E)		1,118,265
Accrued expenses		25,506
Accrued payroll taxes		64,814
TOTAL CURRENT LIABILITIES		1,252,699
COMMITMENTS (Note H)		-
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 5,000,000 shares authorized; -0- shares issued and outstanding, respectively		-
Common stock, no par value; 50,000,000 shares authorized;		
22,045,500 shares issued and outstanding		12,435,136
47,000 outstanding common stock warrants		7,191
Deficit accumulated during development stage		(8,019,883)
TOTAL SHAREHOLDERS' EQUITY		4,422,444
	$	5,675,143

See accompanying notes to the consolidated financial statements

QUEST NET CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended June 30, 1999	1998	November 28, 1995 (inception) Through June 30, 1999 (Unaudited)
REVENUES			
Internet related services	$ 136,361	$ -	$ 136,361
OTHER:			
Software sales and development (Note H)	933,837	-	933,837
TOTAL REVENUES	1,070,198	-	1,070,198
COSTS AND EXPENSES			
Cost of internet related services	95,088	-	95,088
Cost of revenues - software sales and development	600,000	-	600,000
Stock based compensation	6,109,110	-	6,109,110
Bad debt expense	893,095	-	893,095
Salaries and bonuses	383,160	-	383,160
General and administrative	634,861	4,761	642,325
Depreciation and amortization	313,367	-	313,367
Loss on disposal of assets	56,559	-	56,559
TOTAL OPERATING EXPENSES	9,085,240	4,761	9,092,704
OPERATING LOSS	(8,015,042)	(4,761)	(8,022,506)
NON-OPERATING INCOME (EXPENSE)			
Interest expense	(5,943)	-	(5,943)
Interest income	8,566	-	8,566
NET LOSS BEFORE INCOME TAXES	$ (8,012,419)	$ (4,761)	$ (8,019,883)
INCOME TAXES (NOTE F)			
Current tax benefit	1,348,598	678	1,349,662
Deferred tax expense	(1,348,598)	(678)	(1,349,662)
NET LOSS	$ (8,012,419)	$ (4,761)	$ (8,019,883)
NET LOSS PER SHARE:			
Basic	$ (0.71)	$ (0.02)	
Diluted	$ (0.71)	$ (0.02)	
SHARES USED FOR COMPUTING NET LOSS PER SHARE:			
Basic	11,351,263	240,000	
Diluted	11,351,263	240,000	

See accompanying notes to the consolidated financial statements

QUEST NET CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
From November 28, 1998 (inception) through June 30, 1999 (Unaudited)

	Preferred Stock		Common Stock			Deficit Accumulated During Development Stage	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Warrants		
Balance, November 28, 1995 (inception)	-	$ -	-	$ -	$ -	$ -	$ -
Net loss for the period ended June 30, 1996	-	-	-	-	-	-	-
BALANCE, June 30, 1996	-	-	-	-	-	-	-
July 3, 1996, shares issued for cash (Note B)	300,000	3,000	-	-	-	-	3,000
September 4, 1996, shares issued for cash	-	-	240,007 *	1,200	-	-	1,200
Net loss for the year ended June 30, 1997	-	-	-	-	-	(2,703)	(2,703)
BALANCE, June 30, 1997	300,000	3,000	240,007 *	1,200	-	(2,703)	1,497
June 15, 1998, cancellation of preferred stock	(300,000)	(3,000)	-	3,000	-	-	-
June 16, 1998, capital contributed by officer	-	-	-	70	-	-	70
June 30, 1998, shares issued in asset acquisition (Note D)	-	-	200,000 *	125,274	-	-	125,274
Net loss for the year ended June 30, 1998	-	-	-	-	-	(4,761)	(4,761)
BALANCE, June 30, 1998	-	-	440,007 *	129,544	-	(7,464)	122,080
July 27, 1998 shares issued for software purchase (Note D)	60,000	600,000	-	-	-	-	600,000
November 2, 1998, shares issued for services, valued at cost of services	-	-	200,000	25,000	-	-	25,000
November 16, 1998, conversion of preferred shares	(60,000)	(600,000)	300,000	600,000	-	-	-
November 23, 1998, shares issued for cash, net of $2,950 offering costs	-	-	50,000	97,050	-	-	97,050
December 1, 1998, shares issued for officers' compensation (Note E)	-	-	1,310,693	4,013,997	-	-	4,013,997
December 11, 1998, shares issued pursuant to employment agreements	-	-	175,000	514,063	-	-	514,063
December 22, 1998, shares issued in exchange for equipment (Note D)	100,000	1,000,000	2,607,660	724,520	-	-	724,520
December, 1998, shares issued for cash	-	-	50,000	50,000	-	-	50,000

* Restated (See Note D)

QUEST NET CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
From November 28, 1998 (inception) through June 30, 1999 (Unaudited)

	Preferred Stock		Common Stock			Deficit Accumulated During Development Stage	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Warrants		
January 5, 1999, shares issued for compensation at market value of stock	-	-	17,667	178,878	-	-	178,878
January 5, 1999, shares issued for payment of offering costs of $15,000	-	-	24,000	-	-	-	-
Shares issued in three for one common stock dividend (Note D)	-	-	15,525,081	-	-	-	-
January 7, 1999, shares issued for cash	-	-	25,000	75,000	-	-	75,000
January 21, 1998, shares issued for services at cost of services	-	-	101,333	7,600	-	-	7,600
January 1999, shares issued for purchase of domain names	-	-	1,500	7,000	-	-	7,000
January 25, 1999, shares issued for cash	-	-	132,915	692,809	-	-	692,809
January 25, 1999, 47,000 warrants issued for cash	-	-	-	-	7,191	-	7,191
February 15, 1999, shares issued in acquistion of Wings Online, Inc. (Note G)	-	-	29,326	200,000	-	-	200,000
February 12, 1999, shares issued pursuant to employment agreement	-	-	100,000	154,675	-	-	154,675
March 2, 1999, shares issued for services, valued at cost of services	-	-	4,000	5,000	-	-	5,000
March 10, 1999, shares issued for services at market value of stock	-	-	677	10,000	-	-	10,000
May 3, 1999, shares issued in exchange for property	-	-	39,894	300,000	-	-	300,000
May 27, 1999, shares issued for cash, net of $350,000 offering costs	-	-	910,747	4,650,000	-	-	4,650,000
July, 1999 cash redemption of preferred stock (Note X)	(100,000)	(1,000,000)	-	-	-	-	-
Net loss for the year ended June 30, 1999	-	-	-	-	-	(8,012,419)	(8,012,419)
BALANCE, JUNE 30, 1999	-	$ -	22,045,500	$ 12,435,136	$ 7,191	$ (8,019,883)	$ 4,422,444

See accompanying notes to the consolidated financial statements

QUEST NET CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended June 30, 1999	1998	November 28, 1995 (inception) Through June 30, 1999 (Unaudited)
OPERATING ACTIVITIES			
Net loss	$ (8,012,419)	$ (4,761)	$ (8,019,883)
Transactions not requiring cash:			
Depreciation and amortization	313,367	-	313,367
Loss on disposal of assets	56,559	-	56,559
Increase to allowance for doubtful accounts	867,842	-	867,842
Non-cash software cost of revenues	600,000	-	600,000
Stock based compensation expense	6,109,110	-	6,109,110
Changes in current assets and current liabilities:			
Increase in receivables and prepaid expenses	(910,357)	-	(910,357)
Increase in accounts payable and accrued liabilities net of effects from purchase of Wings Online, Inc	23,000	3,237	26,237
NET CASH USED IN OPERATING ACTIVITIES	(952,898)	(1,524)	(957,125)
INVESTING ACTIVITIES			
Equipment and leasehold purchases	(118,756)	-	(118,756)
Proceeds from sale of equipment	2,100	-	2,100
Cash paid for deposits	(69,250)	-	(69,250)
Purchase of Wings Online, Inc, net of $-0- cash received	(135,000)	-	(135,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(320,906)	-	(320,906)
FINANCING ACTIVITIES			
Capital contribution	-	70	70
Sale of preferred stock	-	-	3,000
Sale of common stock and warrants	5,925,000	-	5,926,200
Cash paid for offering costs	(352,950)	-	(352,950)
Redemption of preferred stock	(1,000,000)	-	(1,000,000)
Proceeds from issuance of notes to related party	214,900	-	214,900
Principal payments of related party notes	(214,900)	-	(214,900)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,572,050	70	4,576,320
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,298,246	(1,454)	3,298,289
Cash and cash equivalents, beginning	43	1,497	-
Cash and cash equivalents, ending	$ 3,298,289	$ 43	$ 3,298,289
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 5,943	$ -	$ 5,943
Cash paid for income taxes	$ -	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
2,000,000 common shares issued for property	$ -	$ 125,274	$ 125,274
2,649,054 common shares issued for property	$ 1,031,520	$ -	$ 1,031,520
160,000 preferred shares issued for property and software	$ 1,600,000	$ -	$ 1,600,000
24,000 common shares issued for payment of offering costs	$ 15,000	$ -	$ 15,000
29,326 common shares issued in acquisiton of Wings Online, Inc	$ 200,000	$ -	$ 200,000

See accompanying notes to the consolidated financial statements

QUEST NET CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A: Organization, business, liquidity and summary of significant accounting policies

Organization and business

Quest Net Corp. (the "Company") was incorporated in the state of Colorado on November 28, 1995 under the name of A. P. Sales, Inc. The Company was formed for the purpose of entering the office furniture repair and reconditioning market. In June of 1998, the Company acquired certain assets related to the internet services industry and became a provider of Internet system and network management solutions for enterprises with mission-critical Internet operations, including server hosting, Internet connectivity, and Internet technology services. At that time, the Company changed its name to Quest Net Corp. The Company reincorporated in Florida in December 1998.

As shown in the accompanying financial statements, the Company incurred a net loss of $8,019,883 during the period from November 28, 1995 (inception) through June 30, 1999, and has a limited operating history. Those factors, as well as the uncertain condition that the Company faces as a new business with an unproven business model entering the new and rapidly evolving market of online commerce and the Internet, create an uncertainty about the Company's ability to continue as a going concern.

Management plans to commence significant operations during the next fiscal year, reduce expenses resulting from stock based compensation and raise an additional $5,000,000 in equity financing. The ability of the Company to continue as a going concern is dependent on the success of these plans, and ultimately upon achieving profitability. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Summary of significant accounting policies:

Basis of presentation

The Company's primary operations since July 1998 have been devoted to developing its Internet services business and raising capital. As a result, the consolidated financial statements are presented in accordance with Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises." In order to generate significant revenues and become an operating business, the Company will need to continue to market its internet access services to customers in its current markets and in markets to be acquired.

QUEST NET CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies continued:

Principles of Consolidation
The Company's consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; Wings Online, Inc., IPQuest Corp., Quest Wireless Corp., Globalbot Corp., QuesTel Corp. and Quest Fiber Corp. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain prior-year amounts have been reclassified for comparative purposes to conform to the current-year presentation.

Cash and cash equivalents
The Company considers all short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value. The Company has concentrated its credit risk for cash by maintaining its cash in one money market account. The maximum loss that would have resulted from that risk totaled $4,351,891 at June 30, 1999. The Company has not experienced any losses in the account and believes it is not exposed to any significant credit risk to cash.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which is estimated to be three to five years. Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

Leasehold improvements are amortized over the life of the existing lease of sixty months.

QUEST NET CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies continued:

Intangible assets
Intangible assets are stated net of accumulated amortization and include a non-compete agreement acquired as a result of the Company's acquisition of Wings Online, Inc. and goodwill resulting from the Company's purchase of equipment and certain other assets from AVX Communications. Amortization is provided using the straight-line method over three years. The Company evaluates on a regular basis whether events and circumstances have occurred that indicate that the carrying amount of intangible assets may warrant revision. Management believes that there has been no impairment to the intangible assets as reflected in the Company's consolidated financial statements as of June 30, 1999.

Long-lived assets
The Company periodically reviews the values assigned to long-lived assets, such as property and equipment, to determine whether any impairments are other than temporary. Management believes that the long-lived assets in the accompanying balance sheets are appropriately valued.

Sources of supplies
The Company relies on third-party networks, local telephone companies and other companies to provide data communications capacity. Although management feels alternative telecommunications facilities could be found in a timely manner, any disruption of these services could have an adverse effect on operating results.

Income taxes
Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the recorded book basis and tax basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes.

Revenue recognition
The Company recognizes revenue when services are provided.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies continued:

Stock-based compensation
SFAS No. 123, "Accounting for Stock-Based Compensation" permits the use of either a fair value based method or the method defined in Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") to account for stock-based compensation arrangements. Companies that elect to use the method provided in APB 25 are required to disclose pro forma net income and earnings per share that would have resulted from the use of the fair value based method. The Company has elected to continue to determine the value of stock-based compensation arrangements under the provisions of APB 25 and, accordingly, has included pro forma disclosures under SFAS No. 123 in Note E.

Fair value of financial instruments
SFAS 107, "Disclosure About Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. The Company has determined, based on available market information and appropriate valuation methodologies, the fair value of its financial instruments approximates carrying value. The carrying amounts of cash, accounts receivable, prepaid expenses, accounts payable, accrued compensation, and other accrued liabilities approximate fair value due to the short-term maturity of the instruments.

Loss per share
In February 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 128, "Earnings Per Share" (SFAS 128). The Company adopted SFAS 128 for the two year period ended June 30, 1999. Under SFAS 128, net loss per share-basic excludes dilution and is determined by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. Net loss per share-diluted reflects the potential dilution that could occur if securities and other contracts to issue common stock were exercised or converted into common stock. As of June 30, 1999, there were 87,999 stock options and 47,000 common stock purchase warrants outstanding which were not included in the calculation net loss per share-diluted because they were antidilutive.

Recently issued accounting pronouncements
The Company has adopted the following new accounting pronouncements for the year ended June 30, 1999. There was no material effect on the financial statements presented from the adoption of the new pronouncements.

SFAS No. 130, "Reporting Comprehensive Income," requires the reporting and display of total comprehensive income and its components in a full set of general-purpose financial statements.

Summary of significant accounting policies continued:

Recently issued accounting pronouncements continued
SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," is based on the "management" approach for reporting segments. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosure about the Company's products, the geographic areas in which it earns revenue and holds long-lived assets, and its major customers.

SFAS No. 132, "Employers' Disclosures about Pensions and Other Post-retirement Benefits," which requires additional disclosures about pension and other post-retirement benefit plans, but does not change the measurement or recognition of those plans.

Statement of Position ("SOP") 98-1, "Accounting for the costs of Computer Software Developed or Obtained for Internal Use." This SOP requires that entities capitalize certain internal-use software costs once certain criteria are met.

SOP 98-5, "Reporting on the costs of Start-Up Activities." SOP 98-5 provides, among other things, guidance on the reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred.

The Company will continue to review these new accounting pronouncements over time, in particular SFAS 131 and SOP 98-1, to determine if any additional disclosures are necessary based on evolving circumstances.

Note B: Related party transactions

For the year ended June 30, 1999
During the year ended June 30, 1999 the President of the Company and another entity owned by the President of the Company, paid on behalf of the Company certain expenses totaling $103,976. The President also advanced $35,648 to the Company for working capital purposes. The Company repaid $29,725 to the President and issued a seven and half percent note payable to the President for the remaining $109,899. As of June 30, 1999, the Company repaid the note and accrued interest of $3,241 for a total of $113,140.

The President advanced the Company an additional $105,000 in exchange for a note payable to the President. The Company repaid the $105,000 within sixty days of issuance of the note, and did not accrue any interest.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B: Related party transactions continued
The Company paid $35,000 to an affiliate for consulting fees related to the Company's proposed plan to expand into international markets.

From time to time during the year ended June 30, 1999, the Company paid certain expenses related to ventures the President is associated with, but have no relative business purpose to the Company. The amounts totaled $97,360 and have been deducted from amounts accrued and payable to the President pursuant to his employment agreement. See Note H – Commitments and contingencies

For the year ended June 30, 1998 and the period November 28, 1995 (inception) through June 30, 1998 – On July 3, 1996, the Company issued 300,000 shares of its no par value preferred stock to an officer and an affiliate company for $3,000. In June 1998, the preferred shares were cancelled and the related $3,000 was reclassified as a capital contribution.

Note C: Property and equipment

Furniture and equipment consisted of the following at June 30:

	1999	1998
Office equipment	$ 44,588	$ 8,196
Computer equipment	1,468,317	66,966
Software	56,588	49,562
Artwork	9,545	-
Leasehold improvements	16,485	-
	1,595,523	124,724
Less accumulated depreciation	(266,159)	-
	$ 1,329,364	$ 124,724

Depreciation expense for the years ended June 30, 1999, 1998 and inception (November 28, 1995) through June 30, 1999 totaled $271,877, $-0-, and $271,877, respectively.

As discussed in Note A to the financial statements, the Company has not yet fully commenced planned operations. Certain computer equipment that was acquired during the year ended June 30, 1999 has not yet been placed in service. The cost of the equipment not being used at June 30, 1999 is $434,144 and accordingly the Company has not recorded any depreciation expense related to the unused equipment. Management expects the equipment to be placed in service during the Company's next fiscal year.

QUEST NET CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D: Shareholders' equity

Preferred Stock
The Company is authorized to issue five million shares of no par value preferred stock which may be issued in series with such designations, preferences, stated values, rights, qualifications or limitations as determined by the Board of Directors.

During the year ended June 30, 1999, the Company issued 60,000 shares of its convertible preferred stock with a stated value of $10 per share in exchange for certain software used in transacting credit card business over the internet. The preferred stock was convertible into the Company's common stock based on a discount of the average bid price for the Company's common stock on the date of conversion. The preferred stock was converted into 300,000 shares in November 1998.

During the year ended June 30, 1999, the Company issued 100,000 shares of its convertible redeemable preferred stock with a stated value of $10 per share, along with 2,607,660 shares of its common stock in exchange for computer equipment at a cost of $2,000,000. 480,000 of those shares were issued pursuant to an exemption from registration as discussed below. Based on a third party independent appraisal of the equipment, the Company recorded the transaction at the fair value of the equipment of $1,724,520.

Common Stock
On June 30, 1998, the Company issued 200,000 (restated from 2,000,000 for reverse stock split) shares of its no par value common stock pursuant to an Asset Purchase and Sale Agreement, whereby the Company would receive certain assets from PACT Communication Group, Inc. – See Note G.

On October 16, 1998 the Company reversed its 4,400,000 outstanding common shares to 440,000 to give effect to a one for ten reverse split approved by the shareholders.

On December 31, 1998, the board of directors approved a three for one common stock dividend to shareholders of record as of January 6, 1999. The number of shares issued in the dividend of 15,525,081 was greater than twenty five percent of the outstanding shares prior to the dividend, therefore the Company has accounted for the transaction as if it were a forward three-for-one stock split.

Note D: Shareholders' equity continued

Common stock continued

During the year ended June 30, 1999 the Company sold 1,039,248 of its no par value common stock in exchange for $925,000 in cash, $42,400 of equipment (see discussion of equipment acquired for $2,000,000 above) and services valued at the cost of the services of $32,600. The offerings were conducted on behalf of the Company through its executive officers and directors. The shares offered were not registered and were offered pursuant to an exemption from registration claimed under Section 3(b) of the Securities Act of 1933, as amended, and Rule 504 of Regulation D promulgated thereunder. The Company incurred $17,950 in legal costs related to the offerings. The offering costs were paid in $2,950 cash and in the issuance of 24,000 shares of the Company's restricted stock valued at the cost of the services of $15,000. The costs have been deducted from the offering proceeds and are recorded as such in the accompanying consolidated financial statements.

Shares sold to one shareholder in conjunction with the above-mentioned offering also included 47,000 warrants to purchase additional shares of the Company's no par value common stock for $9.40 per share. The warrants may be exercised anytime beginning January 25, 2000 and prior to January 25, 2001. The Company valued the warrants at $7,191 using pricing methods similar to those used in valuing options under SFAS 123.

In January 1999 the Company acquired from two different individuals the rights to the domain names Boats Online and Cars Online for $10,000 and $4,000, respectively. The purchase price was paid in 1,000 and 500 shares of the Company's restricted stock, respectively valued at $5,000 and $2,000 along with $5,000 and $2,000 in cash, respectively.

On February 12, 1999 the Company issued 29,326 shares of its restricted common stock valued at the market price of the Company's free-trading common shares or $200,000 and $135,000 in cash, in exchange for all of the outstanding shares of Wings Online, Inc. - See Note G.

On May 3, 1999 the Company entered into an agreement with AVX Communications whereby the Company would receive certain assets valued at $300,000 in exchange for the issuance of 39,894 shares of the Company's restricted common stock. – See Note G.

On May 27, 1999, pursuant to an exemption from registration claimed under Section 3(b) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder, the Company sold 910,747 shares of its common stock for $5,000,000 to one shareholder. The costs of the offering were legal and finders' fees of $350,000, which have been deducted from the proceeds of the offering in the accompanying consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E: Stock based compensation

On December 11, 1998, pursuant to employment contracts with key management and officers, the Company issued 175,000 shares of the Company's common stock as compensation to three employees. The Company has recorded stock compensation expense of $514,063 based on the market price of the Company's free-trading common stock as of the date of the grant which was December 1, 1998.

On January 5, 1999 the Company issued 10,000 shares of its restricted common stock to a former officer of the Company as payment for services. The stock was valued at the market price of the Company's free-trading common stock as of January 5, 1999 and accordingly the Company has recorded $101,250 in stock compensation expense.

On January 5, 1999 the Company issued 7,667 shares of its restricted common stock, valued at the market price of the Company's free-trading common stock as of January 5, 1999, to its board of directors and accordingly recorded a $77,628 charge to operations as directors' fees.

On February 12, 1999, the Company issued to an officer of the Company 100,000 shares of the Company's restricted common stock as payment pursuant to the officer's employment agreement. The employment agreement dated July 1, 1998 states that the officer is to receive 50,000 shares per year, 25,000 of which is to be issued each six months beginning January 1. The Company failed to issue the officer the 25,000 shares prior to the three for one dividend effective January 6, 1999. Therefore to make the officer whole, the Company issued 100,000 shares, valuing them at the total value of 25,000 shares at the market price of the Company's free-trading stock which was $6.187 on January 1, 1999, resulting in stock compensation expense of $154,675.

On March 2, 1999 as payment for $5,000 in consulting services, the Company issued 4,000 shares of its restricted common stock, valued at the cost of the services.

On March 10, 1999 as payment for $10,000 in consulting services, the Company issued 677 shares of its restricted common stock, valued at the cost of the services.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E: Stock based compensation continued

Common stock options
On September 9, 1998 the board of directors approved a performance bonus plan in the form of common stock options with an exercise price of $.012 to the President and CEO of the Company. The President would receive one share of restricted common stock for every $100.00 of earning assets (increase in total assets) generated prior to and after September 9, 1998. The number of shares to be received as options are to be calculated at the end of each quarter and expire five years from the date of grant which is considered to be the date both the strike price and number of shares are determined. On December 1, 1998, based on unaudited quarterly financial information, the board of directors granted to the President options to purchase 1,310,693 shares of the Company's restricted common stock for $.012 per share. The Company recorded stock compensation expense in accordance with APB 25 of $3,998,269 which was the difference between the exercise price of $.012 and the market value of the Company's common stock on December 1, 1998 of $3.05. The President exercised the options in December of 1998. No other options have been granted pursuant to the performance bonus plan.

On March 26, 1999, the Company granted options to its three outside directors to purchase 5,000 shares of the Company's common stock for $6.00 per share, which was the market value of the Company's common stock on that date. The options vest in two equal increments of 2,500 shares six months and twelve months from the date of grant, as long as the option holders are members of the board at time of vesting. The options expire two years from date of vesting. As of June 30, 1999 none of the options were vested.

On March 30, 1999 the Company granted options for 9,999 shares of its common stock, exercisable for $6.00 per share. The options vest on March 30, 2000 and expire on March 30, 2002. The options were granted at the market value of the Company's common stock as of March 30, 1999. In accordance with APB 25, no compensation expense was recorded.

On April 5, 1999 the Company granted options for 25,000 shares of its common stock, exercisable for $4.00 per share, to a former officer. The options were vested on the date of grant and expire April 5, 2000. The options were granted at the market value of the Company's common stock as of April 5, 1999. In accordance with APB 25, no compensation expense was recorded.

On May 17, 1999 the Company granted options for 10,000 shares of its common stock, exercisable for $7.25 per share to certain consultants. The options were granted at the market value of the Company's common stock as of May 17, 1999. They are fully vested and expire on May 17, 2001. In accordance with APB 25, no compensation expense was recorded.

Note E: Stock based compensation continued

Common stock options continued

On May 17, 1999 the Company granted options for 28,000 shares of its common stock, exercisable for $7.25 per share to certain employees. The options were granted at the market value of the Company's common stock as of May 17, 1999. The options vest in six months from the date of grant. As of June 30, 1999 none of the options were vested. In accordance with APB 25, no compensation expense was recorded.

Summary

A summary of the status of the Company's stock option awards as of June 30, 1999, and the changes during the period ended June 30, 1999 is presented below:

Fixed Options	Number
Outstanding at June 30, 1998.....	-
Granted..............................	1,398,692
Exercised............................	(1,310,693)
Canceled............................	-
Outstanding at June 30, 1999.....	87,999

The weighted average exercise price per share for the 87,999 outstanding options at June 30, 1999 was $5.97.

SFAS 123

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting form Stock-Based Compensation". SFAS 123 encourages the use of a fair value based method of accounting for compensation expense associated with stock option awards and similar plans. SFAS 123 permits the continued use of the intrinsic value based method prescribed by APB 25, but requires additional disclosures, including pro forma calculations of net earnings and earnings per share, as if the fair value method of accounting prescribed by SFAS 123 had been applied for the applicable periods.

The fair value of each option granted has been estimated as of the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions: risk-free interest rate of 5.63 percent, expected volatility of 80 percent, expected life of two years, and no expected dividends. During the year ended June 30, 1999, the weighted-average fair values of options granted were $2.03 for options granted with an exercise price equal to the market price of the stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E: Stock based compensation continued

SFAS 123 continued
Had compensation expense been determined based on the fair value at the grant date, and charged to expense over vesting periods, consistent with the provisions of SFAS 123, the Company's net loss and net loss per share would have increased to the pro forma amounts indicated below:

	Amount
As reported:	
Net loss	$ (8,012,419)
Net loss per share - basic and diluted	$ (0.71)
Pro Forma:	
Net loss	$ (8,140,406)
Net loss per share - basic and diluted	$ (0.72)

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. Option valuation models also require the input of highly subjective assumptions such as expected option life and expected stock price volatility. Because the Company's stock-based awards have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes that the existing option valuation models do not necessarily provide a reliable single measure of the fair value of its stock-based awards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F: Income taxes

A reconciliation of the U.S. statutory federal income tax rate to the effective tax rate follows for the years ended June 30, 1999 and 1998:

	June 30, 1999	June 30, 1998	November 28, 1995 (Inception) Through June 30, 1999
U.S. statutory federal rate	34.00%	15.00%	34.00%
State income tax rate, net of federal benefit	-	4.25%	-
Permanent differences:			
Deferred offering costs	1.42%		1.42%
Excess officers compensation	(15.42%)		(15.42%)
Other	(.02%)		(.02%)
Temporary differences:			
Depreciation expense	.20%		.20%
Allowance for bad debt	(3.35%)		(3.35%)
Net operating loss for which no tax benefit is currently available	(16.83)	(19.25%)	(16.83)
	- %	-%	- %

At June 30, 1999 and 1998, deferred taxes consisted of the following:

	June 30, 1999	June 30, 1998
Deferred tax assets,		
Net operating loss	$ 1,349,662	$ 1,064
Valuation allowance	(1,349,662)	(1,064)
Net deferred taxes	$ -	$ -

The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery. The change in the valuation allowance for the years ended June 30, 1999 and 1998 totaled $1,348,598 and $678, respectively. The net operating loss carryforward expires through the year 2018.

Note F: Income taxes, continued

The valuation allowance will be evaluated at the end of each year, considering positive and negative evidence about whether the deferred tax asset will be realized. At that time, the allowance will either be increased or reduced; reduction could result in the complete elimination of the allowance if positive evidence indicates that the value of the deferred tax assets is no longer impaired and the allowance is no longer required.

Should the Company undergo an ownership change as defined in Section 382 of the Internal Revenue Code, the Company's tax net operating loss carryforwards generated prior to the ownership change will be subject to an annual limitation which could reduce or defer the utilization of these losses.

Note G: Acquisitions

Wings Online, Inc.
On February 15, 1999 the Company purchased all of the outstanding common stock of Wings Online, Inc. ("Wings") in exchange for $135,000 cash and 29,326 of the Company's common stock valued at $200,000. Net assets of Wings as of the date of the acquisition totaled $3,372, which approximated fair value. As part of the acquisition, the previous shareholders of Wings entered into an agreement to not compete with the Company for thirty-six months. The excess of the purchase price over the fair value of the assets, in the amount of $331,628 has been allocated to the non-compete agreement and is being amortized over the life of the agreement. Amortization expense of $41,453 has been recorded in the accompanying consolidated financial statements for the year ended June 30, 1999.

The Company has recorded the transaction as a purchase in accordance with Accounting Principles Board Opinion No. 16. The accompanying consolidated financial statements include the results of operations of Wings from the date of the acquisition, February 15, 1999 through June 30, 1999.

The following unaudited pro forma condensed consolidated statement of operations gives effect to the acquisition of Wings as if it had occurred at the beginning of the period presented. The unaudited pro forma financial information should be read in conjunction with the separate audited financial statements and notes thereto of each of the companies included in the pro forma.

The unaudited pro forma condensed consolidated statement of operations are not necessarily indicative of results of operations had the acquisition occurred at the beginning of the periods presented nor of results to be expected in the future.

Note G: Acquisitions continued

Wings Online, Inc. continued

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended June 30, 1999

	Quest Net	Wings	Adjustments	Pro forma Consolidated
Revenues	$ 1,070,198	$ 105,169	(58,705)	$ 1,116,662
Operating expenses	(9,085,240)	(97,668)	(7,798)	(9,190,706)
(Loss) income from operations	(8,015,042)	7,501	(66,503)	(8,074,044)
Interest expense	(5,943)	-	-	(5,943)
Interest income	8,566	-	-	8,566
Net (loss) income	(8,012,419)	7,501	(66,503)	(8,071,421)
Net (loss) income per share - basic and diluted	$ (0.71)	$ 37.50		$ (0.71)
Basic and diluted shares outstanding	11,351,263	200		11,351,263

Pro forma adjustments
The consolidated financial statements of Quest Net include the results of operations of Wings for the period February 15, 1999 through June 30, 1999. The financial information of Wings presented in the pro forma statement are the results of operations for Wings for the year ended June 30, 1999. Therefore the adjustments reduce the pro forma consolidated information for the duplication of the period February 15, 1999 through June 30, 1999 by the following: Revenues: $58,705, Operating expenses: $61,292, Loss from operations and Net loss: $2,587. The adjustments also include the increased amortization expense resulting from the non-compete agreement as if the agreement was amortized for the full year of $69,090.

The unaudited pro forma condensed consolidated financial information do not show any adjustments for a change in the income tax benefit as the total pro forma consolidated benefit for income taxes would be offset by any valuation allowance due to any deferred tax asset derived from net operating losses. The valuation allowance offsets the net deferred tax asset for which there is no assurance of recovery.

Asset acquisitions
On May 3, 1999, the Company purchased certain assets, including computers, software licenses, video editing and studio equipment, office equipment, inventory, contracts for software development and interactive kiosk systems and related software for $300,000 from AVX Communications. The purchase price was paid in 39,894 shares of the Company's restricted common stock, valued at the average bid and asked price for the three trading days prior to closing. The fair value of the assets received is $89,144.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G: Acquisitions continued

Asset acquisitions continued
The excess of the purchase price over the fair value of the assets received is $210,856 and has been recorded as goodwill in the accompanying consolidated financial statements. As of June 30, 1999, the assets were still in transit and had not been placed in service. The $89,144 attributed to the equipment and software is recorded in the Company's consolidated balance sheet as "Property not in service." As of June 30, 1999 the Company had not amortized any of the goodwill, however management intends to assess the estimated useful life of the goodwill once the assets are place in service and amortize the goodwill on a straight-line basis over the estimated useful life.

On June 24, 1998, the Company entered into an agreement with PACT Communication Group, Inc. ("Pactcom") to acquire certain assets of Pactcom in exchange for 2,000,000 shares of the Company's restricted common stock. The Company's President was also a significant shareholder and officer of Pactcom, therefore the transaction was recorded as a transfer of assets between entities under common control and has been recorded at the historical cost basis of Pactcom as determined under generally accepted accounting principles.

The assets acquired include equipment, software, furniture and an office lease deposit, which have been recorded on the Company's books at $125,274. The Company also acquired Pactcom's contracts with BellSouth Telecommunications, Inc. ("Bellsouth") and WorldPass Communications Corporation ("WorldPass"), office leases and certain employment agreements. There was no value assigned to any of the above contracts in conjunction with the acquisition. Based on the total value assigned to the assets received, the Company has valued the 200,000 (restated from 2,000,000) shares issued, as consideration for the assets, at $125,274.

During the year ended June 30, 1999, the Company discovered that the BellSouth contract could not be assigned by Pactcom to the Company and Pactcom has subsequently terminated the contract. Amounts due under the contract for any services or termination costs have not been accrued on the Company's records as management believes that the costs should accrue to Pactcom.

The WorldPass contract was terminated during the year ended June 30, 1999.

Note H: Commitments and contingencies

Litigation
The Company is involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of such proceedings with certainty, in the opinion of the Company's management, all such proceedings should not materially result in any liability, which would have a material adverse effect on the financial position, liquidity or results of operations of the Company.

As noted in the accompanying consolidated financial statements, the Company has recorded a reserve for the doubtful collection of accounts receivable totaling $867,842 of which substantially all of which is due from one customer. The receivables resulted from the Company's sale of certain software and revenue generated from the installation and modifications to the software. The Company has filed lawsuit against the customer. The lawsuit is in the discovery stage and management is unable to determine at June 30, 1999 the outcome of the lawsuit.

Employment contracts
The Company has employment agreements and arrangements with its executive officers. The agreements are dated March 20, 1998 and July 1, 1998. The contracts provide for an annual issuance of 300,000 and 50,000 shares of the Company's common stock, respectively, with fifty percent of the annual awards payable every six months. During the year ended June 30, 1999 the Company incurred compensation expense related to the contracts of $1,729,675, resulting from the issuance of 175,000 common shares valued at the market price of the Company's common stock on the anniversary date of the awards. 160,022 shares not issued, but due at June 30, 1999 total $1,037,015, net of 14,978 shares valued at $97,360 for the repayment of certain advances made to the President of the Company. The accrual is recorded in the accompanying consolidated financial statements as accrued stock compensation expense. – See Note B – Related party transactions

The Company had employment agreements with certain key management during the year June 30, 1999. The agreements were terminated during the year. Amounts paid as stock compensation pursuant to the agreements were 25,000 shares valued at $73,438, which is recorded in the accompanying consolidated financial statements as stock compensation expense. Amounts due at June 30, 1999 for unissued common stock awards of 12,500 shares have been accrued as stock compensation expense of $81,250 and is recorded in the accompanying consolidated financial statements as accrued stock compensation expense.

Note H: Commitments and contingencies continued

Non-cancelable leases

The Company leases office space under three separate non-cancelable operating leases that expire in January 2004. Total office rent expense incurred under these leases for the years ended June 30, 1999 and 1998 and for the period November 28, 1995 (inception) through June 30, 1999 was $25,565, $-0- and $25,565, respectively. Future minimum lease payments for the leases with initial terms in excess of one year as of June 30, 1999 are as follows:

June 30, 2000..........	$	117,494
June 30, 2001..........	$	117,494
June 30, 2002..........	$	117,494
June 30, 2003..........	$	117,494
June 30, 2004..........	$	65,698

Note I – Year 2000 Compliance

The Year 2000 issue ("Y2K") is the result of computer programs written using two digits rather than four to define the applicable year. Any of the Company's computer and telecommunications programs that have date sensitive software may recognize a date using "00" as the year 1900 instead of 2000. This could result in system failure or miscalculations causing disruptions in operations, including the ability to process transactions, send invoices, or engage in similar normal business activities. The Company is currently assessing its current computer systems and has yet to determine the extent, if any, of non-compliance. There is no certainty that the Company will not experience Y2K issues.

The Company cannot determine the extent to which the Company is vulnerable to third parties' failure to remediate their own Y2K problems. As a result, there can be no guarantee that the systems of other companies on which the Company's business relies will be timely converted, or that failure to convert by another company, or a conversion that is incompatible with the Company's systems, would have a material adverse affect on the Company. In view of the foregoing, there can be no assurance that the Y2K issue will not have a material adverse effect on the Company's business.

Note J – Subsequent event

In July 1999, the Company redeemed its outstanding preferred stock for $1,000,000. Due to the significance of the transaction, the accompanying consolidated financial statements reflect the redemption as though it occurred on June 30, 1999.

WINGS ONLINE, INC.

FINANCIAL STATEMENTS

With

INDEPENDENT AUDITORS' REPORT

June 30, 1999

Prepared By:

Cordovano and Harvey, P.C.
Certified Public Accountants
Denver, Colorado

WINGS ONLINE, INC.

Index to Financial Statements

To the Board of Directors and Shareholders
Wings Online, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Wings Online, Inc. (an "S" Corporation) as of June 30, 1999, and the related statements of operations, shareholders' equity and cash flows for the years ended June 30, 1999 and 1998. 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 audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Wings Online, Inc., as of June 30, 1999, and the results of its operations and its cash flows for the years ended June 30, 1999 and 1998 in conformity with generally accepted accounting principles.

Cordovano and Harvey, P.C.

Cordovano and Harvey, P.C.
Denver, Colorado
July 10, 1999

Questel Corp.

EXHIBIT I

Management Profiles

Questel Corp.

Management Profiles

Camilo Pereira
President, Chief Executive Officer and Chairman of the Board

Mr. Pereira is President, Chief Executive Officer and Chairman of the Board of Questel Corp. and in that capacity is responsible for the strategic direction of the company, its relationships with key vendors and customers and for the company's financial growth. Mr. Pereira began his professional career, after serving in the Israeli Defense Force (1981-1984) and working as a spokesperson for the Israeli Consulate in Philadelphia, in his native country of Goias, Brazil. From 1986 to 1987, Mr. Pereira attended Tadmor College in Jerusalem, Israel and received a Bachelor of Arts Degree in Hotel Administration. In 1987 he became a certified Rooms Division Executive by Michigan State University, a program sponsored by the Education Institute of the American Hotel and Motel Association. As part of his management activity in several hotel chains, Mr. Pereira designed and implemented computer software for use in the hospitality industry. Mr. Pereira has several patents registered with the U.S. Patent Office. From 1988 to 1989, Mr. Pereira developed and owned a successful twelve unit chain of restaurants in Johannesburg, South Africa. He also founded a small food equipment company. Due to the unstable political situation in South Africa at the time, Mr. Pereira sold the restaurant chain and relocated the food equipment business to the United States under the name CaterQuip. This company is still active and manufactures and markets food equipment in Italy, England, the United States and several other countries. Mr. Pereira was Chief Operating Officer of PACT Communications Inc. since its inception in September 1996 and served as President of that company from February 1998 until A.P. Sales, Inc. purchased the assets in July 1998 and the company's name was changed to Quest Net Corp. Mr. Pereira's employment contract was part of the asset purchase and he has served as Quest Net's CEO and Board Chairman ever since. Questel Corp. was founded in 1999.

Maxine Pereira
Vice President and Director

Mrs. Pereira is Vice President and Director of Questel Corp. and in that capacity is responsible for the company's administrative functions. In 1996 she assisted in the founding of PACT Communications and followed the company through the acquisition in 1998. In 1989 Mrs. Pereira pursued a consulting career in Milan, Italy, advising companies on product promotion at international trade shows throughout Europe. In 1991 she relocated back to South Africa where she became involved in the restaurant industry essentially in management, marketing, stock control and menu planning. She relocated to Miami, Florida in December 1992 and consulted for various companies and individuals until her association with PACT Communications in 1996. Mrs. Pereira is a graduate of Port Elizabeth College in South Africa.

Anthony Dean
Network Director

As Network Director, Mr. Dean is responsible for the entire technical architecture of Questel Corp. He received an honors degree in physics from the University of Newcastle-upon-tyne in England in 1994. While in school he was the Chief Technical Officer for the University Hall of Residence from 1992 to 1994. After graduation, Mr. Dean worked as an Auditing Officer for England's National mental Heal Service (NMHS), was a Computer Skills Training Officer at the Morpeth Training Facility in England and worked as a Programming Developer for the University of Newcastle0-upon-tyne. He joined PACT Communications in 1996 as its Network Administrator and holds the same position with Questel.

TECHNOLOGIES · MANAGEMENT INC

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32789

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32790-0200

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tmi@tminc.com

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September 7, 1999
Via Overnight Mail

Mr. Walter D'Haeseleer, Director Communications
Florida Public Service Commission
Division of Communication
2540 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 270
Tallahassee, FL 32399-0850

DEPOSIT D194

DATE SEP 09 1999

991339-TI

RE: Initial Application and Tariff of Questel, Corp. for Authority to Provide Interexchange Telecommunications Services within the State of Florida.

Dear Mr. D'Haeseleer:

Enclosed for filing are the original and six (6) copies of the above-referenced application of Questel, Corp. Also enclosed is a $250 check to cover the filing fee.

Please acknowledge receipt of this filing by returning, filed stamped, the extra copy of this letter in the self-addressed stamped envelope.

I may be reached at (407) 740-8575 with any questions, comments or correspondence regarding this application. Thank you for your assistance.

Sincerely,

TECHNOLOGIES MANAGEMENT, INC.
P.O. BOX 200
WINTER PARK, FL 32790-0200
(407) 740-8575

BANK OF AMERICA
WINTER PARK, FL 32789
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