** 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

991735-TX

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the 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 for 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
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

DEPOSIT D212 DATE NOV 18 1999

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

  Florida Public Service Commission
  Division of Telecommunications
  Bureau of Certification and Service Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

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DEPOSIT D 2 1 [illegible]   DATE NOV 18 1999

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

Florida Public Service Commission
Division of Telecommunications

1113

ASSET CHANNELS INC.
244 ELM ST.
NEW CAANAN, CT 06840

DATE 11.16.99   51-36/211 370

PAY TO THE ORDER OF State of Florida $ 250.00

Two hundred and fifty REDACTED DOLLARS

CHASE The Chase Manhattan Bank
122 Main Street
New Canaan, CT 06840

DOCUMENT NUMBER-DATE
14267 NOV 18 99
RECORDS/REPORTING

FOR Utility Filing

APPLICATION

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

   (XXX) **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 of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **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:

   Asset Channels Telecom, Inc.

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

   Asset Channels Telecom, Inc.

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

   244 Elm Street

   New Canaan, CT 06840

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

   Asset Channels Telecom, Inc.

   c/o Corporation Service Company

   1201 Hayes Street
   Tallahassee, FL 32301

6. Structure of organization:

( ) Individual (XXX) Corporation
( ) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership ( ) Limited Partnership
( ) Other ______________

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 Florida Secretary of State corporate registration number:**

   ____

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

   (a) **The Florida Secretary of State corporate registration number:**

   F99000004840

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 Florida Secretary of State fictitious name registration number:**

   ____

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

(a) **The Florida Secretary of State registration 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.

____

____

(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.

____

____

____

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

(a) The application:

Name: Thomas M. Benedict

Title: Vice President, System Integration

Address: 244 Elm Street

City/State/Zip: New Canaan, CT 06840

Telephone No.: 203/972-4040 **Fax No.:** 203/972-4041

Internet E-Mail Address: tmbenedict@assetchannelsinc.com

Internet Website Address: www.assetchannelsinc.com

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

Name: Same

Title: ______________________

Address: ______________________

City/State/Zip: ______________________

Telephone No.: ______________ **Fax No.:** ______________

Internet E-Mail Address: ______________________

Internet Website Address:____________________

(c) Complaints/Inquiries from customers:

Name: Same

Title:____________________

Address:____________________

City/State/Zip:____________________

Telephone No.:__________ **Fax No.:**__________

Internet E-Mail Address:____________________

Internet Website Address:____________________

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

____

____

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

FL, GA, SC, NC, VA, MD, DE, PA, NJ, NY, CT, RI, MA, ME

____

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

____

____

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

None

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

None

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

None

18. Submit the following:

A. Financial capability.

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 affirming that the financial statements are true and correct 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. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

C. Technical capability: 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 the application.

UTILITY OFFICIAL:

TM Benedict
Signature

11/16/99
Date

Vice President, System Integration
Title

203/801-2927
Telephone No.

Address: 244 Elm Street
New Canaan, CT 06840

203/972-4041
Fax No.

ATTACHMENTS:

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

** APPENDIX C **

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 company 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:

Tom Benedict — 11/16/99

Signature — Date

Vice President, System Integration — 203/801-2927

Title — Telephone No.

Address: 244 Elm Street — 203/972-4041

Fax No.

New Canaan, CT 06840

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

Audited Financial Statements

Asset Channels, Inc.
(A development stage telecommunications company)

Nine month period ended September 30, 1999
and the Year ended December 31, 1998
with Report of Independent Auditors

Asset Channels, Inc.
(A development stage telecommunications company)

Audited Financial Statements

Nine month period ended September 30, 1999
and the Year ended December 31, 1998

Contents

ERNST & YOUNG LLP

1111 Summer Street
Stamford, Connecticut 06905

Phone: 203 674 3000
Fax: 203 674 3001

Report of Independent Auditors

Board of Directors
Asset Channels, Inc.

We have audited the accompanying consolidated balance sheets of Asset Channels, Inc. and subsidiaries as of September 30, 1999 and December 31, 1998, and the related consolidated statements of operations, stockholders' (deficiency) equity and cash flows for the nine months ended September 30, 1999, the year ended December 31, 1998 and the period from January 1, 1998 through September 30, 1999. 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 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 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 statements 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 Asset Channels, Inc. and subsidiaries at September 30, 1999 and December 31, 1998, and the consolidated results of their operations and their cash flows for the nine months ended September 30, 1999, the year ended December 31, 1998 and the period from January 1, 1998 through September 30, 1999, in conformity with generally accepted accounting principles.

Ernst + Young LLP

October 20, 1999

Asset Channels, Inc.
(a development stage telecommunications company)

Consolidated Balance Sheets

	September 30, 1999	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 11,592	$2,328
Other current assets	298	1,000
Total current assets	11,890	3,328
Property, plant and equipment, net of accumulated depreciation and amortization	46,845	–
Total assets	$ 58,735	$3,328
Liabilities and Stockholders' (Deficiency) Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 133,130	$ –
State taxes payable	–	325
Current portion of capital lease obligations	2,208	–
Notes payable to stockholders	84,000	–
Total current liabilities	219,338	325
Capital lease obligations	4,897	–
Note payable - contractor	373,243	–
Notes payable to stockholders, less current portion	114,000	–
Total liabilities	711,478	325
Stockholders' (deficiency) equity:		
Common Stock, par value $.01; authorized 10,000 shares; issued and outstanding 1,740 and 1,000, respectively	174	100
Additional paid-in capital	95	–
Retained earnings (deficit) accumulated during the development stage	(653,012)	2,903
Total stockholders' (deficiency) equity	(652,743)	3,003
Total liabilities and stockholders' equity	$ 58,735	$3,328

The accompanying notes are an integral part of the financial statements.

Asset Channels, Inc.
(a development stage telecommunications company)

Consolidated Statements of Operations

	Nine Months Ended September 30, 1999	Year Ended December 31, 1998	Period from January 1, 1998 to September 30, 1999
Consulting Revenues	$ –	$33,408	$ 33,408
Costs and Expenses:			
Research & development	101,250	–	101,250
General and administrative expenses	52,001	11,564	63,565
Advertising expenses	9,162	–	9,162
Consulting expenses	107,693	16,000	123,693
Professional fees	366,896	2,025	368,921
Depreciation and amortization expense	2,776	–	2,776
State taxes	1,314	718	2,032
Interest expense	14,823	99	14,922
Total costs and expenses	655,915	30,406	686,321
Net income (loss)	$(655,915)	$ 3,002	$(652,913)

The accompanying notes are an integral part of the financial statements.

Asset Channels, Inc.
(a development stage telecommunications company)

Consolidated Statements of Stockholders' (Deficiency) Equity

	Common Stock				
	Number of Shares Issued and Outstanding	$0.01 Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Balance at January 1, 1998	1,000	$100	$ –	$ (99)	$ 1
Net income	–	–	–	3,002	3,002
Balance at December 31, 1998	1,000	100	–	2,903	3003
Net (loss)				(655,915)	(655,915)
Sale of Common Stock; May 6th, 400 shares and August 15th, 340 shares	740	74	5	–	79
Capital Contributions	–	–	90	–	90
Balance at September 30, 1999	1,740	$174	$95	$(653,012)	$(652,743)

The accompanying notes are an integral part of the financial statements.

Asset Channels, Inc.
(a development stage telecommunications company)

Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 1999	Year Ended December 31, 1998	Period from January 1, 1998 to September 30, 1999
Cash flows from operating activities:			
Net income (loss)	$(655,915)	$ 3,002	$(652,913)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	2,776	–	2,776
Changes in assets and liabilities:			
Other current assets	702	(1,000)	(298)
Accounts payable and accrued expenses	132,805	325	133,130
Net cash provided by (used in) operating activities	(519,632)	2,327	(517,305)
Cash flows from investing activities:			
Capital expenditures	(42,342)	–	(42,342)
Net cash used in investing activities	(42,342)	–	(42,342)
Cash flows from financing activities:			
Note payable - contractor	373,243	–	373,243
Notes payable to shareholders	198,000	–	198,000
Proceeds from sale of common stock	79	1	80
Capital contributions	90	–	90
Payments on capital lease obligations	(174)	–	(174)
Net cash provided by financing activities	571,238	1	571,239
Net decrease (increase) in cash and cash equivalents	9,264	2,328	11,592
Cash and cash equivalents, beginning of period	2,328	–	–
Cash and cash equivalents, end of period	$ 11,592	$ 2,328	$ 11,592
Supplemental disclosure of cash flow information:			
Taxes paid	$ 1,314	$ 393	$ 1,707
Interest paid	$ 230	$ 99	$ 329

Supplemental disclosure of noncash financing activities:

During the nine months ended September 30, 1999, capital lease obligations totaling $7,279 were incurred for the acquisition of new equipment.

The accompanying notes are an integral part of the financial statements.

Asset Channels, Inc.
(a development stage telecommunications company)

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Description of Business
Asset Channels, Inc. (the "Company") is a development stage telecommunications company. The Company is currently engaged in the development of the Global Link system, a 2,200 mile unrepeated submarine fiber optic cable network along the Eastern seaboard of the United States.

Basis of Presentation
Asset Channels, Inc. ("Asset Channels - New York") was incorporated on February 2, 1990 under the laws of the state of New York. From January 1991 to January 1998 this enterprise was dormant. Asset Channels, Inc. ("Asset Channels - Delaware") was incorporated on August 11, 1999 under the laws of the state of Delaware. On September 15, 1999, the Boards of Directors of Asset Channels - New York and Asset Channels - Delaware approved and consummated a merger of Asset Channels - New York into Asset Channels - Delaware (the "Merger") to form the Company.

On August 11, 1999, the Company formed a subsidiary, Asset Channels - Telecom, Inc., a wholly-owned subsidiary of the Company. There has been no activity in the subsidiary as of September 30, 1999.

The Company has incurred losses from operations and is not currently generating cash from operations. The Company anticipates that it may continue to incur significant operating losses during the planning and subsequent construction stage of the project. As a development stage enterprise, the Company's primary efforts to date have been devoted to project development and raising capital. The Company has entered into an agreement with Siemens Information and Communication Networks, Inc. ("Siemens"), whereby Siemens has agreed to pay for certain development costs related to the Global Link project up to the cumulative amount of $2 million, to be repaid by the Company upon financial close and subsequent funding. The Company believes that funding from Siemens will be adequate to meet operating expenses for the next twelve months. The Company also believes that it will ultimately be able to obtain the requisite project financing. However, there can be no assurance that such financing will be obtained.

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

1. Organization and Summary of Significant Accounting Policies (continued)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Comprehensive Income (Loss)

Comprehensive income (loss) for the Company is the same as net income (loss).

Operating Segments

Effective January 1, 1998, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"). SFAS 131 superseded SFAS 14, Financial Reporting for Segments of a Business Enterprise. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. As the Company operates in only one segment, separate segment reporting does not apply to the Company.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property, Plant & Equipment

Property and equipment are carried at cost, less accumulated depreciation computed using the straight-line method over the estimated useful lives of the assets. Amortization of assets under capital leases is included in amortization expense.

Revenue Recognition

Revenue derived from consulting engagements is recognized as the related services are performed.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Company elected to be taxed as a Small Business Corporation under the Internal Revenue Code. Under this Regulation the Company's income is reported for federal income tax purposes by the stockholder on his individual tax return. Accordingly, the financial statements as of and for the nine months ended September 30, 1999 and for the year ended December 31, 1998 reflect no provision or liability for federal income taxes.

2. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30, 1999	**December 31, 1998**
Furniture and fixtures	$ 6,262	$ –
Computer equipment	25,588	–
Office equipment	10,492	–
Capital leases	7,279	–
	$49,621	$ –
Less: accumulated depreciation and amortization	2,776	–
Net property, plant & equipment	$46,845	$ –

3. Related Party Transactions

The Company has notes payable to shareholders of $198,000 at September 30, 1999, with interest at 8%. An $84,000 note, secured by all assets of the Company, matures on April 1, 2000 and has accrued interest of $3,360 at September 30, 1999. The remaining $114,000 notes are unsecured, are due on April 15, 2001 and have accrued interest of $4,180 at September 30, 1999. Accrued interest is included in accounts payable and accrued expenses.

4. Note Payable to Contractor

The Company has an unsecured note payable to Siemens totaling $373,243 at September 30, 1999, with interest at 20%. The note, due upon obtaining additional funding, has accrued interest of $7,053 at September 30, 1999. Accrued interest is included in accounts payable and accrued expenses. The Company is currently negotiating a supply contract with Siemens. In the event that a definitive supply contract is entered into with a supplier other than Siemens, the note payable becomes due within 45 days.

5. Commitments and Contingencies

The Company leases office equipment under a capital lease expiring in 2002 and containing an option to purchase the equipment at the end of the lease term. The asset has been capitalized as property and equipment. Depreciation of assets under capital leases is included in depreciation and amortization expense. At September 30, 1999, approximate future minimum lease payments under capitalized lease obligations were as follows:

Fiscal Year Ending December 31,	
1999	$ 704
2000	2,817
2001	2,817
2002	1,877
Total minimum lease payments	$8,215
Less: Amount representing interest	1,110
Present value of net minimum lease payments	$7,105
Less: current portion	2,208
Long-term portion	$4,897

Rent expense relating to the Company's office facility for the nine months ended September 30, 1999 and for the fiscal year ended December 31, 1998 was $9,000 and $6,250, respectively. Cumulatively, for the period from January 1, 1998 through September 30, 1999, rent expense totaled $15,250.

6. Consulting Arrangements

The Company entered into consulting agreements with its officers (the "consultants") relating to the development of the Global Link project. In accordance with these agreements, the consultants perform development activities on behalf of the Company. These agreements are on a month to month basis and may be terminated upon 30 days notice. The Company incurred consulting expenses for work performed of $107,693 and $16,000 for the nine months ended September 30, 1999 and for the fiscal year ending December 31, 1998, respectively. Cumulatively, for the period from January 1, 1998 through September 30, 1999, the Company incurred consulting expenses for work performed by the consultants of $123,693.

7. Stockholders' (Deficiency) Equity

At December 31, 1998, Asset Channels - New York had 200 common shares authorized and 100 common shares issued and outstanding with a $.01 par value. During 1999, Asset Channels - New York issued an additional 74 shares for $79, giving rise to additional paid-in capital of $78. Upon consummation of the merger with Asset Channels - Delaware, each outstanding share of Asset Channels - New York was exchanged for 10 common shares of Asset Channels - Delaware with a $.01 par value. The financial statements have been restated to reflect the affects of the merger as if the merger was consummated on January 1, 1998. This resulted in an additional $73 and $99 in common stock, a reduction in additional paid in capital of $73 and $0, and a reduction in retained earnings of $0 and $99 for the nine months ended September 30, 1999 and for the fiscal year ended December 31, 1998, respectively.

Additionally, certain stockholders of the Company signed an agreement dated January 15, 1999 giving rise to capital contributions of $90 in 1999 as a result of additional money paid for the shares originally issued.

8. Year 2000 (unaudited)

The Company operates date-sensitive computer applications and systems in its business. As the century change approaches, it is essential for the Company to ensure that these systems properly recognize the Year 2000 and to continue to process operational and financial information. The Company has established communications with its third party service providers to determine that they have developed plans to address their own Year 2000 problems. All third party service providers have indicated that they will be Year 2000 compliant in late 1999. If modification of data processing systems of the Company or its service providers are not completed timely, the Year 2000 problem could have a material impact on operations. Management has not developed a contingency plan, because they are confident that all systems will be Year 2000 ready and that the risk of Year 2000 problems is minimal.