



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 22, 1999
 TO: Nancy Pruitt, Division of Communications
 FROM: David J. Draper, Division of Auditing and Financial Analysis *JW ALM*
 RE: Docket No. 990477-TI, FON Digital Network, Inc., Financial Analysis for Certificate *apc*
 Application for Intrastate Interexchange Telecommunications Service *MT*

Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

(3) The Legislature finds that the competitive provision of telecommunications service, including local exchange telecommunications service, is in the public interest.

and

(4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets . . .

Regarding the showing of financial capability, the Finance staff has analyzed the unaudited financial statements of FON Digital Network, Inc. (FDN) for the three month period ending March 31, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, FDN has minimal liquidity, negative common equity and reports negative income for the period.

In this matter, FDN is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears minimal.

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
- RRR _____
- SEC _____
- WAW _____
- OTH _____

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that FDN currently has its own switching equipment in the state of Florida. In addition, FDN will increase available capital from continuing operations and has the ability to obtain additional financing through traditional commercial lending institutions. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

cc: Division of Legal Services
Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE

FPSC-RECORDS/REPORTING