



Public Service Commission

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

DATE: October 22, 1998
TO: Nancy Pruitt, Division of Communications
FROM: Eva P. Samaan, Division of Auditing and Financial Analysis *ed APC*
RE: Docket No. 981031-TX, Dial-Tone Communications Group, Inc. Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

Section 364.337 (1), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide alternative local exchange 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 Dial Tone Communications Group, Inc. (DTC) for the period ending October 1, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, DTC has adequate liquidity, sufficient common equity, but as a new company, it has no income to report at the present time.

In this matter, DTC is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it can obtain additional funding through its founding shareholders and private investors. Although the owners' intention is for the company to remain a privately held corporation, additional capitalization can be obtained by offering of stock options, if required. 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)

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ALEC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS AS OF 10/01/98

| | |
|------------------------|-----------|
| CURRENT ASSETS | \$334,000 |
| CURRENT LIABILITIES | 270,000 |
| CURRENT RATIO | 1.24 |
| CASH | 25,000 |
| OWNERSHIP EQUITY | 75,000 |
| TOTAL DEBT | 0 |
| TOTAL INVESTOR CAPITAL | 75,000 |
| EQUITY RATIO | 100% |
| NET INCOME | 0 |
| RETURN ON EQUITY | NMF |

NMF = No Meaningful Figure