



Public Service Commission

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

SCANNED ORIGINAL

DATE: May 11, 1999
TO: Nancy Pruitt, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis
RE: Docket No. 990451-TI, Florida Digital Network, Inc., Financial Certificate Application for Intrastate Interexchange Telecommunications Service

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 Florida Digital Network, Inc. (FDN) for the period ending January 31, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, FDN has adequate liquidity but reports negative common equity and negative net income for the period.

In this matter, FDN is asking for a certificate to provide IXC service. Staff notes the limited nature of the application. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it will have minimal capital needs since it is a switchless reseller. The company is a start-up, has no debt, and projects its rate schedule will generate positive cash flow. 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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FPSC-RECORDS/REPORTING

DOCKET NO. 990451
FLORIDA DIGITAL NETWORK, INC.
IXC CERTIFICATE

FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

| | AS OF <u>01/31/99</u> |
|-----------------------|-----------------------------|
| CURRENT ASSETS | \$1,690,434 |
| CURRENT LIABILITIES | 1,778,771 |
| CURRENT RATIO | 0.95 |
| CASH | 1,659,434 |
| COMMON EQUITY | (1,012,150) |
| TOTAL DEBT | 0 |
| TOTAL PREFERRED STOCK | 8,969,911 |
| COMMON EQUITY RATIO | NMF |
| NET INCOME | (142,967) |
| RETURN ON EQUITY | NMF |

NMF=NO MEANINGFUL FIGURE