



Public Service Commission

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

DATE: August 19, 1996
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL ALM*
RE: Docket No. 960721-TI, Econophone, Inc., Financial Analysis for Certificate *APC*
Application for Intrastate Interexchange Telecommunications Service *mmj*

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 audited financial statements of Switchtel Communications Corporation, which is now known as Econophone, Inc. The company has adequate liquidity and ownership equity. Its profitability is low at 1% and should be considered barely adequate.

Based on this financial analysis, 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

DOCUMENT NUMBER - DATE
08767 AUG 20 1996
FPCO-RECORDS AND REPORTING

DOCKET NO. 960721-TI
ECONOPHONE, INC.
INTEREXCHANGE CERTIFICATE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS OF SWITCHTEL
COMMUNICATIONS CORPORATION, PREDECESSOR

6 MONTHS
ENDING
JUNE 30, 1996

CURRENT ASSETS	4,623,133
CURRENT LIABILITIES	4,819,758
CURRENT RATIO	0.96
CASH	9,190
COMMON EQUITY	1,097,502
PREFERRED STOCK	0
TOTAL DEBT	1,277,932
TOTAL INVESTOR CAPITAL	2,375,434
COMMON EQUITY RATIO	46%
NET INCOME	9,402
RETURN ON EQUITY	1%