



Public Service Commission

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DATE: January 22, 1997
TO: Tom Williams, Division of Communications
FROM: Sonja Jones, Division of Auditing and Financial Analysis
RE: Docket No. 970079-TI, Digital Services Corporation, Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

Handwritten initials: ALM, [Signature], 1997

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 Digital Services Corporation (DSC) for the two-month period ending August 31, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, DSC has adequate liquidity but reports negative common equity and negative net income.

In this matter, DSC is asking for a certificate to provide IXC 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 minimal.

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. The applicant notes that its start-up capital has been provided by a wholly-owned subsidiary of Telcom Ventures, L.L.C., a privately held corporation. Also, DSC is wholly-owned by the majority owners of Telcom Ventures, L.L.C. Furthermore, a commitment letter from Telcom Ventures, L.L.C. has been provided indicating that it will make available to DSC whatever funds are necessary to enable it to provide the local service, if necessary, until DSC is capable of sustaining its own operations. 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

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DOCKET NO. 970079-TI  
DIGITAL SERVICES CORPORATION  
IXC CERTIFICATE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

FOR THE TWO  
MONTHS ENDING  
AUGUST 31, 1996

CURRENT ASSETS	\$98,074
CURRENT LIABILITIES	0
CURRENT RATIO	N/A
CASH	2,452
COMMON EQUITY	(144,198)
TOTAL DEBT	2,139,110
TOTAL INVESTOR CAPITAL	1,994,912
COMMON EQUITY RATIO	NMF
NET INCOME	(204,441)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure

N/A = Not Applicable