

hunter communications law group

98 JUN 24 11 58 AM ORIGINAL

VIA OVERNIGHT COURIER

June 23, 1998

Florida Public Service Commission
Division of Communications
Certification and Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

980700-1K

**Re: Application of SouthNet Telecomm Services, Inc.
for Authority to Provide Alternative Local Exchange
Service Within the State of Florida**

Dear Sir or Madam:

Enclosed herewith, on behalf of SouthNet Telecomm Services, Inc. ("SouthNet"), are an original and six copies of SouthNet's Application for Authority to Provide Alternative Local Exchange Service Within the State of Florida. Also enclosed is a check made payable to the Florida Public Service Commission ("Commission") in satisfaction of the \$250.00 statutory filing fee for this application.

Please file/stamp the enclosed copy of this transmittal letter to acknowledge receipt of SouthNet's Application by the Commission and return it to our offices in the enclosed addressed envelope.

Should you have any questions concerning this matter, please do not hesitate to contact the undersigned.

Respectfully submitted,



Charles C. Hunter

Enclosures

Check received with filing and
forwarded to Fiscal for deposit.
Filer to leave a copy of check
to RAR with proof of deposit.

Initials of person who forwarded check:

DOCUMENT NUMBER DATE

06607 JUN 24 98

FDD-RECORDS/REPORTING

1620 I Street, N.W.
Suite 701
Washington, D.C. 20006
Telephone (202) 293-2500
Facsimile (202) 293-2571

ORIGINAL

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

APPLICATION FORM

for

AUTHORITY TO PROVIDE (ALEC) ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

INSTRUCTIONS

- ◆ This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
- ◆ Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(850) 413-6600

- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.

APPLICATION FORM

1. This is an application for (check one):

Original authority (new company)

Approval of transfer (to another certificated company)

Example, a certificated company purchases an existing company and desires to retain the original certificate authority.

Approval of assignment of existing certificate
(to a noncertificated company)

Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

Approval for transfer of control (to another certificated company)

Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

SouthNet Telecomm Services, Inc.

3. Name under which the applicant will do business (d/b/a):

SouthNet Telecomm Services, Inc.

4. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: Not applicable

APPLICATION FORM

5. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

SouthNet Telecomm Services, Inc.

2333 Windy Hill Road

Marietta, GA 30067

- B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

1200 South Pine Island

Plantation, FL 33324

(954) 473-5503

6. Structure of organization: Check appropriate box(s)

Individual

Foreign Corporation

General Partnership

Joint Venture

Corporation

Foreign Partnership

Limited Partnership

Other, Please explain _____

7. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

Not applicable

APPLICATION FORM

8. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No officer, director or stockholder of Applicant has been adjudged
bankrupt, mentally incompetent, or found guilty of any felony or of any
crime.

9. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F96000004203

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Ongoing Liaison:	Robert Morris, General Manager SouthNet Telecomm Services, Inc. 2333 Windy Hill Road Marietta, GA 30067 Tel: (770) 937-9550 Fax: (770) 937-9303 E-mail: bobsts@stsi.net	Application:	Charles C. Hunter Hunter Communications Law Group 1620 I Street, N.W., Suite 701 Washington, D.C. 20006 Tel: (202) 293-2500 Fax: (202) 293-2571 E-mail: huntlaw@erols.com
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11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

Applicant has applied, or intends to apply within the next 30 to 60 days,
for authority to provide local telecommunications services in the following

states: California, Connecticut, Delaware, Georgia, Maryland, Massachusetts,
New York, North Carolina, Pennsylvania, Rhode Island, South
Carolina, Tennessee, Texas and Virginia

APPLICATION FORM

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

Applicant has not been denied certification in any state.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No penalties have been imposed against Applicant in any state.

14. Please indicate how a customer can file a service complaint with your company. SouthNet Telecomm Services, Inc., provides a toll-free telephone number which can be utilized by customers to register complaints, or to request refunds or bill adjustments. Additionally, Applicant has in place internal procedures for facilitating the processing and resolution of customer complaints. Applicant's customer service employees receive specific training in the efficient, prompt resolution of customer complaints and are instructed to provide full contact information for state commission consumer complaint departments.
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15. Please complete and file a price list in accordance with Commission Rule 25-24.825.(Rule attached)

Applicant's Price List will be submitted one day prior to commencement of its local service offering.

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability. SEE ATTACHMENT B

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

APPLICATION FORM

1. the balance sheet
2. income statement
3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.
3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should attest that the financial statements are true and correct.

- B. Managerial capability. SEE ATTACHMENT C
- C. Technical capability. SEE ATTACHMENT D

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

APPLICATION FORM

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official:  6/17/98
Signature Date

Title: Ronald F. Anderegg (770) 937-9550
Chief Executive Officer Telephone Number

Address: SouthNet Telecomm Services, Inc.
2333 Windy Hill Road
Marietta, GA 30067

25-24.825 Price List.

(1) Prior to providing service, each company subject to these rules shall file and maintain with the Commission a current price list which clearly sets forth the following information for basic local telecommunications services, as defined in s. 364.02(2), F. S. If basic local telecommunications service is offered on a package basis, the following information must be provided for the package:

- (a) current prices,
- (b) customer connection charges,
- (c) billing and payment arrangements, and
- (d) levels of service quality which the company holds itself out to provide for each service.

(2) At the company's option, price list information in paragraph (1) above and other information concerning the terms and conditions of service may be filed for services other than basic local telecommunication services.

(3) A price list revision must be physically received by the Commission's Division of Communications at least one day prior to its effective date.

(4) Price lists must be on 8 ½ by 11 inch paper in loose-leaf form and must utilize an ongoing page identification system which will allow for the identification of inserted and removed pages. The color of paper on which price lists are filed must be amenable to being clearly photocopied on standard photocopy equipment.

(5) Complete information concerning a company's service offerings, rates and charges, conditions of service, service quality, terms and conditions, service area, and subscribership information identified by local exchange company exchange must be made available to Commission staff upon request.

Specific Authority: 350.127(2)

Law Implemented: 364.04, 364.337(5), F.S.

History: New 12/26/95.

ATTACHMENT A
Response to Application Question No. 15

RULE 25-24.825 PRICE LIST
OF
SOUTHNET TELECOMM SERVICES, INC.

[to be submitted prior to service initiation]

ATTACHMENT B
Response to Application Question No. 16 A

**FINANCIAL CAPABILITY
OF
SOUTHNET TELECOMM SERVICES, INC.**

In demonstration of the overall strength of Applicant's financial capabilities, attached hereto are SouthNet's most recent financial materials (for the period ending December 31, 1997), demonstrating that SouthNet has the financial resources necessary to provide resold local telecommunications services to residents of the State of Florida.

Because Applicant will be reselling service, anticipated capital needs are minimal; Applicant thus anticipates satisfying its cash flow obligations from revenues from its Florida operations. Applicant has nonetheless secured significant credit financing commitments in order to further guarantee the continued provision of reliable telecommunications service to Florida residents.

SOUTHNET TELECOMM SERVICES
(A Corporation)

FINANCIAL STATEMENTS

December 31, 1997

SOUTHNET TELECOMM SERVICES

BALANCE SHEET

December 31, 1997

ASSETS

CURRENT ASSETS

	\$		
CASH		70,483.31	
INVENTORY		20,601.55	
ACCOUNTS RECEIVABLE		<u>335,449.11</u>	
TOTAL CURRENT ASSETS	\$		426,533.97

PROPERTY AND EQUIPMENT

FURNITURE & FIXTURES - GA	\$	15,851.34	
FURNITURE & FIXTURES - AZ		5,000.00	
EQUIPMENT - CORP		4,711.00	
EQUIPMENT - GA		30,319.54	
EQUIPMENT - AZ		12,087.63	
COMPUTER EQUIPMENT - INET		3,977.30	
COMPUTER EQUIPMENT - GA		4,627.71	
ACCUMULATED DEPRECIATION		<u>(20,093.50)</u>	
TOTAL PROPERTY AND EQUIPMENT	\$		56,481.02

OTHER ASSETS

	\$		
DEPOSITS		88,784.00	
ORGANIZATIONAL COSTS, NET		15,462.01	
DEFERRED EQUIPMENT CHARGES		<u>124,933.08</u>	
TOTAL OTHER ASSETS	\$		<u>229,179.09</u>

TOTAL ASSETS	\$		<u>712,194.08</u> =====
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LIABILITIES AND EQUITY

ACCOUNTS PAYABLE	\$	196,490.32	
ACCRUED TAXES		13,313.61	
OTHER ACCRUED EXPENSES		<u>118,631.44</u>	
TOTAL CURRENT LIABILITIES	\$		328,435.37
NON-CURRENT LIABILITIES			
LOAN PAYABLE-STOCKHOLDERS	\$	2,344,678.73	
LONG-TERM DEBT NET OF CURRENT		<u>3,247.54</u>	
TOTAL NON-CURRENT LIABILITIES	\$		2,347,926.27
EQUITY			
COMMON STOCK - CORP	\$	5,000.00	
COMMON STOCK - GA		1,670.00	
STOCKHOLDERS'			
ACCUMULATED DEFICIT		(1,067,677.30)	
NET INCOME (LOSS)		<u>(903,160.26)</u>	
TOTAL EQUITY	\$		<u>(1,964,167.56)</u>
	\$		<u>712,194.08</u>

SOUTHNET TELECOMM SERVICES
STATEMENT OF INCOME AND STOCKHOLDERS'
ACCUMULATED DEFICIT
Year Ended December 31, 1997

	<u>Amount</u>	<u>Percent of Net Sales</u>
NET SALES	\$ 1,946,709.12	100.00 %
COST OF GOODS SOLD	<u>1,277,676.56</u>	<u>65.63</u>
GROSS PROFIT ON SALES	<u>669,032.56</u>	<u>34.37</u>
GENERAL AND ADMINISTRATIVE EXPENSE		
Sales and Marketing	157,974.25	8.11
Vehicle/Equipment Operating	19,460.92	1.00
Building Occupancy	77,538.58	3.98
Other General and Administrative	<u>1,221,439.27</u>	<u>62.74</u>
	<u>1,476,413.02</u>	<u>75.84</u>
OPERATING LOSS	(807,380.46)	(41.47)
OTHER (INCOME) AND EXPENSE	<u>95,779.80</u>	<u>4.92</u>
NET LOSS	(903,160.26)	<u>(46.39) %</u>
BALANCE STOCKHOLDERS' ACCUMULATED DEFICIT - JANUARY 1, 1997	<u>(1,067,677.30)</u>	
BALANCE STOCKHOLDERS' ACCUMULATED DEFICIT DECEMBER 31, 1997	<u>\$ (1,970,837.56)</u>	

SOUTHNET TELECOMM SERVICES
STATEMENT OF CASH FLOWS
Year Ended December 31, 1997

CASH FLOW FROM OPERATING ACTIVITIES	
Net loss	\$ (903,160)
Adjustments to reconcile net income to net cash flow provided by operating activities	
Amortization	5,610
Depreciation	15,065
Loss on sale of asset	2,291
Changes in working capital items	
Accounts receivable	71,720
Inventory	23,211
Accounts payable	135,767
Accrued liabilities	<u>(115,826)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(765,322)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(12,313)
Proceeds from sale of asset	11,000
Decrease in deposits	1,552
Decrease in deferred equipment charges	<u>128,797</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>129,036</u>
NET CASH FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	625,931
Payments on long-term debt	<u>(16,908)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>609,023</u>
NET INCREASE (DECREASE) IN CASH	(27,263)
CASH AT BEGINNING OF PERIOD	<u>97,746</u>
CASH AT END OF PERIOD	<u>\$ 70,483</u>
CASH PAID DURING YEAR	
Interest	\$ 80,282
Income taxes	-

SUPPLEMENTAL INFORMATION

SOUTHNET TELECOMM SERVICES
DETAIL STATEMENT OF INCOME
For The Period

January 01, 1997
to
December 31, 1997 Pct%

CELLULAR SALES

Cellular Access - 1	605,863.43	31.10
Cellular Access - 2	149,187.00	7.70
Cellular Service - 1	430,772.76	22.10
Cellular Service - 2	170,538.21	8.80
Cellular phone	26,422.38	1.40
Cellular Accessories	25,499.54	1.30
Cellular Features	4,247.96	0.20
Cellular Protection Plan	28,642.48	1.50
Cellular Activationd	25,195.68	1.30
Cellular Roaming	98,857.12	5.10
Late fees	17,691.23	0.90
NSF Fees	2,685.00	0.10
Clone/Fraud Credit	(16,652.37)	(0.90)
Call Credits - Dropped	(4,812.11)	(0.20)
Referral Credits -	(4,173.37)	(0.20)
Refunds - Overpay	(4,837.24)	(0.20)
Prepaid cellular	25,113.46	1.30
Bundled internet charges	29.70	0.00
Cellular Taxes	<u>47,486.20</u>	<u>2.40</u>

Total CELLULAR SALES **1,627,757.06** **83.60**

PAGING SALES

Paging Digital - State -	50,702.27	2.60
Paging Digital - Regional	2,463.12	0.10
Paging Digital - National	9,284.43	0.50
Paging Alpha - State	4,365.84	0.20
Paging Alpha - Regional	678.70	0.00
Paging Alpha - National	2,811.35	0.10
Paging Equip. Digital Lease	4,582.95	0.20
Paging Equip. Digital Purch -	8,903.73	0.50
Paging Equip Alpha Lease	41.00	0.00
Paging Equip Alpha Purch	241.00	0.00
Paging Accessories	2,353.70	0.10
Paging Features	10,946.29	0.60
Paging Protection Plan	1,694.00	0.10
Paging Activation	975.00	0.10
Paging Crystal	<u>2,287.80</u>	<u>0.10</u>

Total PAGING SALES **102,331.18** **5.30**

SOUTHNET TELECOMM SERVICES
DETAIL STATEMENT OF INCOME
For The Period

	January 01, 1997 to December 31, 1997	Pct%
OTHER SALES		
Long Dist. - National	52,399.29	2.70
Equip. Sales Tax	221.52	0.00
Long Distance Tax	43,575.87	2.20
Termination Penalty	71,833.00	3.70
Termination Penalty Equip.	46,042.30	2.40
Internet access fees	<u>2,548.90</u>	<u>0.10</u>
Total OTHER SALES	216,620.88	11.10
COST OF SALES		
Activation Fees	6,338.01	0.30
Cellular Access - 1	262,154.55	13.50
Cellular Service - 1	478,335.92	24.60
Cellular Phone Depr.	168,245.56	8.60
Cellular Access. Cost	20,932.33	1.10
Cellular Deposit/PP Loss	437.54	0.00
Cellular Features	4,722.12	0.20
Cellular Usage Tax	53,778.48	2.80
Programming Tools	345.00	0.00
Roaming Airtime Cost	106,214.42	5.50
Misc. Charges	9,000.14	0.50
Prepaid Cellular	14,613.53	0.80
Prepaid Refund	282.21	0.00
Paging Service Cost	37,583.85	1.90
Paging Unit Deprec.	24,116.95	1.20
Dispatch Cost	3,876.65	0.20
Paging Feature Cost	6,278.03	0.30
Pager Crystal	2,904.00	0.10
LD Service Nat'l	27,262.81	1.40
LD Service Internat'l	1,940.91	0.10
LD Calling Card Cost	171.30	0.00
LD Debit Card Cost	19.50	0.00
LD Features Cost	1,249.11	0.10
L/D Excise Tax	<u>46,873.64</u>	<u>2.40</u>
Total COST OF SALES	<u>1,277,676.56</u>	<u>65.60</u>
Total GROSS PROFIT	669,032.56	34.00

SOUTHNET TELECOMM SERVICES
DETAIL STATEMENT OF INCOME
For The Period

	January 01, 1997 to December 31, 1997	<u>Pct%</u>
TELEMARKETING		
Salaries F.T. Sales	78.07	0.00
Salaries P.T. Sales	10,392.41	0.50
Commission	129.29	0.00
Salaries - Lead Generation	2,552.22	0.10
Literature	35,519.29	1.80
Telephone	19,217.22	1.00
Marketing Supplies	51.98	0.00
Miscell.	<u>5,227.03</u>	<u>0.30</u>
Total TELEMARKETING	73,167.51	3.80
COMMERCIAL		
Commission	413.38	0.00
Literature	<u>214.11</u>	<u>0.00</u>
Total COMMERCIAL	627.49	0.00
ADVERTISING AND PROMOTIONS		
Mail/Call List	3,788.87	0.50
Labels	5,831.50	0.30
Adv - Television	46,998.25	2.40
Adv - Newspaper	2,086.00	0.10
Adv. Billboard	217.75	0.00
Yellow Pages	6,792.65	0.30
Brochure Postage	7,587.37	0.40
Literature	1,417.50	0.10
Supplies/Forms	131.50	0.00
Printing/Layout	2,316.66	0.10
Advertising - Misc.	<u>2,011.80</u>	<u>0.10</u>
Total ADVERTISING AND PROMOTIONS	84,179.25	<u>4.30</u>
SALES AND MARKETING	157,974.25	8.00

SOUTHNET TELECOMM SERVICES
DETAIL STATEMENT OF INCOME
For The Period

	<u>January 01, 1997</u> to <u>December 31, 1997</u>	<u>Pct%</u>
VEHICLE/ EQUIPMENT OPERATING		
Gas & Oil	2,759.62	0.10
Licenses/Tags	340.75	0.00
Leasing Cost	5,704.98	0.30
Deprec. Cost	3,177.83	0.20
Repairs & Maint.	727.67	0.00
Insurance	6,928.00	0.40
Gain/loss on sale of assets	<u>(177.93)</u>	<u>0.00</u>
Total VEHICLE/ EQUIPMENT OPERATING	19,460.92	1.00
BUILDING OCCUPANCY		
Rent	53,587.74	2.80
Storage Cost	961.06	0.00
Utilities	5,828.54	0.30
Taxes	1,096.65	0.10
Security System	890.80	0.00
Deprec. Furniture & Fixt.	2,267.33	0.10
Building Maintenance	4,469.52	0.20
Leasehold Improvements	728.36	0.00
Insurance	2,047.00	0.10
Gain/loss fixed assets	2,092.60	0.10
Moving Expense	<u>3,568.98</u>	<u>0.20</u>
Total BUILDING OCCUPANCY	77,538.58	4.00
ADMINISTRATION LABOR		
Admin. Salaries - Gen. Mgr.	177.02	0.00
Service Technician	53.19	0.00
Admin. Bonus	3,000.00	0.20
Matching (Health/Welf)	25.12	0.00
Payroll	507,671.77	26.10
Payroll Taxes	<u>184,203.70</u>	<u>9.50</u>
Total ADMINISTRATION LABOR	695,130.80	35.70

SOUTHNET TELECOMM SERVICES
DETAIL STATEMENT OF INCOME
For The Period

	January 01, 1997 to December 31, 1997	<u>Pct%</u>
OTHER ADMINISTRATIVE		
Relocation Expense	1,588.48	0.10
Admin. Auto	552.75	0.00
Admin. Travel	10,600.29	0.50
Admin. Meals	2,780.02	0.10
Conventions	1,520.24	0.10
Legal	2,397.16	0.10
Accounting	13,435.00	0.70
Other professional	20,498.04	1.10
Dues & Subscriptions	866.99	0.00
Bad debt expense	285,729.93	14.70
Billing & Collection	61,169.19	3.10
Office Equip. Maint.	1,061.19	0.10
Office Equip. Lease	4,339.33	0.20
Office Supplies	9,878.36	0.50
Postage	4,477.66	0.20
Telephone Charges	16,641.29	0.90
Telephone Equipment	2,799.01	0.10
Insurance - Med.	16,913.40	0.90
Courier	3,161.87	0.20
Cellular Phone/Pager	4,309.62	0.20
Empl. Recruit Fees	12,237.22	0.60
Workman's Comp	2,936.00	0.20
Bank Charges	8,418.28	0.40
Credit Card Charges	1,830.59	0.10
Business License	1,198.00	0.10
Computer Hardware	4,815.38	0.20
Computer Software	2,310.60	0.10
Computer Forms/Supplies	283.24	0.00
Computer Maintenance	7,342.37	0.40
Water	857.84	0.00
Credit Checks	7,422.74	0.40
Depreciation	9,618.74	0.50
Payroll Fees	2,317.65	0.10
Total OTHER ADMINISTRATIVE	<u>526,308.47</u>	<u>27.00</u>
GENERAL AND ADMININSTRATIVE	<u>1,221,439.27</u>	<u>63.00</u>
Total NET OPERATING INCOME (LOSS)	(807,380.46)	(41.00)

SOUTHNET TELECOMM SERVICES
 DETAIL STATEMENT OF INCOME
 For The Period

	January 01, 1997 to December 31, 1997	<u>Pct%</u>
OTHER (INCOME) AND EXPENSES		
Interest	115,462.06	5.90
Amortization	5,609.64	0.30
Gain/loss on sale of f/a	376.57	0.00
Interest income	(5,825.37)	(0.30)
Phones & pagers prior yr	64,451.65	3.30
A/P prior year difference	(82,580.13)	(4.20)
Payroll difference prior year	<u>(1,714.62)</u>	<u>(0.10)</u>
Total OTHER (INCOME) AND EXPENSES	95,779.80	5.00
Total NET INCOME (LOSS)	<u>(903,160.26)</u>	(46.00)
Total NET INCOME (LOSS) AFTER TAX	<u>(903,160.26)</u>	(46.00)
	=====	=====

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE STATE OF FLORIDA

STATE OF MICHIGAN)
)
COUNTY OF OTTAWA) ss:

CERTIFICATION

I, Ronald F. Anderegg, a duly authorized officer of SouthNet Telecomm Services, Inc., am authorized to make this certification on behalf of SouthNet Telecomm Services, Inc. The statements concerning SouthNet Telecomm Services, Inc., made in the foregoing Unaudited Financial Statements of SouthNet Telecomm Services, Inc., for the period ending December 31, 1997, are true, complete, and accurate to the best of my knowledge and are made in good faith.

SOUTHNET TELECOMM SERVICES, INC.

By: Ronald F. Anderegg
Ronald F. Anderegg,
Chief Executive Officer

Subscribed and sworn to before me, in and for the State and County named above this 17th day of June, 1998.

Cassandra Foster
Notary Public

My Commission Expires: 5-10-2002

SOUTHNET TELECOMM SERVICES, INC.

Compiled Financial Statements

**For The Year Ended
December 31, 1996**

SOUTHNET TELECOMM SERVICES, INC.

BALANCE SHEET
DECEMBER 31, 1996ASSETS

CURRENT ASSETS:

Cash and equivalents	\$ 97,746
Accounts receivable	405,502
Other receivables	1,667
Inventories, at lower of cost or market	43,813

TOTAL CURRENT ASSETS

548,728

PROPERTY AND EQUIPMENT, at cost:

Furniture and fixtures	20,597
Vehicles	17,334
Equipment	47,656

Accumulated depreciation

85,587
(13,063)

TOTAL PROPERTY AND EQUIPMENT

72,524

OTHER ASSETS:

Deposits	90,336
Deferred equipment cost, net of accumulated amortization	253,730
Organization costs, net of accumulated amortization	21,072

TOTAL OTHER ASSETS

365,137
-----\$ 986,389
=====

"Continued"

SOUTHNET TELECOMM SERVICES, INC.

BALANCE SHEET
DECEMBER 31, 1996

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long term debt	6,222
Payroll taxes payable	4,058
Sales and other taxes payable	16,352
Accounts payable-trade	60,723
Accrued liabilities	227,360

TOTAL CURRENT LIABILITIES	314,715
LONG TERM DEBT, net of current portion	13,934
LOANS FROM SHAREHOLDERS	1,718,748

TOTAL LIABILITIES	2,047,397

STOCKHOLDERS' EQUITY (DEFICIT):	
Common stock; par value: \$1.00;	
\$1,000,000 shares authorized: 6,670;	6,670
shares issued and outstanding:	(1,067,677)
Accumulated Deficit	(1,061,007)

TOTAL STOCKHOLDERS' EQUITY	(1,061,007)

	\$ 986,389

SOUTHNET TELECOMM SERVICES, INC.

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED
DECEMBER 31, 1996

REVENUE:	
Sales	(1,275,040)
Interest and other	(47,146)
Total Revenue	<u>1,322,186</u>
COSTS AND EXPENSES:	
Cost of sales	759,586
Telemarketing expenses	512,029
Advertising & Promotions	33,862
Administrative & General	890,809
Total Costs and Expenses	<u>2,196,285</u>
NET EARNINGS (LOSS)	(874,099)
BEGINNING ACCUMULATED DEFICIT	<u>(193,578)</u>
ENDING ACCUMULATED DEFICIT	<u><u>\$(1,067,677)</u></u>

SOUTHNET TELECOMM SERVICES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings (loss)	\$ (874,099)
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	138,267
Decrease, (Increase) in:	
Accounts receivable	(365,623)
Other receivables	(1,667)
Inventories	(7,374)
Deferred equipment cost	(315,711)
Deposits	(33,842)
Increase, (Decrease) in:	
Sales and other taxes payable	15,939
Accounts payable-trade	39,681
Accrued liabilities	217,573
	<u>(1,186,855)</u>
Purchase of property and equipment	(35,158)
	<u>(35,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loans from shareholders	1,309,553
Repayments of long term debt	(6,330)
Common stock issued	1,670
	<u>1,304,893</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	82,880
CASH AND EQUIVALENTS:	
BEGINNING BALANCE	14,866
ENDING BALANCE	\$ <u>97,746</u>

ATTACHMENT C
Response to Application Question No. 16 B

**MANAGERIAL CAPABILITY
OF
SOUTHNET TELECOMM SERVICES, INC.**

SOUTHNET TELECOMM SERVICES, INC.

TECHNICAL QUALIFICATIONS/MANAGEMENT EXPERIENCE

The Company has assembled a highly skilled management team, which brings a wealth of experience and expertise to the Company's local telecommunications services venture. Together, the Company's executives provide it with the depth and breadth of management, operational and technical capabilities necessary to facilitate its provision of high quality, affordable local exchange telecommunications services.

Brief summaries of the experience of key members of the Company's executive team and independent consultants are set forth below:

RONALD F. ANDEREGG
Chairman of the Board and
Chief Executive Officer

Ronald F. Anderegg, Chairman of the Board of SouthNet, possesses extensive managerial experience, having been responsible in his latest corporate position for generating over \$230 million in annual sales, and for the oversight of 2,500 employees, in 76 locations in 19 states East of the Mississippi. Mr. Anderegg has successfully implemented large-scale business plans and marketing strategies, grown start-up enterprises into substantial consumer service businesses, and effectively managed corporate growth.

ROBERT MORRIS
General Manager

Robert A. Morris, SouthNet's General Manager, has significant experience navigating fledgling service provider companies through their initial start-up phases and leading those companies to positions as major market participants. In his most recent corporate position, Mr. Morris, after opening a regional market for the company, expanded the regional operations base to an annual revenues of \$12 million and increased annual revenues 500% in a five year period. In this position, Mr. Morris was responsible for the supervision of more than 100 employees.

Mr. Morris has held the front-line position in establishing SouthNet as a full-service telecommunications reseller. In addition to being integrally involved in the development and implementation of SouthNet's marketing strategy, Mr. Morris has been instrumental in the formulation of SouthNet's business plan as well as the Company's accounting and business systems, employee compensation plans, labor policy and procedure systems and manuals, customer service procedures and manuals, and advertising and literature development. Further, Mr. Morris has instituted, and overseen since the Company's inception, all of SouthNet's major internal systems operations.

JEFFREY W. LEMAY
Director of Internet Services

Mr. LeMay joined the Company in 1995. As Director of Internet Services, Mr. LeMay is responsible for the complete design and implementation of the Company's national internet services network, including selection of internet access and telephony hardware products, procurement of network lines from regional Bell Operating Companies, recruiting, training and managing the Company's internet services customer service and network administrator departments, developing business plans and growth models.

Mr. LeMay is a graduate of Angelina College and the Kettering College of Medical Arts.

ATTACHMENT D
Response to Application Question No. 16 C

**TECHNICAL CAPABILITY
OF
SOUTHNET TELECOMM SERVICES, INC.**

As set forth in Attachment C hereto (incorporated by reference), Applicant's senior management team possess significant experience in many aspects of telecommunications service provision. The Commission has previously granted SouthNet authority to provide interexchange telecommunications services throughout the State of Florida. SouthNet respectfully submits that the Company also possesses the technical capability to provide high quality local telecommunications services within and throughout the State of Florida. SouthNet has operated as a provider of interexchange telecommunications services since the Company's inception in 1995, making available to consumers an integrated offering of interexchange, cellular and paging services and consistently maintaining an elevated level of service integrity. In conjunction with the provision of such service, SouthNet has developed a management team well-versed in addressing the service needs and concerns of its customer base. As the Company has expanded its provision of services to encompass the interexchange and more recently the local telephone service arenas, the management team has likewise been expanded to include members whose experience in the provision of local and interexchange service enriches the Company's ability to address the telecommunications needs of its business and residential customers.

SouthNet believes its proposed service offering, which will be set forth more fully in Applicant's Price List, would significantly advance the public interest by enhancing the local telecommunications service options available to the as-yet significantly underserved residential telecommunications market.¹ Coupled with Applicant's long-standing commitment to providing exemplary customer service, the broadening of SouthNet's current service offering to include local telecommunications services will benefit residential consumers by allowing them to enjoy the benefits of "one-stop" shopping for the satisfaction of all their telecommunications needs.

¹ Applicant's Price List will be submitted to the Commission at least one day prior to initiation of its proposed service offering in accordance with Rule 25-24.825. Applicant will provide courtesy copies of its Price List to Commission personnel upon request.

SouthNet will provide its local telecommunications offering to residential and small business users in a manner designed to satisfy both the heightened customer service expectations and the price-sensitivity of these customers. To the extent that Applicant's activities enhance competition, consumers should benefit from lower prices, increased network efficiencies and perhaps even higher quality and innovative telecommunications services.

SouthNet will fully comply with the rules and regulations of this Commission in connection with the provision of local telecommunications services. In particular, recognizing the critical role local telecommunications service plays in enabling consumers to immediately contact emergency service providers, Applicant will provide the same level of access to 911 that local exchange carriers currently provide in their respective service areas. SouthNet will collect a 911 fee from subscribers and remit such fees to the appropriate 911 jurisdiction in accordance with Section 365.171, Florida Statutes.

hunter communications law group

ORIGINAL

VIA OVERNIGHT COURIER

June 23, 1998

Florida Public Service Commission
Division of Communications
Certification and Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

Re: **Application of SouthNet Telecomm Services, Inc.
for Authority to Provide Alternative Local Exchange
Service Within the State of Florida**

Dear Sir or Madam:

Enclosed herewith, on behalf of SouthNet Telecomm Services, Inc. ("SouthNet"), are an original and six copies of SouthNet's Application for Authority to Provide Alternative Local Exchange Service Within the State of Florida. Also enclosed is a check made payable to the Florida Public Service Commission ("Commission") in satisfaction of the \$250.00 statutory filing fee for this application.

Please file/stamp the enclosed copy of this transmittal letter to acknowledge receipt of SouthNet's Application by the Commission and return it to our offices in the enclosed addressed envelope.

Should you have any questions concerning this matter, please do not hesitate to contact the undersigned.

Respectfully submitted,

SOUTHNET TELECOMM SERVICES INC 10/85		2748
2333 WINDY HILL RD 770-937-9550 MARIETTA, GA 30067		
PAY TO THE ORDER OF	Florida Public Service Commission	6/22 1998 \$ 250. ⁰⁰
	Two hundred fifty &	100 DOLLARS
NationsBank NationsBank, N.A. (South) Georgia		
FOR		

hunter communications law group

ORIGINAL

VIA OVERNIGHT COURIER

DEPOSIT
D7 98

DATE
JUN 27 1998

June 23, 1998

Florida Public Service Commission
Division of Communications
Certification and Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

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Should you have any questions concerning this matter, please do not hesitate to contact the undersigned.

Respectfully submitted,



Charles C. Hunter

Enclosures

Check received with filing and
forwarded to Fiscal for deposit.
Filer to forward a copy of check
to [redacted] for deposit.

Initials of person who forwarded check:

1620 I Street, N.W.
Suite 701
Washington, D.C. 20006
Telephone (202) 293-2500
Facsimile (202) 293-2571