



Public Service Commission

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

ORIGINAL

DATE: July 1, 1998
 TO: Rick Moses, Division of Communications
 FROM: David J. Draper, Division of Auditing and Financial Analysis *DD ALM AP C*
 RE: Docket No. 980782-TX, SouthNet Telecomm Services, 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 SouthNet Telecomm Services, Inc. (SNT) for the period ending December 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, SNT has adequate liquidity, but reports negative common equity and negative net income for the period.

ACK _____
 AFA _____ In this matter, SNT is asking for a certificate to provide alternative local exchange
 APP _____ telecommunications service. For purposes of granting a certificate based on the financial
 CAF _____ information provided, the financial capability appears minimal.
 CMU _____ Although an analysis of the financial statements reveals the applicant is in a minimal financial
 CTR _____ position, the applicant attests to its financial capability to provide and maintain the proposed
 EAG _____ telecommunications service by noting that SNT proposes to operate as a reseller in the state of
 LEG _____ Florida, and will incur minimal capital or operating expenses. In addition, SNT has secured
 LIN _____ significant credit financing commitments in order to further guarantee the continued provision
 OPE _____ of reliable telecommunications service to Florida residents. 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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 RECORDS/REPORTING

DOCKET NO. 980782-TX
SOUTHNET TELECOMM SERVICES, INC.

ALTERNATIVE LOCAL EXCHANGE SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 12/31/97
CURRENT ASSETS	\$426,534
CURRENT LIABILITIES	328,435
CURRENT RATIO	1.30
CASH	70,483
COMMON EQUITY	(1,964,168)
TOTAL DEBT	2,347,926
TOTAL INVESTOR CAPITAL	383,759
COMMON EQUITY RATIO	NMF
NET INCOME	(903,160)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure