

## **APPENDIX F**

### **FINANCIAL REQUIREMENTS FOR CPCN AND SECTION 1013 REGISTRATION APPLICATIONS**

The financial requirements to obtain operating authority are as follows:

1. All new facilities-based applicants seeking CPCNs shall demonstrate in their applications that they possess a minimum of \$100,000 unencumbered as defined below, reasonably liquid and readily available to meet the firm's start-up expenses. Such applicants shall also document any deposits required by local exchange companies or interexchange carriers (IECs) and demonstrate that they have a minimum of \$25,000 to be used solely for deposits required by local exchange companies or interexchange carriers.
2. All new non-facilities-based applicants seeking Section 1013 registrations shall demonstrate in their applications that they possess a minimum of \$25,000 unencumbered as defined below, reasonably liquid and readily available to meet the new firm's expenses. Such applicants shall also document any deposits required by LECs or IECs and demonstrate that they have a minimum of \$25,000 to be used solely for deposits required by local exchange companies or interexchange carriers.
3. Applicants for operating authority who have profitable interstate operations may meet the minimum financial requirement by submitting all of the three items: (1) an audited balance sheet; (2) an audited balance sheet for the previous quarter; and (3) a bank statement as of the month prior to the date of filing the application or a third-party undertaking to provide the required amounts on behalf of applicant. If the balance sheet shows current liabilities in excess of current assets or negative equity, explain how applicant will be able to maintain sufficient liquidity for its

first year of operations, as authorized in Decision (D.) 91-10-041 and modified by D.14-11-004 for NDIECs.

4. Applicants for operating authority without profitable interstate operations are permitted to use any of the following financial instruments to satisfy the applicable unencumbered cash equivalent requirements:
  - a. Unaudited bank statements;
  - b. Certificate of deposit or other liquid deposit with a reputable bank or other financial institution;
  - c. Preferred stock proceeds or other corporate shareholder equity, provided that use is restricted to maintenance of working capital for a period of at least twelve (12) months beyond certification of the applicant by the Commission;
  - d. Letter of credit, issued by a reputable bank or other financial institution, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission;
  - e. Line of credit or other loan, issued by a reputable bank or other financial institution, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission, and payable on an interest-only basis for the same period;
  - f. Loan, issued by a qualified subsidiary, affiliate of applicant, or a qualified corporation holding controlling interest in the applicant, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission, and payable on an interest-only basis for the same period;
  - g. Guarantee, issued by a corporation, copartnership, or other person or association, irrevocable for a period of at least twelve (12) months

beyond certification of the applicant by the Commission; including cashier's check, sight draft, performance bond proceeds, or traveler's checks.

- h. Guarantee, issued by a qualified subsidiary, affiliate of applicant, or a qualified corporation holding controlling interest in the applicant, irrevocable for a period of at least twelve (12) months beyond the certification of the applicant by the Commission.
5. The definitions of certain of the financial instruments listed in 4. and our intent on nondiscriminatory application of these definitions are clarified as follows:
- a. Applicants using unaudited bank statements are required to submit to the Director of Communications Division a copy of the bank statement (1) dated six months after the issuance date of the authorizing decision and submitted within eight months of the issuance date of the authorizing decision, and (2) dated 12 months after the issuance date of the authorizing decision submitted within 14 months of the issuance date of the authorizing decision.
  - b. All unencumbered instruments listed in 4.b. through 4.h. above will be subject to verification and review by the Commission prior to and for a period of twelve (12) months beyond certification of the applicant by the Commission. Failure to comply with this requirement will void applicant's certification or result in such other action as the Commission deems in the public interest, including assessment of reasonable penalties. (See Pub. Util. Code §§ 581 and 2112.)

- c. Applicants for CPCNs as non-facilities-based voice service providers, including interconnected VoIP, shall assure that every issuer of a letter of credit, line of credit, or guarantee to applicant will remain prepared to furnish such reports to applicant for tendering to the Commission at such time and in such form as the Commission may reasonably require to verify or confirm the financial responsibility of applicant for a period of at least twelve (12) months after certification of the applicant by the Commission.
- d. All information furnished to the Commission for purposes of compliance with this requirement will be available for public inspection or made public, except in cases where a showing is made of a compelling need to protect it as private or proprietary information.

**(END OF APPENDIX F)**