



Public Service Commission

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

DATE: October 15, 1997
TO: Nancy Pruitt, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL APC ALM*
RE: Docket No. **971139-TI**, Guarantel, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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 Guarantel, Inc. (Guarantel) for the year ending June 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Guarantel has inadequate liquidity, negative common equity and reports negative net income.

In this matter, Guarantel is asking for a certificate to provide IXC service. Staff notes the limited nature of the application. 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 weak financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it is being funded on an ongoing basis by its investors. The applicant is in the process of establishing a line of credit. It will soon receive \$5 million from investors, and it will operate in all 50 states. The Commission granted Guarantel an alternative local exchange certificate in Docket No. 970673-TX. 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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DOCKET NO. 971139-TI
GUARANTEEL, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

12 MONTHS ENDING
JUNE 30, 1997

CURRENT ASSETS	16,050
CURRENT LIABILITIES	106,116
CASH	0
COMMON EQUITY	(44,880)
TOTAL DEBT	25,000
EQUITY RATIO	NMF
NET INCOME	(106,880)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE