



Public Service Commission

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

DATE: July 28, 1999
TO: Toni McCoy, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis
RE: Docket No. 990626-TX, Cleartel Communications, 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 Cleartel Communications, Inc. (CCI) for the period ended December 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, CCI has inadequate liquidity and insufficient common equity. For the period, it reported a loss.

In this matter, CCI is asking for a certificate to provide alternative local exchange telecommunications 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.

AFA
APP
CAF
CML
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OTH
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 by noting that it currently has positive cash flow. CCI expects to finance its operations internally and will have no outside financing requirements. The applicant states it expects revenue growth with small increases in overhead. 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)

DOCUMENT NUMBER-DATE

09109 AUG-2 99

REC-RECORDS/REPORTING

DOCKET NO. 990626-7
CLEARTEL COMMUNICATIONS, INC.
ALEC CERTIFICATE

FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

AS
OF
12/31/98

CURRENT ASSETS	\$2,866,567
CURRENT LIABILITIES	8,307,585
CURRENT RATIO	0.35
CASH	21,303
COMMON EQUITY	2,123
TOTAL DEBT	2,601,586
TOTAL PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	2,603,709
COMMON EQUITY RATIO	0%
NET INCOME	(189,595)
RETURN ON EQUITY	NEGATIVE