



# Public Service Commission

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

DATE: August 19, 1996  
 TO: Tom Williams, Division of Communications  
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL ALM APC*  
 RE: Docket No. 960756-~~PI~~<sup>IX</sup>, KMC Telecom, Inc., Financial Analysis for Certificate Application for ~~Intrastate Interexchange Telecommunications Service~~ *ALEC*

Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide ~~intrastate-interexchange telecommunications~~ *ALEC* 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 KMC Telecom, Inc. The company has inadequate liquidity, inadequate ownership equity, and inadequate profitability. The company is in start-up mode, and its debt is from its stockholders.

Although the applicant's financial position is marginal, *ALEC* the applicant attests that it has sufficient financial capability to provide ~~interexchange telecommunications~~ service. Based on this, 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

*Corrected in telephone conversation with AFA/Lester 8/21/96 14*

DOCKET NO. 960756-TI  
KMC TELECOM, INC.  
INTEREXCHANGE CERTIFICATE  
FINANCIAL ANALYSIS  
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

12 MONTHS  
ENDING  
12/31/95

CURRENT ASSETS	38,912
CURRENT LIABILITIES	2,599,188
CURRENT RATIO	0.01
CASH	34,370
COMMON EQUITY	(1,622,867)
PREFERRED STOCK	0
TOTAL DEBT	2,727,400 *
TOTAL INVESTOR CAPITAL	1,104,533
COMMON EQUITY RATIO	NMF
NET INCOME	(1,620,392) *
RETURN ON EQUITY	NMF

NMF=NO MEANINGFUL FIGURE

\*COMPANY IS IN START-UP MODE. FOR 1998, COMPANY  
PROJECTS \$979,610 IN NET INCOME. LOAN IS FROM A  
STOCKHOLDER.