



Public Service Commission

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DATE: September 13, 1996
TO: Tom Williams, Division of Communications
FROM: Sonja Jones, Division of Auditing and Financial Analysis
RE: Docket No. 960792-TX, A.R.C. Networks, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

ALM
APC

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 audited financial statements of Consolidated Technology Group Ltd., the parent company of A.R.C. Networks, Inc. (ARC), for the period ending December 31, 1995. As the attached schedule shows, ARC has adequate liquidity but marginal ownership equity and negative net income.

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In this matter, ARC is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. 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 minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting the parent company, Consolidated Technology Group, Ltd. fully supports ARC. Furthermore, the applicant has no significant lease or ownership obligations. 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

DOCUMENT NUMBER-DATE
09901 SEP 17 96
FPSC-RECORDS/REPORTING

DOCKET NO. 960792-TX
A.R.C. NETWORKS, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS
OF CONSOLIDATED TECHNOLOGY GROUP LTD. AND SUBSIDIARIES

	AS OF 12/31/95
CURRENT ASSETS	\$26,407,000
CURRENT LIABILITIES	15,971,000
CURRENT RATIO	1.65
CASH	1,636,000
COMMON EQUITY	11,047,000
TOTAL DEBT	37,207,000
TOTAL INVESTOR CAPITAL	48,254,000
COMMON EQUITY RATIO	23%
NET INCOME	(11,360,000)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure

NOTE: A.R.C. is a wholly owned subsidiary of Consolidated Technology Group, Ltd.