



Public Service Commission

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DATE: May 7, 1997  
 TO: Tom Williams, Division of Communications  
 FROM: David J. Draper, Division of Auditing and Financial Analysis *DA*  
 RE: Docket No. 970251-TX, LDM Systems, 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 unaudited financial statements of LDM Systems, Inc. (LDM) for the period ending December 31, 1995. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, LDM has marginal liquidity, and reports negative common equity and negative net income for the period.

ACK \_\_\_\_\_  
 AFA \_\_\_\_\_ In this matter, LDM 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 marginal.

CMU \_\_\_\_\_  
 CTR \_\_\_\_\_ Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service. In addition, the applicant states that it has ample cash flows from continuing operations, and will require no additional funding to maintain services. Without a onetime settlement expense of \$1,024,398 the applicant would have had a net income of \$658,795 and owners' equity of \$1,013,215 for the 1995 period. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

SEC 1 cc: Division of Legal Services  
 WAS \_\_\_\_\_ Division of Records and Reporting  
 OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. : 970251-TX  
LDM SYSTEMS, INC.

ALTERNATIVE LOCAL EXCHANGE SERVICE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

|                        | AS<br>OF<br>12/31/95 |
|------------------------|----------------------|
| CURRENT ASSETS         | \$4,130,818          |
| CURRENT LIABILITIES    | 3,814,420            |
| CURRENT RATIO          | 1.08                 |
| CASH                   | 402,643              |
| COMMON EQUITY          | (36,782)             |
| TOTAL DEBT             | 485,000              |
| TOTAL INVESTOR CAPITAL | 448,218              |
| COMMON EQUITY RATIO    | NMF                  |
| NET INCOME             | (365,603)            |
| RETURN ON EQUITY       | NMF                  |

NMF = No Meaningful Figure