



Public Service Commission

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

DATE: July 25, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 970614-TI, Branstock Communications, 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 Branstock Communications, Inc. (Branstock) for the 5-month period ending May 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Branstock has inadequate liquidity and ownership equity. The company has adequate profitability. Due to a \$73,000 loan from the owner - the company's only debt - the liquidity and equity ratios are not reflective of the company's financial capability.

In this matter, Branstock 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 adequate after adjusting for the loan from the owner.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it is profitable and has a net account receivable from a customer in the amount of \$550,000. Because the company is a cash basis company, this account receivable does not show up on the company's financial statements. 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. 970614-TI
BRANSTOCK COMMUNICATIONS, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

5 MONTHS ENDING
MAY 31, 1997

CURRENT ASSETS	54,820
CURRENT LIABILITIES	73,000
CURRENT RATIO	0.75
CASH	54,820
COMMON EQUITY	604
TOTAL DEBT	73,000
TOTAL INVESTOR CAPITAL	73,604
COMMON EQUITY RATIO	1%
NET INCOME	33,695
RETURN ON EQUITY	5579%