



Public Service Commission

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DATE: September 10, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 970938-TI, Star Telecommunications, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *PL*

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 audited financial statements of Star Telecommunications, Inc. (Star) for the year ending December 31, 1996. As the attached schedule shows, Star has adequate liquidity but reports a low equity ratio and negative net income.

In this matter, Star 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 marginal.

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 by noting that its recently issued prospectus has many assurances of financial capability. Specifically, the company has been able to obtain outside financing such as bonds, lines of credit, and letters of credit. The company's equity ratio will increase with a planned common stock issue. 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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