



Public Service Commission

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

DATE: November 20, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL ALM*
RE: Docket No. 971128-TI, Communications Express, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *ALM*

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 Communications Express, Inc. (CEI) for the six-month period ending July 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, CEI has adequate liquidity and ownership equity, however, it reports negative net income.

In this matter, CEI 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.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that, as a switchless reseller, it has low capital needs. The company states that it has investors who will provide additional funds if needed. The company has obtained letters of credit through First Union Bank as required by its underlying service providers. The company believes it has the potential to be a world wide communications leader. 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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FPSC-RECORDS/REPORTING

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DOCKET NO. 971128-TI
COMMUNICATIONS EXPRESS, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

	SIX MONTHS ENDED <u>JULY 31, 1997</u>
CURRENT ASSETS	112,160
CURRENT LIABILITIES	4,783
CURRENT RATIO	23.45
CASH	77,985
COMMON EQUITY	218,087
TOTAL DEBT	29,887
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	247,774
COMMON EQUITY RATIO	88%
NET INCOME	(43,237) *
RETURN ON EQUITY	-20%

* JANUARY 1 THRU JULY 1, 1997