



Public Service Commission

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

DATE: November 26, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*
RE: Docket No. 971309-TI, Catholic Telecom, 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 Catholic Telecom, Inc. (CTI) for the year ended August 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, CTI has inadequate liquidity, negative common equity, and negative net income.

In this matter, CTI 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 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 that, as a switchless reseller, it has low capital needs and does not anticipate taking on additional debt. CTI has a \$500,000 line of credit with a Wall Street investment bank, and it anticipates profitability for Florida operations within 3 months. 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. 971309-TI
TELMEX/SPRINT COMMUNICATIONS, L.L.C.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM AUDITED FINANCIAL STATEMENTS OF TELMEX

MILLIONS OF MEXICAN PESOS	YEAR ENDED <u>DECEMBER 31, 1996</u>
CURRENT ASSETS	19,158
CURRENT LIABILITIES	8,436
CURRENT RATIO	2.27
CASH	5,087
COMMON EQUITY	89,215
TOTAL DEBT	13,358
PREFERRED STOCK	0
TOTAL CAPITAL	102,571
COMMON EQUITY RATIO	87%
NET INCOME	11,600
RETURN ON EQUITY	13%

DOCKET NO. 971309-TI
CATHOLIC TELECOM, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

	YEAR ENDED <u>AUGUST 31, 1997</u>
CURRENT ASSETS	5,308
CURRENT LIABILITIES	20,158
CURRENT RATIO	0.26
CASH	2,482
COMMON EQUITY	(208,579)
TOTAL DEBT	216,092
PREFERRED STOCK	0
COMMON EQUITY RATIO	NMF
NET INCOME	(208,779)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE