



Public Service Commission

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

DATE: December 3, 1997
TO: Tom Williams, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *DD* *ALM*
RE: Docket No. 971445-TI, Connect Telecom, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *APC*
JMS

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 Connect Telecom, Inc. (CTI) for the eight month period ending August 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, CTI reports a positive net income for the period, but has minimal liquidity and negative common equity.

In this matter, CTI is asking for a certificate to provide IXC 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 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. In the event that any additional funding is needed, CTI's sister corporation, Cain Enterprises, Inc. will provide additional financial backing. 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)

DOCUMENT NO.
12674-97
12/10/97

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DOCKET NO. 971445-
CONNECT TELECOM, INC.

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 08/31/97
CURRENT ASSETS	\$159,759
CURRENT LIABILITIES	406,019
CURRENT RATIO	0.39
CASH	15,034
COMMON EQUITY	(197,910)
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	(197,910)
COMMON EQUITY RATIO	NMF
NET INCOME	2,769
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure