



Public Service Commission

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

DATE: December 4, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL APC ALM*
RE: Docket No. 971031-TI, Connect America, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *[Signature]*

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 America, Inc. (Connect) for the year ending September 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Connect has a current ratio of .75, negative common equity, and negative net income.

ACK _____
 AFA _____
 APP _____ In this matter, Connect 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.
 CAF _____
 CMU _____
 CTR _____ Although an analysis of the financial statements reveals that the applicant's financial capability is minimal, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it will operate in most of the United States. The company submits that any additional funding it needs will be available from independent investors. As a switchless reseller, the applicant will have low capital needs. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.
 EAG _____
 LEG _____
 LIN _____
 OPC _____
 RCH _____

cc: Division of Legal Services
Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE

12701 DEC 11 97

FPSC-RECORDS/REPORTING

DOCKET NO. 971031-TI
CONNECT AMERICA, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

| | YEAR ENDING <u>SEPTEMBER 30, 1997</u> |
|------------------------|---|
| CURRENT ASSETS | 1,421,692 |
| CURRENT LIABILITIES | 1,904,479 |
| CURRENT RATIO | 0.75 |
| CASH | 123,536 |
| COMMON EQUITY | (342,310) |
| TOTAL DEBT | 295,935 |
| PREFERRED STOCK | 0 |
| TOTAL INVESTOR CAPITAL | NEGATIVE |
| COMMON EQUITY RATIO | NMF |
| NET INCOME | (254,352) |
| RETURN ON EQUITY | NEGATIVE |

NMF=NO MEANINGFUL FIGURE