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Public Service Commission

-M-E-M-O-R-A- RECORDS AND REPORTING

DATE: June 9, 1998
 TO: Louis Yambor, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*
 RE: Docket No. 980547-TI, Network Telephone, 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 Network Telephone, Inc. (Network) for the projected first 12 months of operation. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Network has adequate liquidity and ownership equity. The company projects a loss for the first 12 months of operation.

- ACK _____
- AFA _____ In this matter, Network 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.
- APP _____
- CAF _____
- CMU _____ The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that its owner has raised \$100 million through Bear, Stearns & Co. and that the owner can provide sufficient financial resources to the company if needed. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.
- CTR _____
- EAG _____
- LEG _____
- LIP _____
- OPC _____ cc: Division of Legal Services
- RCH _____ Division of Records and Reporting (2)
- SEC _____
- WAS _____
- OTH _____

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RECORDS AND REPORTING

DOCKET NO. 980547-T1
NETWORK TELEPHONE, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED, PRO FORMA FINANCIAL STATEMENTS

AS
OF
FIRST TWELVE MONTHS

CURRENT ASSETS	4,453,047
CURRENT LIABILITIES	297,496
CURRENT RATIO	14.97
CASH	148,255
COMMON EQUITY	4,425,967
TOTAL DEBT	909,000
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	5,334,967
COMMON EQUITY RATIO	83%
NET INCOME	(575,033)
RETURN ON EQUITY	NEGATIVE