



# Public Service Commission

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

**DATE:** October 16, 1998  
**TO:** Nancy Pruitt, Division of Communications  
**FROM:** Eva P. Samaan, Division of Auditing and Financial Analysis *ALM*  
**RE:** Docket No. 981222-TX, NewSouth Communications, Corp., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ec*

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 NewSouth Communications, Corp. (NSC) for the period ending August 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, NSC has adequate liquidity and sufficient common equity, but reported a net loss for the period.

ACK \_\_\_\_\_ In this matter, NSC 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 adequate.

CAF \_\_\_\_\_  
CMU \_\_\_\_\_ The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it has available approximately \$11,000,000 from the sale of equity securities by its parent, NewSouth Holdings, Inc. to fund its operations. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

LIN \_\_\_\_\_  
OPC \_\_\_\_\_ cc: Division of Legal Services  
Division of Records and Reporting (2)

RCH \_\_\_\_\_  
SEC \_\_\_\_\_  
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OTH \_\_\_\_\_

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**DOCKET NO. 981222-K  
NEWSOUTH COMMUNICATIONS**

**ALEC TELECOMMUNICATION SERVICE  
FINANCIAL ANALYSIS**

**FROM UNAUDITED FINANCIAL STATEMENTS  
FOR THE EIGHT MONTHS ENDING 08/31/98**

<b>CURRENT ASSETS</b>	<b>\$10,174,692</b>
<b>CURRENT LIABILITIES</b>	<b>676,156</b>
<b>CURRENT RATIO</b>	<b>15.05</b>
<b>CASH</b>	<b>288,143</b>
<b>COMMON EQUITY</b>	<b>13,018,092</b>
<b>TOTAL DEBT</b>	<b>676,156</b>
<b>TOTAL INVESTOR CAPITAL</b>	<b>13,694,249</b>
<b>COMMON EQUITY RATIO</b>	<b>95%</b>
<b>NET INCOME</b>	<b>(538,809)</b>
<b>RETURN ON EQUITY</b>	<b>NMF</b>

**NMF = No Meaningful Figure**