



Public Service Commission

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

DATE: January 27, 1999  
 TO: Tommy Williams, Division of Communications  
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*  
 RE: Docket No. 981857-TX, Compass Telecommunications, Inc., Financial *ALM* Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

Section 364.337 (1), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide alternative local exchange 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 Compass Telecommunications, Inc. (Compass) for the period ending November 30, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Compass has adequate liquidity and sufficient common equity. The company reported a loss for the period.

**ACK** \_\_\_\_\_  
**AFA** \_\_\_\_\_  
**APP** \_\_\_\_\_ In this matter, Compass is asking for a certificate to provide alternative local exchange  
**CAF** \_\_\_\_\_ telecommunications service. Staff notes the limited nature of the application. For purposes of  
**CMU** \_\_\_\_\_ granting a certificate based on the financial information provided, the financial capability appears  
**CTR** \_\_\_\_\_ adequate.  
**EAG** \_\_\_\_\_ The applicant attests to its financial capability to provide and maintain the proposed  
**LEG** \_\_\_\_\_ telecommunications service by noting that it has a strategic alliance with New Public Network  
**LIN** \_\_\_\_\_ that will result in a \$14 million line of credit. The company currently has no debt but can obtain  
**OPC** \_\_\_\_\_ debt financing up to \$10 million through a revolving loan facility with its bank. Based on this  
**RCH** \_\_\_\_\_ showing, the applicant appears to meet the financial capability standard of Section 364.337,  
 Florida Statutes.

**SEC** 1  
**WAS** \_\_\_\_\_ cc: Division of Legal Services  
 Division of Records and Reporting (2)  
**OTH** \_\_\_\_\_

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DOCKET NO. 981857-TX  
COMPASS TELECOMMUNICATIONS, INC.  
ALEC TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF <u>11/30/98</u>
CURRENT ASSETS	\$625,109
CURRENT LIABILITIES	509
CURRENT RATIO	1,228.11
CASH	427,158
COMMON EQUITY	758,686
TOTAL DEBT	0
TOTAL PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	758,686
COMMON EQUITY RATIO	100%
NET INCOME	(471,074)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE