



Public Service Commission

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

DATE: May 17, 1999  
 TO: Nancy Pruitt, Division of Communications  
 FROM: Eva P. Samaan, Division of Auditing and Financial Analysis *ED*  
 RE: Docket No. 990359-TI, Free Network, L.L.C., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *ALM APC*

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 Free Network, L.L.C. (FN) for the period ending October 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, FN has minimal liquidity, inadequate common equity and reported a net loss for the period.

In this matter, FN 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.

- AFA \_\_\_\_\_
  - APP \_\_\_\_\_
  - CAF \_\_\_\_\_
  - CMU \_\_\_\_\_
  - CTR \_\_\_\_\_
  - EAG \_\_\_\_\_
  - LEG \_\_\_\_\_
  - MAS \_\_\_\_\_
  - OPC \_\_\_\_\_
  - RRR \_\_\_\_\_
  - SEC \_\_\_\_\_
  - WAW \_\_\_\_\_
  - OTH \_\_\_\_\_
- Although the 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. FN states that it has available through the National Bank of Detroit a line of credit in the amount of \$270,000 and a checking account with a balance of \$66,385 to support future operations. 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 NUMBER-DATE

~~06421~~ MAY 20 99

FPSC-RECORDS/REPORTING

DOCKET NO. 990359-7  
THE FREE NETWORK, L.L.C.

IXC TELECOMMUNICATION SERVICE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS AS OF 10/31/98

CURRENT ASSETS	\$190,090
CURRENT LIABILITIES	729,586
CURRENT RATIO	0.26
CASH	9,472
COMMON EQUITY	(750,536)
LONG-TERM DEBT	389,355
TOTAL INVESTOR CAPITAL	(361,181)
COMMON EQUITY RATIO	NMF
NET INCOME	(598,314)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure