

Public Service Commission

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

DATE: June 16, 1999

TO: Nancy Pruitt, Division of Communications

FROM: David J. Draper, Division of Auditing and Financial Analysis

Docket No. 990661-TX, Essex Communications, Inc., Financial Analysis RE: Certificate Application for Alternative Local Exchange Telecommunications Ser

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 audited financial statements of Essex Communications, Inc. (ECI) for the twelve month period ending November 30, 1998. As the attached schedule shows, ECI has sufficient common equity, but reports marginal liquidity and negative net income.

In this matter, ECI is asking for a certificate to provide alternative local exchange telecommunications service. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that ECI proposes to operate as a reseller in the state of Florida, and will incur minimal capital or operating expenses. In addition, the company has MAS _____structured its retail pricing so that its per minute rate covers its per minute cost, thus assuring an almost instantaneous positive cash flow. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

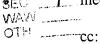
> Division of Legal Services Division of Records and Reporting (2)

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DOCKET NO. 990661 ESSEX COMMUNICATIONS, INC.

ALTERNATIVE LOCAL EXCHANGE SERVICE FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

AS
OF
11/30/98

CURRENT ASSETS	\$6,702,349
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CURRENT LIABILITIES 6,368,139

CURRENT RATIO 1.05

CASH 352,489

COMMON EQUITY 3,754,080

TOTAL DEBT 290,994

TOTAL INVESTOR CAPITAL 4,045,074

COMMON EQUITY RATIO 93%

NET INCOME (4,977,003)

NMF

NMF = No Meaningful Figure

RETURN ON EQUITY