



# Public Service Commission

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

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**DATE:** June 28, 1999  
**TO:** Nancy Pruitt, Division of Communications  
**FROM:** Eva P. Samaan, Division of Auditing and Financial Analysis *ES* *ALM*  
**RE:** Docket No. 990737-TX, Network Access Solutions, Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

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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 Network Access Solutions Corporation (NAS) for the period ending March 31, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, NAS has minimal liquidity, negative common equity and reported a net loss for the period.

In this matter, NAS is asking for a certificate to provide alternative local exchange telecommunications 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 an 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. In the month of June, NAS received \$84 million in proceeds from its sale of common stock to the public. In addition, the company claims a \$95 million capital lease facility from Ascend Communications, which allows it acquisition of certain telecommunications equipment.

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NAS states the above combined with a \$5 million line of credit facility from Ascend as its sources of financing. 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)

DOCKET NO. 990737-TX  
NETWORK ACCESS SOLUTIONS, CORP.

ALEC TELECOMMUNICATION SERVICE  
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS AS OF 03/31/99

CURRENT ASSETS	\$3,883,014
CURRENT LIABILITIES	7,636,657
CURRENT RATIO	0.51
CASH	617,671
COMMON EQUITY	(1,372,474)
LONG-TERM DEBT	2,378,799
TOTAL INVESTOR CAPITAL	1,006,325
COMMON EQUITY RATIO	NMF
NET INCOME	(2,844,621)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure