



Public Service Commission

ORIGINAL

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

DATE: April 10, 2000
TO: Nancy Pruitt, Division of Communications
FROM: Eva P. Samaan, Division of Auditing and Financial Analysis *ES* *ALM* *TJD*
RE: Docket No. 000321-TI, Cypress Communications of South Florida, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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 Cypress Communications, Inc. parent company of Cypress Communications of South Florida, Inc. (CCS) for the period ending September 30, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, CCS has sufficient common equity, but minimal liquidity and reported a net loss for the period.

AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 MAS _____
 OPC _____
 RRR _____
 SEC _____
 WAW _____
 OTH _____

In this matter, CCS 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 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. CCS has available additional funding through its parent's account with Silicon Valley Bank in the amount of \$43,770,817. 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

04753 APR 18 8

FPSC-RECORDS/REPORTING

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS AS OF 09/30/99

CURRENT ASSETS	\$1,996,855
CURRENT LIABILITIES	4,222,968
CURRENT RATIO	0.47

CASH 3,378

COMMON EQUITY 9,710,187

LONG-TERM DEBT 334,700

TOTAL INVESTOR CAPITAL 10,044,887

COMMON EQUITY RATIO 97%

NET INCOME (7,974,207)

RETURN ON EQUITY NMF

NMF= Non-meaningful figure

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In this matter, CCS 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 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. CCS has available additional funding through its parent's account with Stinson Valley Bank in the amount of \$42,770,817. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

DOCUMENT NUMBER-DATE
04758 APR 18 8
FR80-RECORDS-REGISTRAR

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

- WAW
- SEC
- RRR
- OPC
- MAS
- LEG
- EAG
- CTR
- CMU
- CAF
- APR
- RPA