



# Public Service Commission

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

**DATE:** June 5, 1996  
**TO:** Tom Williams, Division of Communications  
**FROM:** Sonja Jones, Division of Auditing and Financial Analysis *SJS APC ALM*  
**RE:** Docket No. 960610-TI, A.R.C. Networks, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *WMS TRD*

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 A.R.C. Networks, Inc.'s (ARC) parent company, Avionics Research Corp., for the period ending December 31, 1995. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, ARC has adequate liquidity and profitability but marginal ownership equity.

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- APP \_\_\_\_\_
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FPSC-RECORDS/REPORTING

DOCKET NO. 960610-T1  
A.R.C. NETWORKS, INC.  
IXC CERTIFICATE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS  
OF THE PARENT COMPANY (AVIONICS RESEARCH CORP.)

	AS OF 12/31/95
CURRENT ASSETS	\$1,868,045
CURRENT LIABILITIES	442,308
CURRENT RATIO	4.22
CASH	68,451
COMMON EQUITY	712,919
TOTAL DEBT	1,388,229
TOTAL INVESTOR CAPITAL	2,101,148
COMMON EQUITY RATIO	34%
NET INCOME	199,593
RETURN ON EQUITY	28%