



Public Service Commission

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

DATE: July 30, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL APC*
RE: Docket No. 970673-TX, Guarantel, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ML*

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 Guarantel, Inc. (Guarantel) for the 12-month period ending June 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Guarantel has inadequate liquidity, and it reports negative common equity and negative net income.

ACK

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In this matter, Guarantel is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application. 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 it is being funded on an ongoing basis by its shareholders and is establishing a line of credit with a bank. Further, the company will receive a \$5 million common stock infusion and it anticipates that it will break even by September 30, 1997. 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

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FPSC-RECORDS/REPORTING

DOCKET NO. 970673-TX
GUARANTEEL, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

12 MONTHS ENDING
JUNE 30, 1997

CURRENT ASSETS	16,050
CURRENT LIABILITIES	106,116
CASH	0
COMMON EQUITY	(44,880)
TOTAL DEBT	25,000
EQUITY RATIO	NMF
NET INCOME	(106,880)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE