



Public Service Commission

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

DATE: April 13, 1998
TO: Rick Moses, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *DD*
RE: Docket No. 980439-TI, Telecom Resources, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *APC*
DMZ

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 Telecom Resources, Inc. (TRI) for the period ending December 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, TRI reported a negative net income for the period, but has adequate liquidity and sufficient common equity.

In this matter, TRI is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate. The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that TRI proposes to operate as a reseller in the state of Florida, and will incur minimal capital or operating expenses. In addition, TRI intends to fund the provision of service through internally generated cash flow, and to the extent necessary, from cash contributions from its principles. However, TRI also has the ability to borrow funds, if required, based on its financial capabilities. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

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

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 980439-TI
TELECOM RESOURCES, INC.

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 12/31/97	AS OF 12/31/96
CURRENT ASSETS	\$767,465	\$2,371,952
CURRENT LIABILITIES	516,942	1,064,797
CURRENT RATIO	1.48	2.23
CASH	203,740	1,029,587
COMMON EQUITY	738,150	1,466,213
TOTAL DEBT	102,595	8,073
TOTAL INVESTOR CAPITAL	840,745	1,474,286
COMMON EQUITY RATIO	88%	99%
NET INCOME	(1,118,446)	1,448,933
RETURN ON EQUITY	NMF	99%

NMF = No Meaningful Figure