



CONFIDENTIAL  
**Public Service Commission**

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

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**DATE:** April 8, 1998  
**TO:** Tom Williams, Division of Communications  
**FROM:** Pete Lester, Division of Auditing and Financial Analysis  
**RE:** Docket No. 980230-TX, State Communications, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

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ALM  
APC  
PZ

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 State Communications, Inc. (State) as of December 31, 1997 and the projected income statement for 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, State has adequate liquidity and ownership equity but it projects a loss for 1998, its initial year of operation.

In this matter, State 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 adequate.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it will be a switchless reseller with low capital needs and it has lines of credit and bank references. 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 CONTROL UNIT

04169 APR 10 1998

DOCKET NO. 980223-TI  
DOCKET NO. 980230-TX  
STATE COMMUNICATIONS, INC.  
IXC AND ALEC CERTIFICATE  
FINANCIAL ANALYSIS  
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF DECEMBER 31, 1997
CURRENT ASSETS	800,000
CURRENT LIABILITIES	0
CURRENT RATIO	NMF
CASH	800,000
COMMON EQUITY	800,000
TOTAL DEBT	0
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	800,000
COMMON EQUITY RATIO	100%
NET INCOME	(1,656,818)*
RETURN ON EQUITY	NEGATIVE

\* PROJECTED FIRST 12 MONTHS  
NMF=NO MEANINGFUL FIGURE