



Public Service Commission

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

DATE: March 5, 1998
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*
RE: Docket No. 980134-TX, Network Telephone, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ALM APC BWS*

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 Network Telephone, Inc. (Network) for the projected period ending December 31, 1998. An audit could change one's opinion of the company's financial condition.

As the attached schedule shows, Network has adequate liquidity and ownership equity. For the period, the company projects a loss.

In this matter, Network 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 has access to large amounts of capital through Wall Street investment banking firms, and that Network's majority stockholder can provide the necessary capital as well. 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)

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**DOCKET NO. 980134-T1
NETWORK TELEPHONE, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE**

FROM UNAUDITED, PROJECTED FINANCIAL STATEMENTS

	YEAR ENDING DECEMBER 31, 1998
CURRENT ASSETS	4,453,047
CURRENT LIABILITIES	297,496
CURRENT RATIO	14.97
CASH	148,255
COMMON EQUITY	4,425,967
TOTAL DEBT	909,000
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	5,334,967
COMMON EQUITY RATIO	83%
NET INCOME	(575,033)
RETURN ON EQUITY	NEGATIVE