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Public Service Commission

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

DATE: May 1, 1998
TO: Paula Isler, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*
RE: Docket No. 980393-TX, GNET Telecom, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ALM*

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 balance sheet of GNET Telecom, Inc. (GNET) for the period ended March 1, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, GNET has inadequate liquidity and adequate ownership equity. The company is a start-up and does not have an income statement.

- ACK _____
- AFA _____
- APP _____
- CAF _____ In this matter, GNET 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.
- CMU _____
- CTR _____
- EAG _____
- LEG _____ 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 has sufficient capital to begin operations. The applicant notes that it will be a switchless reseller and, as such, will have low capital needs. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.
- LIN _____
- OPC _____
- RCH _____
- SEC 1 _____

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

DOCUMENT NUMBER-DATE
05108 MAY-6 88
FPSC-RECORDS/REPORTING

DOCKET NO. 980393-TX
DOCKET NO. 980350-TI
GNET TELECOM, INC.
ALEC & IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED BALANCE SHEET
START-UP COMPANY

AS
OF
MARCH 1, 1998

CURRENT ASSETS	3,000
CURRENT LIABILITIES	51,350
CURRENT RATIO	0.06
CASH	3,000
COMMON EQUITY	21,500
TOTAL DEBT	12,000
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	33,500
COMMON EQUITY RATIO	64%
NET INCOME	NMF
RETURN ON EQUITY	NMF

NMF=NO MEANINGFUL FIGURE
COMPANY IS A START-UP AND ONLY HAS A BALANCE SHEET