



Public Service Commission

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

DATE: October 30, 1998
 TO: Lou Yambor, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL ALM*
 RE: Docket No. 981107-TI, CendantCom, Inc., Financial Analysis for Certificate *APC*
 Application for Intrastate Interexchange Telecommunications Service

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 audited financial statements of Cendant Corporation, the parent company of CendantCom, Inc. (CCI) for the six-month period ending June 30, 1998. As the attached schedule shows, CCI's parent company has adequate liquidity, a somewhat low level of common equity, and reported a positive net income for the period.

ACK _____ In this matter, CCI is asking for a certificate to provide IXC service. Staff notes the limited
AFA _____ nature of the application. For purposes of granting a certificate based on the financial
APP _____ information provided, the financial capability appears adequate.

CAF _____ The applicant attests to its financial capability to provide and maintain the proposed
CMU _____ telecommunications service by noting that Cendant Corporation is financially strong, has raised
CTR _____ over \$10 billion in debt from investors, and expects significant revenue growth. Based on this
EAG _____ showing, the applicant appears to meet the financial capability standard of Section 364.337,
LEG _____ Florida Statutes.

LIN _____ cc: Division of Legal Services
OPC _____ Division of Records and Reporting (2) ✓

RCH _____
SEC _____
WAS _____
OTH _____

DOCUMENT NUMBER DATE
12094 NOV-4 8
FISC RECORDS/REPORTING

DOCKET NO 981107
CENDANTCOM, INC.
IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

IN MILLIONS \$	AS OF <u>06/30/98</u>
CURRENT ASSETS	\$4,238
CURRENT LIABILITIES	1,971
CURRENT RATIO	2.15
CASH	1,550
COMMON EQUITY	4,951
TOTAL DEBT	10,865
TOTAL PREFERRED STOCK	1,427
TOTAL INVESTOR CAPITAL	15,816
COMMON EQUITY RATIO	31%
NET INCOME	414 *
RETURN ON EQUITY	8%

*SIX MONTHS ENDED JUNE 30, 1998