



Public Service Commission

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

DATE: August 16, 2000
TO: Tommy Williams, Division of Regulatory Oversight
FROM: Christine G. Romig, Division of Economic Regulation
RE: Docket No. 000783-TI, Structus TeleSystems, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

ALM

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 Structus Technologies, Inc., the parent of Structus Systems, Inc. for the period, September 7, 1999 through March 31, 2000. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Structus Systems, Inc.'s parent has inadequate liquidity, negative common equity (which it reports as being caused by a deficit accumulated during the development stage) and a reported negative net income for the period.

In this matter, Structus Systems, Inc. is asking for a certificate to provide IXC 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 minimal.

- APP
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Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it has total assets of \$3,332,003 and "... has access to additional sources of cash via cash infusions from stockholders, sale of preferred stock and other equity financing sources. The Company also has access to credit financing sources via lines of credit, loans, capital leases on future purchases of equipment, etc." 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 NUMBER-DATE

10273 AUG 21 8

PRSC-RECORDS/REPORTING

DOCKET NO. 000783-TI
STRUCTUS TELESYSTEMS, INC.
INTEREXCHANGE TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS

FROM ACCOUNTANTS' COMPILATION REPORT

| | ANNUALIZED (C) | |
|--------------------------------------|-------------------|-----|
| CURRENT ASSETS | \$3,619 | |
| CURRENT LIABILITIES | 1,997,202 | |
| CURRENT RATIO (CA/CL) | 0.0018 | (a) |
| CASH & CASH EQUIVALENTS | 0 | |
| COMMON EQUITY | (358,556) | |
| TOTAL DEBT (SHORT-TERM & LONG TERM) | 1,693,357 | |
| PREFERRED STOCK | 0 | |
| TOTAL INVESTOR CAPITAL | 1,334,801 | |
| COMMON EQUITY RATIO | -27% | (b) |
| NET INCOME/(LOSS) | (1,047,714) | (c) |
| RETURN ON EQUITY (Net Income/Equity) | NMF | |

This is from Structus Technologies, Inc's Accountants' Compilation Report (Structus Technologies is Structus TeleSystems, Inc.'s parent.

(a) .8 is marginal; .95 is adequate

(b) 35% is marginal

EQUITY RATIO:

EQUITY / INVESTOR CAPITAL

(Common Equity / (Common Equity + Pfd. Stk. + LT. Debt + Current LT. Debt + ST Debt))

NMF = NO MEANINGFUL FIGURE
3/3 = ADEQUATE
2/3 = ADEQUATE
1/3 = MARGINAL
0/3 = MINIMAL

(c) Per report, from inception (September 7, 1999 through 3/31/00 is \$(588,422). Annualized is \$1,047,714 ((588,422/205 days)*365 days).