



Public Service Commission

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

DATE: May 12, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 961433-TI, USA Telecard, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *AFC yms*

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 USA Telecard, Inc. (USA) for the period ending December 31, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, USA has inadequate liquidity, ownership equity, and profitability.

ACK _____
 AFA _____ In this matter, USA is asking for a certificate to provide IXC service. Staff notes the limited
 APP _____ nature of the application. For purposes of granting a certificate based on the financial
 CAF _____ information provided, the financial capability appears minimal.
 CMU _____ Although an analysis of the financial statements reveals the applicant is in a minimal financial
 CTR _____ position, the applicant attests to its financial capability to provide and maintain the proposed
 EAG _____ telecommunications service by noting that it is a start-up company, it has low capital investment
 LEG _____ needs, and all of its debt is from shareholders. The company also notes that its financial
 LIN _____ condition will improve as sales increase in 1997. Based on this showing, the applicant appears
 to meet the financial capability standard of Section 364.337, Florida Statutes.

OPC _____
 RCH _____ cc: Division of Legal Services
 SEC _____ / Division of Records and Reporting
 WIS _____
 OTS _____

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. 961433-TI
USA TELECARD, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

12 MONTHS ENDING
DECEMBER 31, 1996

CURRENT ASSETS	1,951
CURRENT LIABILITIES	25,000
CURRENT RATIO	0.08
CASH	550
COMMON EQUITY	(44,422)
TOTAL DEBT	207,878
COMMON EQUITY RATIO	NMF
NET INCOME	(35,997)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE