



Public Service Commission

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

DATE: June 25, 1999
TO: Tommy Williams, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *JD*
RE: Docket No. 990742-TI, USC Telecom, 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 USC Telecom, Inc. (USC) for the three month period ending March 31, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, USC has sufficient common equity, but reports minimal liquidity and negative income for the period.

In this matter, USC is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
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 WAS _____
 JPC _____
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 SEC _____
 VAW _____
 JTH _____

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 the Company will maintain capital from internally generated funds. USC was incorporated in the state of Delaware on July 17, 1998. The company is quickly amortizing an acquired customer base expense of \$3.5 million and is confident that it will be able to provide and maintain the proposed telecommunications service in the state of Florida. 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

07860 JUN 29 99

FPSC-RECORDS/REPORTING

DOCKET NO. 990742-1
USC TELECOM, INC.

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 03/31/99
CURRENT ASSETS	\$4,624,668
CURRENT LIABILITIES	6,324,678
CURRENT RATIO	0.73
CASH	279,367
COMMON EQUITY	4,775,597
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	4,775,597
COMMON EQUITY RATIO	100%
NET INCOME	(3,934,634)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure