



Public Service Commission

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

DATE: March 9, 2000
TO: Tommy Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL*
RE: Docket No. 000196-TI, USA Digital, 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 USA Digital, Inc. (USAD) for the period ending September 30, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, USAD has adequate liquidity, negative common equity, and reported a loss for the period.

In this matter, USAD 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 marginal.

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 is in the start-up phase and has access to the public capital markets. Also, the USAD has had solid customer growth and has recently acquired two companies. 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
03189 MAR 13 8
FPSC-RECORDS/REPORTING

DOCKET NO. 000196-TI
USA DIGITAL, INC.
IXC CERTIFICATE

FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	<u>AS OF</u> <u>09/30/1999</u>
CURRENT ASSETS	\$337,528
CURRENT LIABILITIES	371,139
CURRENT RATIO	0.91
CASH	136,356
COMMON EQUITY	(15,257)
TOTAL DEBT	1,019,493
PREFERRED STOCK	138,298
COMMON EQUITY RATIO	NMF
NET INCOME	(420,965)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE