

ATSI COMMUNICATIONS INC/DE
Form 10QSB
March 23, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-15687

ATSI COMMUNICATIONS, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

74-2849995

(IRS Employer
Identification No.)

8600 Wurzbach, Suite 700W

San Antonio, Texas 78240

(Address of Principal Executive Offices)

(210) 614-7240

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	Outstanding As Of March 22, 2006
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Common Stock, \$.001 par

14,797,460

Transitional Small Business Disclosure Format: Yes No

**ATSI COMMUNICATIONS, INC.
AND SUBSIDIARIES**

**QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTER ENDED JANUARY 31, 2006**

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PART 1. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

ATSI COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(In thousands, except share information)

	Jan 31, 2006	July 31, 2005
ASSETS		
(unaudited)		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 190	\$ 29
Accounts receivable	278	170
Prepaid & other current assets	20	44
Total current assets	488	243
PROPERTY AND EQUIPMENT	281	228
Less - Accumulated depreciation and amortization	(138)	(90)
Net property and equipment	143	138
Total assets	\$ 631	\$ 381
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 702	\$ 611
Accounts payable, CSI Business Finance	150	-
Accrued liabilities	932	1,033
Current portion of obligation under capital leases	3	3
Notes payable	50	-
Notes payable, related party	16	16
Notes payable, Franklin, Cardwell & Jones (see note 4)	69	77
Convertible debentures	234	234
Series D Cumulative Preferred Stock, 3,000 shares authorized, 742 shares issued and outstanding	1,204	1,182
Series E Cumulative Preferred Stock, 10,000 shares authorized, 1,170 shares issued and outstanding	1,785	1,750
Derivative Financial instrument liabilities (see note 7)	90	24
Liabilities from discontinued operations, net of assets	-	1,152
Total current liabilities	5,235	6,082
LONG-TERM LIABILITIES:		
Notes payable	500	500

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Obligation under capital leases, less current portion	8	9
Other	6	8
Total long-term liabilities	514	517
Total liabilities	5,749	6,599

STOCKHOLDERS' DEFICIT:

Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series A Cumulative Convertible Preferred Stock, 50,000 shares authorized, 3,750 shares issued and outstanding	-	-
Series H Convertible Preferred Stock, 16,000,000 shares authorized, 12,477,851 and 13,912,372 shares issued and outstanding, respectively	12	14
Common stock, \$0.001, 150,000,000 shares authorized, 14,610,848 and 10,397,222 shares issued and outstanding, respectively	15	10
Additional paid in capital	70,436	69,930
Accumulated deficit	(75,582)	(76,674)
Other comprehensive income	1	502
Total stockholders' deficit	(5,118)	(6,218)
Total liabilities and stockholders' deficit	\$ 631	\$ 381

See accompanying summary of accounting policies and notes to financial statements.

ATSI COMMUNICATIONS, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three months ended January 31,		Six months ended January 31,	
	2006	2005	2006	2005
OPERATING REVENUES:				
Carrier services				