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March 3, 2000

FILED²

MAR 03 2000

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Executive Secretary-Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102-0360

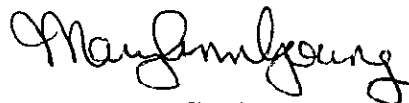
RE: Case No. TA-2000-536
Application of Capsule Communications, Inc. for Certificate of Service Authority to
Provide Interexchange Telecommunications Services

Dear Mr. Roberts:

Enclosed please find an original and fourteen copies of the Interexchange
Telecommunications Service Application of Capsule Communications, Inc., for filing with
the Commission.

Thank you for your assistance in processing this filing. A copy is being served on the
Office of Public Counsel and General Counsel. If there are any questions, please feel free to
call me at 634-8109.

Sincerely,



Mary Ann (Garr) Young

Enclosure

cc: Office of Public Counsel
General Counsel's Office
Mr. Alexander Stokas, Swidler Berlin

200000797

**BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI**

FILED²

MAR 03 2000

Missouri Public
Service Commission

In the Matter of the Application of)

Capsule Communications, Inc.)

for a Certificate of Service Authority to Provide)
Interexchange Telecommunications Services)
in the State of Missouri)
and for Competitive Classification)

Case No. TA-2000-536

**APPLICATION FOR A CERTIFICATE OF SERVICE AUTHORITY AND
FOR COMPETITIVE CLASSIFICATION**

Capsule Communications, Inc. ("Capsule" or the "Applicant"), a Delaware corporation, by and through counsel, files this verified application pursuant to Sections 392.361, 392.410, 392.420, 392.430, and 392.440 RSMo., and 4 CSR 240-2.060(4), respectfully requesting that the Missouri Public Service Commission (the "Commission") issue an order that:

- (a) grants Applicant a Certificate of Service Authority to provide resold interexchange telecommunications services in the State of Missouri pursuant to Chapter 392 of the Missouri Revised Statutes;
- (b) grants competitive status to Applicant pursuant to Sections 392.361 and 392.410 RSMo.; and
- (c) waives certain Commission rules and statutory provisions pursuant to Section 392.420 RSMo.

By way of background, Capsule Communications, Inc. is a wholly owned subsidiary of US WATS, Inc., which is authorized to provide resold intrastate interexchange services on a competitive basis pursuant to certification granted in Case No. TA-94-11 on September 28, 1993. On February 2, 2000, Capsule and US WATS submitted a letter to the Commission notifying it of a transaction whereby US WATS would engage in a *pro forma* reorganization by merging with and into its wholly

owned subsidiary Capsule.¹ Capsule and US WATS are of the understanding that since US WATS was granted competitive status, Commission approval is not required for the reorganization, based on Section 392.420 and the waiver of Section 392.340 granted thereunder, and on discussions with the Commission's General Counsel's office.² Further, Capsule and US WATS are of the understanding that the Commission will not transfer US WATS' certificate of authority to Capsule and that Capsule must file an application for certificate of service authority.

Accordingly, Capsule submits the following information in support of its application:

I. THE APPLICANT

1. Applicant's legal name is Capsule Communications, Inc. and its principal place of business is located at:

2 Greenwood Square, Suite 275
3331 Street Road
Bensalem, Pennsylvania 19020

2. Correspondence or communications pertaining to the application should be sent to:

Mary Ann (Garr) Young
William D. Steinmeier, P.C.
P.O. Box 104595
2031 Tower Drive
Jefferson City, MO 65110-4595
Telephone: (573) 634-8109
Facsimile: (573) 634-8224

¹ Following the transaction, Capsule will continue the business of US WATS and will have the same management as US WATS immediately preceding the transaction. The reorganization will only result in a change in corporate name and state of incorporation of the company.

² The Commission waives the applicability of Section 392.340 RSMo. to competitive interexchange companies pursuant to its authority under Section 392.420. US WATS was granted competitive interexchange company status on September 28, 1993, in Case No. TA-94-11.

and

Patrick J. Whittle
Swidler Berlin Shereff Friedman, LLP
3000 K St., N.W., Suite 300
Washington, D.C. 20007-5116
Telephone: (202) 424-7816
Facsimile: (202) 424-7645

3. Capsule seeks authority to provide resold interexchange telecommunications services to businesses and residences within the State of Missouri and requests that the Commission grant it a certificate equal in scope to that held by its parent US WATS.

4. Capsule's toll-free number for customer inquiries is 1-800-872-3369.

II. REQUIREMENTS OF 4 CSR 240-2.060(4)

1. Articles of Incorporation and Authorization to do Business in Missouri: Capsule, a Delaware corporation, is a wholly-owned subsidiary of US WATS, Inc., a New York corporation. Capsule is qualified to do business in the State of Missouri. Copies of Capsule's Certificate of Incorporation and Certificate of Authority to Transact Business in the State of Missouri are attached hereto as Exhibit 1.

2. Description of Services: Applicant will offer the same services as are presently provided by US WATS. Applicant's services will be available on a full-time basis, twenty-four (24) hours a day, seven (7) days a week. Applicant proposes initially to provide resold intrastate interexchange telecommunications services, including direct dialed 1 + service, inbound/outbound message telecommunications service, switched and dedicated services, toll free service and post-paid calling service to and from all points within the State of Missouri. Customers will be billed either directly by Capsule or charges will be incurred on the customer's regular home or business telephone

bill pursuant to billing and collection agreements established by Capsule or its intermediary with the applicable telephone company.

3. Proposed Tariff: Capsule's proposed tariff, containing a description of its rules and regulations, services and rates, is being filed concurrently with a forty-five (45) day effective date as required by 4 CSR 240-060(4)(H).

4. Managerial, Technical, and Financial Qualifications: Applicant is both technically and financially qualified to provide the proposed resold interexchange telecommunications services. Applicant has access to the financing and working capital necessary to fulfill any obligations it may undertake with respect to operation and maintenance of the telecommunications services specified in this Application. Following the merger of US WATS into Capsule, Capsule will be publicly traded on the NASDAQ Market under the symbol "CAPS."

5. Classification as a Competitive Company: Capsule also seeks classification as a competitive company, with accompanying reduced regulation, pursuant to Section 392.361 RSMo. Capsule believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation.

6. Waivers: Capsule will comply with all applicable Commission rules except those which are specifically waived by the Commission. Capsule hereby requests that, at a minimum, the following statutes and regulations be waived at this time consistent with the Commission's previous decisions regarding other telecommunications providers:

Statutes

392.240	--	ratemaking
392.270	--	valuation of property (rate making)
392.280	--	depreciation accounts
392.290	--	issuance of securities

Statutes (continued)

392.310	--	stock and debt issuance
392.320	--	stock dividend payment
392.330	--	issuance of securities, debts and notes
392.340	--	reorganization(s)

Commission Rules

4 CSR 240-10.020	--	depreciation fund income
4 CSR 240-30.010(2)(C)	--	rate schedules
4 CSR 240-30.040	--	Uniform System of Accounts
4 CSR 240-32.030(1)(B)	--	exchange boundary maps
4 CSR 240-32.030(1)(C)	--	record keeping
4 CSR 240-32.030(2)	--	in-state record keeping
4 CSR 240-32.050(3-6)	--	telephone directories, etc.
4 CSR 240-32.070(4)	--	public coin telephone
4 CSR 240-33.030	--	minimum charges rule
4 CSR 240-33.040(5)	--	financing fee

To the extent that the Commission may modify its current waiver policies, Capsule respectfully reserves the right to amend its waiver requests accordingly.

III. PUBLIC INTEREST

Capsule submits that the public interest will be served by Commission approval of this application because Capsule's proposed services will create and enhance competition and expand customer service options consistent with the legislative goals set forth in the federal Telecommunications Act of 1996 and Chapter 392 RSMo. Prompt approval of this application also will expand the availability of innovative, high quality, and reliable telecommunications services within the State of Missouri.

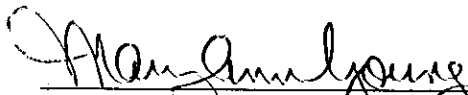
IV. REQUEST FOR APPROVAL BY MARCH 30, 2000:

Due to important internal business considerations, Capsule requests that the Commission approve this Application and the concurrently filed tariff by March 31, 2000. The tariff proposed by Capsule is essentially identical to the tariff approved by the Commission and currently on file for US

WATS, which should facilitate its review by Staff and Commission. The request for the tariff to take effect on less than 45 days will also be stated in the cover letter for the tariff.

WHEREFORE, Capsule, requests that the Missouri Public Service Commission grant it a Certificate of Service Authority to provide all forms of resold interexchange telecommunications services, classify Capsule as a competitive telecommunications company, and grant Capsule a waiver of the statutes and regulations referenced above on an expedited basis, preferably by March 31, 2000.

Respectfully submitted,



Mary Ann (Garr) Young Mo. Bar # 27951

William D. Steinmeier, P.C.

P. O. Box 104595

2031 Tower Drive

Jefferson City, MO 65110-4595

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Facsimile: (573) 634-8224

Patrick J. Whittle D.C. Bar #359043

Swidler Berlin Shereff Friedman, LLP

3000 K Street, N.W., Suite 300

Washington, D.C. 20007

Telephone: (202) 424-7500

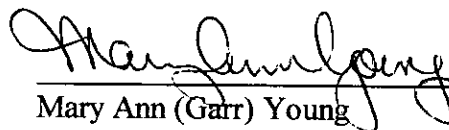
Facsimile: (202) 424-7645

Counsel for Capsule Communications, Inc.

Dated: March 3, 2000

Certificate of Service

I hereby certify that a copy of this document has been hand delivered or mailed by first class mail, postage prepaid, to the Office of Public Counsel, on this 3rd day of March, 2000.



Mary Ann (Garr) Young

EXHIBIT 1

**Certificate of Incorporation
and
Certificate of Authority to Transact Business**

RECEIVED

State of Delaware

PAGE 1

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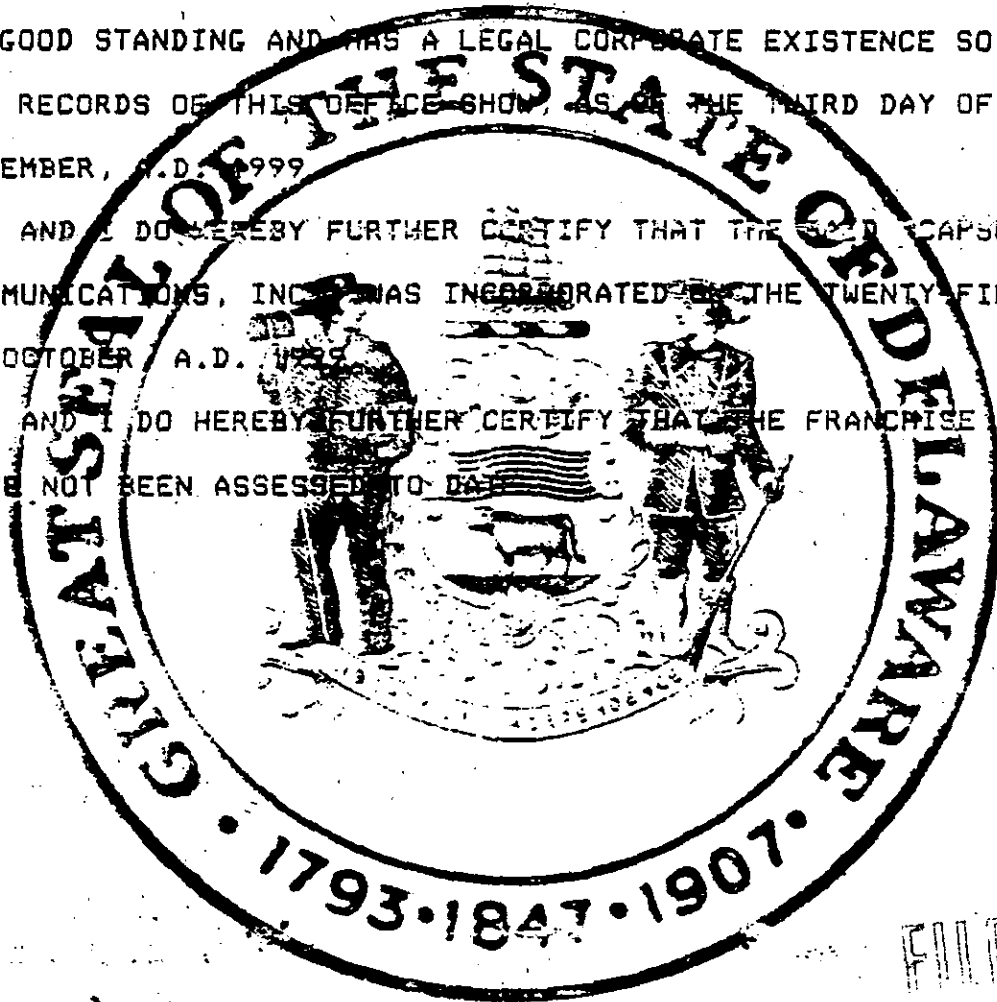
Dept. of Commerce & Consumer Affairs
STATE OF HAWAII

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CAPSULE COMMUNICATIONS, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE THIRD DAY OF NOVEMBER, A.D. 1999

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID CAPSULE COMMUNICATIONS, INC. WAS INCORPORATED ON THE TWENTY-FIRST DAY OF OCTOBER, A.D. 1975

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE



FILED

FEB 23 2000

PUBLIC SERVICE COMMISSION
OF MARYLAND

Edward J. Freel

Edward J. Freel, Secretary of State



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991468009

AUTHENTICATION: 0062340

DATE: 11-03-99

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

WHEREAS,
 CAPSULE COMMUNICATIONS, INC.

USING IN MISSOURI THE NAME
 CAPSULE COMMUNICATIONS, INC.

HAS COMPLIED WITH THE GENERAL AND BUSINESS CORPORATION LAW WHICH GOVERNS FOREIGN CORPORATIONS; BY FILING IN THE OFFICE OF THE SECRETARY OF STATE OF MISSOURI AUTHENTICATED EVIDENCE OF ITS INCORPORATION AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE.

NOW, THEREFORE, I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT SAID CORPORATION IS FROM THIS DATE DULY AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE, AND IS ENTITLED TO ALL RIGHTS AND PRIVILEGES GRANTED TO FOREIGN CORPORATIONS UNDER THE GENERAL AND BUSINESS CORPORATION LAW OF MISSOURI.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 5TH DAY OF NOVEMBER, 1999.

Rebecca McDowell Cook
 Secretary of State



\$155.00

Verification

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF BUCKS)
_____) SS

I, Michael McAnulty, declare under penalty of perjury that I am Chief Financial Officer of US WATS, Inc., an Applicant and the parent of Capsule Communications, Inc. that is also an Applicant in the subject proceeding; that I have read the foregoing Joint Application and know the contents thereof; and that the same are true of my own knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

By: _____

US WATS, INC.

Subscribed and sworn to before me

this 9th day of December, 1999

Marnie L. Powell

Notary Public

My Commission Expires: 10/23/2000

