

ARMSTRONG TEASDALE LLP

Attorneys at Law

Sherry L. Doctorian

3405 West Truman Boulevard, Suite 210
Jefferson City, Missouri 65109-5713
Phone: (573) 636-8394
Fax: (573) 636-8457
www.armstrongteasdale.com

July 15, 1999

FILED

JUL 15 1999

Mr. Dale Hardy Roberts, Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

Missouri Public
Service Commission

TA-2000-32

Re: *Computer Business Sciences, Inc.'s Application for Certificate of Service
Authority to Provide Facilities-Based Basic Local Telecommunications and
Interexchange Service*

Dear Mr. Roberts:

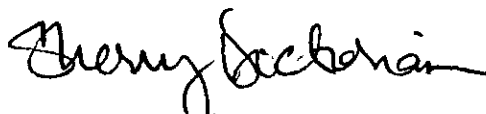
Enclosed for filing on behalf of Computer Business Sciences, Inc., please find an original and fourteen copies of an Application for Certificate of Service Authority to Provide Facilities-Based Basic Local Telecommunications and Interexchange Service. I would appreciate it if you would file stamp the receipt copy and return to me.

Would you please see that a copy of this application is provided to the appropriate Commission personnel. A copy of this application will be hand-delivered this date to the Office of the Public Counsel.

Thank you for your assistance in this matter.

Very truly yours,

ARMSTRONG TEASDALE LLP



Sherry L. Doctorian

SLD:nh
Enclosure

cc: Office of the Public Counsel

0000059



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

JUL 15 1999

Missouri Public
Service Commission

In the matter of the Application of

COMPUTER BUSINESS SCIENCES, INC.,)
Application for a certificate of service)
authority to provide facilities-based Basic Local)
Telecommunications and Interexchange Service)
in the State of Missouri and to classify said)
services and the company as competitive.)

Case No. TA-2000-32

APPLICATION FOR CERTIFICATE OF SERVICE AUTHORITY
AND FOR COMPETITIVE CLASSIFICATION

Comes now COMPUTER BUSINESS SCIENCES, ("CBS"), by its undersigned counsel,
and hereby applies pursuant to Sections 392.361, 392.420, and 392.430 RSMo 1994, 392.410,
392.450 RSMo Supp. 1996, the federal Telecommunications Act of 1996, and 4 CSR 240-2.060,
for authority to provide basic local and interexchange telecommunications service in portions of
the State of Missouri and to classify said service and company as competitive. In support of its
application CBS states as follows:

1. Applicant CBS is a corporation duly organized and existing under and by virtue of
the laws of the State of Delaware. CBS was incorporated on January 21, 1999. (See **Exhibit 1**
for Articles of Incorporation and Certificate of Authority to conduct business in Missouri).

2. All inquiries, correspondence, communications, pleadings, notices, orders and
decisions relating to the case should be addressed to:

Copy to Counsel: Sherry L. Doctorian
Armstrong Teasdale LLP
3405 West Truman Blvd., Suite 210
Jefferson City, MO 65109
p. (573) 636-8394
f. (573) 636-8457

0000059

Contact for CBS: Deborah Arnott
Regulatory Administrator
Computer Business Sciences, Inc.
80-02 Kew Gardens Road, Suite 5000
Kew Gardens, NY 11415
v.(718) 520-6500 or (888) 428-8654
f. (718) 520-0783

3. CBS proposes to provide basic local exchange and interexchange telecommunications service on a facilities basis, throughout all exchanges currently served by the incumbent local exchange telecommunication companies of Southwestern Bell (SWBT) and GTE Midwest, Inc.(GTE). The specific SWBT and GTE exchanges within which CBS proposes to offer service are listed in the incumbent providers' respective local exchange tariffs. CBS may seek authority to provide this service in other areas of the state in a subsequent proceeding.

4. Pursuant to this application CBS seeks to offer and provide all forms of basic local telecommunications service, including:

CBS will leverage its existing business as an International and Domestic Long Distance carrier to deploy value added services such as ADSL, Video, Tele-learning, and Tele-commuting. Included is the establishment of additional "POPS" with CBS's IG-2 Network technology over a nationwide ATM Network commencing the last half of 1999.

Computer Business Sciences, Inc. ("CBS") provides bundled communications packages to its customers. We provide XDSL broadband services, cable TV, international and domestic long distance as well as local dial tone and high speed Internet access. In addition, CBS offers many bundled packages on top of the network such as video conferencing; a video broadcast network, video on demand, and computer and software support.

CBS enters this market on several fronts including local interconnection, domestic long distance phone over IP, video multicast and videoconferencing. CBS will be able to fully integrate all of its services to fill customers communications needs into one seamless solution. This will include local phone service, fast Internet access and long distance, all on a single bill. CBS will add value by providing excellent customer care with a highly trained customer-focused sales and service staff.

CBS will be using its voice over IP technology to sell domestic and international long distance services at discounts to carriers, enterprise customers, small and mid-size business as well as residential customers. In support of its applications, CBS submits the following information:

CBS is developing the most advanced multi-media network available to-date with the world's highest distribution of broad bandwidth through-put. CBS plans to deploy this service in all domestic cities over a half million in population.

CBS's local traffic initially will be routed in significant part over the network of its underlying local RBOC, South Western Bell and/or GTE Midwest, with which we will be filing an Interconnection Agreement for approval by the Commission, and with which we plan to co-locate. Consequently, the quality of service that CBS's local exchange customers receive will be equivalent to that provided by the incumbent LEC. CBS will employ a combination of its own equipment and third party services and facilities, in providing the proposed facilities-based services.

Due to the 1996 Telecommunications Act, CBS is in a favorable position to deliver bundled communications services to its customers by purchasing the local copper loop from the RBOC and enhancing it by adding high-speed Internet access, long distance, local phone services and network intelligence. By bundling these services, CBS is able to achieve greater economy of scale, reducing churn rate and developing a loyal customer base. CBS intends to offer a flat rate service for these customers, allowing them to pay one low fee for all of their communications needs.

In its final phase of development, this network will support carrier class voice over Internet protocol applications, including:

- Local Dial Tone
- Traditional long distance
- High Speed Internet Access
- Residential broadband
- Virtual private network
- Movies-on-demand/Pay TV
- Traditional Cable Television
- Home Shopping
- Banking
- Networking
- Telemarketing
- Telemedicine
- Distance Learning Capabilities

CBS initially also plans to offer the following services:

A. Local Exchange Access Services and Optional Features

These services will provide dial tone access to the public switched telecommunications network and may be equipped with various features and functions.

B. Local Exchange Usage Services

CBS intends to offer the following local exchange usage services to customers of its local exchange access services through contracting with the RBOC.

- a. direct dial calling;
- b. toll free calling (i.e., local 800, 950, or comparable services);
- c. operator assisted calling;
- d. directory assistance service;
- e. access to Telecommunications Relay Service;
- f. emergency 9-1-1 service, at no charge to the caller; and
- g. lifeline.

C. Carrier Access Services

CBS intends to offer switched carrier access services for the efficient transmission of traffic between users of CBS's local exchange access services and the networks of other entities, including:

- a. terminating access to enable other common carriers to terminate traffic via end user access services provided by CBS; and
- b. originating access to enable customers of CBS's local exchange access services to employ those services to access the intrastate, interstate, and international calling services of other interexchange carriers on an Equal Access ("1 + "or" 10-XXX") basis.

CBS believes that it is in the position to offer customized service bundles by capturing the customers' network entry point (copper loop) and delivering local broadband with quality of service guarantees. Further, CBS can do this at a significant savings compared with current offerings where services are individually purchased from cable companies and telephone companies. CBS, by financing on a customer basis, can build its asset base while not incurring debt. This will allow the Company greater flexibility to adapt to market pricing and expand its network. As rolling out xDSL is extremely capital intensive (Approx: \$1,200 per customer) CBS intends to package and sell xDSL service in 1,000 customer multiples to a mezzanine funding source such as GE Capital. CBS will pay for the initial deployment of 1,000 units of xDSL service equipment and once subscribed to would seek funding for those

units to replenish the cash shortage due to the purchase. CBS will then either seek additional private placement monies or an IPO to repay the mezzanine funding.

CBS will file with the Commission for its approval an Interconnection Agreement with SWBTC AND GTE. This agreement will sets forth the terms, conditions and pricing under which the RBOC and CBS will offer and provide to each other network Interconnection, access to Network Elements, ancillary services, and wholesale Telecommunications Services available for resale within each LATA in which they both operate within State of Missouri. As such, this Agreements is an integrated package that reflects a balancing of interests critical to all parties involved.

For the provision of interexchange telecommunications service, CBS will bundle its ATM network with DS-3 facilities from an authorized facilities-based carrier. Once customers transmit from their homes and transmissions arrive at the SWBTC AND GTE central office, they will be connected onto our ATM network. Voice transmissions will be routed directly to a CBS switch and to tandems which are connected with SWBTC AND GTE. Calls outside the region will be packetized and transmitted over our ATM network; they will then be depacketized at the terminating region and sent out over tandems that are connected with the incumbent local exchange carrier in that region.

CBS is developing the most advanced multi-media network available to-date with the world's highest distribution of broad bandwidth through-put. CBS plans to deploy this service in all domestic cities over a half million in population, beginning with New York, California, Illinois, District of Columbia, Ohio and Florida and has received competitive local exchange service authority (CLEC) for those states, and is seeking CLEC authority for many others.

CBS's local traffic initially will be routed in significant part over the network of its underlying local RBOC - SWBTC AND GTE, with which we will file an Interconnection Agreement for Commission approval and with which we plan to co-locate. Consequently, the quality of service that CBS's local exchange customers receive will be equivalent to that provided by the incumbent LEC. CBS will employ a combination of its own and third party equipment, services, and facilities, in providing the proposed facilities-based services.

Due to the 1996 Telecommunications Act, CBS is in a favorable position to deliver bundled communications services to its customers by purchasing the local copper loop from the RBOC and enhancing it by adding high-speed Internet access, long distance, local phone services and network intelligence. By bundling these services, CBS is able to achieve greater economy of scale, reducing churn rate and developing a loyal customer base. CBS intends to offer a flat rate service for these customers, allowing them to pay one low fee for all of their communications needs.

In its final phase of development, this network will support "carrier class" voice over Internet applications, including:

- Local Dial Tone
- Traditional long distance
- High Speed Internet Access
- Residential broadband
- Virtual private network
- Movies-on-demand/Pay TV
- Traditional Cable Television
- Home Shopping
- Banking
- Networking
- Telemarketing
- Telemedicine
- Distance Learning Capabilities

Utilizing its proprietary routing and switching algorithms, CBS can offer a quality of service guarantee from any end point on the network. Phase I of the implementation plan is scheduled for the second half of 1999.

Voice calls will be cross-connected to our CISCO voice IP gateways. The voice IP gateways will packetize the data if it's destined for another Central Office. Where we have a gateway in the same area, the Gateway will place the call out onto the network through our connection with the PSTN. This will enable us to be both the facilities based CLEC as well as the NSP. Our multiplexor has an ATM network backbone interface.

The DSL multiplexor operates both in central office locations and in remote line card configurations. Our configuration will allow use of the same twisted pair used for POTS to deliver our high speed data product giving more than 75% of telephone customers access to high speed broadband services. With the remote line card shelf configuration we can serve customers beyond 18,000 feet 5.5 km. our customers may install NIC cards in PCs as customer premise equipment (CPE). Alternatively, there are external modems available for 10 base T Ethernet connections, and 25 megabit per second ATM connections to PCs. The external modems provide flexibility for laptop and non-pc applications.

Our solution meets Bellcore's 2842-Core Document and Nebs compliance. End user line interface RADSL conforms to the capabilities specified in the E1 - T1 standard, operates over non loaded twisted pairs of any gauge combination of 22, 24, and 26 gauge wire that satisfy North American revised resistance design rules (loop length 18,000 feet 5.5km, loop resistance 1300 ohms @20 *C and total bridge tap 6,000 feet 1.9 km. Designed to work even with ISDN or HDSL circuits in the same binder group.

Our ADSL line card will deliver data rates greater than 2mbps overall on non-loaded loops, even with large numbers of HDSL or ISDN circuits operating within the same binder group. More than 50% of North American loops will support data rates greater than 6 MBPS.

Telephony: International Data Corp. predicts that around 60 million PC users will be placing voice calls over the Internet by 1999. Offering Internet Telephony can help carriers that face unfavorable interconnect terms and can give them leverage on international settlement deals.

CBS will deploy Rate adaptive ADSL because it will save time and cost associated with having to qualify the local loop plant to see that the copper is capable of delivering the service promised. RADSL functions like a dial-up modem; it senses the bandwidth capabilities of the copper loop and adjusts upward or downward accordingly. Unlike ISDN which either works or doesn't when the copper plant is impaired, RADSL will function but not at a guaranteed rate. (We will be using only 400K on average of the 6meg capability so we avoid having to qualify all but those customers who subscribe to a higher quality of service. In those cases, we will qualify the line but the customer will pay for this increase in cost through a higher install fee and higher monthly costs.) RADSL will be our primary entry offering whereas SDSL and qualified RADSL will be for small businesses and enterprise .

All arrangements that may be implemented to effectuate the local services requested in this Application will conform to existing and evolving industry standards, and will not, in any way, adversely affect the networks of the incumbent exchange carrier.

5. CBS possesses the technical and managerial expertise and experience necessary to provide the services it proposes. Description of backgrounds of management, which demonstrate the extensive experience and expertise, are attached hereto and incorporated herein by reference as **Exhibit 2**. CBS's parent company, Fidelity Holdings, Inc., a public company (NASDAQ: FDHG) has complete confidence in the project and provides its financials as backup, attached hereto. CBS and Fidelity Holdings, Inc. generally combine their financials when reporting to the SEC. Fidelity Holdings, Inc. and CBS just recently closed an agreement on an \$11.3 million debt facility in a definitive agreement with Zanett Securities Corp., a portion of which is to be dedicated to this CBS project. (See attached **Exhibit 3** for extensive financial background and other information).

6. CBS seeks classification of itself and its services as competitive.

7. CBS will offer basic local telecommunications service as a separate and distinct service in accordance with applicable law. CBS will give consideration to equitable access for all

Missourians, regardless of where they might reside or their income, to affordable telecommunications services in CBS' proposed service areas in accordance with applicable law.

8. CBS is willing to comply with all applicable Commission rules and is willing to meet all relevant service standards, including, but not limited to billing, quality of service, and tariff filing and maintenance. Consistent with the Commission's treatment of other certificated competitive local exchange telecommunications companies, CBS requests that the following statutes and regulations be waived for CBS and its basic local exchange service offerings:

<u>Statutes</u>	<u>Missouri Public Service Commission Rules</u>
92.210.2	4 CSR 240-10.020
92.270	4 CSR 240-30.040
92.280	4 CSR 240-35
92.290.1	
92.300.2	
392.310	
392.320	
392.330	
392.340	

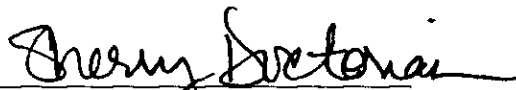
9. CBS further requests a temporary waiver of 4 CSR 240-2.060(4)(H). This rule requires that an application for a certificate of service authority to provide interexchange, local exchange or basic local exchange service shall include a proposed tariff with a forty-five day effective date. CBS finds it impossible at this time to develop tariffs to fully comply with this rule since CBS has not yet executed or received Commission approval of a interconnection agreement with GTE Midwest, Inc. or Southwestern Bell although these agreements are in the preparation stages and have been negotiated and will be submitted to the Commission in short order. Attached as **Exhibit 4** is copy of CBS's draft tariffs for the provision of local, intrastate/interexchange and carrier-to-carrier services for the State of Missouri.

10. CBS is willing to comply with all applicable Commission rules and is willing to meet all relevant service standards including, but not limited to, quality of service, billing, and tariff filing and maintenance.

11. CBS submits that the public interest will be served by Commission approval of this application because CBS' proposed services will create and enhance competition and expand its 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.

WHEREFORE, applicant CBS respectfully requests that the Commission grant it a certificate of service authority to provide basic local telecommunications services as herein requested, classify CBS and its proposed services as competitive, and grant a waiver of the aforesaid statutes and regulations.

Respectfully submitted,



Sherry L. Doctorian, MO #34636
ARMSTRONG TEASDALE LLP
3405 West Truman Blvd., Suite 210
Jefferson City, MO 65109
p. (573) 636-8394
f. (573) 636-8457

Attorney for Applicant