

TI 925
TI 839

KELLEY DRYE & WARREN LLP

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

1200 19TH STREET, N.W.

SUITE 500

WASHINGTON, D. C. 20036

(202) 955-9600

FACSIMILE

(202) 955-9792

ORIGINAL

NEW YORK, N.Y.
LOS ANGELES, CA.
MIAMI, FL.
CHICAGO, IL.
STAMFORD, CT.
PARSIPPANY, N.J.

BRUSSELS, BELGIUM
HONG KONG

AFFILIATED OFFICES
NEW DELHI, INDIA
TOKYO, JAPAN

May 21, 1996

By United Parcel Service

Ms. Blanca Bayo
Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0864

960667 - TI

Re: Transfer of Control of Capital Network System, Inc.

Dear Ms. Bayo:

Capital Network System, Inc., d/b/a Capital Long Distance ("CNSI"), AMNEX, Inc. ("AMNEX") and American Network Exchange, Inc. ("ANEI") (herein referred to jointly as the "Parties"), by their attorneys, hereby notify the Florida Public Service Commission ("Commission") of their intention to transfer control of CNSI from its current shareholders to AMNEX. The Parties expect to consummate the transfer of control of CNSI to AMNEX by *June 30, 1996*. A complete description of the transaction is set forth below.

CNSI is a privately-held Texas corporation that is headquartered at 600 Congress Avenue, Suite 1250, Austin, Texas 78701. CNSI provides voice and data long distance and operator assisted telecommunications services on a resale basis to commercial and residential customers and at locations such as public and private pay telephones, hotels and motels, hospitals and other similar locations throughout the United States and internationally. CNSI is authorized to provide interexchange and/or operator services in 39 states, including Florida. CNSI received its Certificate of Public Convenience and Necessity No. 2470 to provide telecommunications services in Florida on May 21, 1990 in Docket No. 900048-TI, Order No. 22959.

DOCUMENT NUMBER-DATE

05838 MAY 28 1996

FPSC-RECORDS/REPORTING

Ms. Blanca Bayo
May 21, 1996
Page 2

AMNEX is a publicly-held New York corporation. Through its operating subsidiaries, including ANEI, AMNEX provides telecommunications services for "0+" and "1+" calls transmitted throughout the United States and internationally. AMNEX maintains its principal office at 101 Park Avenue, Suite 2507, New York, New York 10178.

ANEI is a Delaware corporation that is a wholly-owned subsidiary of AMNEX. ANEI maintains its headquarters at 100 W. Lucerne Circle, Suite 100, Orlando, Florida 32801. ANEI provides interexchange and operator services in 38 states, including Florida. ANEI provides telecommunications services in Florida pursuant to authority granted by the Commission on March 12, 1990 in Docket No. 900021-TI, Order No. 22668 and on March 28, 1990 in Docket No. 900021-TI, Order No. 22746. ANEI is also authorized by the Federal Communications Commission ("FCC") to provide international telecommunications services.

On April 26, 1996, the shareholders of CNSI and AMNEX entered into an Agreement whereby AMNEX will acquire the business of CNSI by purchasing all of CNSI's issued and outstanding stock. The acquisition will be accomplished in the following manner. AMNEX will form a wholly-owned, special purpose subsidiary ("Newco"). Newco will be merged into CNSI on the closing date, and then immediately dissolved. CNSI will be the surviving entity, and will thereafter be a wholly-owned subsidiary of AMNEX. The existing CNSI shareholders will receive AMNEX stock. In addition, at closing, the CNSI shareholders will receive warrants to purchase additional AMNEX shares in accordance with their proportionate interests in CNSI, at any time within two years. CNSI will continue to operate pursuant to its existing Certificate of Public Convenience and Necessity and tariff for an interim period of approximately nine months.

During the interim period, CNSI will continue to provide telecommunications services to its customers and ANEI will begin to integrate CNSI's domestic operations into its own.¹ ANEI anticipates that by March 31, 1997, the consolidation of CNSI's and ANEI's domestic operations will be complete. Once CNSI's domestic operations have been integrated with those of ANEI, ANEI will provide telecommunications services to CNSI's former customers and CNSI will cease to provide service in Florida. When the consolidation has been completed, CNSI will no longer require independent operating authority and will cancel its Certificate of Public Convenience and Necessity and tariff at that time.

The transfer of control of CNSI and the subsequent integration of its domestic operations into those of ANEI will be seamless. During the interim period, CNSI's customers will continue to receive from CNSI the same services at the same rates, terms and conditions that they currently receive. After CNSI's operations have been merged with ANEI's, ANEI will offer to CNSI's customers the same or comparable services at the same or lower rates than they currently receive. ANEI will file appropriate tariff revisions incorporating such services and rates as necessary. In addition, customers will be given appropriate and timely notice of the transaction and will be notified of any changes in their service or

¹ CNSI's international operations will continue to be independent of ANEI's operations.

Ms. Blanca Bayo
May 21, 1996
Page 3

rates. Moreover, although ANEI will continue to provide CNSI's customers with the same high quality services that they currently receive at the same or lower rates, any customers that choose to change carriers will be able to do so at no charge.

ANEI is fully qualified to provide telecommunications services to CNSI's existing customers. ANEI has been successfully providing telecommunications services since 1987. In 1995, AMNEX reported net revenue of approximately \$106 million, and net income of approximately \$1.4 million. In addition, ANEI is led by experienced management personnel, all of whom have extensive backgrounds in the telecommunications industry. Therefore, ANEI will be able to provide CNSI's customers with the same high quality telecommunications services that they currently purchase.

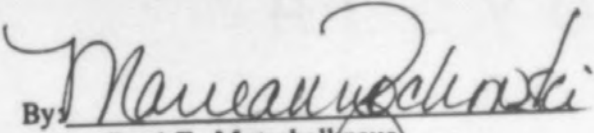
The transfer of control of CNSI from its current shareholders to AMNEX is in the public interest. By acquiring CNSI's operations, ANEI will expand its operations in Florida and will benefit from increased economies of scale. The acquisition of CNSI will enhance ANEI's ability to compete in the marketplace for telecommunications in Florida, thus enabling it, over time, to develop a wider range of services and to offer those services at increasingly competitive prices.

It is the Parties' understanding that prior Commission approval is not required for the transfer of control of CNSI. If this understanding is incorrect, the Parties respectfully request that the Commission notify them within 15 days of the date of this letter. Absent written notice to the contrary, the Parties will assume that their understanding is correct and will consummate the transaction as planned.

Respectfully submitted,

CAPITAL NETWORK SYSTEM, INC., AMNEX, INC. and
AMERICAN NETWORK EXCHANGE, INC.

By


Brad E. Mutschelknaus
Marieann K. Zochowski
KELLEY, DRYE & WARREN LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600