

February 27, 1998

VIA OVERNIGHT DELIVERY

98030 - TI

Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RE: Letter Application for Approval of Transfer of Control of
MSN Communications, Inc. to Telscape International, Inc.

Dear Ms. Bayo:

On behalf of Telscape International, Inc. ("Telscape") and MSN Communications, Inc. ("MSN") (collectively, the "Parties"), this letter is to notify the Commission, and to the extent necessary to seek Commission approval of a transaction whereby MSN became a wholly owned subsidiary of Telscape ("Transaction"). As explained below, critical, time-sensitive business and corporate considerations mandated that the Transaction be consummated immediately upon reaching agreement on the terms. To the extent that the Commission determines that approval of the Transaction is required, the Parties respectfully request approval *nunc pro tunc*.

Enclosed are an original and five (5) copies of this Letter Application, along with a diskette copy in Word Perfect 6.0 format. Please date stamp and return the attached extra copy of this letter and return it to us in the enclosed self-addressed, postage paid envelope.

Description of the Parties

Telscape is a publicly traded Texas corporation whose principal offices are located at 4635 Southwest Freeway, Suite 800, Houston, TX 77027. Telscape is a turn-key and value-added telecommunications company that specializes in the sale of telecommunications equipment and services in Latin American markets. Telscape is the parent company of Telscape USA, Inc. ("Telscape USA"), a nondominant carrier that is authorized to provide resold intrastate interexchange telecommunications services in the State of Florida pursuant to an Order issued by

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this Commission on January 27, 1997.^{1/} Additional information regarding Telscape's legal, technical, managerial, and financial qualifications to provide service, and a tariff of its Florida rates and charges, was filed with the Commission in Docket No. 961083-TI, is therefore already a matter of public record, and is herein incorporated by reference.^{2/}

MSN is a California corporation whose principal offices are located at 74040 Highway 111, Suite 219, Palm Desert, California 92260. Prior to the transaction, MSN was a privately held California telecommunications company engaged in the distribution and provision of long distance prepaid calling cards. MSN is authorized to provide intrastate interexchange telecommunications services in the State of Florida pursuant to certification granted by this Commission, by Order in Docket 961525-TI, issued on May 20, 1997.^{3/} In addition to the services MSN provides to Florida subscribers, MSN currently is authorized to provide resold intrastate interexchange telecommunications services in eight other states pursuant to certification, registration or tariff requirements, or on an unregulated basis. MSN is also authorized by the Federal Communications Commission ("FCC") to provide international services as a non-dominant carrier. MSN has filed and maintains a domestic interstate and an international tariff. Further information demonstrating MSN's legal, technical, managerial, and financial qualifications to provide service, and a tariff containing its Florida rates and charges, was submitted with MSN's application for certification filed with the Commission in Docket No. 961525, is therefore already a matter of public record, and is herein incorporated by reference.

Description of the Transaction

Telscape and MSN determined that they could realize significant economic and marketing efficiencies by establishing MSN as a direct, wholly owned subsidiary of Telscape. Accordingly, Telscape and MSN executed and consummated a Stock Purchase Agreement whereby Telscape purchased all of MSN's outstanding shares for a combination of Telscape stock, cash and

^{1/} *Application for Certificate to Provide Interexchange Telecommunications Service, Order, Docket No. 961083, Order No. PSC-97-0080-FOF-TI (Issued Jan. 27, 1997).*

^{2/} Telscape USA is also currently authorized to provide resold intrastate interexchange and other competitive services in numerous other states pursuant to certification, registration or tariff requirements, or on an unregulated basis.

^{3/} *Application for Certificate to Provide Interexchange Telecommunications Service, Order, Docket No. 961525, Order No. PSC-97-0575-FOF-TI (Issued May 20, 1997).*

promissory notes.^{4/} Attached is a chart which illustrates the corporate structure of the Parties prior to and immediately following the consummation of the Transaction.

Although the ultimate corporate ownership of MSN has been transferred to Telscape, the transaction has not resulted in a change in the manner in which MSN provides service to its Florida customers. MSN continues to provide service under its own name and pursuant to its tariff currently on file with the Commission.^{5/} In addition, MSN continues to be led by a team of well-qualified telecommunications managers. The substantial managerial, technical, and financial expertise of the combined management team has enabled MSN to continue to provide high quality service to its existing customers, as well as to expand its customer base. As such, the transaction has not caused inconvenience or confusion to MSN's customers or otherwise adversely impacted the operations of MSN.

While the transaction will be transparent to MSN's customers with regard to the services that they receive while providing MSN access to the substantial financial resources of Telscape. As a result of this Transaction, MSN gained access to the capital necessary to finance MSN's expansion, thereby allowing MSN to remain competitive in the industry.

Public Interest Considerations

Telscape's acquisition of MSN serves the public interest in promoting competition among interexchange telecommunications carriers by providing Telscape and MSN the opportunity to strengthen their respective positions in the competitive telecommunications marketplace. The Transaction invigorates competition by enabling Telscape and MSN to pursue their respective marketing and business plans more effectively by combining their financial and technical resources. Moreover, the Transaction combines the complementary managerial skills, background, and experience of Telscape and MSN in providing telecommunications services to the public. The Parties believe that the business combination has resulted in a company better equipped to accelerate its growth as a competitive telecommunications service provider. In addition, the Transaction allows the Parties to manage their telecommunications operations more efficiently, thereby enhancing the Parties' operational flexibility and efficiency as well as their financial viability. The Transaction, therefore, ensures that MSN can continue to provide high quality and innovative telecommunications services to MSN's existing customers and furthers competition in the Florida telecommunications service market. In sum, the proposed acquisition benefits the

^{4/} Specifically, the purchase price was \$3,250,000 in cash, promissory notes in the amount of \$750,000 and 100,000 shares of Telscape common stock.

^{5/} Similarly, Telscape USA will continue to provide services to Florida customers under its existing service agreements, pursuant to its own grant of certification.

public interest by enhancing the ability of Telscape and MSN to offer competitively priced services to Florida customers in the Florida interexchange marketplace.

Conclusion

The Parties submit that Telscape's acquisition of MSN serves the public interest and therefore respectfully request, to the extent the Commission determines that approval is required, *nunc pro tunc* approval of the transaction described herein.

Respectfully submitted,



Margaret M. Charles, Esq.
Edward S. Quill, Jr., Esq.

Counsel for Telscape International, Inc. and
MSN Communications, Inc.

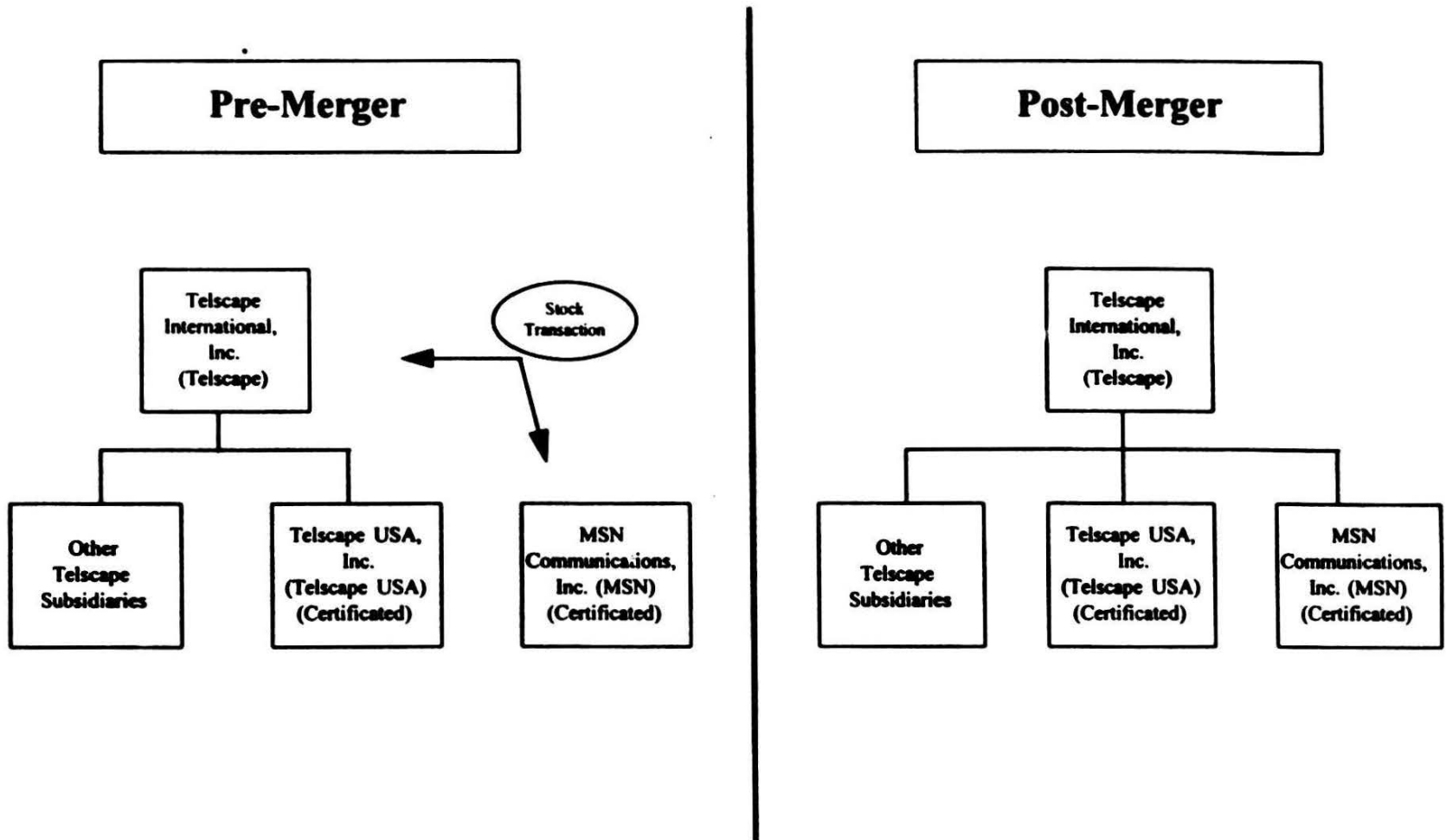
cc: Todd M. Binet (Telscape)
Stuart Newman (MSN)

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EXHIBIT

Illustrative Chart of Proposed Reorganization

Reorganization of Telscape International, Inc. and MSN Communications, Inc.



Verifications

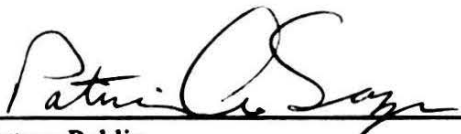
VERIFICATION

I, Todd M. Binet, hereby declare that I am Executive Vice President of Telscape International, Inc.; that I am authorized to make this Verification on its behalf; that I have read the foregoing Application and exhibits thereto. I declare that the same are true and correct to the best of my knowledge, information and belief.

By: 

Telscape International, Inc.

Subscribed and sworn to before me this 20th day of February, 1998.


Notary Public

My Commission expires: _____
MY COMMISSION EXPIRES
DECEMBER 14, 2000

VERIFICATION

I, Stuart Newman, hereby declare that I am President of MSN Communications, Inc.; that I am authorized to make this Verification on its behalf; that I have read the foregoing Application and exhibits thereto. I declare that the same are true and correct to the best of my knowledge, information and belief.

By: 

MSN Communications, Inc.

Subscribed and sworn to before me this 26 day of FEBRUARY, 1998.



Notary Public

My Commission expires: JAN 15, 2001

