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VIA OVERNIGHT MAIL

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

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COMMISSION
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Re: Application of Capsule Communications, Inc. and Covista Communications, Inc.
for Approval to Transfer Control of Capsule Communications Inc. to Covista
Communications, Inc.

01117.0-TI

Dear Ms. Bayo:

Covista Communications, Inc. ("CCI") and Capsule Communications, Inc. ("Capsule")(collectively, the "Parties"), by their undersigned counsel and pursuant to Section 364.33 of the Florida Statutes, hereby request authority to engage in a transaction whereby control of Capsule will be transferred to CCI. Capsule will become a wholly-owned subsidiary of CCI, and thus an affiliate of CCI's operating subsidiary, Covista, Inc. ("Covista"). Furthermore, the Parties seek expedited treatment of this Application to allow the Parties to consummate this transaction by November 30, 2001.

As discussed more fully below, the transaction is being conducted pursuant to an Agreement and Plan of Merger ("Agreement") between Capsule, CCI and CCI Acquisitions Corp., an entity established specifically for the purpose of completing this transaction. The expeditious approval of this Application will allow CCI to assume control of Capsule and enhance the service of Capsule's existing customer base that will inure to the benefit of all customers in Florida. An original and fifteen (15) copies of this letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed stamped envelope. In support of this Application, the Parties respectfully provide the following information:

I. THE PARTIES

A. Capsule Communications, Inc.

Capsule is a Delaware corporation with its principal business office located at 2 Greenwood Square, 3331 Street Road, Suite 275, Bensalem, Pennsylvania. Capsule is a

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publicly-traded company that trades as an over the counter stock under the symbol "CAPS.OB". Capsule was authorized to provide intrastate interexchange services in Florida by the Commission in Docket No. 000133-TI.¹ Information demonstrating Capsule's legal, technical, managerial and financial qualifications to provide service was submitted with Capsule's certification application and is therefore already a matter of public record, and is incorporated by reference. Capsule also holds licenses issued by the Federal Communications Commission ("FCC") to provide domestic interstate and international telecommunications service.

B. Covista Communications, Inc.

CCI is a New Jersey corporation with its principal business office located at 150 Clove Road, Little Falls, New Jersey. CCI, through its operating subsidiary, Covista, provides domestic interstate and intrastate, as well as international, long distance voice, data, local and value-added services. CCI is strictly a holding company, and does not hold any authorizations to provide telecommunications services with any state commissions or the FCC. CCI is publicly traded on the NASDAQ stock exchange under the symbol "CVST". Covista is authorized to provide resold intrastate interexchange and/or competitive local exchange services in 48 states pursuant to certification, registration, tariff requirements, or deregulation. Covista also provides interstate and international telecommunications services as a non-dominant common carrier pursuant to authority of the FCC.

II. DESIGNATED CONTACTS

The designated contacts for this Application are:

Russell M. Blau, Esq.
Douglas D. Orvis II, Esq.
Brian McDermott, Esq.
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W.
Suite 300
Washington, DC 20007
(202) 945-6941 (Tel)
(202) 424-7645 (Fax)

with a copy to:

David Lacher, Esq.
Vice President and Counsel
Covista Communications, Inc.
150 Clove Road
Little Falls, NJ 07424

¹ Certificate Number 2993. The certificate was initially issued to US WATS, Inc. The Commission approved the change in name on the certificate to Capsule Communications, Inc. in Docket No. 000133-TI in Order No. PSC-00-0973-CO-TI (issued May 18, 2000).

and:

David B. Hurwitz
President and Chief Executive Officer
Capsule Communications, Inc.
2 Greenwood Square
3331 Street Road, Suite 275
Bensalem, Pennsylvania 19020

III. DESCRIPTION OF TRANSACTION

CCI and Capsule have determined that various operational efficiencies will be realized by conducting a transaction whereby Capsule will become a wholly-owned subsidiary of CCI. The transaction will occur in several steps. CCI will create a wholly-owned subsidiary, CCI Acquisitions Corp., created specifically for the purpose of conducting this transaction. CCI Acquisitions Corp. will merge with and into Capsule, with Capsule surviving. Shareholders of Capsule will receive shares of CCI, or cash for fractional shares. After the completion of the transaction, Capsule will be a sister corporation of CCI's operating subsidiary, Covista, although the companies will have a close operating relationship by contract.

Although the proposed acquisition will result in a transfer of control of Capsule, the Agreement will not involve a change in the manner in which Capsule's customers will receive their telecommunications services, and will be virtually transparent to customers. Specifically, customers will continue to receive the high quality, affordable telecommunications services that they presently receive with no change in the manner in which services are delivered. Furthermore, the Parties will notify all customers of this transaction and of the change of ownership of their carrier. As a result, the proposed acquisition will not adversely affect service to Capsule's customers. Indeed, the acquisition will be virtually transparent to Capsule's customers in terms of the rates, terms and conditions of services that these consumers receive. Attached as Exhibit A is a diagram of the proposed transaction.

IV. PUBLIC INTEREST CONSIDERATIONS

Telecommunications customers and the general public will realize significant benefits from the above-described transaction. The proposed transaction will serve the public interest because the combined management skills of the Parties will enable both Covista and Capsule to enhance their competitive position and improve the Parties' ability to compete against established carriers. Approving the transaction will serve the public interest by promoting competition among providers of telecommunications services to the public. By creating a more effective and multifaceted telecommunications carrier, the proposed transaction will significantly enhance competitive choices for U.S. telecommunications customers, including customers in Florida. Therefore, the public interest is served by approving the transaction.

V. CONCLUSION

For the reasons stated herein, the Parties respectfully request that the Commission authorize the transfer of control of Capsule as described herein. Further, the Parties respectfully request that this authorization be granted on an expedited basis to allow them to consummate the transaction by November 30, 2001.

Respectfully Submitted,



Russell M. Blau

Douglas D. Orvis II

Brian McDermott

Swidler Berlin Shereff Friedman, LLP

3000 K Street, N.W., Suite 300

Washington, D.C. 20007

Counsel for the Parties

August 28, 2001

EXHIBIT LIST

Exhibit A Diagram of Proposed Transaction

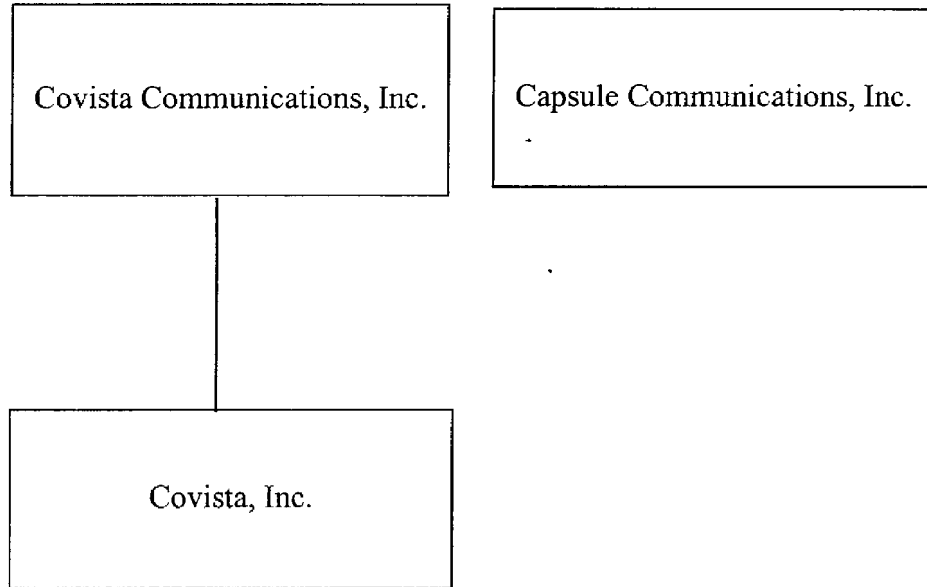
Verification

EXHIBIT A

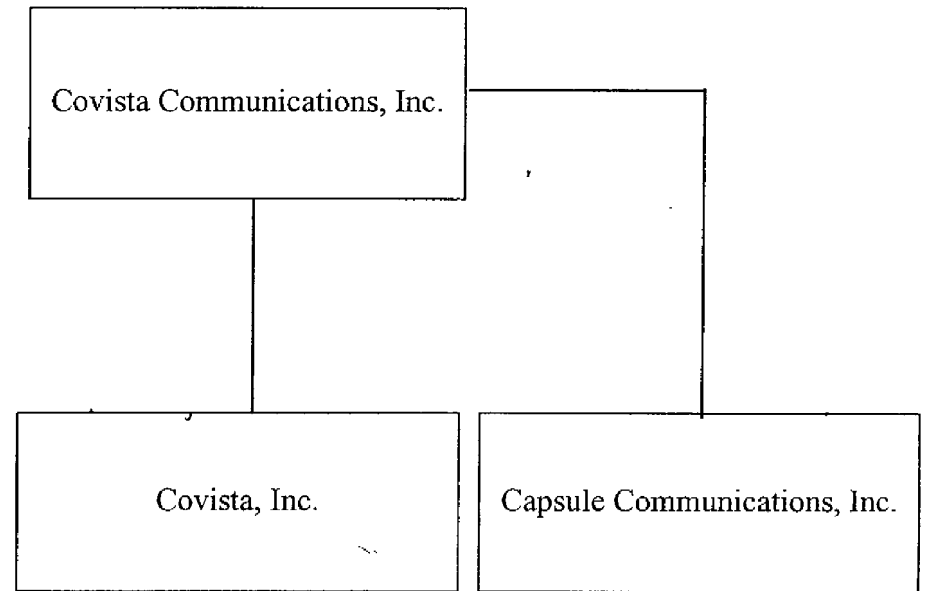
Diagram of Proposed Transaction

CORPORATE ORGANIZATIONAL CHART

Pre-Closing



Post-Closing



VERIFICATION

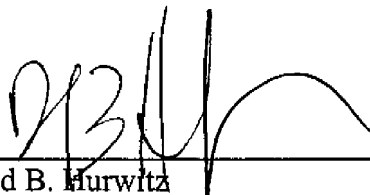
COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF BUCKS) SS:

VERIFICATION OF APPLICATION

I, David B. Hurwitz, hereby declare that I am President and Chief Executive Officer for Capsule Communications Inc.; that I have read the foregoing Application; and that the information set forth therein is true and correct to the best of my knowledge, information and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of August, 2001.



David B. Hurwitz
Capsule Communications, Inc.
2 Greenwood Square
3331 Street Road, Suite 275
Bensalem, Pennsylvania 19020

Subscribed and sworn to before me this 27th day of August, 2001.

Anna M. Lewis
My commission expires: Nov 22, 2004

STATE OF NEW JERSEY

)

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ss:

COUNTY OF PASSAIC

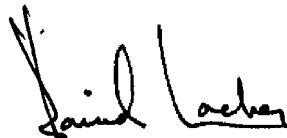
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VERIFICATION OF APPLICATION

I, David Lacher, hereby declare that I am Vice President & Counsel for Covista Communications, Inc.; that I have read the foregoing Application; and that the information set forth therein is true and correct to the best of my knowledge, information and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 21st day of August, 2001.



David Lacher
Covista Communications, Inc.
150 Clove Road
Little Falls, NJ 07424

Subscribed and sworn to before me this 21st day of August, 2001.



My commission expires: 8/31/2005