

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the joint Appli- ) Application No. C-2202  
cation of US Wats. Inc., and )  
Capsule Communications, Inc., ) GRANTED  
both of Bensalem, Pennsylvania, )  
seeking approval of pro forma )  
reincorporation. ) Entered: March 14, 2000

BY THE COMMISSION:

By joint application filed January 18, 2000, US Wats, Inc. (US Wats) and Capsule Communications, Inc. (Capsule), both of Bensalem, Pennsylvania, seek approval of a pro forma reincorporation. Notice of the application was published in The Daily Record, Omaha, Nebraska, on January 20, 2000. No protests were filed; therefore, this application is processed pursuant to the Commission's Rule of Modified Procedure.

O P I N I O N   A N D   F I N D I N G S

US Wats is a publicly-traded New York corporation that provides local exchange and/or interexchange telecommunications services in 47 states. US Wats was authorized to provide resold intrastate interexchange telecommunications services in Nebraska on March 16, 1994, pursuant to Application No. C-1027.

Capsule, a Delaware corporation, is a wholly-owned subsidiary of US Wats. Capsule does not provide telecommunications services in any state. Capsule has received authority from the Secretary of State to transact business in Nebraska as a foreign corporation.

US Wats seeks to change its state of incorporation from New York to Delaware. To achieve this, US Wats will merge with and into Capsule, its own wholly-owned subsidiary. Capsule will be the surviving entity, will be a publicly-traded entity on the NASDAQ market, and will assume US Wats' certificate of operating authority in Nebraska.

Upon review of the governing statutes and rules, the Commission finds that the application should be granted. The only practical result of the proposed merger and certificate transfer will be the change in the corporate name of the provider of services, from US Wats to Capsule. Capsule will possess the identical financial characteristics that US Wats possesses, Capsule will be led by the identical team of management personnel that currently manages US Wats, and Capsule will exhibit the same level of technical expertise that US Wats currently demonstrates. Customers will suffer no disruption in service and will continue to receive service under the same rates, terms and conditions they currently receive. Finally, the proposed transaction is in the public interest because reincorporating will place US Wats/Capsule in a better position to provide service to its customers, with virtually no adverse effects resulting for its Nebraska customers.

Application No. C-2202

PAGE 2

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-2202 be, and it is hereby, granted.

IT IS FURTHER ORDERED that the certificate of operating authority granted in Application No. C-1027 be, and it is hereby, transferred to Capsule Communications, Inc.

IT IS FURTHER ORDERED that Capsule file an amended tariff, within thirty days of the date of this order, reflecting any changes that result from the transaction described herein

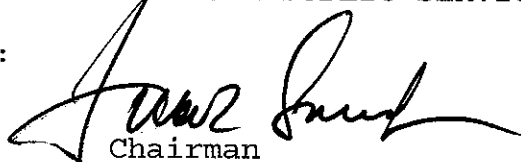
MADE AND ENTERED at Lincoln, Nebraska, this 14th day of March, 2000.

NEBRASKA PUBLIC SERVICE COMMISSION

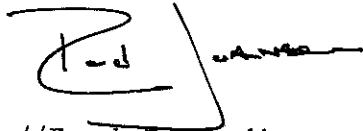
COMMISSIONERS CONCURRING:





  
Chairman

ATTEST:



//s//Frank E. Landis  
//s//Daniel G. Urwiller

  
Executive Director