

BEFORE THE  
ILLINOIS COMMERCE COMMISSION

FEB 9 10 00 AM '00

CHIEF CLERK'S OFFICE

\_\_\_\_\_  
Joint Petition of )  
 )  
US WATS, INC. )  
 )  
and )  
 )  
CAPSULE COMMUNICATIONS, INC. )  
for Approval of a **Pro Forma** )  
Reincorporation and Related **Pro Forma** )  
Transfer Transactions )  
\_\_\_\_\_ )

Docket No. 00-0135

JOINT PETITION

US WATS, Inc. ("US WATS" or "Company") and US WATS' wholly owned subsidiary, Capsule Communications, Inc. ("Capsule" or the "Subsidiary") (collectively, "Petitioners"), by their undersigned counsel, pursuant to The Illinois Public Utilities Act §§ 7-203, 13-403, and 13-404, hereby respectfully request that the Illinois Commerce Commission (the "Commission") approve a transaction whereby US WATS will change its state of incorporation from New York to Delaware. As a result of this proposed **pro forma** reincorporation, Capsule will assume US WATS' certificates and operations. US WATS is a nondominant carrier authorized by the Commission to provide intrastate interexchange telecommunications services in the State of Illinois. Further, the Petitioners respectfully request that the Commission cancel US WATS' certificate of service authority and reissue (or issue, whichever the Commission deems appropriate) a new certificate of service authority in the name of Capsule.

Capsule is a newly formed wholly owned subsidiary of US WATS and is incorporated in the State of Delaware. As set forth below and as illustrated in Exhibit A, US WATS and Capsule

are currently affiliated through their parent-subsidary relationship. As such, the proposed reincorporation is purely *pro forma* in nature. Following the transaction, Capsule will continue to operate the business of US WATS in the State of Illinois with no change in the services currently enjoyed by US WATS' existing customers. Petitioners respectfully request expedited treatment of this Petition in order to complete the proposed transaction as soon as possible.

In support of their Petition, Petitioners provide the following information:

I. THE PETITIONERS

A. US WATS, Inc.

US WATS is a New York corporation whose shares of common stock are publicly traded on the NASDAQ Small Cap Market under the ticker symbol "USWI." US WATS is headquartered at 2 Greenwood Square, 333 1 Street Road, Suite 275, Bensalem, Pennsylvania 19020. US WATS is a nondominant telecommunications carrier that provides resold intrastate interexchange and/or local exchange telecommunications services domestically in 45 states and the District of Columbia, pursuant to certification, registration or tariff requirements, or on a deregulated basis. In Illinois, US WATS is authorized to provide resold intrastate interexchange telecommunications services pursuant to certification granted in Docket No. 92-0038 on April 8, 1992. US WATS also provides interstate and international telecommunications services as a nondominant common carrier pursuant to authority of the FCC." Further information concerning US WATS' legal, technical, managerial, and financial qualifications to provide telecommunications services was included with US WATS' Petition for certification, which petition was filed with this Commission in Docket No. 92-0038. That information is, therefore, already a matter of public record at the

---

<sup>1/</sup> 6 FCC Rcd 5758 (1991) (FCC File No. ITC-91-186).

Commission, and US WATS requests that such information be incorporated by reference herein.

Current financial information for US WATS is attached hereto as Exhibit B.

**B. Capsule Communications, Inc.**

Capsule is a wholly owned subsidiary of US WATS that is incorporated under the laws of the State of Delaware. Capsule's principal offices are also located in Bensalem, Pennsylvania, at the same address and phone number as US WATS' principal offices. Capsule's officers and directors are substantially identical to the officers and directors of US WATS. Following the proposed transaction, Capsule's common stock will be listed on the NASDAQ Small Cap Market under the expected ticker symbol "CAPS." Capsule does not presently provide telecommunications services and does not hold any regulatory license from this or any other regulatory commission. Capsule's certificate to transact business in Illinois as a foreign corporation is attached hereto as Exhibit C.

**C. Designated Contacts**

Inquiries, correspondence, orders, or other materials pertaining to this Petition should be directed to:

Patrick J. Whittle  
Jeanne W. Stockman  
Swidler Berlin Shereff Friedman, LLP  
3000 K Street, N.W., Suite 300  
Washington, D.C. 20007  
202/424-7500 (Tel)  
202/424-7643 (Fax)

**II REQUEST FOR APPROVAL OF *PRO FORMA* REINCORPORATION**

As stated above, US WATS has concluded that, for important business reasons, it would be in the best interests of the Company and its shareholders to change US WATS' state of

incorporation from New York to Delaware. Delaware has emerged as a leading state in adopting, construing, and implementing comprehensive and flexible corporate laws responsive to the legal and business needs of corporations. Accordingly, US WATS wishes to reincorporate as a Delaware corporation to afford itself of these benefits.

In order to accomplish this reincorporation, US WATS proposes to merge with and into its wholly owned subsidiary, Capsule. Capsule, which is incorporated in the State of Delaware, will be the surviving entity in this merger. The proposed proforma reincorporation will not result in any changes to the physical location, business, or management of the certificated entity. As a result of the proposed proforma reincorporation, Capsule will assume the operations of US WATS within the State of Illinois. Accordingly, effective upon Commission approval and consummation of the proposed transaction, Petitioners request that the Commission cancel US WATS' certificate of service authority and issue a new certificate of service authority to Capsule authorizing it to provide the full range of services that US WATS is currently authorized to provide. The Petitioners will file revised tariffs to reflect the name change from US WATS resulting from the proposed proforma reincorporation. For the Commission's convenience, pre- and post-transaction organizational charts are attached hereto as Exhibit A.

Although the **pro forma** reincorporation will result in the provision of services by Capsule rather than US WATS, as a practical matter, the change in corporate name will be the only perceptible change to US WATS' customers. Capsule will continue to be led by the same management team that leads US WATS today and, immediately following the proposed proforma reincorporation, Capsule will provide the services presently offered by US WATS without any change in the rates, terms, or conditions of service. All of US WATS' customers will continue

to be served by the same team of qualified consumer representatives and will be provided service pursuant to contracts and tariffs that offer all of the services currently offered by US WATS. Accordingly, apart from the name change, the proposed **pro forma** reincorporation will be completely transparent to Illinois customers in terms of the services they receive.

### **III. PUBLIC INTEREST CONSIDERATIONS**

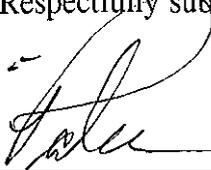
Consummation of the proposed transactions will serve the public interest in promoting competition among providers of intrastate interexchange and local exchange telecommunications services. The **pro forma** reincorporation will result in a company better equipped to accelerate its growth as a competitive telecommunications service provider because of the comprehensive and flexible body of corporate laws which will govern the new entity. The resulting name change to Capsule Communications, Inc. is expected to strengthen the Company's identity in the telecommunications marketplace. These enhancements will inure directly to the benefit of Illinois customers. The transaction proposed herein will occur in a seamless fashion that will not adversely affect the provision of telecommunications services in Illinois, but will, in fact, increase the financial strength of the entity providing telecommunications service in Illinois. The proposed transaction will, therefore, promote the provision of innovative, high quality telecommunications services to the public and should enhance competition in the Illinois telecommunications market.

### **IV. CONCLUSION**

WHEREFORE, for the reasons stated herein, US WATS, Inc. and Capsule Communications, Inc. respectfully request that the Commission approve this Petition to permit consummation of the proposed **pro forma** reincorporation as soon as possible and cancel the certificate of US WATS, and issue, or reissue, a certificate to Capsule Communications, Inc., to

be effective upon consummation of the reincorporation, and grant all other relief as necessary and appropriate to effectuate the transaction described herein.

Respectfully submitted,



---

Patrick J. Whittle  
Jeanne W. Stockman  
SWIDLER BERLIN SHEREFF FRIEDMAN, LLP  
3000 K Street, N.W., Suite 300  
Washington, D.C. 20007

Counsel to US WATS, Inc. and  
Capsule Communications, Inc.

Dated: February 8, 2000

## Verification



LIST OF EXHIBITS

Illustrative Chart of Proposed Reincorporation . . . . . A

Financial Statements of US WATS, Inc. . . . . B

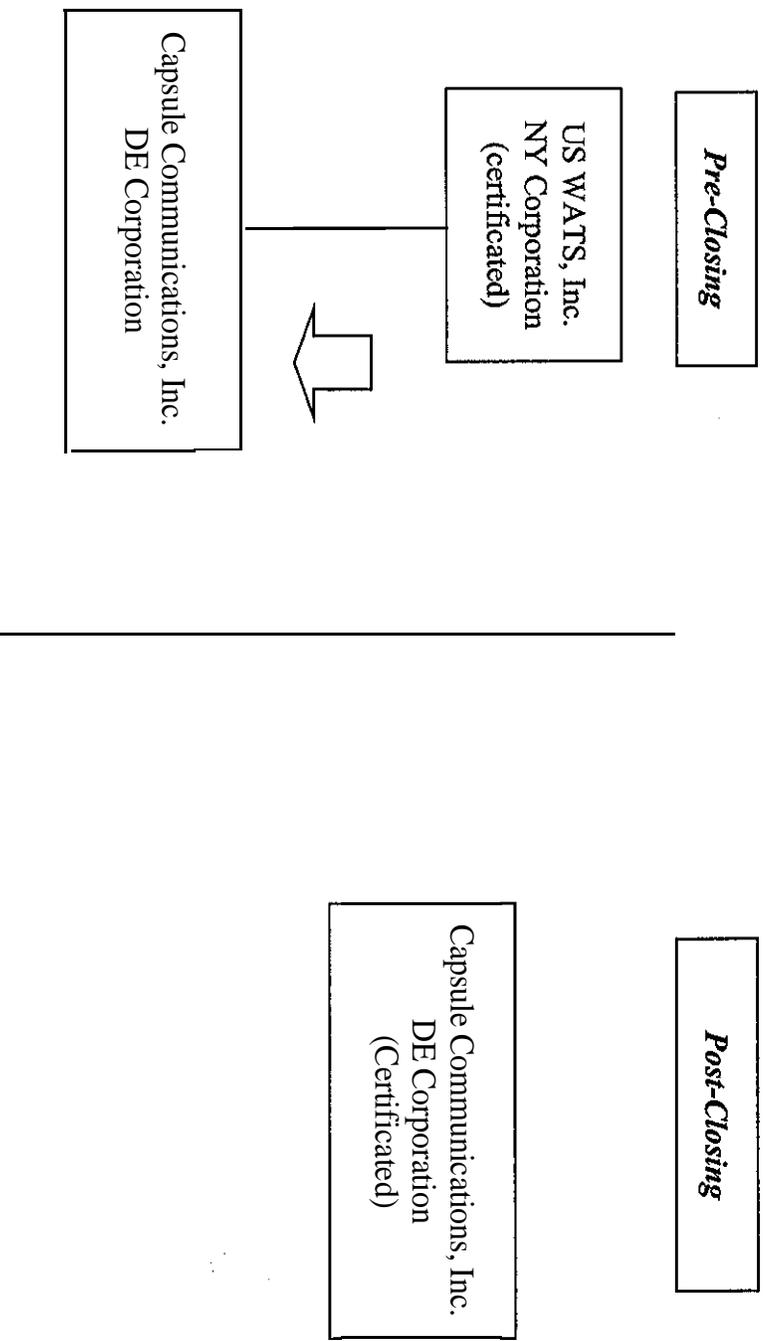
Certificate of Capsule Communications, Inc.  
to Transact Business as a Foreign Corporation . . . . . C

Verification

**Exhibit A**

**Illustrative Chart of Proposed Reorganization**

**Proposed Pro Forma Reincorporation  
of US WATS, Inc. to Capsule Communications, Inc.**



**Exhibit B**

**Financial Statements of US WATS, Inc.**

US WATS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1998	1997
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$1,665,485	\$1,588,267
Accounts receivable, net of allowance for doubtful accounts of \$934,624 for 1998 and \$1,498,749 for 1997	6,165,896	6,899,082
Prepaid expenses and other	<u>166.977</u>	<u>108.683</u>
Total Current Assets	<u>7,998,358</u>	<u>8,596.032</u>
Property and Equipment		
Telecommunications equipment	5,031,047	3,881,857
Equipment	1,690,490	1,579,435
<b>Software</b>	652,422	647,797
Office furniture and fixtures	157,006	155,553
Leasehold improvements	<u>46.671</u>	<u>36.432</u>
	<u>7,577,636</u>	<u>6,301,074</u>
Less accumulated depreciation and amortization	<u>4,708.113</u>	<u>3,286,435</u>
Total Property and Equipment	<u>2,869.523</u>	<u>3,014,639</u>
Other assets, principally deposits - net	<u>153.583</u>	<u>202.804</u>
Total	<u>\$11,021,464</u>	<u>\$11,813,475</u>

The accompanying notes are an integral part of these consolidated financial statements

**US WATS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	December 31,	
<u>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</u>	<u>1998</u>	<u>1997</u>
<b>Current Liabilities</b>		
Note payable	\$ 1,121,341	\$ 690,826
Capital lease obligations, current portion	226,968	273,095
Accounts payable	4,372,548	6,975,779
Accrued commissions	891,318	943,556
Accrued expenses and other	790,699	1,007,980
State and Federal taxes payable	961,731	1,293,417
Deferred revenue	2,887	<u>75,494</u>
Total Current Liabilities	<u>8,367,492</u>	<u>11,260,147</u>
<b>Long-Term Liabilities</b>		
Capital lease obligations, net of current portion	<u>149,792</u>	<u>380,260</u>
Commitments and Contingencies - see note 7		
<b>Redeemable preferred stock, \$.01 par, authorized</b>		
150,000 shares, issued and outstanding:		
30,000 shares in 1998 and 1997		
Redemption value: \$11.00 per share	<u>330,000</u>	<u>330,000</u>
<b>Common Shareholders' Equity (Deficiency)</b>		
Common Stock issuable	—	166
Common stock, \$.001 par, authorized		
30,000,000 shares; issued:		
20,077,144 shares in 1998 and		
17,654,100 shares in 1997	20,077	17,654
Additional paid-in capital	9,514,075	5,328,982
Accumulated Deficit	<u>(7,358,853)</u>	<u>(5,503,484)</u>
	2,175,299	(156,682)
Common stock held in treasury		
(1,119,000 shares in 1998 and 256,000 shares in 1997), at cost	<u>(1,119)</u>	<u>(250)</u>
	<u>2,174,180</u>	<u>(156,932)</u>
Total	<u>\$ 11,021,464</u>	<u>\$ 11,813,475</u>

The accompanying notes are an integral part of these consolidated financial statements

**US WATS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Years Ended December 31,</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenues	\$ 44,679,060	\$ 56,466,698	\$ 40,304,442
cost of sales	<u>31,789,200</u>	<u>41,511,542</u>	<u>26,802,398</u>
Gross profit	12,889,860	14,955,156	13,502,044
Selling, general and administrative expenses	13,851,001	16,939,142	12,716,965
Provision for bad debts	788,493	<u>1,465,248</u>	<u>479,208</u>
(Loss) Income from operations	(1,749,634)	(3,449,234)	305,871
Other income (expense)			
Interest income	164,180	71,921	62,732
Interest expense	(232,915)	(322,508)	(272,978)
(Loss) Income before income tax expense (benefit)	(1,818,369)	(3,699,821)	95,625
Income tax expense	<u>10,000</u>	<u>—</u>	<u>7,000</u>
Net (loss) income	(1,828,369)	(3,699,821)	88,625
Preferred dividends and accretion	<u>27,000</u>	<u>57,000</u>	<u>27,000</u>
Net (loss) income applicable to common shareholders	<u><u>\$ (1,855,369)</u></u>	<u><u>\$ (3,756,821)</u></u>	<u><u>\$ 61,625</u></u>
Net loss per share applicable to common shareholders	<u><u>\$ (.10)</u></u>	<u><u>\$ (.23)</u></u>	<u><u>\$ --</u></u>
Weighted average number of shares outstanding	<u><u>18,785,656</u></u>	<u><u>16,084,971</u></u>	<u><u>15,877,900</u></u>

The accompanying notes are an integral part of these consolidated financial statements

**US WATS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY (DEFICIENCY)**  
**YEARENDED DECEMBER 31, 1998**

<u>DESCRIPTION</u>	<u>COMMON STOCK SHARES ISSUED</u>	<u>COMMON PAR VALUE \$.001</u>	<u>COMMON STOCK PAYABLE</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>DEFICIT</u>	<u>TREASURY STOCK SHARES</u>	<u>TREASURY STOCK AT COST</u>	<u>SHAREHOLDERS' EQUITY (DEFICIENCY)</u>
Balance, December 31, 1997	17,654,100	\$ 17,654	\$ 166	\$ 5,328,982	\$ (5,503,484)	250,000	\$ (250)	\$ (156,932)
Net Loss	--	--	--	--	(1,828,369)	--	--	(1,828,369)
Short-Swing Profit Proceeds	--	--	--	2,430,979	--	--	--	2,430,979
Exercise of Employee Stock Options	1,068,984	1,069	--	1,403,422	--	--	--	1,404,491
Exercise of Warrants	1,188,000	1,188	--	1,259,419	--	--	--	1,260,607
Common Stock Issued	166,060	166	\$ (166)	--	--	--	--	--
Options Issued for Consulting Services	--	--	--	133,204	--	--	--	133,204
Repurchase of Common Stock	--	--	--	(1,041,931)	--	869,000	\$ (869)	(1,042,800)
Cash Dividends on Preferred Stock (\$ .90 per share)	--	--	--	--	--	--	--	--
Balance, December 31, 1998	<u>20,077,144</u>	<u>\$ 20,077</u>	<u>\$ 0</u>	<u>\$ 9,514,075</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ (1,119)</u>	<u>\$ 2,174,180</u>
	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>(27,000)</u>

The accompanying notes are an integral part of these consolidated financial statements

**US WATS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 1997**

DESCRIPTION	COMMON STOCK SHARES ISSUED	COMMON PAR VALUE \$.001	COMMON STOCK PAYABLE	ADDITIONAL PAID-IN CAPITAL	DEFICIT	TREASURY STOCK SHARES	TREASURY STOCK AT COST	SHAREHOLDERS'
								EQUITY (DEFICIENCY)
Balance, December 31, 1996	15,902,100	\$ 15,902	--	\$ 2,623,350	\$ (1,776,663)	250,000	\$ (250)	\$ 862,339
Net Loss	--	--	--	--	(3,699,821)	--	--	(3,699,821)
Private Placement	1,590,000	1,590	--	2,298,410	--	--	--	2,300,000
Exercise of Employee Stock Options	100,000	100	--	110,575	--	--	--	110,675
Exercise of Warrants	62,000	62	--	65,813	--	--	--	65,875
Common Stock to be Issued	--	--	\$ 166	209,834	--	--	--	210,000
Options Issued for Consulting Services	--	--	--	5 1,000	--	--	--	5 1,000
Accretion in Value of Preferred Stock	--	--	--	(30,000)	--	--	--	(30,000)
Cash Dividends on Preferred Stock (\$ .90 per share)	--	--	--	--	--	--	--	--
Balance, December 31, 1997	<u>17,654,100</u>	<u>\$ 17.654</u>	<u>\$ 166</u>	<u>\$ 5,328,982</u>	<u>\$ (5,503,484)</u>	<u>250,000</u>	<u>\$ (250)</u>	<u>\$ (156,932)</u>
					(27,000)			(27,000)

The accompanying notes are an integral part of these consolidated financial statements

**US WATS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY (DEFICIENCY)  
YEAR ENDED DECEMBER 31, 1996**

DESCRIPTION	COMMON STOCK		ADDITIONAL		TREASURY STOCK SHARES	TREASURY STOCK AT COST	SHAREHOLDERS' EQUITY
	SHARES ISSUED	PAR VALUE \$ .001	PAID-IN CAPITAL	DEFICIT			
Balance, December 31, 1995	15,852,100	\$ 15,852	\$ 2,573,400	\$ (1,838,288)	250,000	\$ (250)	\$ 750,714
Net Income	--	--	--	88,625	--	--	88,625
Exercise of Employee Stock Options	50,000	50	49,950	--	--	--	50,000
Cash Dividends on Preferred Stock, December 1, 1996 (\$ .90 per share)	--	--	--	(27,000)	--	--	(27,000)
Balance, December 31, 1996	<u>15,902,100</u>	<u>\$ 15,902</u>	<u>\$ 2,623,350</u>	<u>\$ (1,776,663)</u>	<u>250,000</u>	<u>\$ (250)</u>	<u>\$ 862,339</u>

The accompanying notes are an integral part of these consolidated financial statements

**Exhibit C**

**Certificate of Capsule Communications, Inc. to Transact  
Business as a Foreign Corporation**



# OFFICE OF THE SECRETARY OF STATE

JESSE WRITE • Secretary of State

DECEMBER 29, 1999

6082-693-5

CSC  
P.O. BOX 2496  
SPRINGFIELD, IL 62705

**RE** CAPSULE COMMUNICATIONS, INC.

DEAR SIR OR MADAM:

IT IS OUR PLEASURE TO APPROVE YOUR REQUEST TO TRANSACT BUSINESS **IN** THE STATE OF ILLINOIS. ENCLOSED PLEASE **FIND** A CERTIFICATE OF AUTHORITY, ACKNOWLEDGING YOUR REGISTRATION.

THESE DOCUMENTS **MUST** BE RECORDED IN THE **OFFICE OF THE RECORDER** OF THE COUNTY IN ILLINOIS **IN WHICH** THE **REGISTERED** OFFICE OF THE CORPORATION IS LOCATED, AS PROVIDED BY SECTION 1.10 OF THE BUSINESS **CORPORATION** ACT OF THIS STATE. FOR FURTHER INFORMATION CONTACT YOUR **RECORDER** OF DEEDS.

THE CORPORATION MUST FILE AN ANNUAL **REPORT AND PAY FRANCHISE TAXES** PRIOR TO THE FIRST DAY OF ITS ANNIVERSARY MONTH (MONTH OF QUALIFICATION) NEXT YEAR. A PRE-PRINTED ANNUAL REPORT FORM WILL BE SENT TO THE REGISTERED AGENT AT THE ADDRESS SHOWN ON THE RECORDS OF THIS OFFICE APPROXIMATELY 60 DAYS PRIOR TO ITS ANNIVERSARY MONTH.

**SECURITIES** CANNOT BE ISSUED OR SOLD **EXCEPT IN** COMPLIANCE WITH THE ILLINOIS **SECURITIES** LAW OF 1953, 815~ ILLINOIS COMPILED STATUTES, 5/1 ET SEQ. FOR **FURTHER** INFORMATION, CONTACT THE OFFICE OF THE SECRETARY OF STATE, **SECURITIES** DEPARTMENT AT (217) 782.2256 OR (312) 7933384.

SINCERELY YOURS,

JESSE WHITE  
SECRETARY OF STATE

DEPARTMENT OF BUSINESS SERVICES  
**CORPORATION** DIVISION  
TELEPHONE (217) 782-6961

JW:CD

COPY

# State of Illinois Office of The Secretary of State

**Whereas,** APPLICATION FOR CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN THIS STATE OF **CAPSULE COMMUNICATIONS, INC.** INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE HAS BEEN FILED IN THE OFFICE OF THE SECRETARY OF STATE AS PROVIDED BY THE BUSINESS CORPORATION ACT OF ILLINOIS, IN FORCE JULY 1, A.D. 1984.

Now Therefore, I, Jesse White, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate and attach hereto a copy of the **Application** of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, at the City of Springfield, this 29TH day of, DECEMBER A.D. 1999 and of the Independence of the United States the two hundred and 24TH



*Jesse White*

Secretary of State

**SUBMIT IN DUPLICATE!**

Jesse White, Secretary of State  
Department of Business Services  
Springfield, IL 62756  
Telephone (217) 782-1834  
http://www.sos.state.il.us

This space for use by Secretary of State

**FILED**

DEC 29 1999

**JESSE WHITE**  
**SECRETARY OF STATE**

This space for use by  
Secretary of State

Date 12/29/99  
License Fee \$           
Franchise Tax \$ 25.00  
Filing Fee \$ 75.00  
Penalties \$           
Approved: [Signature]

Payment must be made by  
certified check, cashier's check,  
Illinois attorney's check, Illinois  
C.P.A.'s check or money order,  
payable to "Secretary of State."

1. (a) **CORPORATE NAME:** Capsule Communications, Inc.

(Complete item 1 (b) only if the corporate name is not available in this state.)

(b) **'ASSUMED CORPORATE NAME:** \_\_\_\_\_  
(By electing this assumed name, the corporation hereby agrees NOT to use its corporate name in the transaction of business in Illinois. Form BCA 4.15 is attached.)

2. (a) State or Country of Incorporation: Delaware

(b) Date of Incorporation: October 21, 1999

(c) Period of Duration: Perpetual

3. (a) Address of the principal office, wherever located: \_\_\_\_\_ (b) Address of principal office in Illinois: \_\_\_\_\_  
(If none, so state)

suite 275

3331 Street Road

None

Bensalem, PA 19020

4. Name and address of the registered agent and registered office in Illinois.

Registered Agent	<u>Illinois Corporation Service Company</u>		
	<u>First Name</u>	<u>Middle Name</u>	<u>Last Name</u>
Registered Office	<u>700 South Second Street</u>		
	<u>Number</u>	<u>Street</u>	<u>Suite #</u>
	<u>Springfield</u>	<u>62704</u>	<u>Sangamon</u>
	<u>City</u>	<u>Zip Code</u>	<u>County</u>

5. States and countries in which it is admitted or qualified to transact business: (Include state of incorporation)

DE

6. Names and residential addresses of officers and directors:

Name	No. & Street	City	State	ZIP
<u>President</u>	<u>See attached officers/directors rider</u>			
<u>Director</u>				
<u>Director</u>				
<u>Director</u>				

If more than 3, attach list

**EXPEDITED**

DEC 29 1339

**SECRETARY OF STATE**

7. Purpose or purposes proposed to be pursued in transacting business in this state:

(If not sufficient space to cover this point, add one or more sheets of this size.)

Provider of telecommunications and related services. To engage in any act or activity for which corporations may be organized under the General Corporation Law of Delaware and as permitted by the Illinois Business Corporation Act.

9. Authorized and issued shares:

Class	series	Par Value	Number of Shares Authorized	Number of Shares Issued
Common		\$001	100,000,000	20,551,944
Preferred	(Unassigned)	\$01	2,000,000	0

9. Paid-in Capital: \$11,942,119  
("Paid-in Capital" replaces the terms Stated Capital & Paid-in Surplus and is equal to the total of these accounts)

10. (a) Give an estimate of the total value of all the property\* of the corporation for the following year: 8 3,158,268
- (b) Give an estimate of the total value of all the property\* of the corporation for the following year that will be located in Illinois: \$ 0
- (c) State the estimated total business of the corporation to be transacted by it everywhere for the following year: \$ 43,000,000
- (d) State the estimated annual business of the corporation to be transacted by it at or from places of business in the State of Illinois: \$ 30,000

11. Interrogatories: (Important — this section must be completed.)

2 Greenwood Square

- \*\* (a) Office or offices to which all contracts with the corporation are forwarded for final acceptance: Suite 275  
 (b) Number of shares of all classes owned by residents of Illinois: 195 3331 Street RD  
 (c) Number of shares of all classes owned by non-residents of Illinois: 20,551,749 Bensalem PA 19020  
 (d) Is the corporation transacting business in this state at this time? No  
 (e) If the answer to item 11 (d) is yes, state the exact date on which it commenced to transact business in Illinois:

12. This application is accompanied by a certified copy of the articles of incorporation, as amended, duly authenticated, within the last ninety (90) days, by the proper officer of the state or country wherein the corporation is incorporated.

13. The undersigned corporation has caused this statement to be signed by its duly authorized officers, each of whom affirms, under penalties of perjury, that the facts stated herein are true. (All signatures must be in BLACK INK.)

Dated October 2 8 1999 Capsule Communications, Inc.  
 (Month & Day) (Year) (Exact Name of Corporation)

attested by [Signature] [Signature]  
 (Signature of Secretary or Assistant Secretary) (Signature of President or Vice President)  
 Michael McNulty David Hurwitz  
 Secretary by President  
 (Type or Print Name and Title) (Type or Print Name and Title)

• PROPERTY as used in this application shall apply to all property of the corporation, real, personal, tangible, intangible, or mixed without qualifications.

\*\* When the response to #11(a) list ONLY an Illinois address, then the total business as reflected in #10(c) is also considered to be Illinois business for the purpose of computing the Illinois allocation factor. By signing this application, the corporation affirms that it is aware that the amount of paid-in capital, and consequently the amount of license fees and franchise taxes, may be proportionately higher due to the Illinois address shown under #11 (a).

APPLICATION FOR CERTIFICATE OF AUTHORITY  
CAPSULE COMMUNICATIONS, INC.

EXHIBIT A

**OFFICERS AND THEIR RESIDENTIAL ADDRESS:**

**Michael McAnulty**  
CFO and **Secretary**  
3 13 **Rolling** Brook Way  
**Sewell, NJ 08080**

David**Hurwitz**  
Resident **and** CEO  
48 **Dalton** Way  
Holland, PA 18966

Johr**Colarossi**  
Vice Resident  
415 **Bryn Maw Avenue**  
**Bala Cynwyd, PA, 19004**

**DIRECTORS AND THEIR RESIDENTIAL ADDRESS:**

**James Rossi**  
1301**Mallard Lane**  
**Millville, NJ 08332**

**Domenic Romano**  
1813**Annio Lane**  
**Vineland, NJ 08361**

**Walter** Anderson  
2000 L Street, N.W., Suite 200  
**Washington, DC 20036**

Arthur**Regan**  
**15 Park Row, Suite 504**  
**New York, NY 10038**

Murray**Goldberg**  
**26 Anthony Drive**  
**Malvern, PA 19355**

**The business address for all of the above-s+ officers and directors is:**

2 Greenwood **Square, Suite 275**  
3331 **Street** Road  
**Bensalem, PA 19020**