

TENNESSEE REGULATORY AUTHORITY

AT NASHVILLE, TENNESSEE

March 20, 2003

IN RE:

**ALLEGED VIOLATIONS OF
TENN. CODE ANN. §§ 65-4-125(j),
64-4-201 and TENN. COMP. R. AND
REGS. 1220-4-2-.57(2) AGAINST
BUYERS UNITED
INTERNATIONAL, INC.**

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Docket No. 02-01214

ORDER APPROVING SETTLEMENT AGREEMENT

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate and Director Pat Miller of the Tennessee Regulatory Authority ("Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 18, 2002, for consideration of a proposed Settlement Agreement ("Agreement") between the Consumer Services Division of the TRA ("CSD") and Buyers United International, Inc., ("Buyers United") for violations of Tenn. Code Ann. §§ 65-4-125(j) and 65-4-201(b) and TRA Rule 1220-4-2-.57(2). A copy of the Settlement Agreement is attached as Exhibit A.

Tenn. Code Ann. § 65-4-125(j) provides:

(j) By September 1, 2000, all telecommunications service providers subject to the control and jurisdiction of the Authority, except those owners or operators of public telephone service who pay annual inspection and supervision fees pursuant to § 65-4-301(b), or any telecommunications service provider that owns and operates equipment facilities in Tennessee with a value of more than five million dollars (\$5,000,000), shall file with the Authority a corporate surety bond or irrevocable letter of credit in the amount of twenty thousand dollars (\$20,000) to secure the payment of any monetary sanction imposed in

any enforcement proceeding, brought under this title or the Consumer Telemarketing Protection Act of 1990, compiled in title 47, chapter 18, part 15, by or on behalf of the Authority.

Tenn. Code Ann. § 65-4-201(b) provides:

Except as exempted by provisions of state or federal law, no individual or entity shall offer or provide any individual or group of telecommunications services, or extend its territorial areas of operations without first obtaining from the Tennessee Regulatory Authority a certificate of convenience and necessity for such service or territory; provided, that no telecommunications services provider offering and providing a telecommunications service under the authority of the Authority on June 6, 1995, is required to obtain additional authority in order to continue to offer and provide such telecommunications services as it offers and provides as of June 6, 1995.

TRA Rule 1220-4-2-.57(2) provides:

Resellers shall not provide intrastate telecommunications services in Tennessee without a certificate of convenience and necessity awarded by the Commission pursuant to state law and these rules. In determining whether or not to award a certificate, the Commission shall consider whether granting the certificate will service the present or future public convenience and necessity. The Commissioner may also consider the applicant's financial ability, character, and proposed rates, as well as such other matters as the Commission finds relevant.

Buyers United was originally granted a Certificate of Public Convenience and Necessity ("CCN") to provide resold telecommunications services in the State of Tennessee by Order dated March 14, 2000 in Docket No. 98-00313. Upon determining Buyers United failed to submit a bond or letter of credit in accordance with Tenn. Code Ann. § 65-4-125(j), the Authority provided written notice of the bonding requirement to Buyers United on three separate occasions: August 15, 2000, July 17, 2001 and February 11, 2002. At a regularly scheduled Authority Conference held on March 26, 2002, after proper notice to Buyers United, the Directors voted unanimously to revoke Buyers United's certificate to do business in the State of Tennessee.

On September 30, 2002, Buyers United filed a request with the Authority requesting recertification as a reseller of telecommunications services. The request was assigned Docket Number 02-01214. The voting panel considered the request at an Emergency Conference held on October 3, 2002 and granted Buyers United a temporary CCN effective until December 9, 2002. Buyers United had been operating without a CCN from March 26, 2002, the day its certificate was revoked, to October 3, 2002, when Buyers United's a CCN was temporarily approved. During the Emergency Conference, counsel for Buyers United agreed to work with the Consumer Services Division of the Authority to resolve Buyers United's violation of Tenn. Code Ann. § 65-4-201(b).

Tenn. Code Ann. § 65-4-120 authorizes the TRA to impose a civil penalty of fifty dollars (\$50) for each day of violation upon public utilities that have violated Authority rules or orders. In negotiating the terms of the Agreement, the TRA's Consumer Service's Division relied upon the factors stated in Tenn. Code Ann. § 65-4-116(b), including Buyers United's size, financial status, the gravity of the alleged violations and the good faith demonstrated by Buyers United's efforts to come into compliance with Authority rules and Tennessee law.

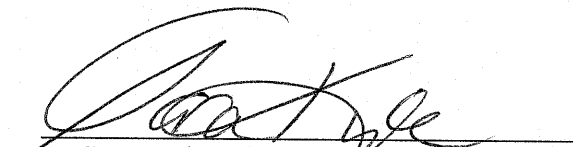
At a regularly scheduled Authority Conference held on November 18, 2002, the voting panel considered the Settlement Agreement attached as Exhibit A. Attorney Jonathan Marshlian appeared at the Conference on behalf of Buyers United by telephone.

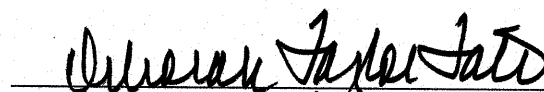
The terms of the Settlement Agreement require Buyers United to pay the Authority the sum of nine thousand four hundred and fifty dollars (\$9,450.00) in four installments of two thousand three hundred sixty-two dollars and fifty cents (\$2,362.50) each as well as comply with all provisions of Tennessee law and Authority rules. Following a review of the

Settlement Agreement, the Directors voted unanimously to accept and approve the Agreement.

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement, attached as Exhibit A, is accepted and approved and is incorporated into this Order as if fully written herein.
2. The sum of nine thousand four hundred fifty dollars (\$9,450.00) shall be paid to the Office of the Chairman of the Authority in four payments of two thousand three hundred sixty-two dollars and fifty cents (\$2,362.50) each. Buyers United shall remit the first payment no later than December 18, 2002, the second no later than March 30, 2003, the third no later than June 30, 2003, and a fourth no later than December 31, 2003.
3. Upon payment of the amount of nine thousand four hundred fifty dollars (\$9,450.00), Buyers United is excused from further proceedings in this matter, provided that, in the event of any failure on the part of Buyers United to comply with the terms and conditions of the Settlement Agreement, the Authority reserves the right to re-open this docket.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Pat Miller, Director

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:)
)
BUYERS UNITED) DOCKET NO. 02-01214
INTERNATIONAL, INC.)
ALLEGED VIOLATIONS OF)
TENN. CODE ANN. § 64-4-125(j), § 65-4-201)
AND TENN. COMP. R. & REGS. 1220-4-2-.57(2))

SETTLEMENT AGREEMENT

This Settlement Agreement, which has been voluntarily entered into between the Consumer Services Division ("CSD") of the Tennessee Regulatory Authority ("TRA" or "Authority") and Buyers United International, Inc. ("Buyers United" or the "Company"), a Utah corporation, resolves all issues presented by Buyers United's alleged noncompliance with Tenn. Code Ann. § 65-4-125 (i.e., failure to provide a surety bond) and Tenn. Code Ann § 65-4-201 (i.e., operating without a certificate of public convenience and necessity) through the date of the execution of this Settlement Agreement. This Settlement Agreement pertains to any and all causes of action arising up to and including the date of approval of this Settlement which allege that Buyers United violated Tenn. Code Ann. § 65-4-125(j); Tenn. Code Ann. § 65-4-201 and its concomitant regulation, Tenn. Comp. R. & Regs. 1220-4-2-.57(2) ("alleged violations"). This Settlement Agreement is subject to the approval of the Directors of the TRA. Upon approval by the Directors of the TRA, and upon full payment of the Settlement Payment in accordance with Section 1 hereof and compliance with the terms of this Settlement Agreement, this Settlement Agreement shall be deemed a full settlement, release, accord and satisfaction of all liability for the alleged violations.

Tenn. Code Ann. § 65-4-125(j), requires telephone service providers, except owners or operators of public telephone service who pay annual inspection and supervision fees pursuant to

EXHIBIT

A

Tenn. Code Ann. § 65-4-301(b) or telecommunications service providers that own and operate equipment facilities in Tennessee with a value of more than five million dollars, to file with the Authority a surety bond or letter of credit in the amount of twenty thousand dollars (\$20,000). On March 26, 2002 the Authority entered an order revoking the Company's authority to operate in Tennessee for failure to comply with Tennessee Code Annotated § 65-4-125. Tennessee Code Annotated § 65-4-201(b), prohibits individuals and entities from offering or providing telecommunications services without first obtaining from the Authority a certificate of convenience and necessity. Authority Rule 1220-4-2-.57(2) states Resellers shall not provide intrastate telecommunications services in Tennessee without a certificate of convenience and necessity awarded by the Authority. Tennessee Code Annotated § 65-4-120 authorizes the TRA to impose a civil penalty of fifty dollars (\$50) for each day of violation upon telecommunications service providers that have violated Authority rules or orders.

On September 30, 2002, the Company filed a Petition seeking a temporary certificate to operate in Tennessee pending Authority approval of a formal application so as prevent disconnection of approximately 3,700 access lines and more than 2,000 customers while Buyers United took the steps necessary to comply with Tennessee law and Authority rules. At an emergency Authority conference held on October 3, 2002 the Authority granted Buyers United a temporary certificate which expires on December 9, 2002.

In negotiating this Settlement Agreement, CSD relied upon the factors stated in Tenn. Code Ann. § 65-4-116(b), including the Company's size, financial status, good faith, and the gravity of the violations.

In an effort to resolve all alleged violations noted in this Settlement Agreement CSD and Buyers United agree to settle this matter based upon the following acknowledgements and terms, subject to approval by the Directors of the TRA:

1. Buyers United agrees to pay the TRA nine thousand four hundred fifty dollars (\$9,450.00) (the "Settlement Payment") over a period of one (1) year in settlement of all alleged violations included in this Settlement Agreement. Buyers United shall remit the first payment in the amount of

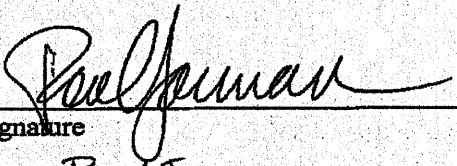
two thousand three hundred sixty-two dollars and fifty cents (\$2,362.50) to the Office of the Chairman of the TRA no later than thirty days after TRA approval of this Settlement Agreement. Thereafter, Buyers United shall pay to the TRA the sum of two thousand three hundred sixty-two dollars and fifty cents (\$2,362.50) in quarterly payments which shall be remitted to the TRA no later than the first business day of the last month in each quarter for the year beginning with a payment on March 30, 2003, followed by a payment on June 30, 2003 and ending with a payment on December 31, 2003. Upon completion of the payments amounting to nine thousand four hundred fifty (\$9,450.00) and compliance with the other terms and conditions of this Settlement Agreement, Buyers United shall be excused from further proceedings in this matter.

2. In the event that Buyers United merges or consolidates with or transfers its assets to another firm, corporation or entity, Buyers United or its successor shall remain responsible for fully complying with the terms and conditions of the Settlement Agreement. Buyers United shall so notify the CSD no later than ten (10) days prior to the completion of such transaction.
3. Buyers United agrees to comply with all provisions of the Tennessee laws and Authority rules requiring a certificate of public convenience and necessity and the filing of a surety bond or letter of credit with the Authority.
4. Buyers United agrees that a company representative will attend the Authority Conference during which the Directors consider this Settlement Agreement. Such attendance may be by telephone.
5. In the event that Buyers United fails to comply with the terms and conditions of this Settlement Agreement, the Authority reserves the right to re-open this docket.

Eddie Roberson M.K.

Eddie Roberson
Chief, Consumer Services Division
Tennessee Regulatory Authority

11/08/02
Date


Signature

Paul Jarman
Print Name

COO
Print Title

10/31/02
Date