

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 25, 2000

IN RE:

**APPLICATION FOR APPROVAL OF
THE TRANSFER OF THE LONG DISTANCE
CUSTOMER OF NETEL, INC. TO
ONESTAR LONG DISTANCE, INC.**

)
)
)
)
)
)

DOCKET NO. 99-00561

**ORDER APPROVING THE PURCHASE OF ASSETS
AND TRANSFER OF CUSTOMER BASE**

This matter came before the Tennessee Regulatory Authority ("Authority") on the Application of OneStar Long Distance, Inc. ("OneStar") for approval of an asset purchase and assignment of customer base ("Application") of NeTel, Inc. pursuant to Tenn. Code Ann. § 65-4-112. The Directors of the Authority considered this matter at a regularly scheduled Authority Conference held on September 28, 1999.

From the Application and the record existing in this matter, the Authority has determined the following:

1. OneStar is a privately held Indiana corporation headquartered in Evansville, Indiana. OneStar is a nationwide provider of telecommunications services and is authorized to provide resold long distance services in over forty-five (45) states by virtue of certification, registration, tariff requirements, or on a deregulated basis. In Tennessee, OneStar is authorized to provide intrastate long distance telecommunications services pursuant to certification granted by this Authority in Docket No. 96-01349 on February 24, 1997.

FILE
TRADD

2. NeTel d/b/a Tel 3 ("NeTel") is a Delaware Corporation headquartered in Florida. NeTel received its certification to provide service in Tennessee from the Tennessee Public Service Commission on February 8, 1996 in Docket No. 95-03859. NeTel recently filed for protection under Chapter 11 of the United States Bankruptcy Code subject to approval of the United States Bankruptcy Court for the Southern District of Florida ("Bankruptcy Court"). (Bankruptcy No. 98-28929-BKC-PGH).

3. NeTel, pursuant to Chapter 11 of the Bankruptcy Code, moved the Bankruptcy Court to approve the Asset Purchase Agreement ("Agreement") it entered into with OneStar on July 14, 1999. The Agreement contemplates the purchase of NeTel's long distance customer base by OneStar. According to the Application, once appropriate approval is obtained regarding this transfer, NeTel will no longer provide long distance telecommunications services.

4. On July 19, 1999, the Bankruptcy Court approved the motion of NeTel to sell its customer base to OneStar. (A copy of the Bankruptcy Court's Order of July 19, 1999, is attached hereto as Attachment A).

I. CRITERIA FOR APPROVING CONSOLIDATION OF PROPERTY

A consolidation of property, rights and franchises between regulated public utilities (which includes the transfer of customer base and other assets) is not valid until approved by the Authority under the provisions of Tenn. Code Ann. § 65-4-112. In addition, under Tenn. Code Ann. § 65-4-101, any entity that owns, operates, manages or controls utility systems, plant or equipment under certification by this Authority, or its predecessor, the Tennessee Public Service Commission, for the purpose of providing utility service in the state of Tennessee is a public utility. Since this merger involves two entities holding certificates in Tennessee, Authority

approval is required under the provisions of Tenn. Code Ann. § 65-4-112(a). This Section provides for the following:

(a) **No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character shall be valid until approved by the authority,** even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state. (Emphasis supplied).

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

After consideration of the entire record in this matter, including the Application, the Directors find and conclude as follows:

1. That OneStar has been engaged in the business of providing telecommunications services in Tennessee;
2. That NeTel has been engaged in the business of providing telecommunications services in Tennessee;
3. That the Authority has jurisdiction over the subject matter of said application pursuant to Tenn. Code. Ann. § 65-4-112;
4. On July 19, 1999, the Bankruptcy Court approved the motion of NeTel to sell its customer base to OneStar;
5. According to the Application, the transfer will result in no change in the rates, terms, or conditions of service that NeTel's customers currently enjoy. As such, the transfer of NeTel's long distance customer base will be virtually transparent to NeTel's Tennessee customers in terms of the services these customers receive;
6. According to the Application, the transaction will serve the public interest in promoting competition among providers of long distance telecommunications services by

combining the financial resources and managerial skills and experience of OneStar with the customer base of NeTel;

7. According to the Application, NeTel will no longer provide long distance telecommunications services as a result of the transfer; and

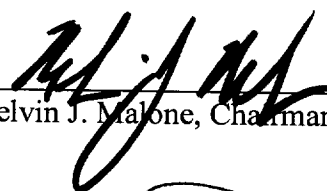
8. That based upon the foregoing, the transfer of NeTel's customer base to OneStar is compatible with the public interest.

IT IS THEREFORE ORDERED THAT:

1. The Application of OneStar Long Distance, Inc. for approval of the purchase of NeTel's customer base pursuant to Tenn. Code Ann. § 65-4-112 is granted;

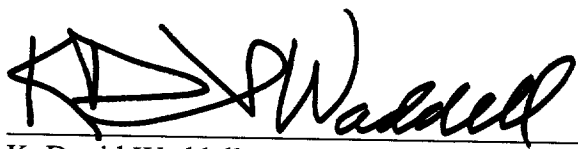
2. As a result of the transfer of the customer base of NeTel, Inc. to OneStar Long Distance, Inc., NeTel, Inc. is no longer authorized to provide operator services and resold interexchange telecommunications services in Tennessee as previously authorized in Docket No. 95-03859; and


3. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Director

ATTEST:


K. David Waddell, Executive Secretary


Sara Kyle, Director

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA

In re:

NETEL, INC., d/b/a TEL 3,
Debtor.

Case No. 98-28929-BKC-PGH

Chapter 11

**ORDER GRANTING DEBTOR'S MOTION TO
APPROVE SALE OF DIAL-ONE-PLUS CUSTOMER
BASE TO ONESTAR LONG DISTANCE, INC.**

This matter was heard in Ft. Lauderdale on July 19, 1999 on the Debtor-in-Possession's Motion to Approve Sale of Dial-One-Plus Customer Base to OneStar Long Distance, Inc., the court having permitted the hearing on shortened notice by separate order. The debtor having presented a signed contract which differs from the contract attached to the motion in immaterial respects which are not adverse to the debtor or the creditors, and it appearing that the creditors' committee's counsel supports the motion, and finding that the sale is in the best interest of the estate and of the creditors, it is ORDERED:

1. The motion is granted and the sale of the debtor's Dial-One-Plus customer base in accordance with the terms set forth in the attached contract is hereby approved, and the parties are directed to comply with the contract.

ATTACHMENT A

2. At the closing of the sale the following sale-related expenses may be paid by the debtor from the sale proceeds: (a) a finder's fee to RC&A Group of \$10,000; (b) a fee to Cornwell Consulting Services, Inc. according to the Finder's Fee Agreement approved by this court's order dated May 14, 1999; (c) reasonable fees and costs to Steven L. Hayes of Bowles & Hayes, the special counsel approved by the court by order dated March 22, 1999; and (d) such fees and costs of the creditors' committee's counsel as are awarded by this court. No further court order shall be necessary to determine the reasonableness of Bowles & Hayes' fee if the debtor provides ten days notice in advance to the creditors' committee's counsel, and no objection is received. The balance of any sale proceeds shall be paid into the separate bank account to be established for the liquidating fund pursuant to the plan, and copies of the closing statement and all monthly statements for the bank account shall be furnished promptly to counsel for the creditors' committee.

3. Pursuant to Section 363(f) of the Bankruptcy Code, the sale of assets (including the Assumed Contracts) owned by Tel 3 to OneStar is free and clear of all restrictions on or conditions to transfer or assignment to OneStar, and is furthermore free and clear of all mortgages, security interests, pledges, charges, liens, claims, encumbrances, equities and other claims (collectively referred to as "Claims") which Claims shall attach to the proceeds of the sale of the assets.

4. The Debtor is hereby authorized to execute and deliver definitive or other documents or any other instrument required to effect transfer of the assets to

OneStar, and is authorized and directed to take all actions necessary or appropriate to consummate the transaction contemplated by the Asset Purchase Agreement and this Order, all of which are authorized and approved without any requirement of further action by the Court or further action by stockholders or directors of Tel3, and to perform any other act necessary for the transfer of the assets and the assignment of the Assumed Contracts.

5. Any holder of a lien, claim or encumbrance against the assets shall, upon request therefore by OneStar, execute and deliver full releases of such liens, claims and encumbrances, even if the holder thereof does not receive payment in full on such indebtedness.

6. OneStar shall not assume or have any liability or obligation of any kind whatsoever with regard to any of Tel3's employee benefit plans or wages of Tel3 employees.

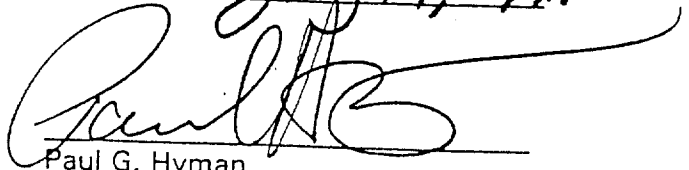
7. The assets sold shall not be subject to any surcharge or to any claims of Tel3, Tel3's estate or any party-in-interest under Bankruptcy Code Section 506(c) or otherwise. Neither Tel3, its estate, nor any creditor or party-in-interest shall have any right of redemption with respect to the assets sold.

11. The reversal or modification on appeal of any authorization pursuant to this Order or any action taken by Tel3 or OneStar in respect thereof shall not affect the validity of the Asset Purchase Agreement and the transactions contemplated thereby or any contract, instruments, or other agreements or documents created in connection therewith, whether or not any such entity knew of the pendency of the appeal, unless such action shall have been stayed pending

appeal, and all such actions taken by OneStar shall be conclusively presumed to have been made in good faith under Bankruptcy Code Section 363(m).

Ordered in the Southern District of Florida on

July 19, 1999

A handwritten signature in dark ink, appearing to read "Paul G. Hyman", written over a horizontal line.

Paul G. Hyman

United States Bankruptcy Judge

Copies furnished to:

Patrick S. Scott
U.S. Trustee
Sharon Levine
Laura Scott

990716pOSale