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ROBERT K. ANGSTEAD
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CATHLEEN A. MARTIN
STEPHEN G. NEWMAN
JOHN A. RUTH

January 12, 2000

FILED

JAN 12 2000

Missouri Public
Service Commission

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

Re: OneStar Long Distance, Inc.
NeTel, Inc. d/b/a Tel3

TM-2000-418

Dear Judge Roberts:

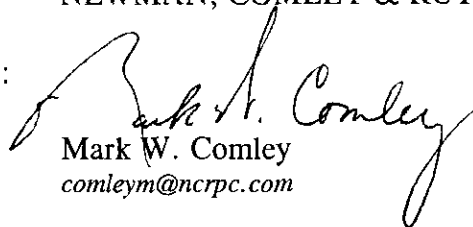
Please find enclosed for filing on behalf of OneStar Long Distance, Inc. the original and fourteen copies of an Application for Approval *Nunc Pro Tunc* of Transfer of Assets. I also enclose the original and fourteen copies of the Direct Testimony of Laura Collier in Support of the Application.

Please contact me if you have any questions regarding this filing. Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By:


Mark W. Comley
comleym@ncrpc.com

MWC:ab

Enclosure

cc: Office of Public Counsel
Laura Collier

FILED

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

JAN 12 2000

Missouri Public
Service Commission

Application for Approval *Nunc Pro Tunc* of)
a Transfer of Assets from NETEL, INC.)
D/B/A TEL 3 to ONESTAR LONG DISTANCE, INC.)

Case No. TM-2000-418

APPLICATION FOR APPROVAL *NUNC PRO TUNC* OF TRANSFER OF ASSETS

ONESTAR LONG DISTANCE, INC. doing business as ONESTAR LONG DISTANCE (hereinafter "ONESTAR" or "Applicant") by its attorneys, and pursuant to Section 392.300 RSMo 1994 hereby respectfully requests the approval of the Missouri Public Service Commission ("Commission") *nunc pro tunc* of a transfer of assets from NETEL, INC. D/B/A TEL 3 ("TEL 3") to ONESTAR. As described below, the transfer of assets was precipitated by a Chapter 11 bankruptcy filing by TEL 3 with the United States Bankruptcy Court of the Southern District of Florida ("Bankruptcy Court") and assigned Docket No. 98-28929-BKC-PGH. Applicant regrets that TEL 3 did not seek the Commission's approval of this transfer of assets prior to consummating the transfer. Based upon Applicant's information and belief, TEL 3 has ceased doing business in Missouri and has no intention of resuming business in this jurisdiction. Therefore, in a good faith effort to comply with the Commission's rules *nunc pro tunc*, ONESTAR comes now before the Commission to seek approval of the transfer of assets. In support of this Application, the Applicant submits the following:

The Applicant and TEL 3

1. ONESTAR is an Indiana corporation and is headquartered in Evansville, Indiana. It is authorized as a foreign corporation to do business in the state of Missouri. Applicant's Certificate of Good Standing as a Foreign Corporation is attached as Exhibit A. ONESTAR is a nationwide provider of telecommunications services and is authorized to provide resold long distance services

in over 45 states by virtue of certification, registration, tariff requirements, or on a deregulated basis. In Missouri, ONESTAR is authorized to provide intrastate long distance telecommunications services pursuant to a certification granted by this Commission in Case No. TA-98-50. ONESTAR provides interstate and international telecommunications services as a nondominant common carrier pursuant to authority of the Federal Telecommunications Commission.

2. Tel 3 is a Delaware corporation headquartered in the State of Florida.

Designated Contacts

3. Correspondence, notices and orders concerning this Application should be addressed to:

Ami M. Larrison, Regulatory manager
ONESTAR LONG DISTANCE, INC.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715
(812) 437-7790
(812) 469-7795 FAX

Mark W. Comley
NEWMAN, COMLEY & RUTH P.C.
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, Missouri 65102-0537
(573) 634-2266
(573) 636-3306 FAX

Request for Approval Nunc Pro Tunc of the Transfer of Assets from TEL 3 to ONESTAR

4. On December 14, 1998, TEL 3 filed a petition for Chapter 11 bankruptcy with the Bankruptcy Court. In connection with its plan for relief under Chapter 11, TEL 3 solicited offers for its telecommunications assets and ONESTAR responded. Eventually, the parties reached an agreement by which TEL 3 would sell to ONESTAR all of TEL 3's existing Dial 1+ Customer Base and

all receipts and proceeds therefrom; and all the accounts receivable derived from the Dial 1+ Customer Base. The parties' agreement was reduced to written form and pursuant to motion, the Bankruptcy Court approved the same on July 19, 1999, directing that the parties comply with the contract. A copy of the Bankruptcy Court's order and the Asset Purchase Agreement (the Agreement) are attached as Exhibit B.

5. Applicant's immediate compliance with the Bankruptcy Court's order was imperative. Closing on the Agreement occurred on August 2, 1999. Applicant did not have an opportunity to seek the Commission's prior approval of the transfer of assets. The Applicant regrets that it was unable to seek prior Commission approval and respectfully requests that the Commission permit it to cure this deficiency *nunc pro tunc*.

6. The transfer of the customer base is being made in a seamless fashion that will not adversely affect the provision of telecommunications service to TEL 3's former customers in Missouri. TEL 3's former customers will receive the same high quality services from ONESTAR that they received from TEL 3, at the same rates, and under the same terms and conditions. ONESTAR will amend its tariff as necessary to incorporate the services, rates, terms and conditions previously offered by TEL 3. Thus, the transfer will not detrimentally impact consumers in Missouri.

Public Interest Analysis

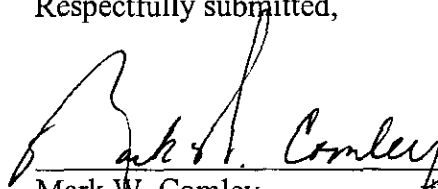
7. Approval *nunc pro tunc* of the transfer of assets from TEL 3 to ONESTAR is in the public interest. ONESTAR's acquisition of TEL 3 customer base avoided any unnecessary interruption in the telecommunications service provided to TEL 3's former customers in Missouri. ONESTAR is fully qualified to provide high quality telecommunications services to TEL 3's former customers at competitive prices. Therefore, from the perspective of affected customers, the transfer will be largely transparent, leaving the quality of service that they expect unaltered. In addition, the transfer will

allow ONESTAR to realize significant economies of scale, thereby making it possible for ONESTAR to introduce new products and services.

8. There are no pending or final judgments or decisions against ONESTAR from any state or federal agency which involve customer service or rates.

WHEREFORE, ONESTAR respectfully requests that the Commission approve the transfer of assets from TEL 3 to ONESTAR *nunc pro tunc*.

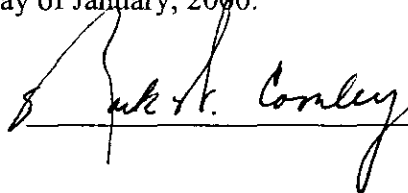
Respectfully submitted,


Mark W. Comley #28847
NEWMAN, COMLEY & RUTH P.C.
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, MO 65102-0537
(573) 634-2266
(573) 636-3306 FAX

Attorneys for ONESTAR LONG DISTANCE, INC

Certificate of Service

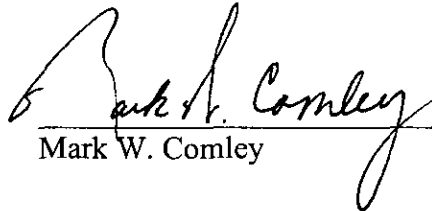
I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand delivered, to Office of Public Counsel, P.O. Box 7800, Jefferson City, MO 65102, on this 12th day of January, 2000.



ATTORNEY VERIFICATION

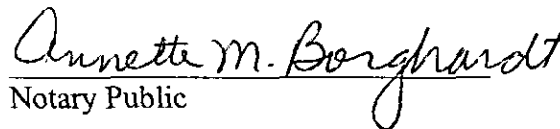
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Mark W. Comley, being first duly sworn, do hereby certify, depose and state that I am the attorney for ONESTAR LONG DISTANCE, INC. which is the Applicant in the the above captioned proceeding before the Missouri Public Service Commission; that I have read the above and foregoing Application and the allegations therein contained are true and correct to the best of my knowledge, information and belief; and I further state that I am authorized to verify the foregoing application by the above said applicant.



Mark W. Comley

Subscribed and sworn to before me, a Notary Public, on this ~~10th~~^{12th} of January, 2000.



Notary Public

My Commission expires:

ANNETTE M. BORGHARDT
Notary Public
State of Missouri
Commission Expires 3/11/02
Cole County, MO



EXHIBIT A

No. F00443589

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, REBECCA McDOWELL COOK, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

ONESTAR LONG DISTANCE, INC.

using in Missouri the name

ONESTAR LONG DISTANCE, INC.

an INDIANA corporation filed its Evidence of Incorporation with this State on the 15th day of JULY, 1997, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 10th day of JANUARY, 2000.

Rebecca McDowell Cook
Secretary of State



EXHIBIT B

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.

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.

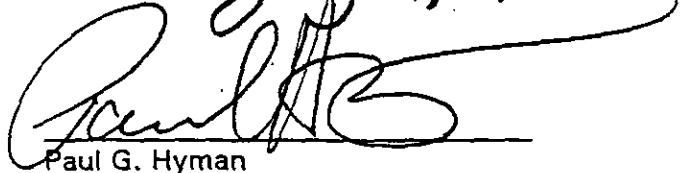
7. The assets sold shall not be subject to any surcharge or to any claims of Tel3, Tel3's estate or any party-in-interest under Bankruptcy Code Section 506(c) or otherwise. Neither Tel3, its estate, nor any creditor or party-in-interest shall have any right of redemption with respect to the assets sold.

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



Paul G. Hyman

United States Bankruptcy Judge .

Copies furnished to:

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

990716pOSale

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is made as of this 14th of July 1999, by and among **OneStar Long Distance, Inc.**, an Indiana corporation ("OneStar"), **Netel, Inc., d/b/a Tel 3 Communications**, a Delaware corporation ("Tel 3").

WITNESSETH

In consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE I PURCHASE AND SALE OF ASSETS

1.1 Purchase and Sale; Purchase Price; Liabilities.

(a) Tel 3 acknowledges and agrees that its representations, covenants, warranties, agreements, and other undertakings contained in this Agreement are made and given to induce OneStar to enter into this Agreement and consummate the transactions contemplated by this Agreement and that OneStar, in reliance thereon, has agreed to execute this Agreement and consummate the transactions contemplated by this Agreement. Subject to the satisfaction or waiver of the conditions set forth in this Agreement, including Bankruptcy Court approval of this Agreement and issuance of a Sale Order, on the Closing Date (as hereinafter defined), Tel 3 shall sell, convey, transfer, assign and deliver to OneStar free and clear of all liens, claims, charges and encumbrances and OneStar will purchase, all right, title and interest in and to the assets set forth in Exhibit 1.1(a) attached hereto (the "Assets").

(b) OneStar will not purchase accounts that have been "slammed" or accounts where the account holders have filed formal complaints against Tel 3 with either state or federal regulatory agencies.

(c) All remittances received by Tel 3 from customers with respect to any accounts receivable and unbilled revenue included among the Assets shall, at or after the Closing, be endorsed to the order of OneStar and forwarded to OneStar immediately upon receipt thereof. OneStar shall have the right from time to time following the Closing to inspect the books and records of Tel 3 relating to remittances received to determine whether or not any remittances are attributable to any accounts receivable and unbilled revenue included among the Assets.

(d) In full payment for the Assets, and also in consideration of the representations, covenants, warranties, and agreements of Tel 3 and contained in this Agreement and the other agreements and

documents contemplated hereby, OneStar will pay to Tel 3, and Tel 3 will accept, at Closing, the following (the "**Purchase Price**"):

OneStar shall pay to Tel 3 as the Purchase Price hereunder an amount equal to one and seventy-five hundredths (1.75) times the Monthly Revenue (as defined below) of Tel 3.

Twenty-five percent (25%) of the Purchase Price will be paid at the Closing. The remainder of the Purchase Price ("**Deferred Purchase Price**") shall be paid to Tel 3 in six (6) monthly installments with interest accruing on all unpaid balances at the Old National Bank in Evansville, Indiana prime rate as of the date of Closing. Payments will commence on the monthly anniversary date of the execution of the Agreement on the first calendar month following the conclusion of the third billing cycle for the Tel 3 customers after Closing and continuing on the same day thereof until paid in full. Each payment will be paid in cash or readily available certified funds.

An adjustment to the Deferred Purchase Price shall be made following the conclusion of the third billing cycle following the Closing. Post-Closing Monthly Revenue ("**PCMR**") shall be calculated in the same manner as Monthly Revenue (as defined below) with the exception that the PCMR shall be determined as the average of the figures in the June, July, and August 1999 billing cycles of Tel 3 customers following Closing. If the PCMR is greater than the Monthly Revenue, the difference shall be multiplied by one and seventy-five hundredths (1.75) and added to the Deferred Purchase Price. If the PCMR is less than the Monthly Revenue, the difference shall be multiplied by one and seventy-five hundredths (1.75) and subtracted from the Deferred Purchase Price. Any adjustments to the Deferred Purchase Price shall be applied equally over the remaining monthly payments.

Monthly Revenue shall be equal to the figure for the month of June 1999 of Tel 3 customers. Monthly Revenue will be determined via USBI records of transmitted revenue and presented in a format similar to that shown in Exhibit 1.1(d)-1. For purposes of this Agreement, "**Monthly Revenue**" means the dollar volume attributable to all long distance usage (call cost only) and related services from Tel 3 customers including, but not limited to, Interstate, intrastate, intraLATA, Travel cards, Toll Free Service, and International services. "**Monthly Revenue**" shall not include the following: Federal, State, and Local taxes, Tel 3 Administrative phone bill. fees (including Monthly Services Fees, Primary Interexchange Carrier Charges ("**PICC**"), Universal Service Fund ("**USF**") charges, Directory Assistance fees, late fees and Pay Phone Use charges) as well as other special charges for billing and other special services provided by OneStar not previously supplied by Tel 3, local loop charges for T1/Dedicated Services and other telecommunications services not previously supplied by Tel 3. Usage credits (up to a maximum of five [5%]) and/or volume discounts will also be deducted from Monthly Revenue.

It is understood and agreed that, except as otherwise expressly provided herein, OneStar is not assuming any liabilities or obligations of Tel 3, whether incurred before or after the Closing, including but not limited to those which may arise in connection with or as a result of the transactions contemplated by this Agreement or any other transactions of Tel 3.

1.2 **Time and Place of Closing.** The closing (the "Closing") shall occur on such date (the "Closing Date") at such time and place as may be agreed by the parties as soon as practicable after all of the conditions to the obligations of the parties hereto shall have been satisfied or waived but in no event later than the latter of August 1, 1999, or ten (10) days following the entry of the Initial Sale Order (as defined in Section 3.2) by the Bankruptcy Court having jurisdiction over Tel 3 ("Bankruptcy Court"). Notwithstanding the date of the Closing, the effective date of the transactions contemplated by this Agreement shall be August 1, 1999.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF ONESTAR

OneStar represents and warrants to Tel 3 as follows, which representations and warranties are made as of the date hereof and as of the Closing Date and shall survive the Closing:

2.1 **Organization.** OneStar is a corporation duly organized, validly existing and in good standing under the laws of the State of Indiana.

2.2 **Authorization.** The execution, delivery and performance by OneStar of this Agreement have been duly and validly authorized by the Board of Directors of OneStar and this Agreement constitutes the valid and binding agreement of OneStar, enforceable in accordance with its terms, subject to (i) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law, and (ii) bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, receivership or other similar laws relating to or affecting creditors' rights generally.

2.3 **Non-Contravention.** Neither the execution or delivery of this Agreement nor the consummation of the transactions contemplated hereby, will result in the breach of any term or provision of, constitute a default under, or accelerate or augment the performance otherwise required under, the Articles of Incorporation or Bylaws of OneStar or any agreement (including without limitation any loan agreement or promissory note), indenture, instrument, order, law or regulation to which OneStar is a party or by which it is bound, subject to obtaining the consent or approval of OneStar lenders and applicable regulatory commissions.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF Tel 3

Tel 3 represents and warrants to OneStar as follows, which representations and warranties are made as of the date hereof and as of the Closing Date and shall survive the Closing:

3.1 **Organization.** Tel 3 is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, is duly qualified and in good standing as a foreign corporation in the states set forth in Exhibit 3.1 attached hereto with full power and authority to own its properties and assets and to carry on lawfully its business as currently conducted, and is not required to be qualified to do business as a foreign corporation in any other jurisdiction.

3.2 **Authorization.** Tel 3 has full legal right, power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement, subject to obtaining the Order of the Bankruptcy Court approving the Agreement and the parties' consummation of the transactions it contemplates, such that, pursuant to 11 U.S.C. 363, Tel 3's Assets may be sold free and clear of liens, claims and encumbrances ("**Sale Order**"). The execution, delivery and performance by Tel 3 of this Agreement and the other agreements and documents referred to herein and the actions contemplated hereby and thereby have been duly and validly authorized by all necessary action, and this Agreement and such other agreements and documents constitute valid and binding obligations of Tel 3, enforceable in accordance with their terms.

3.3 **Title to and Condition of Assets and Property.** Tel 3 has, or will have by the Closing and as a result of the Sale Order, good and marketable title to the Assets, free and clear of all liens, claims, charges, security interests, options, or other title defects or encumbrances, whatsoever, including, but not limited to, any and all agent payments and obligations and the lien presently held by USBI.

3.4 **Intellectual Property.** Except as set forth in Exhibit 3.4 attached hereto, Tel 3 does not have any patents, copyrights, trade names, trademarks, service marks, other such names or marks or applications therefor and has not conducted business under any trade or fictitious name other than its current name. No other intellectual property is required in the operation of the business of Tel 3. There are no pending or threatened claims of infringement upon the rights to any intellectual property of others or any agreements or undertakings with respect to any such rights.

3.5 **Licenses, Permits and Required Consents.** Tel 3 has all federal, state and local franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations and permits necessary to the conduct of its business as currently conducted where the failure to have the same could have a material adverse effect on the Assets or the transactions contemplated by this Agreement. A list of such franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations and permits is set forth in Exhibit 3.5(a) attached hereto, true, correct and complete copies of which have previously been delivered to OneStar. Except as set forth in Exhibit 3.5(a)

attached hereto, all franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations and permits relating to the business of Tel 3 related to the Assets are in full force and effect, no violations have been made in respect thereof, and no proceeding is pending or threatened which could have the effect of revoking or limiting any such franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations or permits and the same will not cease to remain in full force and effect by reason of the transactions contemplated by this Agreement.

Exhibit 3.5(b) attached hereto sets forth all registrations, filings, applications, notices, transfers, consents, approvals, orders, qualifications, authorizations, certifications, waivers or other actions of any kind required to be made, filed, given or obtained by or on behalf of Tel 3, or any of its shareholders with, to or from any persons, governmental authorities or private entities in connection with the consummation of the transactions contemplated by this Agreement.

3.6 **Disclosure.** No representation, warranty or statement made by or on behalf of Tel 3 in this Agreement or the Exhibits attached hereto or in the certificates or other materials furnished or to be furnished to OneStar or its representatives in connection with this Agreement and the transactions contemplated hereby or thereby, contains or will contain any untrue statement of any material fact or omits or will omit to state a fact required to be stated herein or therein or necessary to make the statements contained herein or therein not misleading in any material respect. All information and documents provided prior to the date of this Agreement, and all information and documents subsequently provided, to OneStar or its representatives by or on behalf of Tel 3 related to the Assets are or contain, or will be or will contain as to subsequently provided information or documents, true, accurate and complete information, in all material respects, with respect to the subject matter thereof and are, or will be as to subsequently provided information or documents, fully responsive to any specific request made by or on behalf of OneStar or its representatives or lenders. Prior to the Closing, full disclosure shall have been made to OneStar of all material facts with respect to Tel 3 and the Assets and the transactions contemplated by this Agreement which a reasonable purchaser would deem relevant. Through the Closing, Tel 3 shall promptly notify OneStar of any change or event which could have a material adverse effect on the Assets or the operations, business, conditions or prospects of Tel 3 which relate to the Assets.

3.7 **Carrier.** Tel 3 represents that MCI WorldCom is the only carrier providing service to Tel 3 relating to the Assets.

ARTICLE IV ADDITIONAL AGREEMENTS OF THE PARTIES

4.1 **Preservation of Business.** Through the Closing, Tel 3 will use its best efforts, and take such actions within its power, to keep its business and properties substantially intact, including its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and employees. Through the Closing, Tel 3 shall not, without OneStar's written consent, increase any of its rate plans (other than in respect of increases for certain international calls accompanied by decreases for other International calls where the net overall effect

between the changes is a general decrease) for its existing customers from the date of this Agreement and continuing up to the Closing. Tel 3 agrees to notify OneStar of the fact of any decrease in any rate plan for its existing customers included in the Assets within two (2) business days following a decrease.

4.2 **Notice of Developments.** Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties in Section 2 and Section 3 above. No disclosure by any Party pursuant to this Section, however, shall be deemed to amend or supplement this Agreement or the Exhibits hereto or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

4.3 **Bankruptcy Court Authorization.** To the extent not inconsistent with Tel 3's fiduciary duties as a debtor in possession, Tel 3 will use its reasonable efforts to obtain the Sale Order.

4.4 **Joint Statement.** Promptly following the Closing, if requested by OneStar, Tel 3 will cooperate in issuing a joint statement to suppliers, customers, and such other parties as may be agreed upon by OneStar and Tel 3, advising them of the transfer of Assets from Tel 3 to OneStar hereunder, including, but not limited to, the transfer of the accounts receivable.

4.5 **Bankruptcy Matters.** Tel 3 will promptly file the Motion for Order Approving the Sale Order. Said Motion shall be in a form satisfactory to OneStar and its counsel.

4.6 **Access Prior to Closing, Customer Information, Carrier Contact.** Upon reasonable notice from the date hereof through the Closing, Tel 3 and its respective agents and employees shall afford OneStar and its representatives (including, without limitation, its independent public accountants, attorneys and banks' or other lenders' representatives) reasonable access to, and opportunity to examine, any and all of the premises, properties, contracts, books, records, business, data, personnel, customers and vendors of or relating to the Assets. Tel 3 and its respective agents and employees shall cooperate fully in connection with the foregoing.

Without limiting the generality of the foregoing, Tel 3 shall provide to OneStar, to the extent related to the Assets, all requested customer information, including, without limitation, Applications for Service, Letters of Agency, Term Agreements, Rate Guarantee Agreements, Responsible Organization ("RESPORG") requests, any and all applications, comments on accounts, written correspondence, computer records in data format, and current copies of Tel 3 tariffs, including Interstate, International and applicable Intrastate tariffs. Additionally, Tel 3 will allow OneStar the use of proprietary data related to customer base accounts and billing included in the Assets, including, but not limited to: Customer names and billing information, address, Billing Telephone Number and Automatic Number Identification data; rates, rate plans, rating programs, discount plans and other similar information; and, sales programs and associated marketing collateral materials.

OneStar's satisfaction with the results of its review of all such customer information will be a condition precedent to OneStar's obligation to close under this Agreement.

Tel 3 will provide OneStar access to all documents and correspondence regarding any PUC complaints against Tel 3 relating to the Assets.

4.7 **Regulatory and Other Authorizations.** Tel 3 shall obtain where required of Tel 3 or its shareholders, and/or shall cooperate fully with OneStar in obtaining where required of OneStar, all governmental, regulatory and third-party approvals, orders, qualifications, waivers, consents, filings, authorizations, certifications or other actions necessary in order to consummate the transactions contemplated hereby. The parties hereto will not take any action that will have the effect of delaying, impairing or impeding the receipt of any of the foregoing and will use their best efforts to secure the same as promptly as possible. To the extent allowed by applicable law, Tel 3 agrees to allow OneStar use of Tel 3's certifications and tariffs for a transitional period until such time as OneStar has modified or acquired their own certificates and tariffs for a period of time not exceed 180 days.

4.8 **Further Assurances.** At any time and from time to time at or after the Closing, the parties agree to cooperate with each other, to execute and deliver such other documents, instruments of transfer or assignment, files, books and records and do all such further acts and things as may be reasonably required to carry out the transactions contemplated hereby.

4.9 **Delivery.** The parties shall cause the delivery of the respective documents required to be delivered or caused to be delivered by them pursuant to Article VI below.

4.10 **Employees.** Tel 3 hereby acknowledges that OneStar has no obligation to employ any of the employees of Tel 3. Tel 3 shall not make any representation to the contrary.

4.11 **Continued Relationships.** Through the Closing, Tel 3 shall preserve intact the business of Tel 3 and keep available the services of its officers and employees and maintain good relationships with suppliers, customers and others having business relations with Tel 3, and shall cause to be taken no change in the business, condition or results of operations of Tel 3 which may have a material adverse effect on the Assets.

4.12 **Billing.** Customers will continue to be billed under the "Netel" or "Tel 3" name until OneStar receives the required certification and tariff approvals and transfers the billing and customer service functions, for a period of time not to exceed 90 days. As soon as practical following the date of Closing, any billing statement billed under the "Netel" or "Tel 3" name shall include a clear indication that the services are provided by OneStar along with a toll-free number by which customers can reach OneStar Customer Service or the appropriate billing company. Tel 3 shall instruct USBI to effect the necessary changes from the Closing date forward.

4.13 **USBI.** Tel 3 will arrange, at OneStar's sole cost, for USBI to assign a "sub-identity code" to the existing Tel 3 library code for the purpose of distinguishing OneStar's post-closing receipts from Tel 3's pre-closing receipts. Tel 3 retains all liability for costs and adjustments by USBI for all revenue accepted and processed by USBI prior to Closing. OneStar shall pay the cost and adjustments for all revenue submitted to and accepted by USBI after Closing. Tel 3 agrees, and will obtain the agreement of USBI, that all revenue submitted and accepted by USBI for bills generated after Closing is the property of OneStar. Tel 3 agrees, and will obtain the agreement of USBI, that all funds, collected by USBI for Tel 3 and OneStar shall be remitted to CGM, 11c, a Georgia limited liability corporation ("CGM"), along with reports showing the allocation of such funds between Tel 3 and OneStar. CGM shall disburse to Tel 3 its funds received from USBI. If CGM fails to pay to Tel 3 any monies owed to Tel 3 pursuant to this Agreement, OneStar agrees to guarantee the payment of such funds to Tel 3.

4.14 **Post Closing.** From the date of Closing forward, OneStar will assume the carrier costs associated with the customer base and usage thereof. From the date of Closing forward, the Call Detail Records forwarded by all carriers will be sent directly to OneStar or its designated representatives. All Bulletin Board System information regarding this account posted by MCI WorldCOM will be accessible only by OneStar or its designated representatives. OneStar will submit the Call Detail Records to Tel 3 for rating and submission to USBI on behalf of OneStar.

ARTICLE V CONDITIONS TO CLOSING

5.1 **Closing Conditions of Tel 3.** The obligations of Tel 3 under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions, but compliance with any or all of such conditions may be waived, in writing, by Tel 3:

(a) The representations and warranties of OneStar contained in this Agreement shall be true and correct in all material respects on the date hereof and on the Closing Date;

(b) OneStar shall have performed and complied with all of the covenants and agreements in all material respects and satisfied all of the conditions required by this Agreement to be performed or complied with or satisfied by OneStar at or prior to the Closing;

(c) the Bankruptcy Court shall have entered the Sale Order which is final and non-appealable; and,


(d) on the Closing Date, no order of any court or administrative agency shall be in effect which restrains, preliminarily or otherwise, or prohibits the transactions contemplated by this Agreement.

5.2 Closing Conditions of OneStar. The obligations of OneStar under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions, but compliance with any or all of any such conditions may be waived, in writing, by OneStar:

(a) The representations and warranties of Tel 3 contained in this Agreement shall be true and correct in all material respects on the date hereof and on the Closing Date;

(b) Tel 3 shall have performed and complied with all the covenants and agreements in all material respects and satisfied all the conditions required by this Agreement to be performed or complied with or satisfied by it at or prior to the Closing;

(c) All required governmental, regulatory and third-party approvals, consents and/or waiting periods shall have been obtained or shall have expired, limited in the case of those involving state public utility or service commissions to the States of AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, and WY; which regulatory approvals shall include, without limitation, authority to provide intraLATA telecommunications services in the manner currently provided by Tel 3;

(d) OneStar shall have arranged for the continuation and/or provisions of the services, products or facilities provided to or by Tel 3; *other than USB1* 

(e) the Bankruptcy Court shall have entered the Sale Order which is final, non-appealable and reasonably acceptable to OneStar and its counsel;

(f) actions to be taken by Tel 3 in connection with consummation of the transactions contemplated hereby and all instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to OneStar;

(g) on the Closing Date, no order (including any order staying the Initial Sale Order) of any court or administrative agency shall be in effect with restrains, preliminarily or otherwise, or prohibits the transactions contemplated by this Agreement.

(h) notwithstanding any other provision of this Agreement at the time of execution of this Agreement, none of the Exhibits (except for Exhibit 1.1) to this Agreement have been completed and attached; accordingly, the preparation of such Exhibits in a form wholly acceptable to OneStar in its sole and unfettered discretion shall be a condition precedent to OneStar's obligation to close.

ARTICLE VI THE CLOSING

6.1 **Deliveries by Tel 3.** At the Closing, OneStar shall receive from Tel 3 the following and Tel 3 shall cause the same to be delivered to OneStar:

- (a) A Bill of Sale in form attached hereto as Exhibit 6.1;
- (b) Instruments of transfer and assignment, consents, certificates, estoppel letters and all other documents and agreements in form and substance satisfactory to OneStar which OneStar may deem necessary to transfer to and vest in OneStar title to and ownership of the Assets.
- (c) Such other documents and instruments as OneStar may reasonably request, including, but not limited to LOA's, applications, and term agreements relating to the Assets, and;
- (d) Possession of all the Assets.

6.2 **OneStar Deliveries.** At the Closing, Tel 3 shall receive from OneStar the following:

- (a) Copies of duly adopted resolutions of OneStar Board of Directors approving the execution, delivery and performance of this Agreement, certified by its Secretary; and
- (b) Payment of the amount of the Purchase Price payable at the Closing pursuant to Section 1.1 above.

ARTICLE VII POST CLOSING COVENANTS

The parties agree as follows with respect to the period following the Closing:

7.1 **General.** Each party will provide the other with reasonable access to such documents, books, records, agreements, and financial data of Tel 3 related to the Assets being retained by Tel 3 or being delivered to OneStar as Assets, as the case may be, as the requesting party in its sole discretion may consider necessary.

7.2 **Transition.** Tel 3 will not take any action that is designed or intended to have the effect of discouraging any carrier, supplier, lessor, licensor, customer, or other business associate of Tel 3 which relates to the Assets from maintaining the same business relationships with OneStar after the Closing as it maintained with Tel 3 prior to the Closing.

ARTICLE VIII

TERMINATION

8.1 **Termination.** Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated only (a) by the mutual written consent of OneStar and Tel 3 (b) by either OneStar or Tel 3 upon written notice given to the other within five (5) days after the giving of a notice of the failure of a condition to Closing as provided herein, or (c) by a breach of any other provision of this Agreement by either Party which is not cured after five (5) days written notice of such breach given by the non-breaching party to the breaching party.

8.2 **Effect of Termination.** In the event of the termination and abandonment of this Agreement pursuant to the preceding Section of this Agreement, this Agreement shall thereafter become void and have no effect, and without any liability on the part of any party or its shareholders, partners, directors or officers in respect thereof, except as otherwise provided in this Agreement and except that nothing herein will relieve any party from liability for any breach of this Agreement.

ARTICLE IX MISCELLANEOUS

9.1 **Expenses.** Except as otherwise provided in this Agreement, Tel 3 shall bear its own expenses, fees and commissions (including, but not limited to, all compensation and expenses of counsel, financial advisors, brokers, consultants, actuaries and accountants) incurred in connection with the preparation, negotiation and execution of this Agreement and consummation of the transactions contemplated hereby. Except as otherwise provided in this Agreement, OneStar shall bear its own fees, expenses and commissions (including, but not limited to, all compensation and expenses of counsel, financial advisors, brokers, consultants, actuaries and accountants) incurred in connection with the preparation, negotiation and execution of this Agreement and consummation of the transactions contemplated hereby. Tel 3 represents and warrants to OneStar that no broker, agent or other person acting on its behalf is or will be entitled to a fee, commission or other payment as a result of or arising out of this Agreement or the transactions contemplated hereby for which OneStar may be liable.

9.2 **Notices.** Any notices or other communications required under this Agreement shall be in writing, shall be deemed to have been given when delivered in person, by telex or telecopier, when delivered to a recognized next business day courier, or, if mailed, when deposited in the United States mail, first class, registered or certified, return receipt requested, with proper postage prepaid, addressed as follows or to such other address as notice shall have been given pursuant hereto:

If to Tel 3:

_____	_____
_____	_____
_____	_____

If to OneStar:

OneStar Long Distance, Inc.
Attn: Alan Powers
7100 Eagle Crest Blvd, Suite B
Evansville, IN 47715
Telecopier: (812) 471-5878

with a copy to:

Terry G. Farmer
Bamberger, Foreman, Oswald and Hahn, LLP
7th Floor Hulman Building
P. O. Box 657
Evansville, IN 47704-0657
Telecopier: (812) 421-4936

9.3 **Assignment.** This Agreement may not be assigned, by operation of law or otherwise, except that OneStar may assign its rights under this Agreement in whole or in part to a subsidiary or other Affiliate of OneStar (including but not limited to any subsidiary or Affiliate of OneStar formed or acquired following the date hereof) or to any lender of OneStar; provided OneStar shall remain responsible for its performance of this Agreement, subject to the terms and conditions hereof.

9.4 **Section Headings.** The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

9.5 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

9.6 **Amendment.** Except as hereinafter provided, this Agreement may not be amended except by a writing signed by the party to be charged.

9.7 **Entire Agreement.** This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties and their Affiliates with respect to the subject matter hereof.

9.8 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

9.9 **Survival.** The covenants, agreements, representations and warranties of OneStar and Tel 3 made in or pursuant to this Agreement shall survive the Closing, notwithstanding any investigation made or information obtained by or on behalf of another party.

9.10 **Severability.** In case any provision in this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby unless OneStar elects otherwise.

9.11 **Construction.** The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

9.12 **Incorporation of Exhibits and Schedules.** The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

9.13 **Third Parties.** Nothing contained in this Agreement or in any instrument or document executed by any party in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any person or entity that is not a party hereto or a successor or permitted assign of such a party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ONESTAR LONG DISTANCE. INC.

By: _____

Its: _____

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

By:  _____

Its: President _____

From: Steven L. Hayes To: Patrick Scott

Date: 7/14/99 Time: 11:44:42 AM

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07/14/99 12:22 FAX 1 812 421 4938

BFOX

004/004

STATE OF _____)
) SS:
COUNTY OF _____)

Before me, the undersigned Notary Public in and for said County and State, came
ONESTAR LONG DISTANCE, INC., by _____, its _____,
who, as such officer, acknowledged the execution of the foregoing document for and on behalf of
said company.

WITNESS my hand and notarial seal this _____ day of _____, 1999.

My county of residence is _____
County, _____
State of _____, and
My commission expires: _____

NOTARY PUBLIC

PRINTED NAME

STATE OF FLORIDA)
) SS:
COUNTY OF BROWARD)

Before me, the undersigned Notary Public in and for said County and State, came NETEL,
INC. d/b/a TEL3 COMMUNICATIONS, by SCOTT LEHMAN,
its PRESIDENT, who, as such officer, acknowledged the execution of the foregoing
document for and on behalf of said company. *Personally known to me.*

WITNESS my hand and notarial seal this 14 day of July, 1999.

My county of residence is _____
BROWARD County,
State of FLORIDA, and
My commission expires: _____

Janet D. Levy
NOTARY PUBLIC

JANET D. LEVY

PRINTED NAME



Janet D. Levy
Commission # CC 203831
Expires Feb. 26, 2003
Bonded Thru
Atlantic Bonding Co., Inc.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ONESTAR LONG DISTANCE, INC.

By: [Signature]

Its: Vice President of Corporate Acquisitions

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

By: _____

Its: _____

STATE OF Washington)
) SS:
 COUNTY OF King)

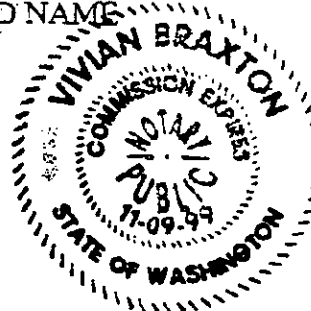
Before me, the undersigned Notary Public in and for said County and State, came **ONESTAR LONG DISTANCE, INC.**, by Stephen Vandiver, its Vice-President, who, as such officer, acknowledged the execution of the foregoing document for and on behalf of said company.

WITNESS my hand and notarial seal this 14th day of July, 1999.

My county of residence is
King County,
 State of WA, and
 My commission expires:
11/09/99

Vivian Braxton
 NOTARY PUBLIC

Vivian Braxton
 PRINTED NAME



STATE OF _____)
) SS:
 COUNTY OF _____)

Before me, the undersigned Notary Public in and for said County and State, came **NETEL, INC. d/b/a/ TEL 3 COMMUNICATIONS**, by _____, its _____, who, as such officer, acknowledged the execution of the foregoing document for and on behalf of said company.

WITNESS my hand and notarial seal this ____ day of _____, 1999.

My county of residence is
 _____ County,
 State of _____, and
 My commission expires:

 NOTARY PUBLIC

 PRINTED NAME

EXHIBIT 1.1

All of Tel 3's right, title and interest in and to the following:

- (1) the existing Dial 1* Customer Base of Tel 3 and all receipts and proceeds produced therefrom; and,
- (2) all the accounts receivable derived from the Dial 1* Customer Base from the date of Closing.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "**Agreement**") is made as of this ____ of July 1999, by and among **OneStar Long Distance, Inc.**, an Indiana corporation ("**OneStar**"), **Netel, Inc.**, d/b/a **Tel 3 Communications**, a Delaware corporation ("**Tel 3**").

WITNESSETH

In consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE I PURCHASE AND SALE OF ASSETS

1.1 Purchase and Sale; Purchase Price; Liabilities.

(a) Tel 3 acknowledges and agrees that its representations, covenants, warranties, agreements, and other undertakings contained in this Agreement are made and given to induce OneStar to enter into this Agreement and consummate the transactions contemplated by this Agreement and that OneStar, in reliance thereon, has agreed to execute this Agreement and consummate the transactions contemplated by this Agreement. Subject to the satisfaction or waiver of the conditions set forth in this Agreement, including Bankruptcy Court approval of this Agreement and issuance of a Sale Order, on the Closing Date (as hereinafter defined), Tel 3 shall sell, convey, transfer, assign and deliver to OneStar free and clear of all liens, claims, charges and encumbrances and OneStar will purchase, all right, title and interest in and to the assets set forth in Exhibit I.1(a) attached hereto (the "**Assets**").

(b) OneStar will not purchase accounts that have been "slammed" or accounts where the account holders have filed formal complaints against Tel 3 with either state or federal regulatory agencies.

(c) All remittances received by Tel 3 from customers with respect to any accounts receivable and unbilled revenue included among the Assets shall, at or after the Closing, be endorsed to the order of OneStar and forwarded to OneStar immediately upon receipt thereof. OneStar shall have the right from time to time following the Closing to inspect the books and records of Tel 3 relating to remittances received to determine whether or not any remittances are attributable to any accounts receivable and unbilled revenue included among the Assets.

(d) In full payment for the Assets, and also in consideration of the representations, covenants, warranties, and agreements of Tel 3 and contained in this Agreement and the other agreements and

documents contemplated hereby, OneStar will pay to Tel 3, and Tel 3 will accept, at Closing, the following (the "**Purchase Price**"):

OneStar shall pay to Tel 3 as the Purchase Price hereunder an amount equal to one and seventy-five hundredths (1.75) times the Monthly Revenue (as defined below) of Tel 3.

Twenty-five percent (25%) of the Purchase Price will be paid at the Closing. The remainder of the Purchase Price ("**Deferred Purchase Price**") shall be paid to Tel 3 in six (6) monthly installments with interest accruing on all unpaid balances at the Old National Bank in Evansville, Indiana prime rate as of the date of Closing. Payments will commence on the monthly anniversary date of the execution of the Agreement on the first calendar month following the conclusion of the third billing cycle for the Tel 3 customers after Closing and continuing on the same day thereof until paid in full. Each payment will be paid in cash or readily available certified funds.

An adjustment to the Deferred Purchase Price shall be made following the conclusion of the third billing cycle following the Closing. Post-Closing Monthly Revenue ("**PCMR**") shall be calculated in the same manner as Monthly Revenue (as defined below) with the exception that the PCMR shall be determined as the average of the figures in the June, July, and August 1999 billing cycles of Tel 3 customers following Closing. If the PCMR is greater than the Monthly Revenue, the difference shall be multiplied by one and seventy-five hundredths (1.75) and added to the Deferred Purchase Price. If the PCMR is less than the Monthly Revenue, the difference shall be multiplied by one and seventy-five hundredths (1.75) and subtracted from the Deferred Purchase Price. Any adjustments to the Deferred Purchase Price shall be applied equally over the remaining monthly payments.

Monthly Revenue shall be equal to the figure for the month of June 1999 of Tel 3 customers. Monthly Revenue will be determined via USBI records of transmitted revenue and presented in a format similar to that shown in Exhibit 1.1(d)-1. For purposes of this Agreement, "**Monthly Revenue**" means the dollar volume attributable to all long distance usage (call cost only) and related services from Tel 3 customers including, but not limited to, Interstate, intrastate, intraLATA, Travel cards, Toll Free Service, and International services. "**Monthly Revenue**" shall not include the following: Federal, State, and Local taxes, Tel 3 Administrative phone bill, fees (including Monthly Services Fees, Primary Interexchange Carrier Charges ("PICC"), Universal Service Fund ("USF") charges, Directory Assistance fees, late fees and Pay Phone Use charges) as well as other special charges for billing and other special services provided by OneStar not previously supplied by Tel 3, local loop charges for T1/Dedicated Services and other telecommunications services not previously supplied by Tel 3. Usage credits (up to a maximum of five [5%]) and/or volume discounts will also be deducted from Monthly Revenue.

It is understood and agreed that, except as otherwise expressly provided herein, OneStar is not assuming any liabilities or obligations of Tel 3, whether incurred before or after the Closing, including but not limited to those which may arise in connection with or as a result of the transactions contemplated by this Agreement or any other transactions of Tel 3.

1.2 **Time and Place of Closing.** The closing (the "Closing") shall occur on such date (the "Closing Date") at such time and place as may be agreed by the parties as soon as practicable after all of the conditions to the obligations of the parties hereto shall have been satisfied or waived but in no event later than the latter of August 1, 1999, or ten (10) days following the entry of the Initial Sale Order (as defined in Section 3.2) by the Bankruptcy Court having jurisdiction over Tel 3 ("Bankruptcy Court"). Notwithstanding the date of the Closing, the effective date of the transactions contemplated by this Agreement shall be August 1, 1999.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF ONESTAR

OneStar represents and warrants to Tel 3 as follows, which representations and warranties are made as of the date hereof and as of the Closing Date and shall survive the Closing:

2.1 **Organization.** OneStar is a corporation duly organized, validly existing and in good standing under the laws of the State of Indiana.

2.2 **Authorization.** The execution, delivery and performance by OneStar of this Agreement have been duly and validly authorized by the Board of Directors of OneStar and this Agreement constitutes the valid and binding agreement of OneStar, enforceable in accordance with its terms, subject to (i) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law, and (ii) bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, receivership or other similar laws relating to or affecting creditors' rights generally.

2.3 **Non-Contravention.** Neither the execution or delivery of this Agreement nor the consummation of the transactions contemplated hereby, will result in the breach of any term or provision of, constitute a default under, or accelerate or augment the performance otherwise required under, the Articles of Incorporation or Bylaws of OneStar or any agreement (including without limitation any loan agreement or promissory note), indenture, instrument, order, law or regulation to which OneStar is a party or by which it is bound, subject to obtaining the consent or approval of OneStar lenders and applicable regulatory commissions.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF Tel 3

Tel 3 represents and warrants to OneStar as follows, which representations and warranties are made as of the date hereof and as of the Closing Date and shall survive the Closing:

3.1 **Organization.** Tel 3 is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, is duly qualified and in good standing as a foreign corporation in the states set forth in Exhibit 3.1 attached hereto with full power and authority to own its properties and assets and to carry on lawfully its business as currently conducted, and is not required to be qualified to do business as a foreign corporation in any other jurisdiction.

3.2 **Authorization.** Tel 3 has full legal right, power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement, subject to obtaining the Order of the Bankruptcy Court approving the Agreement and the parties' consummation of the transactions it contemplates, such that, pursuant to 11 U.S.C. 363, Tel 3's Assets may be sold free and clear of liens, claims and encumbrances ("**Sale Order**"). The execution, delivery and performance by Tel 3 of this Agreement and the other agreements and documents referred to herein and the actions contemplated hereby and thereby have been duly and validly authorized by all necessary action, and this Agreement and such other agreements and documents constitute valid and binding obligations of Tel 3, enforceable in accordance with their terms.

3.3 **Title to and Condition of Assets and Property.** Tel 3 has, or will have by the Closing and as a result of the Sale Order, good and marketable title to the Assets, free and clear of all liens, claims, charges, security interests, options, or other title defects or encumbrances, whatsoever, including, but not limited to, any and all agent payments and obligations and the lien presently held by USBI.

3.4 **Intellectual Property.** Except as set forth in Exhibit 3.4 attached hereto, Tel 3 does not have any patents, copyrights, trade names, trademarks, service marks, other such names or marks or applications therefor and has not conducted business under any trade or fictitious name other than its current name. No other intellectual property is required in the operation of the business of Tel 3. There are no pending or threatened claims of infringement upon the rights to any intellectual property of others or any agreements or undertakings with respect to any such rights.

3.5 **Licenses, Permits and Required Consents.** Tel 3 has all federal, state and local franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations and permits necessary to the conduct of its business as currently conducted where the failure to have the same could have a material adverse effect on the Assets or the transactions contemplated by this Agreement. A list of such franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations and permits is set forth in Exhibit 3.5(a) attached hereto, true, correct and complete copies of which have previously been delivered to OneStar. Except as set forth in Exhibit 3.5(a)

attached hereto, all franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations and permits relating to the business of Tel 3 related to the Assets are in full force and effect, no violations have been made in respect thereof, and no proceeding is pending or threatened which could have the effect of revoking or limiting any such franchises, tariffs, licenses, ordinances, certifications, approvals, authorizations or permits and the same will not cease to remain in full force and effect by reason of the transactions contemplated by this Agreement.

Exhibit 3.5(b) attached hereto sets forth all registrations, filings, applications, notices, transfers, consents, approvals, orders, qualifications, authorizations, certifications, waivers or other actions of any kind required to be made, filed, given or obtained by or on behalf of Tel 3, or any of its shareholders with, to or from any persons, governmental authorities or private entities in connection with the consummation of the transactions contemplated by this Agreement.

3.6 **Disclosure.** No representation, warranty or statement made by or on behalf of Tel 3 in this Agreement or the Exhibits attached hereto or in the certificates or other materials furnished or to be furnished to OneStar or its representatives in connection with this Agreement and the transactions contemplated hereby or thereby, contains or will contain any untrue statement of any material fact or omits or will omit to state a fact required to be stated herein or therein or necessary to make the statements contained herein or therein not misleading in any material respect. All information and documents provided prior to the date of this Agreement, and all information and documents subsequently provided, to OneStar or its representatives by or on behalf of Tel 3 related to the Assets are or contain, or will be or will contain as to subsequently provided information or documents, true, accurate and complete information, in all material respects, with respect to the subject matter thereof and are, or will be as to subsequently provided information or documents, fully responsive to any specific request made by or on behalf of OneStar or its representatives or lenders. Prior to the Closing, full disclosure shall have been made to OneStar of all material facts with respect to Tel 3 and the Assets and the transactions contemplated by this Agreement which a reasonable purchaser would deem relevant. Through the Closing, Tel 3 shall promptly notify OneStar of any change or event which could have a material adverse effect on the Assets or the operations, business, conditions or prospects of Tel 3 which relate to the Assets.

3.7 **Carrier.** Tel 3 represents that MCI WorldCom is the only carrier providing service to Tel 3 relating to the Assets.

ARTICLE IV ADDITIONAL AGREEMENTS OF THE PARTIES

4.1 **Preservation of Business.** Through the Closing, Tel 3 will use its best efforts, and take such actions within its power, to keep its business and properties substantially intact, including its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and employees. Through the Closing, Tel 3 shall not, without OneStar's written consent, increase any of its rate plans (other than in respect of increases for certain international calls accompanied by decreases for other International calls where the net overall effect

between the changes is a general decrease) for its existing customers from the date of this Agreement and continuing up to the Closing. Tel 3 agrees to notify OneStar of the fact of any decrease in any rate plan for its existing customers included in the Assets within two (2) business days following a decrease.

4.2 **Notice of Developments.** Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties in Section 2 and Section 3 above. No disclosure by any Party pursuant to this Section, however, shall be deemed to amend or supplement this Agreement or the Exhibits hereto or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

4.3 **Bankruptcy Court Authorization.** To the extent not inconsistent with Tel 3's fiduciary duties as a debtor in possession, Tel 3 will use its reasonable efforts to obtain the Sale Order.

4.4 **Joint Statement.** Promptly following the Closing, if requested by OneStar, Tel 3 will cooperate in issuing a joint statement to suppliers, customers, and such other parties as may be agreed upon by OneStar and Tel 3, advising them of the transfer of Assets from Tel 3 to OneStar hereunder, including, but not limited to, the transfer of the accounts receivable.

4.5 **Bankruptcy Matters.** Tel 3 will promptly file the Motion for Order Approving the Sale Order. Said Motion shall be in a form satisfactory to OneStar and its counsel.

4.6 **Access Prior to Closing, Customer Information, Carrier Contact.** Upon reasonable notice from the date hereof through the Closing, Tel 3 and its respective agents and employees shall afford OneStar and its representatives (including, without limitation, its independent public accountants, attorneys and banks' or other lenders' representatives) reasonable access to, and opportunity to examine, any and all of the premises, properties, contracts, books, records, business, data, personnel, customers and vendors of or relating to the Assets. Tel 3 and its respective agents and employees shall cooperate fully in connection with the foregoing.

Without limiting the generality of the foregoing, Tel 3 shall provide to OneStar, to the extent related to the Assets, all requested customer information, including, without limitation, Applications for Service, Letters of Agency, Term Agreements, Rate Guarantee Agreements, Responsible Organization ("RESPORG") requests, any and all applications, comments on accounts, written correspondence, computer records in data format, and current copies of Tel 3 tariffs, including Interstate, International and applicable Intrastate tariffs. Additionally, Tel 3 will allow OneStar the use of proprietary data related to customer base accounts and billing included in the Assets, including, but not limited to: Customer names and billing information, address, Billing Telephone Number and Automatic Number Identification data; rates, rate plans, rating programs, discount plans and other similar information; and, sales programs and associated marketing collateral materials.

OneStar's satisfaction with the results of its review of all such customer information will be a condition precedent to OneStar's obligation to close under this Agreement.

Tel 3 will provide OneStar access to all documents and correspondence regarding any PUC complaints against Tel 3 relating to the Assets.

4.7 **Regulatory and Other Authorizations.** Tel 3 shall obtain where required of Tel 3 or its shareholders, and/or shall cooperate fully with OneStar in obtaining where required of OneStar, all governmental, regulatory and third-party approvals, orders, qualifications, waivers, consents, filings, authorizations, certifications or other actions necessary in order to consummate the transactions contemplated hereby. The parties hereto will not take any action that will have the effect of delaying, impairing or impeding the receipt of any of the foregoing and will use their best efforts to secure the same as promptly as possible. To the extent allowed by applicable law, Tel 3 agrees to allow OneStar use of Tel 3's certifications and tariffs for a transitional period until such time as OneStar has modified or acquired their own certificates and tariffs for a period of time not exceed 180 days.

4.8 **Further Assurances.** At any time and from time to time at or after the Closing, the parties agree to cooperate with each other, to execute and deliver such other documents, instruments of transfer or assignment, files, books and records and do all such further acts and things as may be reasonably required to carry out the transactions contemplated hereby.

4.9 **Delivery.** The parties shall cause the delivery of the respective documents required to be delivered or caused to be delivered by them pursuant to Article VI below.

4.10 **Employees.** Tel 3 hereby acknowledges that OneStar has no obligation to employ any of the employees of Tel 3. Tel 3 shall not make any representation to the contrary.

4.11 **Continued Relationships.** Through the Closing, Tel 3 shall preserve intact the business of Tel 3 and keep available the services of its officers and employees and maintain good relationships with suppliers, customers and others having business relations with Tel 3, and shall cause to be taken no change in the business, condition or results of operations of Tel 3 which may have a material adverse effect on the Assets.

4.12 **Billing.** Customers will continue to be billed under the "Netel" or "Tel 3" name until OneStar receives the required certification and tariff approvals and transfers the billing and customer service functions, for a period of time not to exceed 90 days. As soon as practical following the date of Closing, any billing statement billed under the "Netel" or "Tel 3" name shall include a clear indication that the services are provided by OneStar along with a toll-free number by which customers can reach OneStar Customer Service or the appropriate billing company. Tel 3 shall instruct USBI to effect the necessary changes from the Closing date forward.

4.13 **USBI.** Tel 3 will arrange, at OneStar's sole cost, for USBI to assign a "sub-identity code" to the existing Tel 3 library code for the purpose of distinguishing OneStar's post-closing receipts from Tel 3's pre-closing receipts. Tel 3 retains all liability for costs and adjustments by USBI for all revenue accepted and processed by USBI prior to Closing. OneStar shall pay the cost and adjustments for all revenue submitted to and accepted by USBI after Closing. Tel 3 agrees, and will obtain the agreement of USBI, that all revenue submitted and accepted by USBI for bills generated after Closing is the property of OneStar. Tel 3 agrees, and will obtain the agreement of USBI, that all funds, collected by USBI for Tel 3 and OneStar shall be remitted to CGM, 11c, a Georgia limited liability corporation ("CGM"), along with reports showing the allocation of such funds between Tel 3 and OneStar. CGM shall disburse to Tel 3 its funds received from USBI. If CGM fails to pay to Tel 3 any monies owed to Tel 3 pursuant to this Agreement, OneStar agrees to guarantee the payment of such funds to Tel 3.

4.14 **Post Closing.** From the date of Closing forward, OneStar will assume the carrier costs associated with the customer base and usage thereof. From the date of Closing forward, the Call Detail Records forwarded by all carriers will be sent directly to OneStar or its designated representatives. All Bulletin Board System information regarding this account posted by MCI WorldCOM will be accessible only by OneStar or its designated representatives. OneStar will submit the Call Detail Records to Tel 3 for rating and submission to USBI on behalf of OneStar.

ARTICLE V CONDITIONS TO CLOSING

5.1 **Closing Conditions of Tel 3.** The obligations of Tel 3 under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions, but compliance with any or all of such conditions may be waived, in writing, by Tel 3:

(a) The representations and warranties of OneStar contained in this Agreement shall be true and correct in all material respects on the date hereof and on the Closing Date;

(b) OneStar shall have performed and complied with all of the covenants and agreements in all material respects and satisfied all of the conditions required by this Agreement to be performed or complied with or satisfied by OneStar at or prior to the Closing;

(c) the Bankruptcy Court shall have entered the Sale Order which is final and non-appealable; and,

(d) on the Closing Date, no order of any court or administrative agency shall be in effect which restrains, preliminarily or otherwise, or prohibits the transactions contemplated by this Agreement.

5.2 **Closing Conditions of OneStar.** The obligations of OneStar under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions, but compliance with any or all of any such conditions may be waived, in writing, by OneStar:

(a) The representations and warranties of Tel 3 contained in this Agreement shall be true and correct in all material respects on the date hereof and on the Closing Date;

(b) Tel 3 shall have performed and complied with all the covenants and agreements in all material respects and satisfied all the conditions required by this Agreement to be performed or complied with or satisfied by it at or prior to the Closing;

(c) All required governmental, regulatory and third-party approvals, consents and/or waiting periods shall have been obtained or shall have expired, limited in the case of those involving state public utility or service commissions to the States of AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WV, and WY; which regulatory approvals shall include, without limitation, authority to provide intraLATA telecommunications services in the manner currently provided by Tel 3;

(d) OneStar shall have arranged for the continuation and/or provisions of the services, products or facilities provided to or by Tel 3;

(e) the Bankruptcy Court shall have entered the Sale Order which is final, non-appealable and reasonably acceptable to OneStar and its counsel;

(f) actions to be taken by Tel 3 in connection with consummation of the transactions contemplated hereby and all instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to OneStar;

(g) on the Closing Date, no order (including any order staying the Initial Sale Order) of any court or administrative agency shall be in effect with restrains, preliminarily or otherwise, or prohibits the transactions contemplated by this Agreement.

(h) notwithstanding any other provision of this Agreement at the time of execution of this Agreement, none of the Exhibits (except for Exhibit 1.1) to this Agreement have been completed and attached; accordingly, the preparation of such Exhibits in a form wholly acceptable to OneStar in its sole and unfettered discretion shall be a condition precedent to OneStar's obligation to close.

ARTICLE VI THE CLOSING

6.1 **Deliveries by Tel 3.** At the Closing, OneStar shall receive from Tel 3 the following and Tel 3 shall cause the same to be delivered to OneStar:

- (a) A Bill of Sale in form attached hereto as Exhibit 6.1;
- (b) Instruments of transfer and assignment, consents, certificates, estoppel letters and all other documents and agreements in form and substance satisfactory to OneStar which OneStar may deem necessary to transfer to and vest in OneStar title to and ownership of the Assets.
- (c) Such other documents and instruments as OneStar may reasonably request, including, but not limited to LOA's, applications, and term agreements relating to the Assets, and;
- (d) Possession of all the Assets.

6.2 **OneStar Deliveries.** At the Closing, Tel 3 shall receive from OneStar the following:

- (a) Copies of duly adopted resolutions of OneStar Board of Directors approving the execution, delivery and performance of this Agreement, certified by its Secretary; and
- (b) Payment of the amount of the Purchase Price payable at the Closing pursuant to Section 1.1 above.

ARTICLE VII POST CLOSING COVENANTS

The parties agree as follows with respect to the period following the Closing:

7.1 **General.** Each party will provide the other with reasonable access to such documents, books, records, agreements, and financial data of Tel 3 related to the Assets being retained by Tel 3 or being delivered to OneStar as Assets, as the case may be, as the requesting party in its sole discretion may consider necessary.

7.2 **Transition.** Tel 3 will not take any action that is designed or intended to have the effect of discouraging any carrier, supplier, lessor, licensor, customer, or other business associate of Tel 3 which relates to the Assets from maintaining the same business relationships with OneStar after the Closing as it maintained with Tel 3 prior to the Closing.

ARTICLE VIII

TERMINATION

8.1 **Termination.** Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated only (a) by the mutual written consent of OneStar and Tel 3 (b) by either OneStar or Tel 3 upon written notice given to the other within five (5) days after the giving of a notice of the failure of a condition to Closing as provided herein, or (c) by a breach of any other provision of this Agreement by either Party which is not cured after five (5) days written notice of such breach given by the non-breaching party to the breaching party.

8.2 **Effect of Termination.** In the event of the termination and abandonment of this Agreement pursuant to the preceding Section of this Agreement, this Agreement shall thereafter become void and have no effect, and without any liability on the part of any party or its shareholders, partners, directors or officers in respect thereof, except as otherwise provided in this Agreement and except that nothing herein will relieve any party from liability for any breach of this Agreement.

ARTICLE IX MISCELLANEOUS

9.1 **Expenses.** Except as otherwise provided in this Agreement, Tel 3 shall bear its own expenses, fees and commissions (including, but not limited to, all compensation and expenses of counsel, financial advisors, brokers, consultants, actuaries and accountants) incurred in connection with the preparation, negotiation and execution of this Agreement and consummation of the transactions contemplated hereby. Except as otherwise provided in this Agreement, OneStar shall bear its own fees, expenses and commissions (including, but not limited to, all compensation and expenses of counsel, financial advisors, brokers, consultants, actuaries and accountants) incurred in connection with the preparation, negotiation and execution of this Agreement and consummation of the transactions contemplated hereby. Tel 3 represents and warrants to OneStar that no broker, agent or other person acting on its behalf is or will be entitled to a fee, commission or other payment as a result of or arising out of this Agreement or the transactions contemplated hereby for which OneStar may be liable.

9.2 **Notices.** Any notices or other communications required under this Agreement shall be in writing, shall be deemed to have been given when delivered in person, by telex or telecopier, when delivered to a recognized next business day courier, or, if mailed, when deposited in the United States mail, first class, registered or certified, return receipt requested, with proper postage prepaid, addressed as follows or to such other address as notice shall have been given pursuant hereto:

If to Tel 3:

_____	_____
_____	_____
_____	_____

If to OneStar:

OneStar Long Distance, Inc.
Attn: Alan Powers
7100 Eagle Crest Blvd, Suite B
Evansville, IN 47715
Telecopier: (812) 471-5878

with a copy to:

Terry G. Farmer
Bamberger, Foreman, Oswald and Hahn, LLP
7th Floor Hulman Building
P. O. Box 657
Evansville, IN 47704-0657
Telecopier: (812) 421-4936

9.3 **Assignment.** This Agreement may not be assigned, by operation of law or otherwise, except that OneStar may assign its rights under this Agreement in whole or in part to a subsidiary or other Affiliate of OneStar (including but not limited to any subsidiary or Affiliate of OneStar formed or acquired following the date hereof) or to any lender of OneStar; provided OneStar shall remain responsible for its performance of this Agreement, subject to the terms and conditions hereof.

9.4 **Section Headings.** The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

9.5 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

9.6 **Amendment.** Except as hereinafter provided, this Agreement may not be amended except by a writing signed by the party to be charged.

9.7 **Entire Agreement.** This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties and their Affiliates with respect to the subject matter hereof.

9.8 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

9.9 **Survival.** The covenants, agreements, representations and warranties of OneStar and Tel 3 made in or pursuant to this Agreement shall survive the Closing, notwithstanding any investigation made or information obtained by or on behalf of another party.

9.10 **Severability.** In case any provision in this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby unless OneStar elects otherwise.

9.11 **Construction.** The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

9.12 **Incorporation of Exhibits and Schedules.** The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

9.13 **Third Parties.** Nothing contained in this Agreement or in any instrument or document executed by any party in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any person or entity that is not a party hereto or a successor or permitted assign of such a party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ONESTAR LONG DISTANCE. INC.

By: _____

Its: _____

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

By: _____

Its: _____

STATE OF _____)
) SS:
COUNTY OF _____)

Before me, the undersigned Notary Public in and for said County and State, came **ONESTAR LONG DISTANCE, INC.**, by _____, its _____, who, as such officer, acknowledged the execution of the foregoing document for and on behalf of said company.

WITNESS my hand and notarial seal this ____ day of _____, 1999.

My county of residence is
_____ County,
State of _____, and
My commission expires:

NOTARY PUBLIC

PRINTED NAME

STATE OF _____)
) SS:
COUNTY OF _____)

Before me, the undersigned Notary Public in and for said County and State, came **NETEL, INC. d/b/a/ TEL 3 COMMUNICATIONS**, by _____, its _____, who, as such officer, acknowledged the execution of the foregoing document for and on behalf of said company.

WITNESS my hand and notarial seal this ____ day of _____, 1999.

My county of residence is
_____ County,
State of _____, and
My commission expires:

NOTARY PUBLIC

PRINTED NAME

EXHIBIT 1.1

All of Tel 3's right, title and interest in and to the following:

- (1) the existing Dial 1+ Customer Base of Tel 3 and all receipts and proceeds produced therefrom; and,
- (2) all the accounts receivable derived from the Dial 1+ Customer Base from the date of Closing.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is entered into as of this 7th day of July by and between OneStar Long Distance, Inc., an Indiana corporation (the "Buyer"), on the one hand, and UStel, Inc., a Minnesota corporation ("UStel"), and Arcada Communications, Inc., a Washington corporation ("Arcada"), on the other hand. UStel and Arcada, both debtors in possession, are referred to herein together as the "Seller." Buyer and the Seller are referred to herein individually as a "Party" and collectively as the "Parties."

This Agreement contemplates a transaction in which the Buyer will purchase all the assets of the Seller (except for those identified below) in return for the consideration hereinafter set forth.

Now, therefore, in consideration of the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Accounts Receivable" means Seller's right as of the Closing Date (whether appearing on Seller's balance sheet or not) to receive payment for UStel and Arcada long distance and Arcada wireless/cellular telecommunications services provided by Seller prior to the Closing Date, whether invoiced by the Closing Date or not.

"Acquired Assets" means all right, title, and interest in and to all the assets of the Seller, other than the Excluded Assets, specifically including but not limited to (a) "UStel" and "Arcada" long distance Customer Accounts, (b) Arcada wireless/cellular Customer Accounts, (c) Equipment and other tangible personal property (such as machinery, equipment, computer hardware, computer software (including the customer billing software and associated licenses), inventories and supplies, parts, goods, furniture, vehicles, etc.), (d) the names "UStel" and "Telcard" (e) the Included Agreements, (f) deposits, customer deposits, prepayments, and refunds, (g) franchises, approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies, (h) State PUC Authorizations, FCC Authorizations and any other governmental approvals, permits, licenses, registrations, certificates and similar authorizations relating to the Seller's current business activities and product offerings, and (i) books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written materials.