

STATE OF FLORIDA

ORIGINAL

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Public Service Commission

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Dear Party to Proceeding:

Enclosed is a copy of the current case assignment and scheduling record (CASR) for this docket. You can also obtain docket information, including time schedules, by accessing the PSC Home Page on the Internet, at <http://www.floridapsc.com>.

The dates in this CASR should provide you with an opportunity to anticipate completion stages of work in the docket. Please keep in mind, however, that the listed dates are intended primarily for use by Commission staff and can change at any time. For firm dates of hearings, meetings, and other procedural matters in the docket, you should always refer to the Commission's orders and notices.

Sincerely,

Blanca S. Bayó

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PSC/CCA035-C (Rev. 10/01)

DOCUMENT NUMBER - DATE

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**NOTICE OF ASSIGNMENT FOR BENEFIT OF CREDITORS  
TO THE CREDITORS OF:**

**BLUESTAR COMMUNICATIONS GROUP INC., a Delaware Corporation, Case No. 01P-1156  
BLUESTAR COMMUNICATIONS INC., a Tennessee Corporation (fdba COVAD BUSINESS SOLUTIONS), Case No. 01P-1157  
BLUESTAR NETWORKS INC., a Tennessee Corporation, Case No. 01P-1158**

**DATED: JULY 25, 2001**

**History of Debtor:** Bluestar Communications was a provider of broadband communications and internet services to small and medium sized businesses in Tier II and Tier III markets. These services were packages including Web hosting, e-mail and high speed real private networking services provided primarily using digital subscriber or DSL technology. This technology enables the transmission of packets of data over an existing telecommunications network, including the last mile of copper wire, which allows multiple users to simultaneously transmit and receive data over a single connection. Bluestar Properties Inc., a Tennessee corporation, was incorporated on September 23, 1998. On the same date, subsequent to incorporation, all assets and liabilities of Bluestar Communications LLC, which was organized on March 7, 1997, were merged with and into Bluestar Properties Inc., in a common control reorganization. On June 21, 1999, the company the reincorporated in Delaware by merging Bluestar Properties Inc., a Tennessee corporation, into Bluestar Properties, Inc., a Delaware corporation, with the Delaware corporation surviving. The Delaware corporation subsequently changed its name to Bluestar Communications Group, Inc. (collectively, including all predecessors, the "Company"). The company had four wholly owned subsidiaries, Bluestar Communications, Inc., the operating business (which formerly did business as Covad Business Solutions); Bluestar Networks, Inc. and Bluestar Networks of Virginia, Inc., both which maintained certain regulatory licenses, and Bluestar Communication of the Southeast, Inc. The company was originally located at 414 Union Street, Nashville, Tennessee 37219; the headquarters is currently located at 5 Corporate Center, 801 Crescent Center Drive, Suite 600, Franklin, Tennessee 37067.

**Covad Acquisition:** Bluestar Communications Group Inc., a subsidiary of Covad Communications, was acquired by Covad in September 2000 and, through its operating companies, has been engaged in direct sales of high-speed internet access and related services. From the time Covad purchased Bluestar Communications Group Inc. through June 2001, Covad had funded operating expenses of approximately \$94 million, on revenues of approximately \$19 million, therefore effectively funding \$75 million in losses. Covad's investment in Bluestar was made at a time when the financial market conditions rewarded growth into Tier II and Tier III markets as a fast means of developing direct sales models. Given those losses, a need for a shift in the distribution model and recessionary-like financial condition of the telecommunication and tech sectors of the economy, Covad decided that Bluestar Communications Group Inc.'s operations should be shut down and that an orderly wind-down of the operations and liquidation of the assets should be commenced.

**Assignment Executed/Sale of Assets:** In order to effectuate the wind-down, the Covad Board of Directors unregistered Bluestar from its Indenture Compliance, subsequently allowing the Bluestar Communications Group Board of Directors to approve and execute an Assignment for the Benefit of Creditors. The original date of these Assignments is June 25 2001. By Amendment dated July 12, 2001, Robert H. Waldschmidt was designated as the Assignee. Immediately prior to the execution of the Assignment, Bluestar Communications and Covad entered into an Asset Purchase Agreement, in which Covad has purchased the right to offer service to Bluestar end user lines. This purchase was based on a desire to migrate as many customers as possible from the "to be liquidated" Bluestar network to Covad. Covad hoped that this process would not only allow customers to migrate to Covad, or to an alternate source, but that it would also minimize the number of "outages" or service disruptions that customers might otherwise face. In addition, the purchase provides funds to the Assignee to fund this migration and the wind-down of the company. In addition, the terms of the sale allow Bluestar, and subsequently its Assignee, to seek higher and better offers for these customer lines. As part of this process, Covad has also agreed to assist the Assignee with coordination, compliance and information flow to the FCC and PUC, when and where necessary. The Assignee has been attempting to market these lines (and any and all other assets of the company) in an effort to maximize the value of the assets for the benefit of creditors. A copy of the Purchase Agreement will be sent to any parties requesting copies. Any competing offer will be considered by the undersigned prior to July 31, 2001. All sales will be made on an "as is, where is" basis with all faults included. The Assignee makes no representations or warranties as to the quality, fitness, or merchantability of these assets; all such warranties are specifically disclaimed. Any interested buyers are urged to contact the undersigned as soon as possible to discuss this process. During this process the Assignee will shut down the Bluestar operations, including 235 central offices that made up the Bluestar network. Ninety-one of the central offices are in Bluestar-unique areas and 144 are in Covad-overlap areas where both Covad and Bluestar have their own central office facilities. It is the goal of the Assignee to effectuate the wind-down of the sites and close on the sale of lines in the next 30 days. Most of the furniture, fixtures, machinery and/or equipment are leased. The Assignee will act as quickly as possible to review leases and its right thereunder to reconcile the status and location of these items. Lessors will be contacted as soon as possible to discuss the sale and return of the leased property.

**Assets & Liabilities:** Bluestar had assets as of March 31 2001 of approximately \$56.5 million. This figure includes net accounts receivable of approximately \$2.9 million and net fixed assets of \$50.9 million. The majority of the net fixed assets includes network-related equipment under capital lease agreements. The total liabilities before the addition of the intercompany amount due to Covad are equal to approximately \$70.9 million. The largest components of this figure are \$21.8 million for accrued liabilities and \$43.8 million for current capital lease payments due. The intercompany amount due from Bluestar to Covad is equal to \$90.3 million.

**Filing of Claims:** This notice is being sent to all known creditors of Bluestar Communications Group Inc., Bluestar Communications Inc. and Bluestar Networks Inc., including all known taxing authorities. All creditors are requested to execute and return the Affidavit of Claim and Consent to Assignment form (a copy is on the reverse of this notice), reflecting the balance due on their accounts from each of the respective debtors. The Assignee would request that effort be made by each filing creditor to file each claim in only that/those estates that owe you money as of the date of the Assignment (6/25/01). **Each claim should including appropriate backup for the indebtedness. Kindly return such claim forms within the next six months. The absolute deadline for filing claims is one year from the date of this Notice.**

**Future Notices:** Due to the large amount of creditors and potential claimants (15,000+) in this matter, future notices will not be sent to everyone. If you want to receive further notices concerning this case, you need to file a specific request to receive notices with the Richard L. Rooker, Probate Court Clerk, 105 Metro Courthouse, Nashville, TN 37201, the Assignee, Robert H. Waldschmidt, 300 James Robertson Parkway, Nashville, TN 37201-1107, and upon Assignee's counsel, G. Rhea Bucy, Guillett, Sanford, Robinson & Martin, PLLC, P.O. Box 198888, Nashville, TN 37219-8888.

**AFFIDAVIT OF CLAIM AND CONSENT TO ASSIGNMENT**

THE UNDERSIGNED, A CREDITOR OF: (check one)

- \_\_\_\_\_ BLUESTAR COMMUNICATIONS GROUP INC., Case No. 01P-1156
- \_\_\_\_\_ BLUESTAR COMMUNICATIONS INC. (fdba COVAD BUSINESS SOLUTIONS), Case No. 01P-1157
- \_\_\_\_\_ BLUESTAR NETWORKS INC., Case No. 01P-1158

does hereby make and prove a claim to its proper share of the Assignment estate of the entity designated herein above (the "Assignor"), as created by that certain Assignment for the Benefit of Creditors executed under date of June 25 2001, by the Assignor in favor of Robert H. Waldschmidt, as Assignee, and the creditors of Assignor. The undersigned acknowledges receipt of a copy of the Notice of Assignment for the Benefit of Creditors, and by execution of this separate instrument, consents to the terms of the Assignment to the same effect as if the undersigned had executed the original Assignment.

The undersigned hereby further represents that the amount set opposite its signature is a true and correct statement of and of the amount owing to the undersigned, as of the date of the execution of the Assignment, for all credit extended to Assignor, after making such prior adjustments for credits and setoffs that may be due, a copy of such statement of account being attached hereto and made a part hereof, and marked as Exhibit A.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.  
(please fill in the date of your execution of this affidavit)

NAME OF CREDITOR: \_\_\_\_\_

BY: \_\_\_\_\_ (Duly authorized Agent)

TITLE: \_\_\_\_\_

STREET ADDRESS: \_\_\_\_\_

CITY, STATE OR PROVINCE AND ZIP OR POSTAL CODE: \_\_\_\_\_

AMOUNT OF CLAIM: \$ \_\_\_\_\_ (Claim must be stated in U.S. Dollars)

**Attach statement showing date or dates when debt:  
was incurred and mail this form to:**

**CLAIMS ADMINISTRATOR  
BLUESTAR COMMUNICATIONS  
P.O. BOX 190624  
NASHVILLE, TN 37219-0624 U.S.A.**

**THIS FORM MUST BE RETURNED WITH YOUR CLAIM(S) SUBMISSION FOR ANY AND ALL  
CLAIMS TO BE PROPERLY RECORDED BY THE CLAIMS ADMINISTRATOR.**

Mr. Robert H. Waldschmidt,  
Assignee Bluestar Communications  
PO Box 190624  
Nashville, TN 37219-0624



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