

OneStar Long Distance, Inc.

July 26, 1999

Florida Public Service Commission
Attn: Administrative Division
2450 Shumard Oak Boulevard
Tallahassee, FL 32399

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93 AUG - 6 AM 9:57
RECORDS AND
REPORTING

991069-71

Dear Administrative Division:

Attached please find an original and one copy of OneStar Long Distance, Inc.' application to acquire the customer base of USTel, Inc., and its wholly owned subsidiary, Arcada Communications, Inc.

This application is being sent to your attention for review. An expedited review is requested as noted in the application.

A duplicate copy of this letter is enclosed. If you would please date stamp the duplicate and return it to me, it would be appreciated. A self-addressed, stamped envelope has been included for this purpose.

Please do not hesitate to contact me with any questions regarding this application. I can be reached at 812-469-7791.

Sincerely,

Laura L. Collier

Laura L. Collier
Senior Regulatory Coordinator

attachments

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COMMUNICATIONS
DIVISION

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RECORDS AND REPORTING

**BEFORE THE
STATE OF FLORIDA
PUBLIC SERVICE COMMISSION**

Application for Approval of the)
Transfer of the Long Distance)
Customer Base of UStel, Inc.)
and Arcada Communications, Inc.)
to OneStar Long Distance, Inc.)

Docket No. 991069-77

I. Introduction

OneStar Long Distance, Inc., doing business as OneStar Long Distance, (“OneStar”), hereby requests approval to transfer UStel, Inc.’s (“UStel”) and its wholly owned subsidiary, Arcada Communications, Inc.’s (“Arcada”), long distance customer base to OneStar. OneStar is a nondominant telecommunications carrier authorized by the Commission to provide resold intrastate long distance telecommunications services within the state of Florida.

As set forth below, the transfer of UStel’s and Arcada’s long distance customer base to OneStar will be virtually transparent to customers of UStel and Arcada. Details of the proposed transaction are set forth below.

OneStar respectfully requests expedited treatment of this Application in order to permit them to consummate the transaction as soon as possible.

In support of this Application, OneStar submits the following information:

II. THE COMPANIES

A. OneStar Long Distance, Inc.

OneStar Long Distance, Inc. (Tax Identification No. 35-1874721) is a privately held Indiana corporation headquartered in Evansville, Indiana. OneStar is a nationwide provider of telecommunications services and is authorized to provide resold long distance services in over 45 states by virtue of certification, registration, tariff requirements, or on a deregulated basis. In

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Florida, OneStar is authorized to provide intrastate long distance telecommunications services pursuant to certification granted by this Commission in Docket No. 990063-TI, Order No. PSC-99-0555-FOF-TI. OneStar provides interstate and international telecommunications services as a nondominant common carrier pursuant to authority of the Federal Communications Commission.

Further information concerning OneStar's legal, technical, managerial, and financial qualifications to provide telecommunications services was filed with its application for certification in Docket No. 990063-TI. That information is, therefore, already a matter of public record at the Commission and OneStar requests that it be incorporated herein by reference.

B. UStel, Inc.

UStel (Tax Identification No. 059-2717508) is a Minnesota corporation headquartered with its wholly owned subsidiary, Arcada, in Seattle, Washington. UStel is certified in the state of Florida (Docket No. 950347-TI, Order No. PSC-95-0703-FOF-TI). UStel recently declared bankruptcy (Chapter 11, Bankruptcy No. 99-02633), and it is OneStar's understanding that neither UStel nor Arcada will continue to provide long distance telecommunications services after this transfer.

C. Designated Contact

The designated contact for questions concerning this application is as follows:

Ami M. Larrison, Regulatory Manager
OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715
(812) 469-7790 (telephone)
(812) 469-7795 (facsimile)

III. DESCRIPTION OF THE TRANSFER OF USTEL'S LONG DISTANCE CUSTOMER BASE RESULTING FROM A TRANSFER OF ASSETS

UStel, pursuant to Chapter 11 of the Bankruptcy Code, has chosen to transfer its long distance customer base and that of its wholly owned subsidiary, Arcada, to OneStar. Accordingly, OneStar and UStel have executed an Asset Purchase Agreement and obtained a Bankruptcy Court Order. A copy of the Bankruptcy Court Order and Asset Purchase Agreement is attached hereto as Exhibit A.

Because the transfer will result in no change in the rates, terms, or conditions of service that these customers currently enjoy, the transfer of UStel's and Arcada's long distance customer base will be virtually transparent to UStel's and Arcada's Florida customers in terms of the services they receive.

IV. PUBLIC INTEREST CONSIDERATIONS

Consummation of the transaction described herein will serve the public interest in promoting competition among providers of long distance telecommunications services by combining the financial resources and managerial skills and experience of OneStar with the customer base of UStel and Arcada. OneStar anticipates that the transfer will result in a company better equipped to accelerate its growth as a competitive telecommunications service provider. The transfer will allow the customer base access to expanded services and a financially viable carrier.

Customers have been informed of the transfer via letters from UStel and Arcada, attached as Exhibit B. OneStar will send additional notification providing further details of the transfer to the customers at the time of the transfer.

V. CONCLUSION

For the reasons stated herein, OneStar respectfully requests that the Commission approve this Application to permit OneStar to acquire UStel's and its wholly owned subsidiary, Arcada's, long distance customer bases and grant all other relief as necessary and appropriate to effectuate the transactions described herein.

Executed this 26 day of July, 1999

ONESTAR LONG DISTANCE, INC.

By:

Ami M. Larrison

Ami M. Larrison, Regulatory Manager
OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715

Subscribed and sworn to before me on this 26th of July, 1999.

Julie R Buse
Notary Public JULIE R BUSE

My commission expires:

JUNE 14, 2008

VERIFICATION OF APPLICANT

I, Ami M. Larrison, upon being duly sworn, depose, and state that I attest to and adopt all filings submitted with this Application, the content of which are true and correct to the best of my knowledge, information, and belief.

Executed this 26 day of July, 1999.

OneStar Long Distance, Inc.

By Ami M. Larrison
Ami M. Larrison
Regulatory Manager

~~Subscribed and sworn to before me on this 26th of July, 1999.~~

~~Julie R. Bose
Notary Public JULIE R BOSE~~

~~My commission expires:~~

~~JUNE 14, 2008~~

Exhibit A

BUSH STROUT & KORNFIELD

Law Offices

5500 Two Union Square • 601 Union Street • Seattle, Washington 98101-2373
(206) 292-2110 • Facsimile (206) 292-2104**FACSIMILE**

TO: Dave Gibson or Ami Larrison

FROM: Carol Hartung for Jay Kornfeld

OF UStel/Arcada

DATE: July 15, 1999

FAX NUMBER: 206-505-4602

RE: UStel/Arcada Ch. 11s

PHONE NUMBER: 206-505-4508

Client/matter no. 0757-99001

MESSAGE: **PLEASE DELIVER IMMEDIATELY.** Here is the order.

INTERNAL USE

CLIENT NAME: UStel C/M #: 0757-99001

There are ____ pages in this transmittal, including this cover page.

IF YOU DO NOT RECEIVE ALL PAGES PLEASE CALL VIVIAN AT (206) 292-2110

This message is intended for the use of the individual or entity to which it is transmitted and may contain information that is privileged, confidential and exempt from disclosure under applicable laws. If the reader of this communication is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original communication to us at the address above via the U.S. Postal Service. We will reimburse you for the mailing costs. Thank you.

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HONORABLE KAREN A. OVERSTREET

FILED
Western District of Washington
at Seattle

JUL 14 1999

U.S. Bankruptcy Court

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re

USTEL, INC.; and ARCADA COMMUNICATIONS,
INC.,

Debtors.

No. 99-02632
99-02633 (Ch. 11s)
(Administratively Consolidated Under No.
99-02632)

ORDER GRANTING DEBTORS'
MOTION FOR SALE OF
SUBSTANTIALLY ALL OF THE
DEBTORS' NON-PACIFIC CELLULAR
ASSETS FREE AND CLEAR OF ALL
CLAIMS AND ENCUMBRANCES AND
APPROVING ASSUMPTION AND
ASSIGNMENT OF CONTRACTS AND
LEASES

THIS MATTER came before the Court on the 13th day of July 1999 on the motion of UStel, Inc. and Arcada, Inc., Debtors-in-Possession herein ("Debtors") for an Order (1) authorizing sale of substantially all of their Non-Pacific Cellular Assets¹ ("the "Assets") free and clear of liens, claims, and encumbrances pursuant to Bankruptcy Code § 363 to OneStar Long Distance, Inc. ("OneStar")

¹ Non-Pacific Cellular assets are those assets more specifically set forth in the Asset Purchase and Sale Agreement dated July 7, 1999 between and among Debtors and OneStar Long Distance, Inc. ("Asset Purchase Agreement") and the Motion.

1 and 2) authorizing assumption and assignment of certain executory contracts and leases (Motion").
2 Notice of the Motion was given to all parties listed in the Case Management Order entered by the
3 Court on March 15, 1999 and in accordance with this Court's Order Regarding Notice and Hearing of
4 Sales Motions entered on July 7, 1999. Upon considering: (i) the Motion and the Declaration of
5 David Otto (the "Otto Declaration") and the Declaration of John H. Bonde (the "Bonde Declaration"),
6 (ii) the record in this chapter 11 case; (iii) all objections, including those filed on or about May 13,
7 1999, to the initial proposed sale to Rocky Mountain Internet, Inc. ("RMI"), (iv) the arguments of
8 counsel and the evidence admitted at the hearing, this Court HEREBY FINDS AND DETERMINES
9 THAT:

10 FINDS AND DETERMINES THAT:

11 A. The Court has jurisdiction to hear and determine the Motion and all related matters
12 pursuant to 28 U.S.C. §§ 1334 and 157 and the "Standing Order of Referral of Cases to Bankruptcy
13 Judges" of the United States District Court for the Western District of Washington. Venue of this
14 proceeding in this district is proper pursuant to 28 U.S.C. § 1409. The Motion is a core proceeding
15 pursuant to 28 U.S.C. § 157(b)(2)(A),(B),(N) and (O). The statutory predicates for the relief granted
16 herein are sections 105, 363 and 365 of the Bankruptcy Code, as complemented by Bankruptcy Rules
17 2002, 6004, 6006 and 9007.

18 B. Notice of the hearing on the Motion, and the Motion was timely and properly given in
19 compliance with the Bankruptcy Code and Rules and the Case Management Order and other Orders
20 entered in this case and was reasonable and appropriate under the circumstances.

21 C. The Debtors have demonstrated that the sale of the Assets to OneStar pursuant to the
22 Asset Purchase Agreement is based on sound business justifications, and such sale is in the best
23

1 interests of the Debtors' estate, for the reasons set forth in the Motion, and the Otto and Bonde
2 Declarations. Failure to approve the Motion will cause irreparable damage to the Debtors and their
3 estate.

4 D. The sale of the Assets and the assignment of the Included Agreements pursuant to the
5 Asset Purchase Agreement have been proposed and, if consummated, will have been consummated in
6 good faith in accordance with section 363(m) of the Bankruptcy Code. OneStar is entitled to the
7 protections afforded under section 363(m) of the Bankruptcy Code.

8 E. OneStar is not an insider or an affiliate of the Debtors.

9 F. The Debtors have demonstrated the sufficient justification to sell a substantial portion
10 of their assets other than under a plan of reorganization and pursuant to a disclosure statement.
11

12 G. The consideration to be received by the Debtors from OneStar is fair and reasonable.

13 H. The Debtors have demonstrated that the assumption and assignment of the Included
14 Agreements² to OneStar is based upon sound business justifications as set forth in the Motion and the
15 Otto and Bonde Declarations.

16 I. OneStar, as contemplated by the Asset Purchase Agreement will cure, at or before
17 closing of the sale to OneStar, the existing defaults on the Included Agreements as follows: (i) lease
18 of Seattle switch from Telecommunications Finance Group/Siemans Information Corp - \$45,711.93;
19 (ii) lease of billing system from Data General Corp. - \$13,397.83; (iii) license agreement with EXL
20 Information Corp. for billing system - \$18,668.79; (iv) lease of co-location space with Melvin Mark in
21 Portland Oregon - \$1,759.29; (v) lease with Clise Properties, Inc. of office space in United Airlines
22

23 ² Capitalized terms used and not defined herein have the meanings set forth in the Asset Purchase Agreement and are incorporated herein by this reference.

1 Building in Seattle, Washington - \$32,750.53; (vi) billing and collection contract with Integretel
2 Incorporated - \$0.

3 J. OneStar has provided the requisite adequate assurance of its future performance under
4 the Included Agreements necessary for the Debtors' assignment of the Included Agreement to
5 OneStar.

6 K. Consummation of the Asset Purchase Agreement is in the best interests of the Debtors,
7 their estate, all creditors, equity security holders and other parties in interest.

8
9 Based upon the foregoing, and good cause appearing, **IT IS HEREBY ORDERED,**
10 **ADJUDGED AND DECREED:**

11 1. The Motion is hereby granted.
12 2. The oppositions to the Motion are overruled.
13 3. The Asset Purchase Agreement between OneStar and the Debtors is approved
14 and a copy is attached hereto as Exhibit "A," subject to any required approval (pursuant to federal law
15 and regulation) of any contemplated sale or transfer of licenses, authorizations, or registrations issued
16 by the Federal Communications Commission.

17 4. Except as otherwise set forth by this Order, the sale of the Assets and
18 assignment of the Included Agreements to OneStar pursuant to the Asset Purchase Agreement is free
19 and clear of all claims, liens and encumbrances of any nature, kind or description other than the
20 performance obligations under the Included Agreements.

21 5. The Asset Purchase Agreement: (i) was proposed, negotiated, and entered into
22 in good faith after arms-length bargaining by the parties; and (ii) provides the Debtors with the highest
23

1 or otherwise best offer received for the Assets. OneStar is a good faith purchaser pursuant to section
2 363(m) of the Bankruptcy Code and entitled to the protections thereunder.

3 6. The Debtors are authorized to assume and assign the Included Agreements to
4 OneStar as of the Closing. The assignments of the Included Agreements shall be effective
5 notwithstanding any provisions precluding or impairing the rights of the Debtors to assign the
6 Included Agreements.

7 7. OneStar shall pay Data General Corporation, EXL Information Corp., Clise
8 Properties, Inc., Melvin Mark Companies, and Telecommunications Finance Group/Siemans
9 Information Corp, and Integretel Incorporated the obligations set forth above in paragraph I as "cure"
10 of defaults under the contract and or lease between such parties and the Debtors. Upon payment to
11 these specified parties, they are forever barred from asserting claims against the Debtors arising under
12 or related to the Included Agreements.

13 *upon payment pursuant to paragraph 7, above.*
14 8. ^{WTD} The non-debtor parties to the Included Agreements are forever barred from
15 asserting claims against the Debtors arising under or related to the Included Agreements and each of
16 the Included Agreements shall be deemed in full force and effect on its assignment to OneStar.

17 9. All parties to the Included Agreements are forever barred and enjoined from
18 raising or asserting against the Debtors or OneStar any default or breach under, or any claim or
19 pecuniary loss, or condition to assignment, arising under or related to, the Included Agreements
20 existing as of the Closing or arising by reason of the Closing unless such default, breach, claim,
21 pecuniary loss or condition was timely raised or asserted prior to the deadline therefor set by the
22 Court.

1 10. The Debtors are authorized to take such further actions as may be necessary to
2 implement, close and consummate the sale of the Assets, including the execution of any documents
3 necessary to consummate such sale and to assume and assign the Included Agreements to OneStar
4 pursuant to the terms and conditions of the Asset Purchase Agreement and without further order of
5 this Court.

6 11. Except as expressly provided in the Asset Purchase Agreement, OneStar has
7 not assumed or otherwise become obligated for any of the Debtors' liabilities. Consequently, after
8 closing of the sale to OneStar, all creditors of the Debtors, whether known or unknown, are hereby
9 enjoined from asserting or prosecuting any claim or cause of action against OneStar or the Assets to
10 recover on account of any liability owed by the Debtors.

11 12. The sales proceeds received from the sale of the Assets shall be used and
12 distributed at closing as follows:

13 a. Up to \$100,000 may be used to pay any sales taxes arising out of the
14 sale of Assets, and/or personal property taxes, if any, which may be owed with respect to the Assets,
15 but such personal property taxes shall only be paid to the extent they constitute liens prior to the
16 security interests of the Lenders or any other secured creditor, and such personal property taxes may
17 be paid either with the Lenders' consent, or, if the Lenders do not consent, pursuant to this Court's
18 order, after opportunity for notice and hearing.;

19 b. To pay a commission on the sale of the Assets to Daniels & Associates
20 in the amount of \$225,000.00, which constitutes payment in full, when combined with the \$125,000
21 paid prepetition to Daniels, of any commission due on the sale of the Assets;
22
23

1 c. \$300,000.00 shall be set aside in the trust account of Bush Strout &
 2 Kornfeld, pursuant to the terms of this Court's Final Order Authorizing (A) Post-Petition Financing
 3 Pursuant to 11 U.S.C. § 364; (B) Use of Cash Collateral Pursuant to 11 U.S.C. § 363 and Bankruptcy
 4 Rule 4001(b); and (C) Grant of Adequate Protection Pursuant to 11 U.S.C. §§ 361 and 363 entered by
 5 this Court on April 16, 1999, and all extensions and amendments thereof ("DIP Orders"), for purposes
 6 of paying employee retention amounts previously approved by this Court and contemplated by the
 7 Post-Petition Loan and Security Agreement by and among the Debtors and Coast Business Credit, a
 8 division of Southern Pacific Bank, as agent for the lenders in this case, Coast Business Credit and
 9 Goldman Sachs Credit Partners, L.P. ("Lenders") and any amendments thereto ("DIP Agreement").

10 13. After payment of those costs, expenses, commissions, and carve-outs set forth
 11 in paragraph 12, above, the remaining sales proceeds received from sale of the Assets, including
 12 accounts receivable collections collected by OneStar and available for remittance pursuant to the
 13 terms of the Asset Purchase Agreement and Collection Agreement and including any amount due
 14 Debtors under the Switch Usage Agreement with respect to switches owned by the Debtors, shall be
 15 defined as the Net Sales Proceeds.

16 14. ^{Insect (A) KAO} ~~Notwithstanding prior orders of this Court or the terms of the Asset Purchase~~
 17 ~~Agreement, the Net Sales Proceeds shall be distributed pursuant to further order of this Court prior to~~
 18 ~~Closing.~~

19 ///
 20 ///
 21 ///
 22 ///
 23 ///

1 15. The Court shall retain sole and exclusive jurisdiction over all matters arising
 2 from or related to the Assets, the Included Agreements, the Motion, the implementation thereof and
 3 enforcement of this Order.

4 DATED this 14th day of July, 1999.

5
 6 *Karen A. Overstreet*

7 HONORABLE KAREN A. OVERSTREET
 8 United States Bankruptcy Judge

9 Presented by:

10 BUSH STROUT & KORNFIELD

11 By *[Signature]*

12 Armand J. Kornfeld, WSBA #17214
 13 Attorneys for UStel, Inc. and Arcada Communications, Inc.
 14 Debtors-in Possession

15 *Davis Wright Tremaine*
 16 *by [Signature]*
 17 *WSBA 06566*
 18 *Attorneys for Goldman Sachs Credit Partners,*
 19 *L.P., Goldman Sachs Group, Inc., and*
 20 *Coast Business Credit*

CONTINUED:

Insert (A)

WAO
ack
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THE NET PROCEEDS SHALL BE DISTRIBUTED, AT CLOSING, TO LEAST BUSINESS CREDIT, AS AGENT FOR LENDERS ("DIP AGENT"), IN AN AMOUNT EQUAL TO THE OUTSTANDING ^{POST-PETITION} BALANCE PURSUANT TO THE TERMS OF THE DIP AGREEMENT ("DIP LOAN BALANCE"), WITH ANY REMAINING NET PROCEEDS TO BE DISTRIBUTED PURSUANT TO FURTHER COURT ORDER PRIOR TO CLOSING, ~~AND~~ ~~NOTWITHSTANDING~~ ~~PRIOR~~ ~~ORDERS~~ OF NOTWITHSTANDING THE TERMS OF THE ASSET PURCHASE AGREEMENT, SUCH DISTRIBUTION OF NET PROCEEDS SHALL BE SUBJECT TO DISBURGEMENT AND REMITTANCE AS FOLLOWS:

IF ANY PROVIDERS OF TELECOMMUNICATIONS SERVICES TO THE DEBTORS DURING THE PENDENCY OF THEIR CHAPTER 11 CASES ("CARRIERS" REMAIN UNPAID FOR SUCH POST-PETITION SERVICES AS OF THE CLOSING OF THE SALE TO ONE STAR, AND DEBTORS LACK SUFFICIENT FUNDS OR RECEIVABLES TO PAY SUCH AMOUNTS, LENDERS MAY BE REQUIRED BY THIS COURT (AFTER NOTICE AND HEARING) TO PAY THEIR PRO RATA SHARE (IN PROPORTION TO THE PERCENTAGE SUCH LENDER HOLDS OF THE ~~PRE~~ PRE-PETITION LOAN BALANCE) OF SUCH AMOUNTS UP TO \$250,000, IN LIEU OF THE SET ASIDE OF THE

Handwritten initials/signature

CONTINUED:

AMOUNT OF FUNDS AS A MAKE-OUT PURSUANT
 TO THE TERMS OF THE DIP ORDERS, AND FURTHER
 MAY BE REQUIRED TO PAY ^{ANY WHO} ~~THEY~~ SUCH CLAIMS TO
 CARRIERS PURSUANT TO 11 USC § 506(c)
 TO THE EXTENT THIS COURT DETERMINES THAT
 CARRIERS POSSESS SUCH CLAIMS AGAINST
 LENDERS. ~~IN~~ IN ADDITION TO LENDERS,
 GOLDMAN SACHS GROUP, INC., BASED ON
 ITS STATEMENTS TO THIS COURT THROUGH
 COUNSEL, SHALL BE RESPONSIBLE TO PAY
 SUCH AMOUNT THAT GOLDMAN SACHS CREDIT
 PARTNERS, LP BECOMES OBLIGATED TO ~~BE~~
 DISGORGE PURSUANT TO THIS PARAGRAPH
 TO THE EXTENT THAT GOLDMAN SACHS
 CREDIT PARTNERS FAILS TO DISGORGE SUCH AMOUNT
 ACTUALLY RECEIVED BY GOLDMAN SACHS CREDIT
 PARTNERS LP.

EXHIBIT A

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.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"Assignment Agreement" means the Assignment and Assumption Agreement between Buyer and Seller in the form attached as Exhibit A, to be delivered by each Party to the other pursuant to the terms and conditions of this Agreement.

"Bill of Sale" means the Bill of Sale in the form attached as Exhibit B, to be delivered by Buyer to Seller pursuant to the terms and conditions of this Agreement.

"Buyer" has the meaning set forth in the preface above.

"Collection Agreement" means the Collection Agreement between Buyer and Seller in the form attached as Exhibit C, to be delivered by each Party to the other pursuant to the terms and conditions of this Agreement.

"Carrier" means a vendor who provides telecommunications service to Seller for the purpose of resell.

"Carrier Contracts" means the contracts between Seller and the Carriers.

"Closing" has the meaning set forth in Section 2(d) below.

"Closing Date" has the meaning set forth in Section 2(d) below.

"Closing Deposit" has the meaning set forth in Section 2(e) below.

"Customer Accounts" means the contracts between Seller and all its customers.

"Deposit" has the meaning set forth in Section 2(c) below.

"Deposit Agent" means Bush Strout & Kornfeld, 601 Union Street, Suite 5500, Seattle, Washington 98101-2373.

"DIP Agent" means Coast Business Credit, as agent for the DIP Lenders.

"DIP Lenders" means Goldman Sachs Credit Partners, L.P., and Coast Business Credit.

"DIP Loan" means the loan agreement between Seller and the DIP Lenders.

"Equipment" means all the equipment of Seller except for the items set forth in Schedule 1 (which pertain to Pacific Cellular).

"Excluded Assets" means (i) any cash and cash equivalents of Seller, (ii) the Accounts Receivable, (iii) prepayments made to any Carrier pursuant to an order of the bankruptcy court, (iv) refunds or rights of recoupment from any source relating to the payment of Taxes, (v) any causes of action, choses in action, rights of recovery, or rights of set off, (vi) the books, records, and files described in the attached Schedule 2, (vii) leases, subleases, equipment leases, switch leases, agreements, contracts, indentures, mortgages, instruments, guaranties, and other similar arrangements not otherwise identified as an Included Agreement, (vi) all the assets pertaining to Pacific Cellular, which include the name "Pacific Cellular," the Pacific Cellular Customer Accounts, the accounts receivable of Pacific Cellular, and the equipment, leases, contracts, and other assets used by Pacific Cellular exclusively at its locations identified in the attached Schedule 3, (vii) UStel's shares of stock of Arcada, (viii) UStel's shares of stock of Consortium 2000, Inc., (ix) switches, and (x) any of the rights of the Seller under this Agreement, the Collection Agreement, the Switch Usage Agreement, or any other agreement, document, or instrument delivered in connection with this Agreement.

"FCC Authorizations" means all approvals, consents, permits, licenses, certificates, and authorizations given by the Federal Communications Commission or similar federal governmental agency to provide the telecommunication services currently provided by the Seller and to conduct its business as it is currently conducted.

"Hearing Date" means the date the Bankruptcy Court conducts a hearing to consider the approval of this Agreement and its entry of a Sales Order.

"Included Agreements" means the contracts (including any contracts between Seller and any Carrier), leases, and subleases listed on the attached Schedule 4 and any others that Buyer may, by written notice delivered to Seller on or before July 7, 1999, elect to have assigned to Buyer, in each case conditioned on Buyer's payment of all cure amounts and providing adequate assurance of future performance as may be necessary to satisfy the requirements of 11 U.S.C. § 365(b)(1).

"Liability" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether

accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"Ordinary Course of Business" means the ordinary course of Seller's business of providing UStel and Arcada long distance and Arcada wireless/cellular telecommunications services conducted consistent with recent custom and practice (including with respect to quantity and frequency).

"Pacific Cellular" means Seller's separate operating division known as "Pacific Cellular," which provides mobile telephone and paging services conducted in its entirety at the locations listed on Schedule 3.

"Party" and "Parties" have the meanings set forth in the preface above.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Purchase Price" has the meaning set forth in Section 2(b) below.

"Revenue" means the aggregate of the revenue line items for an applicable period as reflected on Seller's financial statements for such period prepared consistent with Seller's current accounting practices.

"Sale Order" means an order of the Bankruptcy Court approving this Agreement and the parties' consummation of the transactions it contemplates, such that, pursuant to 11 U.S.C. 363, Seller's Assets may be sold free and clear of liens, claims, and encumbrances.

"Seller" has the meaning set forth in the preface above.

"State PUC Authorizations" means all approvals, consents, permits, licenses, certificates, and authorizations given by any state or local regulatory authority to provide the telecommunications services currently provided by the Seller and to conduct its business as it is currently conducted.

"Switch Usage Agreement" means the Switch Usage Agreement between Buyer and Seller in the form attached as Exhibit D, to be delivered by each Party to the other pursuant to the terms and conditions of this Agreement.

"Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental assessments, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative, minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

2. Basic Transaction.

(a) Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, including Bankruptcy Court approval of this Agreement and issuance of a Sale Order, the Buyer agrees to purchase from the Seller, and the Seller agrees to sell, transfer, convey, and deliver to the Buyer, all of the Acquired Assets at the Closing, for the consideration specified below in this Section 2, free and clear of any and all debts, obligations, claims, limitations, liens, and/or any other encumbrances whatsoever on the Acquired Assets (other than the Included Agreements) delivered.

(b) Purchase Price: Allocation. The "Purchase Price" for the Acquired Assets is Six Million Two Hundred Fifty Five Thousand and No/100 United States Dollars (\$6,255,000.00). The parties will allocate the Purchase Price among the Acquired Assets for all purposes in the following manner: (i) for the Equipment and any other items of personal property, in amounts equal to their values reflected on Seller's books and records as of the date of its last regularly prepared financial statements, and (ii) for all other Acquired Assets, in the manner that Buyer may determine in its discretion exercised consistent with reasonably prudent accounting practices.

(c) Deposit. By the close of Deposit Agent's business on the date of this Agreement, Buyer must deliver to the Deposit Agent the sum of Six Hundred Thousand and No/100 United States Dollars (\$600,000.00) (with interest earned thereon, if any, the "Deposit") for disbursement (i) to Seller as provided in Section 2(e) below, or (ii) to Seller or Buyer, as the case may be, as provided in Section 8 below.

(d) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Mundt MacGregor LLP, 999 Third Avenue, Suite 4200, Seattle, Washington, commencing on a date and a time mutually convenient for the Parties, but in no event not any later than thirty (30) days after the date of entry of the Sale Order (the "Closing Date"); provided, however, that the Closing Date may be extended upon mutual agreement of the Parties and the DIP Lenders.

(e) Deliveries at the Closing. At the Closing, (i) the Buyer will deliver (A) to Seller the various certificates, instruments, and documents referred to in Section 7 below, including the Assignment Agreement, the Collection Agreement, and the Switch Usage Agreement, and (B) to DIP Agent a sum equal to the difference between the Purchase Price and the Deposit by wire transfer to such account(s) as the DIP Agent may direct; (ii) the Seller will deliver to the Buyer (A) the various certificates, instruments, and documents referred to in Section 6 below, including the Assignment Agreement, the Bill of Sale, the Collection Agreement, and the Switch Usage Agreement, and (B) possession of the Acquired Assets; (iii) the Deposit Agent will disburse the Deposit to Seller in payment of the remaining balance of the Purchase Price by wire transfer to such account(s) as the DIP Agent may direct; and (iv) each Party shall deliver such other instruments of sale, transfer, conveyance, and assignment as the other Party and its counsel reasonably may request.

(f) No Assumptions of Liabilities. Except for Buyer's assumption of Seller's obligations of the Included Agreements pursuant to the Assignment Agreement, the Parties agree and acknowledge that the Buyer is not assuming any Liability or other obligations of the Seller pursuant to this Agreement.

3. Representations and Warranties of the Seller. The Seller represents and warrants to the Buyer that the statements contained in this Section 3 are correct and complete as of the date of this Agreement and/or will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3).

(a) Organization of the Seller. UStel, Inc. is a corporation duly organized, validly existing, and in good standing under the laws of Minnesota. Arcada Communications, Inc. is a corporation duly organized, validly existing, and in good standing under the laws of Washington.

(b) Authorization of Transaction. The Seller has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and, subject to obtaining the Sale Order, to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Seller, enforceable in accordance with its terms and conditions.

(c) Brokers' Fees. The Seller has employed a broker with respect to the transactions contemplated by this Agreement. The Buyer shall have no Liability whatsoever to such broker.

(d) Cure Amounts. To the best of Seller's knowledge, the cure amount for each Included Agreement does not exceed the maximum amount set forth in the attached Schedule 4.

(e) Scope of Acquired Assets. None of the assets of Seller's wholly owned subsidiary, Consortium 2000, is needed to continue the Ordinary Course of Business after the Closing Date.

(f) Title to Assets. By the Closing Date, and as a result of the Sale Order, Seller will have good and marketable title to all of the Acquired Assets, free and clear of any Liabilities (other than the Included Agreements), including all debts, obligations, claims, limitations, liens, security interests, restrictions on transfer, and/or any other encumbrances whatsoever on Acquired Assets delivered.

(g) State PUC Authorizations and FCC Authorizations. Each of the PUC Authorizations and the FCC Authorizations that have been issued to the Seller will be listed in a Schedule to be delivered to Buyer on or before July 7, 1999. Except as set forth in such Schedule, none of the FCC Authorizations, if any, has been modified, amended, or otherwise altered, and each remains legal, valid, binding, and in full force and effect.

(h) Disclosure. The representations and warranties contained in this Section 3 above do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 3 above not misleading.

4. Representations and Warranties of the Buyer. The Buyer represents and warrants to the Seller that the statements contained in this Section 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4).

(a) Organization of the Buyer. The Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(b) Authorization of Transaction. The Buyer has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Buyer, enforceable in accordance with its terms and conditions.

(c) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Buyer is subject or any provision of its charter or bylaws or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject. Other than such filings as Buyer may need to obtain the Sale Order, and except as provided in Section 6(g) below, the Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fee. The Buyer has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Seller could become liable or obligated.

(e) Limitation of Representations and Warranties. Except for the representations and warranties of Seller expressly set forth in Section 3 above, Buyer has not relied upon any representations and warranties in making its determination to enter into this Agreement and consummate the matters provided for herein. Without limiting the foregoing, Buyer expressly acknowledges that (i) Seller makes no representation whatsoever regarding any approvals, authorizations, permits, consents, licenses, orders and restrictions of any governmental agency, whether federal, state or local, required to continue the Ordinary Course of Business of Seller after the Closing, and (ii) Seller is selling the Assets to Buyer "as-is, where is," with all faults, and without representation or warranty of condition of any kind.

(f) Disclosure. The representations and warranties contained in this Section 4 above do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 4 above not misleading.

5. Covenants of the Parties.

(a) Preservation of Business. The Seller 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. Further, Seller shall make no changes in its computer system (other than changes being made in response to "Y2K" concerns) that adversely and materially impact customer credit, customer service, or provisioning. Seller shall not, without Buyer's written consent, change any of its rate plans (other than in respect of increases for certain international calls or that reflect an increase in PICC) for its existing customers from the date of this Agreement and continuing up to the Closing.

(b) Full Access/Participation. From the date of executing this Agreement and continuing up to the Closing, the Seller will permit representatives of the Buyer to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Seller, to all premises, properties, personnel, books, computer and Internet systems, records (including Tax records), contracts, and documents of or pertaining to the Seller, including without limitation:

- i. past and existing customer base lists by account number with all billing data, including but not limited to, billing telephone number and address and payment history;
- ii. current financial information, monthly P&L's;
- iii. current marketing programs (pertaining to the targeted accounts);
- iv. letters of agency (LOA's) or service agreements;
- v. customer applications;
- vi. written correspondence on customer accounts;
- vii. third party verification records;
- viii. current copies of UStel tariffs and certifications; and
- ix. all documents and correspondence regarding Public Utility Commission ("PUC") complaints filed against Seller.

(c) Additional Included Agreements. Prior to the Closing Date, Seller will assist and cooperate with Buyer to arrange for Buyer's assumption, at Buyer's sole cost and expense, of any agreement (unless by then rejected in bankruptcy) that Buyer may desire to assume even though not otherwise included among the Included Agreements.

(d) Notice of Material Decisions. From the date of executing this Agreement and continuing up to the Closing, the Seller will notify the Buyer two (2) business days in advance of acting on any management decision that will result in an unwaived default of the DIP Loan.

(e) Cooperation. Seller's employment of the personnel needed to operate its business will end upon the Closing. Prior to then, Seller will cooperate fully in assigning Included Agreements, transferring existing tariffs and certifications, and transitioning possession of the Acquired Assets to Buyer. After the Closing, Seller 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 the Seller from maintaining the same business relationships with the Buyer after the Closing as it maintained with the Seller prior to the Closing.

(f) 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 3 above and Section 4 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.

(g) Bankruptcy Court Authorization. To the extent not inconsistent with Seller's fiduciary duties as a debtor in possession, Seller will use its reasonable efforts to obtain the Sale Order and such other orders as may be needed from the Bankruptcy Court to authorize the assignment and assumption of the Included Agreements.

(h) Joint Statement. Promptly following the Closing, if requested by Buyer, Seller will cooperate in issuing a joint statement to suppliers, customers, and such other parties as may be agreed upon by Buyer and Seller, advising them of the transfer of Assets from Seller to Buyer hereunder, including, but not limited to, the transfer of the Accounts Receivable.

(i) Hiring of Employees. Buyer may hire, or not hire, any of Seller's employees at Buyer's sole discretion.

(j) Approvals. Buyer will use its best efforts to obtain the consents, approvals, contracts, and other similar assurances necessary to satisfy the conditions of Sections 6(g) and 6(l) below. Toward this end, Buyer will file all applications needed to obtain the governmental approvals required to satisfy the condition of Section 6(g) below no later than three (3) business days following the date of entry of the Sale Order.

(k) Post-Closing Access and Cooperation. For the period following Closing, (i) each Party will provide the other with reasonable access to such documents, books, records, agreements, and financial data of Seller being retained by Seller or being delivered to Buyer, as the case may be, as the requesting Party in its sole discretion may consider necessary and (ii) Buyer will assist and cooperate with the Seller's consultants, agents, and representatives in identifying, segregating, and arranging payment of pre-Closing accrued payables (including a "true up" of post-petition obligations due and payments made to Carriers) and retention payments.

6. Conditions to Buyer's Obligation to Close. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

- (a) the representations and warranties set forth in Section 3 above shall be true and correct in all material respects at and as of the Closing Date;
- (b) the Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;
- (c) the Buyer shall have received from Seller a signed counterpart of the Assignment Agreement in the form attached as Exhibit A;
- (d) the Buyer shall have received from Seller a Bill of Sale properly executed and in the form attached as Exhibit B;
- (e) the Buyer shall have received from Seller a signed counterpart of the Collection Agreement in the form attached as Exhibit C;
- (f) the Buyer shall have received from Seller a signed counterpart of the Switch Usage Agreement in the form attached as Exhibit D;
- (g) the Buyer shall have received all the authorizations, consents, and approvals of the FCC necessary to consummate the transaction contemplated in this Agreement by and as of the Closing Date;
- (h) prior to the Closing, the Seller shall have provided Buyer with audited financial statements for UStel for 1996 and 1997;
- (i) the Revenue for the month of operations immediately preceding the Closing Date shall have exceeded 75% of the Revenue for the month of operations for May 1999;

(j) the Buyer shall be reasonably satisfied that Buyer will, at Buyer's sole cost and expense (but without need for either Buyer's or Seller's payment of any cure amounts), be able to continue the Ordinary Course of Business of Seller for a period of at least 90 days after the Closing with respect to the type of services provided under the Carrier Contracts; provided, however, that the condition of this Section shall be deemed conclusively satisfied unless, on or before the 15th day following the date of entry of the Sale Order, Buyer notifies Seller in writing of Buyer's election to terminate this Agreement on account of the failure of the condition of this Section; and provided further, that Buyer's termination of this Agreement pursuant to this Section shall not become effective unless, once notified of Buyer's election, Seller then fails to obtain a post-petition order of the Bankruptcy Court on or before the Closing Date ordering the Carriers to provide service (at Buyer's sole cost and expense on terms substantially the same as Seller's obligations for post-petition telecommunications services (but without need for either Buyer's or Seller's payment of any cure amounts)) pursuant to the Carrier Contracts for a post-closing period of 90 days;

(k) the Buyer shall have finalized employment arrangements that are satisfactory to Buyer, in its sole discretion, with George Singer, Wouter van Biene, Darryl Dawson, Tuck Jue, Tom Campbell, Herb Herbolsheimer, B. Jager, and R. Dawson; provided, however, that the condition of this Section shall be deemed conclusively satisfied unless, on or before July 16, 1999, Buyer notifies Seller in writing of Buyer's termination of this Agreement on account of the failure of the condition of this Section;

(l) the Buyer shall have obtained on terms and conditions reasonably satisfactory to Buyer a new lease agreement for the switch location currently leased by Seller in the Westin Building in Seattle, Washington; provided, however, that the condition of this Section shall be deemed conclusively satisfied unless, on or before July 16, 1999, Buyer notifies Seller in writing of Buyer's termination of this Agreement on account of the failure of the condition of this Section;

(m) the Dip Lenders shall have agreed by July 23, 1999, to an extension of the DIP Loan on terms and in an amount reasonably necessary for Seller to continue operating in the Ordinary Course of Business through the Closing Date;

(n) the Bankruptcy Court shall have entered the Sale Order in a form reasonably acceptable to Buyer;

(o) the Bankruptcy Court shall have entered an order in a form reasonably acceptable to Buyer authorizing the assignment and assumption of the Included Agreements;

(p) all instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Buyer;

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

The Buyer may waive any condition specified in this Section 6 if it executes a writing so stating at or prior to the Closing.

7. Conditions to Seller's Obligation to Close. The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(a) the representations and warranties set forth in Section 4 shall be true and correct in all material respects at and as of the Closing Date;

(b) the Buyer must have performed all obligations required to be performed by it under this Agreement prior to and on the Closing Date, including payment of the Purchase Price;

(c) the Seller shall have received from Buyer a signed counterpart of the Assignment Agreement in the form attached as Exhibit A;

(d) the Seller shall have received from Buyer a signed counterpart of the Collection Agreement in the form attached as Exhibit C;

(e) the Seller shall have received from Buyer a signed counterpart of the Switch Usage Agreement in the form attached as Exhibit D;

(f) the Seller must have received a certificate from an officer of Buyer certifying that an attached copy of the resolutions of the Board of Directors of Buyer approving this Agreement and Buyer's performance of the transactions it contemplates are true, complete, and correct, and remain unamended and in full force and effect;

(g) the Dip Lenders shall have agreed by July 23, 1999, to an extension of the DIP Loan on terms and in an amount reasonably necessary

for Seller to continue operating in the Ordinary Course of Business through the Closing Date;

(h) the Bankruptcy Court shall have entered the Sale Order;

(i) the Bankruptcy Court shall have entered an order authorizing the assignment and assumption of the Included Agreements; and

(j) all instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Seller;

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

The Seller (with the Consent of the DIP Lenders) may waive any condition specified in this Section 7 if it executes a writing so stating at or prior to the Closing.

S. Termination.

(a) Termination of Agreement. Certain of the Parties may terminate this Agreement as provided below:

i. the Buyer may terminate this Agreement by giving written notice to the Seller in the event that (A) the Bankruptcy Court has not entered the Sale Order on or before July 14, 1999; or (B) the condition set forth in Section 6(j) above has not been satisfied on or before the 15th day following the entry of the Sale Order (but then only if Seller is unable to obtain a timely post-petition order as described in Section 6(j) above), or (C) the conditions set forth in Sections 6(k) and 6(l) above have not been satisfied on or before July 16, 1999; or (D) the condition set forth in Section 6(m) above has not been satisfied on or before July 23, 1999; or (E) all the other conditions set forth in Section 6 above have not been satisfied or waived by the Closing Date (or such later date, if extended pursuant to Section 2(d) above), unless the failure to satisfy any such condition results primarily from the Buyer itself breaching any representation, warranty, or covenant contained in this Agreement; and

ii. the Seller may terminate this Agreement by giving written notice to the Buyer in the event that (A) the Bankruptcy Court has not entered the Sale Order on or before July 14, 1999; or (B) the condition set forth in Section 7(g) above has not been satisfied on or before July 23, 1999; or (C)

all the other conditions set forth in Section 7 above have not been satisfied or waived by the Closing Date (or such later date, if extended pursuant to Section 2(d) above), unless the failure to satisfy any such condition results primarily from the Seller itself breaching any representation, warranty, or covenant contained in this Agreement.

(b) Effect of Termination. The termination of this Agreement by either Party shall be without prejudice to the rights and remedies either party may have to recover its damages, expenses, and costs, including legal and professional fees, for any breach of this Agreement by the other. Regardless of termination, both Buyer and Seller shall continue to be bound by the provisions of Sections 9 below and 10 below.

(c) Disbursement of Deposit. If this Agreement terminates because of Buyer's default and failure to close, the Deposit Agent shall hold the Deposit as security for, and disburse the Deposit to the Dip Agent in payment of, any judgment that Seller may obtain against Buyer for Seller's damages, expenses, and costs, including legal and other professional fees. If this Agreement terminates for any other reason, The Deposit Agent shall promptly return the Deposit to Buyer.

9. Confidentiality. In the event that the Parties do not consummate the transactions contemplated in this Agreement, the Buyer (i) shall not use any of the information disclosed to Buyer concerning Seller or the Acquired Assets (including information about Seller's employees, its customers, or its marketing strategies) for any reason whatsoever; (ii) shall destroy or return to Seller as much of such written information as Seller may reasonably request, and (iii) shall maintain in confidence all such information, whether obtained in writing, orally, or otherwise, except for information generally known to the public other through Buyer's breach of the covenants of this Section.

10. Miscellaneous.

(a) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(b) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligation hereunder without the prior written approval of the other Party; provided, however, that the Buyer may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligation

hereunder (in any or all of which cases the Buyer nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(c) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communications hereunder shall be deemed duly given if (and then two business day after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Buyer:

OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715
Attention: Mr. Alan Powers

With a copy to:

Bamberger, Foreman, Oswald & Hahn,
L.L.P.
7th Floor Hulman Building
20 N.W. 4th Street
P.O. Box 657
Evansville, Indiana 47708
Attention: Mr. Terry G. Farmer

If to Seller:

UStel, Inc.
2033 6th Avenue, Suite 401
Seattle, Washington 98121
Attention: Mr. David M. Otto,
Secretary and General Counsel

With a copy to:

Mundt MacGregor L.L.P.
999 Third Ave., Suite 4200
Seattle, Washington 98104-4082
Attention: Joe B. Stansell

And to:

Bush Strout & Kornfeld
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Attention: Armand J. Kornfeld

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using personal delivery, expedited courier, messenger service, certified mail, but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

(e) Amendments and Waivers. No amendments of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and the Seller. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(f) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(g) Expenses. Each of the Buyer and the Seller will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transaction contemplated hereby.

(h) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) 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.

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

(k) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Agreement may be executed by facsimile.


(l) Entire Agreement. This Agreement and the Exhibits and Schedules hereto (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written:


ONESTAR LONG DISTANCE, INC

By: _____
Its: _____

USTEL INC.

By: 
Its: General Counsel &
Corporate Secretary

ARCADA COMMUNICATIONS, INC.

By: 
Its: General Counsel &
Corporate Secretary

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written:

ONESTAR LONG DISTANCE, INC.

By: Alan Bower
Its: CEO

USTEL, INC.

By: _____
Its: _____

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

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EXHIBIT "A"

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement ("Agreement") is entered into this ____ day of _____, 1999, 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 Seller enter into this Agreement with reference to the following facts:

A. Seller and Buyer are parties to that certain Asset Purchase Agreement dated as of the ____ day of July 1999, pursuant to which Seller has agreed to sell and Buyer has agreed to buy the assets of Seller. Unless otherwise defined herein, all capitalized terms in this Agreement and the attached Schedule shall have the meanings ascribed to them in the Asset Purchase Agreement.

B. The execution of this Agreement by each party and its delivery to the other is a material condition to Seller's obligation to sell and Buyer's obligation to buy the Acquired Assets.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. Assignment of Rights and Duties. Seller hereby assigns to Buyer all of Seller's rights and duties under the agreements listed in the attached Schedule 1 (collectively, the "Included Agreements"). Buyer hereby accepts all of Seller's rights and duties under the Included Agreements and assumes, undertakes, and agrees to perform each and every obligation and liability now existing or hereafter arising under the Included Agreements.

2. Further Acts. Each party and its successors and assigns agrees to perform any further acts and to execute and deliver any documents, instruments, certificates, and agreements that may be reasonably necessary to carry out the provisions of this Agreement.

3. Governing Law. This Agreement and the obligations of the parties hereunder shall be interpreted, construed, and enforced in accordance with the laws of the State of Washington.

4. Counterparts. This Agreement may be signed in counterparts which, taken together, shall constitute the complete agreement.

5. Entire Agreement. This Agreement and the Asset Purchase Agreement contain the entire agreement among the parties with regard to the assignment and assumption of the Included Agreements.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date written above.

ONESTAR LONG DISTANCE, INC.

By: _____
Its: _____

USTEL, INC.

By: _____
Its: _____

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

EXHIBIT "B"

BILL OF SALE

For valuable consideration, receipt of which is hereby acknowledged, USTEL, INC., a Minnesota corporation, and ARCADA COMMUNICATIONS, INC., a Washington corporation (together, "Seller"), do hereby bargain, sell, warrant, and convey to ONESTAR LONG DISTANCE, INC., an Indiana corporation ("Buyer"), the property listed in Exhibit A attached hereto and by this reference incorporated herein (the "Property").

The Property is being sold without warranty "as is, where is," and, pursuant to an order approving sale entered in case numbers 99-02632 and 99-02633 filed with the United States Bankruptcy Court for the Western District of Washington, free and clear of any and all mortgages, liens, pledges, charges, encumbrances, or claims of any nature whatsoever.

DATED as of this ____ day of _____ 1999.

USTEL, INC.

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT A
THE "PROPERTY"

See attached.

EXHIBIT "C"

COLLECTION AGREEMENT

This Collection Agreement is entered into as of this ____ day of _____ 1999 by and between OneStar Long Distance, Inc., an Indiana corporation (the "Agent"), 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 are referred to herein together as the "Owner."

Owner and Agent are parties to that certain Asset Purchase Agreement dated as of the ____ day of _____ 1999. Pursuant to the Asset Purchase Agreement, Agent has agreed to buy and Owner has agreed to sell certain assets comprising Owner's long-distance and wireless/cellular telecommunications businesses operating under the "UStel" and "Arcada" names. A material condition precedent to either party's performance of the Asset Purchase Agreement is the other's execution and delivery of this Agreement.

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. Terms capitalized in this Agreement but not otherwise defined below shall have the meanings ascribed to them in the Asset Purchase Agreement:

"Agreed Procedures" means the procedures described in Exhibit A attached to this Agreement.

"Payment Status" means an account that is the subject of an agreed payment schedule not in default for more than fifteen (15) days.

"Permitted Expenses" means the reasonable collection expenses (including litigation expenses) incurred by Agent under the circumstances described in the Agreed Procedures.

"Qualified Accounts Receivable" means Accounts Receivable other than (i) those that are the subject of litigation filed on or before the Closing Date, (ii) those more than 180 days old on or before the Closing Date, and (iii) those that, beginning 180 days after the date of this Agreement, fail to maintain Payment Status.

"Term" has the meaning set forth in Section 4 below.

2. Collection of Accounts Receivable.

(a) Owner hereby appoints Agent for the term set forth in Section 4 below as its exclusive agent for the sole and limited purpose of collecting on Owner's behalf the Qualified Accounts Receivable. Agent hereby accepts Owner's appointment.

(b) As soon as practical after the date of this Agreement, Agent shall identify all the Qualified Accounts Receivable according to the steps set forth in the Agreed Procedures.

(c) Agent shall use reasonable efforts consistent with customary business practices to collect all the Qualified Accounts Receivable, whether invoiced before the Closing Date or not, and shall maintain records of its invoices, collections, and payments consistent with customary accounting practices.

(d) Agent shall remit all its collections to the Dip Agent each Wednesday for the previous week's collections (whether collections are received before or after the Term), less an amount in payment of its fee due pursuant to Section 3 below.

(e) Agent shall turn over to Owner's designated collection agency (i) any accounts that do not now qualify, or during the Term of this Agreement may no longer qualify, as a Qualified Account Receivable and (ii) all accounts at the end of the Term except for those then in Payment Status.

(f) Agent shall provide to Owner (with a copy to DIP Agent) weekly reports of its collection of Qualified Accounts Receivable, including aging reports, collection rates, and such other information as Owner may reasonably request.

(g) Owner and DIP Agent shall each have the right, at their respective sole cost and expense, to audit Agent's financial records pertaining to the identification, collection, and disbursement of Qualified Accounts Receivable and payment of Permitted Expenses.

3. Collection Fee. In payment of the services rendered under this Agreement, Agent shall receive the following:

(a) 17½ ¢ for every \$1.00 of the first \$4,000,000 (net of the Permitted Expenses) of the Qualified Accounts Receivable that Agent collects (whether payment is received before or after the Term);

(b) 25 ¢ for every \$1.00 of Qualified Accounts Receivable that Agent collects after the first \$4,000,000 (net of Permitted Expenses) (whether payment is received before or after the Term); and

(c) reimbursement of Permitted Expenses.

4. Term. Agent's appoint pursuant to Section 2(a) above shall be for a period (the "Term") beginning on the date of this Agreement and ending (i) on the 180th day after the date of this Agreement or, if sooner, (ii) on the twentieth (20th) day after Owner gives Agent written notice of a material default that Agent then fails to cure within such twenty-day period.

5. Miscellaneous.

(a) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligation hereunder without the prior written approval of the other Party, which consent shall not be unreasonably withheld.

(b) Third-Party Beneficiary. DIP Agent is an intended third-party beneficiary of this Agreement. Except for DIP Agent, the Parties do not intend for any other party to be a third-party beneficiary.

(c) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communications hereunder shall be deemed duly given if (and then two business day after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Agent

OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715
Attention: Mr. Alan Powers

With a copy to:

Bamberger, Foreman, Oswald & Hahn,
L.L.P.
7th Floor Hulman Building
20 N.W. 4th Street
P.O. Box 657
Evansville, Indiana 47708
Attention: Mr. Terry G. Farmer

If to Owner

UStel, Inc.
2033 6th Avenue, Suite 401
Seattle, Washington 98121
Attention: Mr. David M. Otto,
Secretary and General Counsel

With a copy to:

Mundt MacGregor L.L.P.
999 Third Ave., Suite 4200
Seattle, Washington 98104-4082
Attention: Joe B. Stansell

And to:

Bush Strout & Kornfeld
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Attention: Armand J. Kornfeld

If to DIP Agent

Coast Business Credit
12121 Wilshire Blvd., Suite 1111
Los Angeles, California 90025-1176
Attention: Mr. Britt Terrell

And to:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006
Attention: Lindsee P. Granfield

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using personal delivery, expedited courier, messenger service, certified mail, but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

(e) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Agreement may be executed by facsimile.

(g) Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written:

ONESTAR LONG DISTANCE, INC.

By: _____
Its: _____

USTEL, INC.

By: _____
Its: _____

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

EXHIBIT A

AGREED PROCEDURES

Identification of Accounts Receivable.

At the close of business on the day prior to Closing Date, Owner will run a report showing all outstanding billed Accounts Receivable through the close of said business day. Such information shall be provided in an electronic and hard copy form (such reports being referred to as the "Closing Reports").

Agent will take the following steps to identify Qualified Accounts Receivable:

1. Using the Closing Reports, Agent will identify those Accounts Receivable over the 180 days. Further, Owner shall designate for Agent such of the Accounts Receivable which are subject to litigation filed on or before the Closing Date. All such Accounts Receivable so identified by agent and Owner respectively shall be excluded from Qualified Accounts Receivable.
2. For telecommunications services not yet invoiced before the Closing Date that are billed through Integretel, Agent will bill all call records made through the Closing Date under Owner's existing Integretel account. At Agent's option, Agent may begin billing call records made as of the open of business on the first day following the Closing Date through a new account number opened with Integretel (or another similar service provider). Agent will then bill and collect for Owner's exclusive benefit all payments made under any invoice to Integretel relative to the closed account number.
3. For telecommunications services not yet invoiced before the Closing Date that are not billed through Integretel, Agent will run customer invoices for at least the first 43 days following the Closing Date consistent with Owner's past billing practices. On the first day and through the forty-third day following the Closing Date, agent will parse the daily invoice print files for the invoices generated during the first forty-three days following the Closing Date in order to generate for each invoice a fraction. The numerator of said fraction is the total pre tax usage charge billed to the customer after the Closing Date, but for services incurred before the Closing Date. The pre tax usage charge shall include all long distance usage (call charge only), directory assistant fees, payphone surcharges and related usage sensitive services including, but not

limited to, interstate, intrastate, intraLATA, travel cards, toll-free service and international services. The pre tax usage charge shall not include the following (collectively, "Excluded Charges"): federal, state and local taxes, fees including primary interexchange carrier charges (PICC), Universal Service Fund (USF), late fees, other special or fixed billing charges (including fixed, flat rated monthly fees "FFR") and other special services charges such as local charges to T-1 dedicated services. The denominator of said fraction is the aggregate of all charges appearing on the invoice less any Excluded Charges from call records completed before and after the Closing Date. Agent will allocate to Owner all collections received relevant to each such invoice by using the above fraction multiplied by all amounts invoiced in the 43 days following the Closing Date. The collected FFR's billed to customers shall be allocated to Owner based on a fraction of which the numerator is the number of days Owner provided service before the Closing Date compared to the denominator of which will be the number of days in the billing cycle following the Closing Date.

Permitted Collection Actions and Expenses.

Agent may receive reimbursement for expenses incurred in collection Qualified Accounts Receivable only under the following circumstances:

1. Agent may not receive any reimbursement for expenses incurred in collecting Qualified Accounts Receivable anytime during the first 90 days following the Closing Date, unless incurred with the prior written consent of both Owner and DIP Agent.
2. Agent may receive reimbursement for expenses incurred in collecting Qualified Accounts Receivable after the first 90 days following the Closing Date without the prior written consent of Owner and DIP Agent only as follows:
 - (a) Agent may receive reimbursement for normal and customary fees paid to a collection agency on a contingency basis relative to collections actually obtained for Qualified Accounts Receivable;
 - (b) Agent may receive reimbursement for normal and customary fees paid to litigation counsel on a contingency basis relative to collections actually obtained for Qualified Accounts Receivable whose unpaid balance, at the time of referral to litigation, exceeds \$2500; and

(c) Agent may receive reimbursement for filing fees and other expenses typically advanced by clients for collection matters referred to counsel on a contingency fee basis; provided, however, that except for filing fees, Agent may receive such reimbursement only in relation to advances made for Qualified Accounts Receivable resulting in an actual recovery in excess of the advanced amount.

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EXHIBIT "D"

SWITCH USAGE AGREEMENT

This Switch Usage Agreement is entered into as of this ____ day of _____ by and between OneStar Long Distance, Inc., an Indiana corporation ("Grantee"), 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 are referred to herein together as the "Grantor."

Grantor and Grantee are parties to that certain Asset Purchase Agreement dated as of the _____ day of _____ 1999. Pursuant to the Asset Purchase Agreement, Grantee has agreed to buy and Grantor has agreed to sell certain assets comprising Grantor's long-distance and wireless/cellular telecommunications businesses operating under the "UStel" and "Arcada" names. A material condition precedent to either party's performance of the Asset Purchase Agreement is the other's execution and delivery of this Agreement.

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. Terms capitalized in this Agreement but not otherwise defined shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

2. Right to Use Switch Equipment.

(a) Grantor hereby grants to Grantee the exclusive right to use Grantor's switches identified in the attached Schedule 1 for a period not to exceed 150 days, beginning as of the date of this Agreement.

(b) Grantee shall maintain the switches in good working order during the period of their use and shall surrender them in the same condition Grantee receives them, normal wear and tear excepted.

(c) Grantee may terminate its right to use any particular switch, or any combination of them, at any time by (i) delivering thirty days' advanced written notice to Grantor and to the applicable switch vendor and the co-location lessor (collectively, "Vendors") identified in Schedule 1 and (ii) at the end of the thirty-day period (or upon the termination of this Agreement, whichever is later), surrendering possession of each switch at its current location or, at without cost to Grantee, cooperating with whatever other arrangements

Grantor may make with the Vendors for the surrender of each switch. Once surrendered, Grantee shall have no further right to the use of a switch and no further liability for payment of a fee in respect of it.

3. Fee. From the date of this Agreement until the date surrendered, Grantee shall pay to each Vendor, when due, the monthly fee for each Vendor set forth in the attached Schedule 1, with all fees pro rated for each day of Grantee's use of the switch and associated space during the preceding month.

4. Miscellaneous.

(a) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligation hereunder without the prior written approval of the other Party, which consent may not be unreasonably withheld.

(b) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communications hereunder shall be deemed duly given if (and then two business day after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Licensee

OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715
Attention: Mr. Alan Powers

With a copy to:

Bamberger, Foreman, Oswald & Hahn,
L.L.P.
7th Floor Hulman Building
20 N.W. 4th Street
P.O. Box 657
Evansville, Indiana 47708
Attention: Mr. Terry G. Farmer

If to Licensor

UStel, Inc.
2033 6th Avenue, Suite 401
Seattle, Washington 98121
Attention: Mr. David M. Otto,
Secretary and General Counsel

With a copy to:

Mundt MacGregor L.L.P.
999 Third Ave., Suite 4200
Seattle, Washington 98104-4082
Attention: Joe B. Stansell

And to:

Bush Strout & Kornfeld
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Attention: Armand J. Kornfeld

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using personal delivery, expedited courier, messenger service, certified mail, but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

(d) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of

which together will constitute one and the same instrument. This Agreement may be executed by facsimile.

(f) Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written:

ONESTAR LONG DISTANCE, INC.

By: _____
Its: _____

USTEL, INC.

By: _____
Its: _____

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

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Switch Status July 1, 1999

Item	Portland	Denver	Phoenix	Las Vegas	Salt Lake City	Los Angeles
Switch Type	Siemens DCO	Siemens DCO	DTIDXC	DTIDXC	DTIDXC	DTIDXC
Monthly Lease	\$9,735 \$2,371	\$8,800	N/A	N/A	N/A	N/A
Total Value (either lease payment or original purchase price as of April 1, 1999)	\$764,423 \$101,266	\$397,782	\$164,982	\$184,806	\$133,493	\$247,632
TPG Pre-petition costs (including late charges)	\$8,587.34 \$35,263.26 (upgrade)	\$32,565.20	N/A	N/A	N/A	N/A
TPG Address						
Calculated Lease Payments	N/A	N/A	\$3,594	\$3,372	\$3,474	\$5,394
Lease Payment Due	1 st of the Month	1 st of the Month	1 st of the Month	1 st of the Month	1 st of the Month	1 st of the Month
Location	Bank of California Building 707 SW Washington Rt, Suite 320 Portland, OR 97201 UStel site	910 15 th St. Suite 607 Denver, CO Co-lo with Internet Communication s Corp.	3220 N 3 rd AV Phoenix, AZ 85012 Co-lo with CST	2240 Corporate Circle Henderson, NV 89011 Co-lo with Netlink	265 East 100 South Salt Lake City, UT 84111 Co-lo with ELL	9560 Wilshire Bldg Berry Hill, CA 90211 UStel site
Lessor, Space only	Matrix Mark Companies 111 SW Columbia #1380 Portland, OR 97201	Internet Communication s Corp. Dept. 760 Denver, CO 80291-4710	GST Telecom P.O. Box 24667 Seattle, WA 98124-0663	Netlink C/O Robert Fishers 300 308 th AV NE #2200 Bellevue, WA 98004	Electric Lightware Unit No. 197 P.O. Box 8037 Portland, OR 97208	Wilroad Associates, LP C/O Unis Dept 8881 Los Angeles, CA 90081
Lease/co-lo amount	\$1,000	\$1,800	\$1,243.00	\$2,300.00	\$1,200.00	\$1,000
In Service	Late 1994	8/94	7/98	2/99	2/99	Not installed
SS7	No	No	No	Yes	No	No
Software Release	15	19	N/A	N/A	N/A	N/A
Wired	48	48	17	16	16	16
Equipped	48	48	17	16	16	16
Ports Equipped	1452	1192	336	288	288	48
Ports In Service	744	408	336	288	288	1036 0

SCHEDULE "1"

INCLUDED AGREEMENTS

Description	Minimum Cure	Maximum Cure
License Agreement between Seller and Telecommunications Finance Group for the lease of a switch located in Seattle	\$0	\$45,711.93
Lease Agreement between Seller and Data General Corporation for the lease of billing system computers	\$13,397.83	\$23,467.04
License Agreement between Seller and EXL for the license of billing software	\$18,668.79	\$33,351.42
Lease Agreement between Seller and Melvin Mark Companies for the lease of space used to locate Portland switch	\$0	\$1759.29
Lease Agreement between Seller and Clise Properties, Inc. for office space in the United Airlines Building in Seattle	\$32,750.53	\$33,000.53
Service Agreement between Seller and Integretel for the billing of Seller's customers through Local Exchange Carriers	\$0	\$0

SCHEDULE 1

EQUIPMENT

See attached.

Received: 4/27/99 18:36;
04/27/99 TUE 18:33 FAX 7353292

7353292 -> SKLAR WARREN CONWAY... Page 2

PACIFIC CELLULAR

002

PACIFIC CELLULAR

EQUIPMENT

INVENTORY-CELLULAR PHONE EQUIPMENT	97,391
INVENTORY-NEXTEL PHONE EQUIPMENT	35,867
INVENTORY-PAGERS	7,805
INVENTORY-BATTERIES/CHARGERS	19,250
INVENTORY-ACCESSORIES	4,999
INVENTORY-PARTS & SUPPLIES FOR REPAIR	2,500
OFFICE EQUIPMENT	5,483
TELEPHONE EQUIPMENT	17,137
OFFICE EQUIPMENT-LVCPR	2,340
TELEPHONE EQUIPMENT-SAN DIEGO	1,049
COMPUTER EQUIPMENT	38,011
COMPUTER EQUIPMENT-SAN DIEGO	5,000
COMPUTER SOFTWARE	2,003
SIGNS	4,355
SIGNS-PREPAID	508
SIGNS-SAN DIEGO	1,681
OFFICE EQUIPMENT	6,710
COMPUTER SOFTWARE-SAN DIEGO	4,740

256,829



Received: 4/27/99 9:01;

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04/27/99 TUE 08:59 FAX 7353292

PACIFIC CELLULAR

005

LISTEL - PACIFIC CELLULAR

OFFICE EQUIPMENT

ALC1610407104

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 97	ACCU DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCU DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCU DEPR 1999
OFFICE MAX CALCULATORS	5	07/07/94	56.56	29.24	29.24	27.32	(0.00)	56.56	0.00	56.56
OFFICE MAX CALCULATORS	5	07/07/94	56.56	29.24	29.24	27.32	(0.00)	56.56	0.00	56.56
OFFICE MAX FAX FOR RAINBOW	5	09/21/94	43.95	23.05	23.05	20.80	(0.00)	43.95	0.00	43.95
OFFICE MAX FAX MAIN OFFICE	5	11/10/94	134.09	68.98	68.98	64.11	0.00	134.09	0.00	134.09
ALEXANDER BATT COND.	5	12/15/94	113.70	58.57	58.57	54.73	(0.00)	113.70	0.00	113.70
PITNEY BOWES MAILING MACH	5	10/31/97	853.00	47.62	47.62	142.95	47.65	258.22	47.65	285.87
BALANCE AT 12/31/97			1,257.86	258.70	258.70	336.73		643.08		
COMPUTERS-TWO	5	05/13/98	906.15			90.62	30.18	120.80	30.18	150.98
FAX MACHINE	5	05/19/98	288.90			28.90	9.66	38.56	9.66	48.22
LASER PRINTER AND MONITOR	5	07/31/98	808.88			20.33	40.63	60.96	40.63	101.59
TWO PRINTERS AND FAX MACH	5	07/31/98	1,390.97			45.37	92.71	139.08	92.71	231.78
ADAPTERS FOR PHONE SYS.	5	08/17/98	876.00			29.20	43.80	73.00	43.80	116.80
EXTENSION CORDS	5	08/05/98	53.25			1.78	2.67	4.45	2.67	7.12
BALANCE 3/31/99			5,443.01	258.70	258.70	553.25	257.30	1,079.83	257.30	1,347.23

TELEPHONE EQUIPMENT

ALC161035-047104

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 97	ACCU DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCU DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCU DEPR 1999
VITAL BUSINESS SYSTEMS	5	04/30/95	1,136.76	157.89	157.89	170.52	56.84	385.25	56.84	442.09
BALANCE AT 12/31/97			1,136.76	157.89	157.89					
OFFICE TELEPHONES (3)	5	01/31/98	607.00			70.81	50.59	121.40	50.59	171.99
OFFICE TELEPHONES (4)	5	01/31/98	857.00			101.15	72.25	173.40	72.25	245.65
ONE NATION TECH. ONE PHONE	5	05/12/98	210.00			24.50	3.50	28.00	3.50	31.50
ONE NATION TECH. FOUR PHON	5	05/29/98	950.91			110.95	15.86	126.80	15.86	142.66
TWO MERIDIAN TELEPHONES	5	07/20/98	505.80			16.86	33.72	50.58	33.72	84.30
SEVEN MERIDIAN TELEPHONES	5	07/28/98	1,669.15			55.54	111.28	168.92	111.28	279.20
UPGRADE MODULE MERIDIAN	5	07/28/98	2,007.10			66.90	133.80	200.70	133.80	334.50
TWO MERIDIAN TELEPHONES	5	08/10/98	605.80			16.86	25.29	42.15	25.29	67.44
ADAPT. MODULE FOR SYS.	5	08/10/98	1,342.00			46.07	69.13	115.20	69.13	184.33
INATION TECH(VOICEMAIL)	5	08/23/98	6,830.00			113.83	341.49	455.32	341.49	796.81
INATION TECH(2 PHONES)	5	09/23/98	455.00			7.75	23.25	31.00	23.25	54.25
BALANCE AT 3/31/99			17,136.62	157.89	157.89	801.84	936.97	1,396.70	838.90	2,233.69

Received: 4/27/99 8:03:

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04/27/99 TUE 08:59 FAX 7353292

PACIFIC CELLULAR

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USTEL - PACIFIC CELLULAR

COMPUTER EQUIPMENT

ACCT#1000474004

DESCRIPTION	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCUM DEPR 1999
COMPUTER EQUIPMENT	5 12/31/93	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
COMPUTER EQUIPMENT	5 12/31/93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
COMPUTER	5 06/21/94	417.00	217.42	217.42	172.15	27.43	417.00	0.00	417.00
COMPUTER SOFTWARE	3 06/30/94	0.33	0.33	0.33	0.00	0.00	0.33	0.00	0.33
COMPUTER	5 06/30/94	285.20	148.57	148.57	117.72	18.81	285.20	0.00	285.20
PRINTER	5 06/30/94	98.20	51.25	51.25	40.57	6.38	98.20	0.00	98.20
PRINTER	5 06/30/94	51.40	27.00	27.00	21.34	3.06	51.40	0.00	51.40
COMPUTER	5 06/30/94	422.20	220.00	220.00	174.22	27.98	422.20	0.00	422.20
COMPUTER	5 07/24/94	468.20	243.82	243.82	193.17	31.11	468.20	0.00	468.20
PRINTER	5 07/28/94	650.80	338.83	338.83	288.38	43.58	650.80	0.00	650.80
FILE SERVER	5 08/13/94	1,228.00	638.50	638.50	505.70	81.80	1,228.00	0.00	1,228.00
PRINTER	5 10/18/94	64.20	33.58	33.58	26.57	4.05	64.20	0.00	64.20
COMPUTER	5 11/09/94	231.50	120.42	120.42	95.41	15.77	231.50	0.00	231.50
TAPE DRIVE 5 TRACK	5 12/16/94	1,170.20	609.58	609.58	355.75	194.87	1,170.20	0.00	1,170.20
PRINTER	5 07/27/94	107.00	55.75	55.75	44.15	7.10	107.00	0.00	107.00
PRINTER	5 11/04/94	58.00	29.17	29.17	23.10	3.73	58.00	0.00	58.00
PRINTER	5 11/10/94	40.18	20.74	20.74	16.46	2.84	40.18	0.00	40.18
LOST ENTRIES	5 02/27/95	262.43	36.54	36.54	48.16	39.54	124.24	13.12	137.36
LOST ENTRIES	5 02/28/95	1,354.22	188.19	188.19	248.33	203.33	638.85	67.71	707.56
SCION COMP-MONITORS	5 03/31/95	430.90	85.74	85.74	78.94	64.44	203.12	21.55	224.68
SCION COMP-LASER PRINTER	5 03/31/95	975.00	135.42	135.42	178.76	146.26	460.43	48.75	509.18
SCION COMP-PRINTER	5 03/31/95	93.15	12.93	12.93	17.08	13.95	43.96	4.88	48.84
TELE DATA-COMPUTER BOX	6 03/31/95	428.16	59.51	59.51	78.53	64.29	202.33	21.41	223.74
SCION COMP-COMP UPGRADE	5 03/31/95	315.45	43.79	43.79	57.81	47.29	148.89	16.77	165.66
SCION COMP-COMP MEMORY	5 05/17/95	162.00	22.50	22.50	29.70	24.30	76.50	8.10	84.60
SCION COMP-FILE SERVER EQ	5 04/17/96	347.95	38.25	38.25	66.55	30.45	123.25	17.40	140.65
SCION COMP-FILE SERVER EQ	5 04/13/96	3,060.25	318.77	318.77	497.23	287.77	1,083.82	163.01	1,246.83
SCION COMP-FILE SERVER EQ	5 08/13/96	155.00	16.25	16.25	25.36	13.65	55.25	7.80	63.05
LAPTOP COMPUTER	5 08/22/97	1,547.89	129.00	129.00	232.20	77.40	438.60	77.40	516.00
CANON PRINTER	5 09/11/97	379.77	25.32	25.32	53.17	22.79	101.28	18.89	120.27
COMPUTER	5 08/17/97	711.00	47.40	47.40	99.54	42.66	189.50	23.65	213.15
COMPUTER	5 09/23/97	314.00	21.53	20.93	43.96	18.83	83.72	16.70	99.42
COMPUTER	5 09/29/97	464.00	30.27	30.27	63.58	27.25	121.08	22.70	143.78
BALANCE AT 12/31/97		16,280.78	3,937.97	3,937.97	3,573.60				
CD ROM/FAX/MODEM	5 01/14/98	654.00			102.50	34.20	136.80	34.20	171.00
HARD/DRIVE-NETWORK	5 03/01/98	925.55			92.56	46.28	138.84	46.28	185.12
DESKTOP PRINTER	5 04/29/98	414.33			41.44	20.72	62.16	20.72	82.87
THREE COMPUTERS	5 05/31/98	1,805.10			180.52	90.25	270.78	90.25	361.03
COMPUTERS-ONE	6 05/31/98	581.35			58.14	29.07	87.21	29.07	116.28
PITNEY BOWES POSTAGE MAC	5 05/31/98	514.55			51.46	25.73	77.19	25.73	102.92
PRINTER	6 05/05/98	586.00			58.60	29.30	87.90	29.30	117.20
FIVE COMPUTERS	5 06/30/98	1,446.38			144.64	72.32	216.96	72.32	289.28
IBM COMPUTERS-THREE	5 06/30/98	1,731.78			172.18	86.09	258.27	86.09	344.36
PC MONITOR	5 07/30/98	223.03			11.15	11.15	22.30	11.15	33.45
TWO PERSONAL COMPUTERS	5 08/05/98	1,036.83			34.56	34.56	69.12	51.84	120.96
THREE PERSONAL COMP.	5 08/25/98	1,155.60			38.52	38.52	77.04	57.78	134.82
PC COMPUTER	5 09/11/98	764.81			12.76	12.75	25.50	38.24	63.74
PC COMPUTER	5 09/16/98	514.18			10.24	10.24	20.48	30.71	51.19
PC COMPUTER	5 09/18/98	620.00			10.33	10.33	20.66	31.00	51.66
BROTHER FAX MACHINE	5 09/23/98	499.99			8.33	8.33	16.66	25.00	41.66
FIVE COMPUTERS BUILT	5 12/31/98	3,433.10					0.00	171.88	171.88
FOUR COMPUTERS BUILT	5 12/31/98	2,525.20					0.00	126.26	126.26
BALANCE AT 12/31/98		35,832.55	3,937.97	3,937.97	4,301.62	2,132.68	10,972.27		
COMPUTER HARD DRIVES	5 01/31/99	1,230.50						61.53	61.53
PRINTER	5 01/31/99	947.75						47.40	47.40
BALANCE AT 3/31/99		36,010.80						1,535.13	12,808.40

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PACIFIC CELLULAR

007

USTEL - PACIFIC CELLULAR

COMPUTER SOFTWARE

ACCT 841-04/741-04

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 9	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCUM DEPR 1999
BILLING SOFTWARE CRM	3	04/30/94	0.00	0.00	0.00	0.00		0.00	0.00	0.00
BILLING SOFTWARE CRM	3	06/30/94	0.00	0.00	0.00	0.00		0.00	0.00	0.00
COMPUTER SOFTWARE	3	06/30/94	0.29	0.29	0.29	0.00		0.29	0.00	0.29
BILLING SOFTWARE CRM	3	07/15/94	0.00	0.00	0.00	0.00		0.00	0.00	0.00
BILLING SOFTWARE CRM	3	09/21/94	109.86	109.86	109.86	0.00		109.86	0.00	109.86
BILLING SOFTWARE CRM	3	09/21/94	39.00	39.00	39.00	0.00		39.00	0.00	39.00
BILLING SOFTWARE CRM	3	09/21/94	25.00	25.00	25.00	0.00		25.00	0.00	25.00
SUB COMP INC	3	11/23/94	14.97	14.97	14.97	0.00		14.97	0.00	14.97
MASSO	3	12/22/94	153.37	153.37	153.37	0.00		153.37	0.00	153.37
SCION COMPUTER SOFTWARE	3	11/21/95	385.60	160.50	160.50	134.86	90.24	385.60	0.00	385.60
BALANCE AT 12/31/97			728.09	502.99	502.99					
1.238 HO. &X CD. 33.6	1	02/27/98	556.10			71.07	98.88	169.95	46.24	216.29
NOVATAR SOFTWARE	3	12/30/98	719.00				18.97	19.97	59.32	72.89
BALANCE AT 3/31/99			2,083.19	502.99	502.99	205.93	209.09	518.01	106.26	1,024.27

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PACIFIC CELLULAR

008

USTEL - PACIFIC CELLULAR

SIGNS

A/C 1645-041745-04

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCUM DEPR 1999
SIGNS	4	09/00/93	0	0.00	0.00	0.00		0.00	0.00	0.00
SIGNS	5	09/00/94	64.11	33.36	33.35	30.76	0.00	64.11	0.00	64.11
SIGNS	6	05/31/94	51.50	26.67	26.67	24.93	0.00	51.50	0.00	51.50
SIGNS	5	05/31/94	48.00	25.00	25.00	23.00	0.00	48.00	0.00	48.00
RALPH JONES SIGNS	5	05/31/94	125.70	65.40	65.40	60.30	0.00	125.70	0.00	125.70
DISPLAY GRAPHICS	6	03/31/94	32.00	16.67	16.67	16.33	0.00	32.00	0.00	32.00
ACE BANNER	5	09/27/94	18.00	9.33	9.33	8.67	0.00	18.00	0.00	18.00
ACE BANNER	5	10/21/94	23.85	12.62	12.62	11.23	0.00	23.85	0.00	23.85
ACE BANNER	5	10/21/94	15.59	7.92	7.92	7.67	0.00	15.59	0.00	15.59
ACE BANNER	5	11/04/94	35.59	18.75	18.75	16.84	0.00	35.59	0.00	35.59
CHAPARRAL SIGN	5	02/28/95	210.00	29.17	29.17	28.50	31.51	99.18	31.51	130.69
QUALITY SIGN	5	03/31/95	150.00	20.83	20.83	27.50	22.48	70.82	22.48	93.31
HUSENITA-DISPLAY CASE	5	03/31/95	114.59	16.05	16.05	21.09	17.43	64.57	17.43	72.00
HUSENITA-	5	03/31/95	135.59	18.97	18.97	24.94	20.59	64.50	20.59	85.09
HUSENITA-	5	03/31/95	180.00	25.00	25.00	33.00	27.00	85.00	27.00	112.00
QUALITY SIGN	5	03/31/95	155.00	21.58	21.58	28.45	23.34	73.37	23.34	96.71
ZEBRA GRAPHICS	5	03/31/95	164.42	22.57	22.57	30.15	24.73	77.76	24.73	102.49
CHAPARRAL SIGN	5	04/30/95	1,200.00	168.87	168.87	220.00	180.01	538.68	180.01	718.69
BALANCE AT 12/31/97			2,724.04	536.85	536.85					
NEON SIGN	5	01/31/98	351.80			45.71	19.59	65.30	19.59	84.89
ACE BANNER	6	08/15/98	303.34			35.39	15.17	50.56	15.17	65.73
ACE BANNER	5	07/23/98	303.35			10.11	16.17	25.28	15.17	40.45
NEON GRAPHICS	5	07/23/98	609.90			20.33	30.50	50.83	30.50	81.33
ACE BANNER	5	08/19/98	22.32			0.76	22.06	22.82	22.06	44.88
BALANCE AT 3/31/99			4,359.25	536.85	536.85	734.67	449.58	1,721.10	449.58	2,170.68

SIGNS - PREPAID

A/C 1645-071745-07

SIGNS AND BANNERS	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCUM DEPR 1999
SIGNS AND BANNERS	5	03/10/98	607.80			42.31	25.38	67.70	25.38	93.08
BALANCE AT 12/31/98			607.80			42.31	25.38	67.70	25.38	93.09

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BUSH STROUT KORNFELD

058

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PACIFIC CELLULAR

009

USTEL - PACIFIC CELLULAR

COMPUTER SOFTWARE CELLULAR

~~AC11659-94/1751-04~~

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 88	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 88	ACCUM DEPR 1999
SOFTWARE CRM	5	0630/93	4,740.00	1,250.00	1,250.00	1,224.00	1,776.00	4,250.00	490.00	4,740.00
BALANCE AT 03/31/99			4,740.00	1,250.00	1,250.00	1,224.00	1,776.00	4,250.00	490.00	4,740.00

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BUSH STROUT KORNFIELD

059

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PACIFIC CELLULAR

013

USTEL - PACIFIC CELLULAR

OFFICE EQUIPMENT - LUGGR

AGENCY: 06/17/99

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE AUG-DEC 87	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCUM DEPR 1999
CADEX ELECTRONICS CHARGR	S	06/30/98	2100.00	0.00	0.00	210.00	35.00	245.00	35.00	280
CADEX ELECTRONICS CHARGR	S	07/31/98	240.00			12.00	12.00	24.00	12.00	36
BALANCE AT 3/31/99			2340.00	0.00	0.00	222.00	47.00	269.00	47.00	316.00

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PACIFIC CELLULAR

014

USTEL-PACIFIC CELLULAR

TELEPHONE EQUIPMENT - SAN DIEGO

ACQUISITION 08/7/98

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE UG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP 98	DEPR EXPENSE OCT-DEC 98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR 99	ACCUM DEPR 1999
VENTURA TELE EQUIP	5	04/20/98	1,049.00	0.00	0.00	105.01	52.45	157.46	52.45	209.91
BALANCE AT 3/31/99			1,049.00	0.00	0.00	105.01	52.45	157.46	52.45	209.91

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PACIFIC CELLULAR

015

USTEL - PACIFIC CELLULAR

SIGNS - SAN DIEGO

ACQUISITION COSTS

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE UG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP98	DEPR EXPENSE OCT-DEC98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR99	ACCUM DEPR 1999
DIRECTIONAL GRAPHICS	5	05/01/98	500.00	0.00	0.00	50.00	16.64	66.64	24.99	91.63
DIRECTIONAL GRAPHICS	5	05/01/98	1,180.90	0.00	0.00	118.10	39.34	157.44	58.04	215.48
BALANCE AT 3/31/98			1,680.90	0.00	0.00	168.10	55.98	224.08	84.03	308.11

OFFICE EQUIPMENT - SAN DIEGO

ACQUISITION COSTS

DESCRIPTION	LIFE	DATE PURCH	COST	DEPR EXPENSE UG-DEC 97	ACCUM DEPR 1997	DEPR EXPENSE JAN-SEP98	DEPR EXPENSE OCT-DEC98	ACCUM DEPR 1998	DEPR EXPENSE JAN-MAR99	ACCUM DEPR 1999
PURCH FR JS COMPL	5	07/31/98	5,000.00			166.87	333.31	499.88	249.99	749.87
OFFICE DESKS	5	07/31/98	1,500.00			50.00	100.00	150.00	76.00	226.00
OFFICE CHAIRS	5	08/17/98	210.11			7.00	10.51	17.51	10.50	28.01
BALANCE AT 3/31/99			6,710.11	0.00	0.00	223.87	443.82	647.49	336.49	1,502.98

SCHEDULE 2

EXCLUDED BOOKS, RECORDS, AND FILES

- All the litigation and bankruptcy files of Seller.
- All the historical financial records of Seller.
- All the files, documents, and records pertaining to the forensic audit of Seller.
- All the corporate records of UStel and Arcada, including without limitation all minute books, stock books, transfer records, shareholder records, and the like
- All documents and records pertaining to and relating to the merger/acquisition involving UStel and Arcada
- All documents containing privileged communications between Seller and its attorneys
- All loan documents, correspondence, and files relating to any lending relationship with any third party
- All employment records of Seller

SCHEDULE 3

LOCATIONS OF PACIFIC CELLULAR ASSETS

3256 South Maryland Parkway
Las Vegas, Nevada 89109

2214 South Rainbow
Las Vegas, Nevada 89102

Rancho Swap Meet
2909 West Washington, Space E-110
Las Vegas, Nevada 89103

7878 Clairemont Mesa Boulevard
San Diego, California 92111

8266 A Miramar Boulevard
San Diego, California 92126

SCHEDULE 4

INCLUDED AGREEMENTS

Description	Minimum Cure	Maximum Cure
License Agreement between Seller and Telecommunications Finance Group for the lease of a switch located in Seattle	\$0	\$45,711.93
Lease Agreement between Seller and Data General Corporation for the lease of billing system computers	\$13,397.83	\$23,467.04
License Agreement between Seller and EXL for the license of billing software	\$18,668.79	\$33,351.42
Lease Agreement between Seller and Melvin Mark Companies for the lease of space used to locate Portland switch	\$0	\$1759.29
Lease Agreement between Seller and Clise Properties, Inc. for office space in the United Airlines Building in Seattle	\$32,750.53	\$33,000.53
Service Agreement between Seller and Integretel for the billing of Seller's customers through Local Exchange Carriers	\$0	\$0

FIRST AMENDMENT TO
ASSET PURCHASE AGREEMENT

This First Amendment to Asset Purchase Agreement (this "First Amendment") is entered into as of this ____ day of _____ by and between OneStar Long Distance, Inc., an Indiana corporation ("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 are referred to herein together as the "Seller."

Buyer and Seller are parties to that certain Asset Purchase Agreement dated as of the 7th day of July 1999 (the "Agreement"). Pursuant to the Agreement, Buyer has agreed to buy and Seller has agreed to sell certain assets comprising Seller's long-distance and wireless/cellular telecommunications businesses operating under the "UStel" and "Arcada" names.

A material condition precedent to either party's performance of the Agreement is the Bankruptcy Court's approval of the Agreement and its entry of a sale order pursuant to Section 365 of the Bankruptcy Code. The Bankruptcy Court has conditioned its approval of the Agreement and entry of such an order on the Parties' agreement to the changes to the Agreement made in this First Amendment.

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. Terms capitalized in this First Amendment but not otherwise defined shall have the meanings ascribed to such terms in the Agreement.

2. Amendments.

(a) Purchase Price. The first complete sentence of Section 2(b) of the Agreement is amended in its entirety to read:

Purchase Price. The "Purchase Price" for the Acquired Assets is _____ United States Dollars (\$_____).

(b) Switch Usage Agreement. Exhibit "D" to the Agreement is replaced in its entirety by the form of Switch Usage Agreement attached to this First Amendment as Exhibit A.

3. Waiver. Buyer hereby waives the conditions to its obligation to close expressed in Sections 6(k) of the Agreement.

4. Miscellaneous.

(a) No Other Changes. The Agreement remains unchanged except as expressly set forth in this First Amendment.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Agreement may be executed by facsimile.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written:

ONESTAR LONG DISTANCE, INC.

By: _____
Its: _____

USTEL, INC.

By: _____
Its: _____

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

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EXHIBIT "A"

SWITCH USAGE AGREEMENT

This Switch Usage Agreement is entered into as of this ____ day of _____ by and between OneStar Long Distance, Inc., an Indiana corporation ("Grantee"), 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 are referred to herein together as the "Grantor."

Grantor and Grantee are parties to that certain Asset Purchase Agreement dated as of the _____ day of _____ 1999. Pursuant to the Asset Purchase Agreement, Grantee has agreed to buy and Grantor has agreed to sell certain assets comprising Grantor's long-distance and wireless/cellular telecommunications businesses operating under the "UStel" and "Arcada" names. A material condition precedent to either party's performance of the Asset Purchase Agreement is the other's execution and delivery of this Agreement.

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. Terms capitalized in this Agreement but not otherwise defined shall have the meanings ascribed to such terms in the Asset Purchase Agreement.

2. Right to Use Switch Equipment.

(a) Grantor hereby grants to Grantee the exclusive right to use Grantor's switches identified in the attached Schedule 1 for a period not to exceed 150 days, beginning as of the date of this Agreement. Grantee hereby accepts the grant and certifies that (i) for the period of its use of the switches, it will be bound by the terms and conditions of the software license contained in the DXC/LIM Purchase Agreement (With Lease Payment Option) dated July 18, 1997 attached hereto as Exhibit A (the "Switch Agreement") and (ii) it will maintain in confidence the Proprietary Information described in Section 15 of the Switch Agreement.

(b) Grantee shall maintain the switches in good working order during the period of their use and shall surrender them in the same condition Grantee receives them, normal wear and tear excepted.

(c) Grantee may terminate its right to use any particular switch, or any combination of them, at any time by (i) delivering thirty days' advanced written notice to Grantor and to the applicable switch vendor and the co-location lessor (collectively, "Vendors") identified in Schedule 1 and (ii) at the end of the thirty-day period (or upon the termination of this Agreement, whichever is later), surrendering possession of each switch at its current location or, at without cost to Grantee, cooperating with whatever other arrangements Grantor may make with the Vendors for the surrender of each switch. Once surrendered, Grantee shall have no further right to the use of a switch and no further liability for payment of a fee in respect of it.

3. Fee. From the date of this Agreement until the date surrendered, Grantee shall pay to each Vendor, when due, the monthly fee for each Vendor set forth in the attached Schedule 1, with all fees pro rated for each day of Grantee's use of the switch and associated space during the preceding month.

4. Miscellaneous.

(a) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligation hereunder without the prior written approval of the other Party, which consent may not be unreasonably withheld.

(b) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communications hereunder shall be deemed duly given if (and then two business day after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Grantee:

OneStar Long Distance, Inc.
7100 Eagle Crest Boulevard, Suite B
Evansville, Indiana 47715
Attention: Mr. Alan Powers

With a copy to:

Bamberger, Foreman, Oswald & Hahn,
L.L.P.
7th Floor Hulman Building
20 N.W. 4th Street
P.O. Box 657
Evansville, Indiana 47708
Attention: Mr. Terry G. Farmer

If to Grantor:

UStel, Inc.
2033 6th Avenue, Suite 401
Seattle, Washington 98121
Attention: Mr. David M. Otto,
Secretary and General Counsel

With a copy to:

Mundt MacGregor L.L.P.
999 Third Ave., Suite 4200
Seattle, Washington 98104-4082
Attention: Joe B. Stansell

And to:

Bush Strout & Kornfeld
5500 Two Union Square
601 Union Street
Seattle, Washington 98101-2373
Attention: Armand J. Kornfeld

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using personal delivery, expedited courier, messenger service, certified mail, but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would...

cause the application of the laws of any jurisdiction other than the State of Washington.

(d) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Agreement may be executed by facsimile.

(f) Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written:

ONESTAR LONG DISTANCE, INC.

By: _____
Its: _____

USTEL, INC.

ARCADA COMMUNICATIONS, INC.

By: _____
Its: _____

By: _____
Its: _____

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Exhibit B

UStel

2033 Sixth Avenue, Suite 401
Seattle, WA 98121

July 26, 1999

To: All UStel, Inc. Customers

This letter is to thank you for being a customer of UStel, Inc. We have some exciting developments we wish to share with you. UStel, Inc. ("UStel") has agreed to transfer its customer base to OneStar Long Distance, Inc. ("OneStar").

OneStar, a progressive provider of long distance services based in Evansville, Indiana, has been providing long distance service to consumers since 1982. OneStar is expanding rapidly across the United States and provides quality service and competitive rates to its customers. You will be hearing more about this transfer in the weeks ahead as the definitive agreements and details are available. A target transfer date has been scheduled to take place on or around August 13, 1999.

It is our understanding that the rates and programs provided by OneStar will be similar to your current rates and programs and that this transfer of service will require no action on your part. We expect this transfer to be a smooth transition with no interruption of service. OneStar also intends to maintain the current retail office in Seattle, Washington for your convenience.

After the date of transfer, OneStar will provide your long distance services (intrastate, interstate, and international) and will handle all aspects of your account. OneStar has indicated that it will be sending you a letter, providing further details of the transfer.

We are excited about our new relationship with OneStar and the benefits it will bring to you, the customer. It has been a pleasure serving you. We thank you for your business. If you have any questions regarding this transfer, please feel free to contact UStel at 1-800-995-8783 or OneStar at 1-800-482-0000.

UStel, Inc.

July 26, 1999

To: All Arcada Communications, Inc. Customers

This letter is to thank you for being a customer of Arcada Communications, Inc. We have some exciting developments we wish to share with you. Arcada Communications, Inc. ("Arcada") has agreed to transfer its customer base to OneStar Long Distance, Inc. ("OneStar").

OneStar, a progressive provider of long distance services based in Evansville, Indiana, has been providing long distance service to consumers since 1982. OneStar is expanding rapidly across the United States and provides quality service and competitive rates to its customers. You will be hearing more about this transfer in the weeks ahead as the definitive agreements and details are available. A target transfer date has been scheduled to take place on or around August 13, 1999.

It is our understanding that the rates and programs provided by OneStar will be similar to your current rates and programs and that this transfer of service will require no action on your part. We expect this transfer to be a smooth transition with no interruption of service. OneStar also intends to maintain the current retail office in Seattle, Washington for your convenience.

After the date of transfer, OneStar will provide your long distance services (intrastate, interstate, and international) and will handle all aspects of your account. OneStar has indicated that it will be sending you a letter, providing further details of the transfer.

We are excited about our new relationship with OneStar and the benefits it will bring to you, the customer. It has been a pleasure serving you. We thank you for your business. If you have any questions regarding this transfer, please feel free to contact Arcada at 1-800-925-2289 or OneStar at 1-800-482-0000.

Arcada Communications, Inc.