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June 13, 2002

BY OVERNIGHT DELIVERY

Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

020519-TP

Re: Notification by NUI Telecom, Inc. and Telcorp, Ltd. of an Asset Purchase Agreement and request to Waive Verification Requirements of Florida Administrative Code Rule 25-4.118.

Dear Sir or Madam:

On behalf of NUI Telecom, Inc. ("NUI") and Telcorp, Ltd. ("Telcorp") this letter is to advise the Commission of an Asset Purchase Agreement (the "Agreement") which the companies propose to consummate, **and to request that the Commission waive the verification requirements of Florida Administrative Code Rule 25-4.118.** It is our understanding, based upon review of the applicable statutes and regulations, that this transaction does not require prior Commission approval. Accordingly, absent written notice to the contrary within thirty (30) days of the date of this letter, the parties will proceed to consummate the transaction in a timely fashion.

NUI and Telcorp propose to consummate the Agreement whereby NUI will purchase the business and substantially all of the telecommunications assets of Telcorp. The transition from Telcorp to NUI will be seamless and transparent.

NUI is a New Jersey corporation with principal offices located at 550 Route 202-206, Bedminster, New Jersey 07921-0760. NUI is a non-dominant carrier that provides local, long distance and data telecommunications services. NUI is a certificated carrier in this State.¹ NUI is a first tier wholly owned subsidiary of NUI Capital Corp which, in turn, is a

¹ NUI provides intrastate interexchange telecommunications services in this State pursuant to authority granted in Docket No. 961406-T1, Certificate No. 4824 as of 7/9/97 and local exchange service in Docket No. 991752-TX, Certificate No. 7328 as of 2/8/2000

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first tier wholly owned subsidiary of NUI Corporation, a public company whose common stock is listed on the New York Stock Exchange.

Telcorp is a privately held New York corporation with principal offices located at 99 W. Hawthorne Avenue, Suite 400, Valley Stream, New York 11580. Telcorp is a certificated carrier in this State.²

The proposed Acquisition will accomplish the following:

- a. Telcorp shall sell, transfer and assign to NUI all of Telcorp's right, title and interest in and to the Assets, as further described in the Agreement;
- b. In consideration for the above transfer and sale of Assets, NUI will pay to Telcorp the purchase price set forth in the Agreement.
- c. Following the Transaction, Telcorp will discontinue the provision of telecommunications services pursuant to the authority previously granted to Telcorp in this State.

NUI proposes this Transaction to transfer and consolidate the business and customer accounts of Telcorp in order to create a single, larger provider of telecommunications services, facilitating efficiencies for the benefit for all of NUI's and Telcorp's customers. By virtue of the Transaction, NUI will realize significant economic, marketing and administrative efficiencies.

The technical, managerial and financial personnel of Telcorp will assist with the transition and integration of the acquired Assets for a designated period following the transaction. Thereafter, the technical, managerial and financial personnel of NUI will continue servicing the transferred Telcorp customers with the same high level of expertise that they have enjoyed in the past.

² Telcorp provides intrastate interexchange telecommunications services in this State pursuant to authority granted in Docket No 921290-TI, Order PSC 93-0451-FOF-TI as of 4/15/93

Upon consummation of the proposed transaction, NUI intends to notify all current end users of Telcorp of the Transaction by bill insert. NUI anticipates that none of the customers of Telcorp will experience any change in rates due to the transaction. To the extent that any of Telcorp's rates are not presently included in NUI's Tariffs, NUI will amend its Tariffs accordingly to include such rates. As a result, the transaction should not cause any inconvenience or confusion to the pre-existing customers of either Telcorp or NUI.

Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by Telcorp. The proposed transaction will serve the public interest for the following reasons:

- a. It will enable NUI to provide a streamlined level of service for all involved customers by creating a single, larger provider of telecommunications services to the customers in this State. The Transaction will enhance the operating efficiencies, including market efficiencies, of NUI.
- b. It will increase the appeal to present and potential customers because of NUI's larger size and greater variety of service offerings and market visibility.
- c. Finally, it will result in cost savings as the result of discounts on quantity purchasing of underlying services.

The parties are forwarding this letter to the Commission for informational purposes, to be included in the appropriate files. Absent receipt of written notification to the contrary within thirty (30) days of the date of this letter, we will proceed under the understanding that no approval or other formal action is required by the Commission prior to consummation of the proposed transaction.

At this time, the parties request that Telcorp's Certificate of Public convenience and Necessity or other operating authority be withdrawn and/or cancelled.

Enclosed are the original and seven (7) copies of this letter. Please return one (1) of the copies file-stamped in the envelope provided. If you need any further information or have any questions regarding the matters discussed herein, please do not hesitate to contact me. Thank you for your assistance in this matter.

Respectfully submitted,



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A Professional Limited Liability
Company
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Counsel for Telcorp, Ltd. and NUI
Telecom, Inc.

cc: Joseph Inguagiato
Patrick Crocker

EXHIBIT A

Agreement

DOCUMENT NUMBER DATE

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EXECUTION COPY

ASSET PURCHASE AGREEMENT

by and among

NUI TELECOM, INC.,

TELCORP, LTD.

and

STOCKHOLDERS OF TELCORP, LTD. NAMED HEREIN

Dated as of

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") dated as of is by and among **NUI TELECOM, INC.**, a New Jersey corporation (the "Buyer"), **TELCORP, LTD.**, a New York corporation (the "Seller"), and **STEPHEN SAMUELS** and **JOSEPH INGUAGIATO**, the stockholders of the Seller (the "Stockholders").

WHEREAS, the Seller is in the business of reselling long distance and data telecommunications services to its customers (the "Business");

WHEREAS, the Seller wishes to transfer its Business and substantially all of its assets to Buyer and Buyer wishes to acquire the Business and substantially all the assets of the Seller and assume certain liabilities of the Seller on the terms and conditions set out herein (the "Transaction"); and

WHEREAS, the Seller and the Buyer desire to make certain representations, warranties and covenants in connection with the transaction. Terms used in this Agreement shall have the meanings assigned such terms in Article XIII of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

PURCHASE OF ASSETS

1.1 Purchase of Assets. Subject to the terms and conditions set forth in this Agreement, the Seller shall convey, transfer, assign and deliver to the Buyer, and the Buyer shall acquire and assume from the Seller, all of the Seller's right, title and interest in and to, and obligations under, the following assets used in or held for use by the Business (other than the Excluded Assets) as the same exist as of the applicable Closing Date, whether tangible or intangible and whenever and wherever located (the "Assets");

- (a) All rights, title and interest to all customers of the Seller, including, without limitation, all contracts of the Seller with such customers;
- (b) All patents, trademarks, service marks, trade names and trade styles (including without limitation the name "Telcorp", "New York Telcorp", "Telcorp of New York" and "Telcorp Ltd" (and all variations thereof)), all logos, drawings, technical data, product specifications, computer software, source codes, object codes, computer files, programs, blueprints, know-how, trade secrets, all rights in and to the domain name "telcorp.com" and the url address <http://www.telcorp.com>, <http://www.conference-call-usa.com>, and other proprietary rights, of the Seller or used in or relating to the Business, but only to the extent of the Seller's permitted rights therein, and all goodwill associated therewith;

(c) All authorizations, permits, franchises and licenses related to the Business (other than corporate authorizations to do business and PUC certifications (including FCC 214 licenses));

(d) All causes of action, choses in action, rights of recovery and rights of set-off or offset of every kind and nature related to the Assets;

(e) All goodwill and all other intangible property related to the Business;

(f) All equipment, vehicles, furniture, supplies, materials and other personal property relating to the Business, as more particularly set forth on Schedule 1.1(f);

(g) Certain contracts of the Seller to be determined by the Buyer in its sole discretion and to be identified on Schedule 1.1(g) which shall be delivered by the Buyer to the Seller at least forty-five (45) days prior to the date that the parties anticipate that the Closing will occur (the "Assigned Contracts");

(h) All Agent Contracts (but excluding all Participation Agreements and any obligation of the Seller to make Bonus Payments);

(i) All contracts, licenses, software or other systems of the Seller relating to billing or collection of revenues of the Business;

(j) All marketing plans, marketing manuals, sales materials, promotional materials, catalogues and advertising and marketing literature and materials related to the Business; and

(k) All business records and files, including without limitation customer lists and other identifications of former, existing and potential customers and suppliers, mailing lists, sales information, customer and supplier records, cost and pricing information, billing records, employment and personnel records and other records (including without limitation those maintained in computer tapes, disks or other computer retrievable formats), in each case as related to the Assets or the Business, whether maintained by the Seller or by others for the Seller, and the telephone numbers of the Seller used in the Business and bank accounts and post office boxes at which the Seller receives correspondence or remittances from customers.

1.2 Assets Purchased Free of Liens. All of the Assets shall be sold, assigned, transferred, conveyed and delivered to the Buyer, free and clear of all liens, encumbrances, or claims, except for liens, claims or encumbrances set forth on Schedule 1.2.

1.3 Excluded Assets. All other assets owned or used by the Seller in the Business not specifically contained in Section 1.1 (the "Excluded Assets") shall not be conveyed, sold or transferred and are not included in the Assets, including accounts receivable from customers of the Seller for services performed on or before the applicable Closing Date and all cash collected by the Seller from such accounts receivable and all collected amounts related to previously unbilled call detail records as provided in Section 7.3.

1.4 Assumed Liabilities. Subject to the terms and conditions of, and on the basis of and in reliance upon the covenants, agreements and representations and warranties set forth in this Agreement, at the Closing, Buyer shall assume and agree to discharge when due the liabilities and obligations of the Buyer relating to its ownership or use of the Assets which arise on or after the Closing Date and liabilities and obligations arising under the Assigned Contracts after the Closing Date (collectively, the "Assumed Liabilities"). For purposes hereof, liabilities and obligations relating to Assets for which either (i) no mutually agreeable arrangement has been reached in accordance with Section 9.1(b) hereof or (ii) title is not transferred to the Buyer in accordance with the terms hereof shall not be included in the Assumed Liabilities. In addition, the Assumed Liabilities shall not include the Participation Agreements or any obligations of the Seller thereunder, or any other obligation of the Seller to make Bonus Payments.

1.5 Excluded Liabilities. Except as otherwise specifically provided for in Section 1.4, Buyer shall not assume any other liabilities of the Seller of any kind or nature, whether known or unknown as of the Closing Date or the date of transfer of all the Assets or otherwise relating to or arising during a period prior to the Closing Date, whether fixed or contingent, and however arising (the "Excluded Liabilities"), and the transfer of the Assets pursuant to this Agreement shall be free and clear of all liabilities, liens or other obligations of the Seller of any kind whatsoever, except for the Permitted Encumbrances.

ARTICLE II

CONSIDERATION

2.1 Purchase Price. Subject to the conditions set forth in this Article II, the total purchase price (the "Purchase Price") payable for the Assets shall be four times (4x) the annualized Post Closing EBIT of the Telcorp Business.

2.2 Manner and Timing of Payment.

(a) Subject to the conditions set forth in this Agreement and subject to the adjustments provided in Section 3.1 and 3.2 below, the total Purchase Price to be paid for the Assets shall be paid in cash in accordance with the following schedule:

(i) at the Closing, the Buyer shall advance a portion of the Purchase Price in an amount equal to _____ (the "Purchase Price Advance"), of which _____ shall be paid to Seller and _____ shall be deposited with the Escrow Agent pursuant to the Agent Bonus Payment Escrow Agreement; and

(ii) the remaining balance of the Purchase Price, if any (the "Second Installment"), shall be payable five (5) business days after the later of (A) the Buyer's determination of Post Closing EBIT of the Telcorp Business and the completion of the Reconciliation Procedures, and (B) the date on which the Requisite Regulatory Approvals are obtained and the benefits accruing to those Assets for which Regulatory Approvals are not obtained are otherwise transferred to the Buyer (the "Final Payment Date"). In accordance with Section 3.2, all or part of the Second Installment shall be deposited with the Escrow Agent to satisfy

the obligation of the Seller to make Bonus Payments to Agents and the remainder, if any, shall be paid to the Seller.

(b) In the event that the Purchase Price, when determined in accordance with the terms hereof, including without limitation, Section 3.1, is less than the amount of such difference shall be returned to Buyer, first from the Agent Escrow Account, second, from the Seller and third, from each Stockholder (but only to the extent of his respective Ownership Interest), within five (5) business days after the final determination of Post Closing EBIT in accordance with Section 3.1(a). By way of example, but not by way of limitation, if the actual Purchase Price is determined to be the Seller and the Stockholders would be required to return to the Buyer the sum of less the amount in the Agent Escrow Account, including any accrued interest, which shall be returned to Buyer by the Escrow Agent. Using the same example, but changing the Purchase Price to the amount of the Second Installment would be payable by Buyer in accordance with paragraph 2.2(a)(ii) and Section 3.2.

2.3 Asset Valuation. The Buyer and the Seller hereby agree that the Purchase Price for the Assets purchased pursuant to this Agreement shall be allocated as follows: (i) to equipment, (ii) after deducting for equipment pursuant to the foregoing clause (i), 50% of the Purchase Price attributable to goodwill and (iii) after deducting for equipment pursuant to the foregoing clause (i), 50% of the Purchase Price attributable to other intangibles. The parties will each report the federal, state and local and other Tax consequences of the purchase and sale contemplated hereby (including the filing of Internal Revenue Service Form 8594) in a manner consistent with such allocation schedules.

ARTICLE III

DETERMINATION OF POST CLOSING EBIT; AGENT BONUS AND ESCROW

3.1 Determination of Post Closing EBIT.

(a) On (the "Reconciliation Date"), the Buyer shall begin to prepare a statement showing the determination of the Post Closing EBIT (the "EBIT Schedule") for the six (6) month period immediately preceding the Reconciliation Date (the "Valuation Period").

(b) Not later than thirty (30) days following the end of each month during the Valuation Period, Seller, during the period prior to Closing, and Buyer, during the Post Closing Period, shall deliver to the Buyer or the Seller, as the case may be, management-prepared interim financial statements, including (i) balance sheet, (ii) income statement and (iii) a calculation setting forth the trailing earnings of the Telcorp Business before deductions of interest, Taxes, and extraordinary, non-recurring or non-cash items, utilizing the accounting methods required hereunder in the calculation of the Post Closing EBIT (collectively, the "Interim Statements"). Additionally, during the Valuation Period each party shall provide the other party, as applicable, with ongoing access to all books, records and work papers utilized by such party or its professionals to prepare the Interim Statements.

(c) As soon as practicable, but in no event later than the earlier of (i) forty-five (45) days following the Reconciliation Date, and (ii) ten (10) days following the Buyer's receipt of all information necessary to calculate Post Closing EBIT, Buyer shall deliver to the Seller the EBIT Schedule and all work papers produced, prepared or utilized by Buyer or its professionals to calculate Post Closing EBIT (the "Delivery Date").

(d) The Seller shall have until forty-five (45) days following the Delivery Date to present in writing to Buyer any objections the Seller may have to the matters set forth therein ("Seller's Objections"), which objections shall be set forth in reasonable detail, or to notify Buyer in writing that it has accepted and approved Buyer's determination of Post Closing EBIT. During such forty-five (45) day period, the Buyer covenants and agrees that it will provide reasonable cooperation to the Seller in the Seller's review of the EBIT Schedule, including, without limitation, reasonable access to the Buyer's personnel and books and records relating to the Business during the Valuation Period.

(e) If Buyer does not receive the Seller's Objections on or before the forty-fifth (45th) day following the Delivery Date, the determination of the Post Closing EBIT set forth therein shall be deemed accepted and approved by the Seller. If the Seller delivers the Seller's Objections during such forty-five (45) day period, Buyer's and the Seller's respective accounting firms and/or Chief Financial Officer, as the case may be, shall attempt to resolve the matters in dispute. If a dispute cannot be resolved by Buyer and the Seller or by their respective accounting firms and/or Chief Financial Officer prior to ninety (90) days following the Reconciliation Date, such dispute shall be submitted to J.H. Cohn, LLP (the "Independent Firm"), which firm shall make a final and binding determination as to such matter or matters, provided, that the Independent Firm shall make such determination in accordance with the accounting guidelines and procedures set forth in the definition of "Post Closing EBIT" herein. Each of the Seller and the Buyer shall be entitled to submit records or documents, including, without limitation, an explanatory position memorandum, to the Independent Firm in support of its respective position. The Independent Firm shall send its written determination to Buyer and the Seller within thirty (30) days following submission of the dispute to the Independent Firm. Buyer and the Seller agree to cooperate with each other and each other's representatives in order that the determination of the Post Closing EBIT may be timely performed and that any disputes may be resolved. The fees of the Seller's accounting firm shall be paid by the Seller, the fees of Buyer's accounting firm shall be paid by Buyer and the fee of any Independent Firm shall be paid one-half by Buyer and one-half by the Seller. The procedures set forth above shall be referred to as the "Reconciliation Procedures."

3.2 Determination of Bonus Payments. After completion of the Reconciliation Procedures, but before the Final Payment Date, the Seller shall prepare a schedule setting forth the names of the Agents entitled to receive a Bonus Payment and the amount payable to such Agent (the "Agent Bonus Schedule"). Upon completion of the Agent Bonus Schedule and the receipt by the Seller of the required releases from each of the listed Agents, the Seller shall promptly provide a copy of the Agent Bonus Schedule to the Buyer and the Escrow Agent. In the event Buyer determines (i) that the Seller has committed a manifest error in the mathematical computation of one or more of the Bonus Payments pursuant to the formulas set forth in the applicable Participation Agreement(s), or (ii) that there is a difference of greater than fifteen (15%) percent between the amount of one or more Bonus Payments to be paid to the Agents as

set forth in the Agent Bonus Schedule prepared by the Seller and the amount to be paid as calculated by the Buyer pursuant to the formulas set forth in the applicable Participation Agreement(s) and such difference arises from the data utilized to calculate such Bonus Payment, (the "Disputed Bonus Payment(s)"), the Buyer shall provide written notice of such facts to the Seller and the Escrow Agent (the "Dispute Notice") within three (3) business days of its receipt of the Agent Bonus Schedule; provided, however, the Buyer shall have no right to dispute the amount of any particular Bonus Payment to the extent the Seller has obtained from the applicable Agent an executed Release in accordance with and in the form attached to such Agent's Participation Agreement. The Buyer and the Seller shall use their best efforts to agree upon the finalization of the Disputed Bonus Payment(s) within five (5) days of the Buyer's delivery of the Dispute Notice. The Agent Bonus Schedule shall be modified to correct the amounts of the Disputed Bonus Payment(s) and shall be jointly resubmitted to the Escrow Agent by the Seller and the Buyer. In the event the amount of any of the Disputed Bonus Payment(s) are not agreed upon by the Buyer and the Seller by the end of such five (5) day period, the calculation of such unresolved Disputed Bonus Payment(s) shall be submitted to the Independent Accountant for final determination in accordance with the applicable Participation Agreement(s). The Independent Accountant shall make its final determination regarding the unresolved Disputed Bonus Payment(s) within ten (10) days of its receipt of such matter and shall provide written notice of its determination (the "Bonus Payment Resolution Notice") to the Buyer, the Seller and the Escrow Agent. The Agent Bonus Schedule shall be deemed modified with respect to the Disputed Bonus Payment(s) as set forth in the Bonus Payment Resolution Notice.

3.3 Agent Bonus Payment Escrow. At the Closing, the amount of _____ of the Purchase Price Advance shall be deposited by the Buyer with the Escrow Agent to be held in accordance with the terms of the Agent Bonus Payment Escrow Agreement. From the Second Installment, Buyer shall deposit with the Escrow Agent an amount necessary to fully fund the Agent Escrow Account such that the Agent Escrow Account will have sufficient funds to satisfy all Bonus Payments as finally determined in accordance with Section 3.1 hereof. In the event that the amount of the Second Installment is insufficient to fund fully the Agent Escrow Account, the Seller and the Stockholders shall promptly deposit the amount of the remaining deficiency with the Escrow Agent, and Buyer shall hold back the full amount of the Second Installment until such deposit is made.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller and, to the extent of his respective Ownership Interest, each Stockholder, jointly and severally, hereby represent and warrant to the Buyer that:

4.1 Corporate Organization.

(a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and the Seller has all requisite power and authority to carry on its business as it is now being conducted and to own, lease and operate its properties where such properties and assets are now owned, leased or operated. Except where the failure to be so licensed or qualified would not have a Material Adverse Effect on the Seller

or the Telcorp Business, the Seller is duly qualified or licensed to do business as a foreign corporation in good standing in each jurisdiction where the ownership or operation of the Assets or the Business requires such qualification, and each such jurisdiction is set forth in Schedule 4.1. The Certificate of Incorporation and Bylaws of the Seller, copies of which have previously been delivered to the Buyer, are true and complete copies of such documents as in effect as of the date of this Agreement.

(b) The Seller has no direct or indirect Subsidiaries. The Seller does not own, control or hold with the power to vote, directly or indirectly of record, beneficially or otherwise, any capital stock or any equity or ownership interest in any corporation, partnership, association, joint venture or other entity.

(c) The Stockholders are all of the shareholders of the Seller, and each Stockholder owns fifty percent (50%) (the "Ownership Interest") of the issued and outstanding capital stock of the Seller.

4.2 Authorization. No further act or proceeding on the part of the Seller is necessary to authorize this Agreement or the other Closing Documents or the consummation of the transactions contemplated hereby and thereby, except for obtaining shareholder approval, which has been obtained, and Regulatory Approval. Assuming the due authorization, execution and delivery by Buyer of this Agreement and the other Closing Documents, this Agreement constitutes and, when executed and delivered, the other Closing Documents will constitute, valid and binding agreements of the Seller enforceable against the Seller in accordance with their respective terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3 No Violation. Except as disclosed in Schedule 4.3, neither the execution and delivery of this Agreement by the Seller, nor the consummation by the Seller of the transactions contemplated hereby or thereby, nor compliance by the Seller with any of the terms or provisions hereof or thereof, will (i) violate, conflict with or result in a breach of any provision of the Certificate of Incorporation or Bylaws of the Seller, (ii) assuming that the consents and approvals referred to in Section 4.4 hereof are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree, license or injunction applicable to the Seller, or any of its properties or assets, or (y) violate, conflict with, result in a breach of any provisions of or the loss of any benefit under, constitute a default (or any event, which, with notice or lapse of time, or both would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien, pledge, security interest, charge or other encumbrance upon any of the properties or assets of the Seller under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Seller is a party, or by which the Seller or any of its properties or assets may be bound or affected, except (in the case of clause (y) above) for such violations, conflicts, breaches or defaults which, either individually or in the aggregate, will not have a Material Adverse Effect on the Seller.

4.4 Consents and Approvals. To the Seller's knowledge, except for such filings, authorizations, consents or approvals as may be set forth in Schedule 4.4, no consents or approvals of, or filings or registrations with, any court, administrative agency, regulatory agency or commission or other governmental authority or instrumentality (each a "Governmental Entity") or with any third party are necessary in connection with the execution and delivery by the Seller of this Agreement and the consummation by the Seller of the transactions contemplated hereby.

4.5 Ownership of the Assets. Except as disclosed on Schedule 4.5, at the Closing the Seller will be the owner of the Assets free and clear of all liens, encumbrances, charges and assessments of any nature, and except as disclosed on Schedule 4.4, the Assets are not subject to any restrictions with respect to transferability. The Seller has full power and authority to assign and transfer the Assets to the Buyer in accordance with the terms of this Agreement without obtaining the consent or approval of any other Person or Governmental Entity (other than the consents set forth in Schedule 4.4, all of which on the Closing Date have been obtained and on the Closing Date will be in full force and effect). The delivery of the Assets to the Buyer pursuant to this Agreement will transfer valid title thereto, free of all liens, encumbrances, charges and assessments of any kind except as set forth in Schedule 1.2.

4.6 Financial Statements.

(a) The Seller has previously delivered to the Buyer copies of (i) the management-prepared internal balance sheet of the Seller as of December 31, 2001, and the related management-prepared internal statements of income, changes in stockholders' equity and cash flows (the "2001 Financial Statements"), (ii) the management-prepared internal balance sheet of the Seller as of December 31, 2000, and the related internal statements of income, changes in stockholders' equity and cash flows (the "2000 Financial Statements"), and (iii) the audited balance sheet of the Seller as of December 31, 1999, and the related audited statements of income, changes in stockholders' equity and cash flows (the "1999 Financial Statements" and together with the 2000 Financial Statements, the "Prior Financial Statements"). The 2001 Financial Statements of the Seller, and, to the Seller's knowledge, the Prior Financial Statements of the Seller, have been prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied during the period involved and comply in all material respects with applicable accounting requirements; provided, however, that there were no corresponding notes prepared with respect to the 2001 Financial Statements and the 2000 Financial Statements. The 2001 Financial Statements, and, to the Seller's knowledge, the Prior Financial Statements of the Seller, fairly present in all material respects the financial position of the Seller as of the date thereof and the income and retained earnings and sources and applications of funds for the period then ended.

(b) Except for liabilities incurred since December 31, 2001 in the ordinary course of business consistent with past practice and otherwise set forth on Schedule 4.6(b) hereto, the Seller does not have any liabilities or obligations of any nature whatsoever (whether absolute, accrued, contingent or otherwise) which are not adequately reserved or reflected on the Financial Statements of the Seller for the year ended December 31, 2001, and to the Seller's best knowledge, there do not exist any circumstances that could reasonably be expected to result in such liabilities or obligations.

(c) At Closing, Seller shall provide Schedule 4.6(c)(i) which shall contain the Seller's accounts receivable report as of the Closing, and shall be true and accurate in all material respects and prepared in accordance with the Seller's normal practice. The accounts receivable reflected in the report contained in Schedule 4.6(c)(i) and all the accounts receivable arising after such date until the Closing Date are or will be valid and genuine from bona fide transactions in the ordinary course of the Seller's business and have been or will be recorded in accordance with the Seller's historical revenue recognition policy.

4.7 Absence of Certain Changes or Events. Except as set forth in Schedule 4.7, since December 31, 2001, there has not been any Material Adverse Effect on the Seller or the Telcorp Business (including without limitation any loss of employees or customers that has had a Material Adverse Effect, or that is reasonably likely to have a Material Adverse Effect, on the Seller or the Telcorp Business) and, to the knowledge of the Seller, no fact or condition exists which is reasonably likely to cause such a Material Adverse Effect on the Seller or the Telcorp Business in the future, except for the Seller's knowledge of general market conditions which affect the economy and the telecommunications industry as a whole.

4.8 Legal Proceedings. Except as set forth in Schedule 4.8, the Seller is not a party to any, and there are no pending or, to the Seller's knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against or affecting the Seller or any property or asset of the Seller, before any court, arbitrator, administrative agency or Governmental Entity, domestic or foreign, which would, if resolved against the Seller, either individually or in the aggregate, have a Material Adverse Effect on the Seller or the Telcorp Business, and the Seller has not received any written notice indicating that such a claim, action, proceeding or investigation against or affecting the Seller which would, either individually or in the aggregate, have a Material Adverse Effect on the Seller or the Telcorp Business could reasonably be expected to occur. Neither the Seller nor any property or asset of the Seller is subject to any order, writ, judgment, injunction, decree, determination or award which restricts its ability to conduct business in any area in which it presently does business or has or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Seller or the Telcorp Business. The Seller is not aware of any claim, or any facts or circumstances which may give rise to a claim against the Seller or any employee of the Seller (i) arising from personal injuries sustained by a present or former employee of the Seller in the course of employment; or (ii) otherwise compensable under a workers' compensation policy ("Workers' Compensation Claims").

4.9 Taxes. Except as set forth in Schedule 4.9(a), within the times and in the manner prescribed by law, the Seller has filed all domestic and foreign, federal, state and local tax returns required by law and has paid all taxes, assessments and penalties due and payable, except where the failure to so file or pay, either individually or in the aggregate, will not have a Material Adverse Effect. To the Seller's knowledge, there are no present disputes as to taxes of any nature payable by the Seller. The percentage of reported revenue generated in each State where Seller does business as determined based on Seller's 2001 regulatory reporting revenue is set forth on Schedule 4.9(b) hereto (the "Regulatory Approval Schedule").

4.10 Agent Contracts; Participation Agreements. Schedule 4.10 contains a true and complete list of all agent agreements and resale agreements ("Agent Contracts") between the

Seller and any agent, sub-agent, agent manager or other third party (individually, an “Agent” and, collectively, the “Agents”). The rates of standard commission (the “Standard Commission”) payable to each Agent pursuant thereto are as set forth in Schedule 7.13. The amounts due to each Agent as a bonus or incentive payment outside the scope of Standard Commission (each a “Bonus Payment” and, collectively, the “Bonus Payments”), due pursuant to such Agent Contracts or pursuant to any Participation Agreement are to be determined in accordance with Schedule A attached to each Participation Agreement, true and complete copies of which schedules are appended to Schedule 7.13. Except as indicated on Schedule 4.10, Seller has not received any written notice, or has any actual knowledge indicating that any of these Agents intend to cease doing business with Seller or materially alter the amount of the business that they are presently doing with Seller. The Seller shall provide copies of all new Agent Contracts entered into after the date hereof and prior to Closing and all such new Agent Contracts shall be added to Schedule 4.10 as of the Closing Date. Schedule 4.10 also contains a true and complete list of all Participation Agreements.

4.11 Compliance with Laws. Except as set forth in Schedule 4.11, the Seller holds all material licenses, franchises, permits and authorizations necessary for the lawful conduct of its business under and pursuant to all, and has complied with and is not in conflict with, or in default or violation of any (a) statutes, codes, ordinances, laws, rules, regulations, orders, judgments, injunctions or decrees, published policies and guidelines of any Governmental Entity, applicable to the Seller or by which any property or asset of the Seller is bound or affected or (b) any note, bond, mortgage, indenture, deed of trust, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Seller is a party or by which the Seller or any property or asset of the Seller is bound or affected, except for such instances of non-compliance that would not cause a Material Adverse Effect; and the Seller neither knows of, nor has received notice of, any violations of any the above. Schedule 4.11 hereto contains a list of all material federal and state licenses, franchises, permits and authorizations necessary for the lawful conduct of the Seller’s Business.

4.12 Customers and Sales. Schedule 4.12 is a correct and current list of all customers of the Seller as of the end of month preceding the date of this Agreement. Seller has not received any written notice, and has no actual knowledge of any facts indicating, that any of its “top ten” revenue-generating customers intend to cease doing business with Seller or materially alter the amount of the business that they are presently doing with Seller, and Seller has not received written notice that any of its other customers intend to cease doing business with Seller or materially alter the amount of the business that they are presently doing with Seller. No Agent has any claim of right, title or interest in or to any of the customers set forth in Schedule 4.12 or any customers which are the subject of an Agent Contract.

4.13 Certain Contracts.

(a) Schedule 4.13(a) contains a complete and accurate list of:

(1) each contract, agreement or other arrangement that involves payment by the Seller to any third party of an amount or value in excess of \$10,000;

- (ii) each contract, agreement or other arrangement that involves payment to the Seller by any third party of an amount or value in excess of \$10,000;
- (iii) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other contract affecting the ownership of, leasing of, title to, or any leasehold or other interest in, any real or personal property;
- (iv) each licensing agreement or other contract with respect to intellectual property, including agreements with current or former employees, consultants, or contractors regarding the appropriation or the non-disclosure of intellectual property rights;
- (v) each collective bargaining agreement and other contract to or with any labor union or other employee representative of a group of employees;
- (vi) each joint venture, partnership, and other contract (however named) involving a sharing of profits, losses, costs, or liabilities by the Seller, with any other Person;
- (vii) each contract containing covenants that in any way purport to restrict the Business of the Seller or to limit the freedom of the Seller to engage in any line of business or to compete with any Person;
- (viii) each contract providing for payments to or by any Person based on sales, purchases, or profits, other than direct payments for goods;
- (ix) each power of attorney that is currently effective and outstanding;
- (x) each contract for capital expenditures in excess of \$10,000;
- (xi) each written warranty, guaranty, and or other similar undertaking with respect to contractual performance extended by the Seller other than in the ordinary course of business;
- (xii) each non-competition agreement, non-solicitation agreement and confidentiality agreement that runs to the benefit of the Seller or any Stockholders with regard to the Business;
- (xiii) each broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting and advertising agreement;
- (xiv) each contract relating to indebtedness;
- (xv) each contract with any Governmental Entity; and
- (xvi) each contract between or among the Seller and any Affiliate of the Seller.

(xvii) each contract in excess of \$25,000, whether or not made in the ordinary course of business, which is material to the Seller or any of its Subsidiaries or the conduct of the Business, or the absence of which would have a Material Adverse Effect.

Each contract, arrangement, commitment or understanding of the type described in this section and listed on Schedule 4.13(a), and each Agent Contract, is referred to herein as a "Seller Contract."

(b) Except as set forth in Schedule 4.13(b) hereto, (i) each Seller Contract is in full force and effect and, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), is legal, valid and binding upon the Seller, assuming due authorization of the other party or parties thereto, , (ii) the Seller has in all material respects performed all obligations required to be performed by it to date under each such Seller Contract, and (iii) no event or condition exists which constitutes or, after notice or lapse of time or both, would constitute, a material default on the part of the Seiler under any such Seller Contract.

4.14 Properties.

(a) The Seller does not own any real property. Except as set forth in Schedule 4.14(a) hereto, the Seller has good and marketable title to all other property owned by it and included in the balance sheet of the Seller for the period ended December 31, 2001, and owns such property subject to no encumbrances, liens, security interests, pledges or title imperfections except for (i) those items that secure liabilities that are reflected in such balance sheet or the notes thereto, (ii) statutory liens for amounts not yet delinquent or which are being contested in good faith, and (iii) those items that do not, individually or in the aggregate, have a Material Adverse Effect on the Seller or which do not and will not interfere with the use of the property as currently used or contemplated to be used by the Seller, or the conduct of the business of the Seller.

(b) The Seller has not received any notice of a violation of any applicable zoning or environmental regulation, ordinance or other law, order, regulation or requirement relating to its operations or its properties and there is no such pending or, to Seller's knowledge, threatened violation that is reasonably likely to have a Material Adverse Effect.

(c) Schedule 4.14(c) contains a true, complete and correct list of all leases pursuant to which the Seller leases any real property and all material leases pursuant to which the Seller leases any personal property, either as lessee or as lessor (the "Seller Leases"). Assuming due authorization of the other party or parties thereto, each of the Seller Leases is valid and binding on the Seller and, to the best of the Seller's knowledge, valid and binding on and enforceable against all other respective parties to such leases, in accordance with their respective terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general

principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except to the extent such breaches, defaults or events of default do not or will not have a Material Adverse Effect on the Seller and which do not or will not interfere with the use of any property as currently used or contemplated to be used by the Seller or the conduct of the business of the Seller, there are not under such Seller Leases any existing breaches, defaults or events of default by the Seller, nor has the Seller received notice of, or made a claim with respect to, any breach or default by any other party to such Seller Leases. The Seller enjoys quiet and peaceful possession of all such leased properties occupied by it as lessee.

4.15 Labor Matters. The Seller is not a party to any collective bargaining or other labor union or guild contract, nor has the Seller been approached by any collective bargaining or other labor union or guild seeking to enter into a contract with the Seller. There is no pending or to the Seller's knowledge threatened labor dispute, strike or work stoppage against the Seller which may interfere with the business activities of the Seller. To the Seller's knowledge, neither the Seller nor any of its representatives or employees has committed any unfair labor practices in connection with the operation of the business of the Seller, and there is no pending or threatened charge or complaint against the Seller by the National Labor Relations Board or any comparable state agency. To its knowledge, the Seller has not hired any illegal aliens as employees. To the Seller's knowledge, the Seller has not discriminated on the basis of race, age, sex or otherwise in its employment conditions or practices with respect to its employees. There are no race, age, sex or other discrimination complaints pending or, to the Seller's knowledge, threatened against the Seller by any employee, former or current, before any domestic (federal, state or local) or foreign board, department, commission or agency.

4.16 Intellectual Property. To the Seller's knowledge, the Seller owns or has a right to use through valid and binding licenses, common law rights and/or other rights without payment of any material amount all material patents, copyrights, trade secrets, trade names, service marks, trademarks, domain names, software and other intellectual property used in its business, which are set forth in Schedule 4.16 hereto, and the Seller has not received any notice of conflict with respect thereto that asserts the right of others. The Seller has performed in all material respects all the obligations required to be performed by it with respect to the items of intellectual property set forth in Schedule 4.16 hereto and is not in material default under any contract, agreement, arrangement or commitment relating to any of the foregoing.

4.17 Agreements with Regulatory Agencies. Except as set forth in Schedule 4.17 hereto, the Seller is not subject to any cease-and-desist or other order issued by, or is a party to any written agreement, consent agreement or memorandum of understanding, commitment letter, suspension order, or similar undertaking (each a "Regulatory Agreement") with any regulatory agency or any other Governmental Entity that restricts the conduct of its business in any material respect, nor has the Seller been notified by any regulatory agency or any other Governmental Entity that it is considering issuing or requesting any Regulatory Agreement.

4.18 Books and Records. The books of account, minute books and other records of the Seller, all of which have been made available to the Buyer, are complete and correct and have been maintained in accordance with sound business practices, including the maintenance of an adequate system of internal controls. The minute books of the Seller contain accurate and complete records of all meetings held of, and corporate action taken by the stockholders, the

Board of Directors of the Seller and any committee thereof, and no meeting of any such stockholders, Board of Directors or committee thereof has been held for which minutes have not been prepared and are not contained in such minute books.

4.19 Regulatory Approvals. Schedule 4.19 sets forth all material telecommunications approvals and other material regulatory approvals which must be obtained by the Seller and Buyer to enable Buyer to purchase the Assets and operate the Business on and after the Closing Date (the "Regulatory Approvals").

4.20 Adequacy of Assets. The Assets constitute all of the assets held for use or used in connection with the Business as currently conducted by the Seller (other than the Excluded Assets) and the Assets are adequate to enable the Buyer to conduct the Business as currently conducted by the Seller.

4.21 Brokers Fees. Except as set forth in Schedule 4.21, neither the Seller nor any of its officers or directors, has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with any of the transactions contemplated by this Agreement.

4.22 Disclosure. No representation or warranty of the Seller or any Stockholder contained in this Agreement or any schedule to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in light of the circumstances in which they are made, not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Seller as follows:

5.1 Corporate Organization and Qualification. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Buyer has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Buyer.

5.2 Authority; No Violations.

(a) Buyer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer and the consummation by Buyer of the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of Buyer. No further corporate proceedings on the part of Buyer are necessary to approve this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer and (assuming the due

authorization, execution and delivery by the Seller) constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) Neither the execution and delivery of this Agreement by Buyer, nor the consummation by Buyer, as the case may be, of the transactions contemplated hereby, nor compliance by Buyer with any of the terms or provisions hereof, will (i) violate, conflict with or result in a breach of any provision of the Certificate of Incorporation or Bylaws of Buyer, or (ii)(x) violate any statute, code, ordinance, rule, regulations, judgment, order, writ, decree or injunction applicable to Buyer or any of its properties or assets, or (y) violate, conflict with, result in a breach of any provisions of or the loss of any benefit under, constitute a default (or any event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien, pledge, security interest, charge or other encumbrance upon any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Buyer is a party, or by which it or any of its properties or assets may be bound or affected, except (in the case of clause (y) above) for such violations, conflicts, breaches or defaults which, either individually or in the aggregate, will not have a Material Adverse Effect on Buyer.

5.4 Broker's Fees. Except as set forth in Schedule 4.21, neither Buyer, nor any of its respective officers or directors, has employed any broker or finder or incurred any liability for any broker's fee, commission or finder's fee in connection with any of the transactions contemplated by this Agreement.

5.5 Disclosure. No representation or warranty of Buyer contained in this Agreement or any schedule to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in light of the circumstances in which they are made, not misleading.

ARTICLE VI

ADDITIONAL REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each Stockholder, to the extent of his respective Ownership Interest, represents and warrants to Buyer as follows:

(a) This Agreement has been duly executed and delivered by each Stockholder, (assuming due authorization, execution and delivery by the other parties hereto) constitutes a valid and binding obligation of each Stockholder, and is enforceable against each Stockholder in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and

subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) To the best knowledge of each Stockholder, no filing, authorization, consent or approval of, or filing or registration with, any Governmental Entity or with any third party is necessary with respect to any Stockholder in connection with the execution, delivery and performance of this Agreement by each Stockholder.

ARTICLE VII

COVENANTS OF THE SELLER AND BUYER

7.1 Management of the Business; Conduct of the Business Pending Closing.

Buyer and the Seller agree that effective from and after April 1, 2002 until the earlier of (i) Closing Date or (ii) the termination of the Agreement (the "Pre-Closing Period"), Buyer shall have management control of the Business and Assets for the benefit of the Seller, provided, that the parties agree to conduct the Business in accordance with (A) the terms of that certain letter dated the date hereof between Buyer and Seller relating to the management of the Telcorp Business (the "Management Letter"), (B) Section 7.13 and (C) subject to Section 7.13 as follows, except as otherwise approved in writing by the Seller and Buyer:

(a) Appointment of Manager. Buyer hereby designates Stephen Samuels as manager of the day-to-day operations of the Telcorp Business during the Pre-Closing Period.

(b) Conduct of Business in Normal Course. The Seller shall carry on its business and activities diligently and in substantially the same manner as they previously have been carried on, and shall not make or institute any unusual or novel methods of purchase, sale, lease, management, accounting or operation that will vary materially from the methods used by the Seller as of the date of this Agreement unless otherwise approved by the Buyer, such approval not to be unreasonably withheld. In addition, the Seller shall not alter its standards for credit-worthiness without the consent of the Buyer and shall not provide services to any new or existing customer which does not or ceases to meet the Seller's standards for creditworthiness. Without limiting the foregoing, the Seller shall operate the business in the same manner as the Seller previously conducted the Business and shall make those changes as necessary to gain benefits of the synergies of the acquisition of the Assets making all changes determined appropriate by the Buyer in its reasonable discretion.

(c) Preservation of Business and Relationships. The Seller shall use commercially reasonable efforts, without making any commitments on behalf of the Buyer, to preserve its business organization intact, to keep available its present officers and employees unless otherwise directed by the Buyer in its discretion, and to preserve its present relationships with suppliers, customers and others having business relationships with it.

(d) No Asset Acquisition or Disposition. The Seller will make no material acquisition or disposition of Assets, nor incur any additional indebtedness related to the Business or the Assets, provided, that the Seller shall be permitted to enter into new customer contracts in the normal course generally consistent with past practice.

(e) Liens. The Seller shall not create and shall not permit any third party to create any liens or encumbrances.

(f) Contracts. The Seller shall not enter into any leases, licenses, contracts, agreements, arrangements, understandings or other commitments relating to the Business or the Assets, except in the normal course generally consistent with past practice. The Seller may enter into new Agent Contracts with Agents, which the Seller may select and approve in its sole discretion, provided, that such new Agent Contracts shall provide for payment of commissions to Agent in accordance with Schedule 7.13 and such Agent Contracts shall be assignable to the Buyer at Closing and shall be in a form approved by Buyer in its reasonable discretion. On the date of this Agreement, the Seller has provided to Buyer copies of all Agent Contracts. The Seller shall provide copies of all new Agent Contracts entered into after the date hereof and prior to Closing. On or prior to the Closing, the Seller shall have delivered to the Buyer all new Agent Contracts with agents as to all the customers sold pursuant to such agreement. Buyer shall have a right to approve all new Agent Contracts entered into by the Seller which are not consistent with this Section 7.1(f).

(g) Obligations. The Seller shall continue to meet the contractual obligations of, and to pay noncontested obligations relating to the Business as they mature in the normal course. The Seller shall be obligated to pay or otherwise satisfy in the ordinary course all of the trade payables of the Business and shall fully pay or cause to be paid or otherwise satisfied all other claims or liabilities relating to the Assets or the Business incurred through the Closing Date with respect to the Business and the Assets sold and transferred on such date.

(h) Certain Carrier Charges. The Seller will assume the expense of any applicable Preferred Interexchange Carrier (PIC) Change charges related to the addition of new customers or agents to the Business; provided however, that Buyer shall assume such expense if the Seller provides Buyer with prior notification of the transaction giving rise to such expense and Buyer, in its reasonable discretion, deems such transaction to be beneficial to the Business.

(i) Suppliers. The Seller shall use commercially reasonable efforts to maintain the business relations of the Seller with its suppliers, customers and others with whom it has business relations relating to the Business generally consistent with past practice.

(j) Contracts. The Seller shall not terminate or modify any existing contract with customers or telecommunications suppliers, except with notification to Buyer and in the normal course generally consistent with past practice.

(k) Financial Information. The Seller shall provide the Buyer with any financial information or financial reports reasonably requested by the Buyer, and shall deliver to the Buyer within 25 days after the end of each month, an accounts receivable aging report.

7.2 No Negotiations/Solicitations. Neither the Seller nor any Stockholder will directly or indirectly (through a representative or otherwise) solicit or furnish any information to any prospective buyer, or commence or conduct presently ongoing negotiations with any other party, or enter into any agreement with any other party concerning the sale of the Seller, the Business or the Assets, or any material part thereof (an "Acquisition Proposal"); and the Seller

and each Stockholder shall promptly notify the Buyer of the receipt of any Acquisition Proposal and the terms thereof, provided that the Seller and each Stockholder shall be under no obligation to disclose to the Buyer the identity of the author of any unsolicited Acquisition Proposal. None of the Seller or any Stockholder shall dispose of any interest in a material portion of the Business or the Assets except pursuant to this Agreement, as the same may be amended and in affect from time to time.

7.3 Pre-Closing Accounts Receivable; Previously Unbilled Call Detail Records.

At the Buyer's cost, after the Closing, the Buyer will use commercially reasonable efforts to collect any revenues associated with the Seller's outstanding accounts receivable arising prior to the Closing Date and all unbilled customer usage, surcharges and other ancillary charges and taxes. The Buyer will also use commercially reasonable efforts to collect any revenues associated with previously unbilled Call Detail Records ("CDR's") for customer usage for the usage period prior to the Closing Date on behalf of the Seller. With respect to revenue collected by the Buyer related to either the Seller's outstanding accounts receivable arising prior to the Closing Date of this Agreement or previously unbilled CDR, such revenue will be remitted directly to the Seller. For purposes hereof, payments made after the Closing Date to the Buyer for the purpose of paying accounts receivable shall be applied on a customer-by-customer basis to accounts receivable of the Seller and the Buyer in the following order: first, in the order accrued and second, in the event of a dispute with a customer, to the next oldest account receivable (or uncontested portion thereof) of the same customer which is not in dispute. The Buyer will apply its normal collection processes and procedures in order to collect as much of this revenue as is possible. For a period of nine (9) months following the Closing Date, Buyer agrees that it shall not close the current P.O. Box address where the Seller's customers remit payment as listed on the Seller's invoices and shall continue to collect receipts from such P.O. Box; provided, however, that 120 days following the Closing the Buyer may instruct the customers to remit payment to a different P.O. Box address.

7.4 Due Diligence.

(a) The Seller shall afford to the Buyer and its counsel, accountants and other representatives full access to the Assets, including personnel, offices, properties, books and records of the Seller in order that the Buyer may have full opportunity to make such investigations as it shall desire (the "Due Diligence Investigation"). The Buyer acknowledges that its completion of such Due Diligence Investigation is not a condition to Closing. The Seller will cause its officers and accountants to continue to furnish the Seller with such additional financial and operating data, including but not limited to accounting records, inventory records, financial records, information systems, tax returns, fixed asset records, property records, leases and other information as the Buyer shall from time to time reasonably request relating to the Business or the Assets; provided however, that any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operations of the Business of the Seller.

(b) In addition to any other confidentiality covenants and obligations imposed under this Agreement, the parties agree to comply with the Non-Disclosure Agreement, dated as of October 29, 2000 between the Buyer and the Seller, as amended by that certain Amendment to Non-Disclosure Agreement effective as of October 29, 2000 (as amended, the "Confidentiality

Agreement”), which is incorporated herein by reference. Each Stockholder shall comply with the Confidentiality Agreement as if originally a party thereto.

7.5 Disclosures and Announcements. No press releases or filings shall be made by any party without the prior written approval of the Buyer and the Seller, which approval shall not be unreasonably withheld. All notices to third-parties, including but not limited to, regulatory authorities, customers, vendors and landlords, concerning this Agreement or the transactions contemplated hereby shall be jointly planned and coordinated by the Buyer and the Seller. Except as required by applicable law, none of the Seller, any Stockholder and the Buyer shall give notice to third parties or otherwise make any disclosure, public statement or releases concerning this Agreement or the transactions contemplated hereby except with the express written consent of the Buyer and the Seller, which consent shall not be unreasonably withheld. The Seller acknowledges and affirms that it has no legal or regulatory obligation to disclose the existence of this Agreement or the proposed transaction, except to those Persons set forth on Schedule 4.4.

7.6 Consents; Regulatory Approvals. The parties hereto shall cooperate with each other and use all reasonable efforts promptly to prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, and to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities including without limitation, all Regulatory Approvals and such State approvals and authorizations not currently held by the Buyer on the date hereof, which are necessary or advisable to consummate the transactions contemplated by this Agreement (including without limitation all regulatory filings and approvals necessary to transfer ownership of the customer accounts and the Letters of Agency from the Seller in each state where the Seller currently has end users and at the Federal Communications Commission (the “FCC”), which the parties hereby jointly agree shall be prepared and prosecuted by Regulatory Counsel, on their joint behalf). The Buyer and the Seller shall have the right to review in advance, and to the extent practicable each will consult with the other on, in each case subject to applicable laws relating to the exchange of information, all the information relating to the Seller or Buyer, as the case may be, which appear in any filing made with or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto shall act reasonably and as promptly as practicable. The parties hereto agree that they will consult with the others with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other apprised of the status of matters relating to completion of the transactions contemplated herein. The Buyer and the Seller shall promptly furnish each other with copies of written communications received by Buyer or the Seller, as the case may be, from, or delivered by any of the foregoing to, any Governmental Entity in respect of the transactions contemplated hereby. Buyer shall pay all reasonable costs and expenses of Regulatory Counsel in connection with obtaining the Regulatory Approvals. The Seller shall cause Regulatory Counsel to cooperate with Buyer’s Regulatory Counsel and to deliver to Buyer’s Regulatory Counsel a written report regarding the status of the Regulatory Approvals at least once every other week until all Regulatory Approvals are obtained. Such report shall be in form and substance reasonably satisfactory to Buyer’s Regulatory Counsel.

7.7 Schedules. The Seller shall have a continuing obligation to promptly notify the Buyer in writing with respect to any matter arising or discovered after the date of execution of this Agreement, which matter, if existing or known at the date hereof, would have been required to be set forth or described in the Schedules to this Agreement.

7.8 Bulk Sales. The Seller agrees to and does hereby indemnify and hold the Buyer harmless from and against all claims, losses, demands, damages, liabilities, losses, costs and expenses resulting from or relating to noncompliance by the Buyer or the Seller with the bulk transfer provisions of the UCC or any similar law ("Bulk Sales Laws") in connection with the sale and transfer of the Assets to the Buyer and the Buyer and the Seller agree to comply with escrow and bulk sales filings as set forth in Section 12.2.

7.9 Change of Seller's Name. On or immediately after the Closing Date and the transfer of all of the Assets, the Seller shall amend its Certificate of Incorporation so as to change its corporate name and will thereafter take such action as may reasonably be requested by Buyer to make its present corporate name available to Buyer; provided, that the Seller shall be permitted to continue to identify its former corporate name (i) in any and all documentation relating to the winding-up of its affairs and its dissolution, and (ii) on invoices sent to customers for a period of nine (9) months from the Closing Date.

7.10 No Inconsistent Actions. Prior to the Closing Date and the transfer of all of the Assets, except as otherwise permitted by this Agreement, no party will enter into any transaction or make any agreement or commitment and will use reasonable efforts not to permit any event to occur, which could reasonably be anticipated to result in (x) a denial of the regulatory approvals referred to in Section 8.1(a) or (y) the imposition of any condition or requirement that would materially adversely affect the economic or business benefits of the transactions contemplated by this Agreement.

7.11 Consulting and Non-Compete Agreements. At the Closing, the Seller and each of the Stockholders shall cause each of Stephen Samuels, Joe Inguagiato and David Luther to enter into a Consulting Agreement, each in the form annexed as Exhibits A, B and C, respectively, hereto (the "Consulting Agreements"), and the Seller shall enter into a Non-Competition Agreement in the form annexed as Exhibit F hereto (the "Non-Competition Agreement"). As consideration for the Seller's covenants and agreements in the Non-Competition Agreement, the Buyer hereby agrees to pay to the Seller, on the Closing Date, a sum equal to the Net Revenue, if any, collected by the Buyer (the "Non-Compete Payment"). For purposes of this Section 7.11 "Net Revenue" is the excess of gross revenues derived from the Telcorp Business during the period from _____ until the end of the Pre-Closing Period, over expenses paid and losses incurred during the same period, as determined on a cash basis. The Non-Compete Payment shall be paid through the application of a credit against the payment due the Buyer under the Management Letter.

7.12 Bonus Payments. The Seller shall pay all Bonus Payments due to Agents pursuant to all Participation Agreements on or within thirty (30) business days after, but not prior to, the Final Payment Date, to the extent that such Bonus Payments are not paid from the Agent Escrow Account

7.13 Operating Budget. From and after _____ and continuing through the end of the Valuation Period, the parties hereto agree that the Telcorp Business shall be operated at all times, whether by the Seller or Buyer, as applicable, such that

(a) the carrier costs of the Telcorp Business (including PICC and USF charges) shall not exceed 55% of the gross revenues (less bad debt) of the Telcorp Business (for purposes of this subsection (a), carrier costs shall be calculated utilizing the same treatment of Surplus Charges to Accounts as set forth in the definition of Post Closing EBIT, principle (b));”

(b) the commission expenses of the Telcorp Business shall be in accordance with the various commission plans referenced in Schedule 7.13 hereto (true and complete copies of which commission plans are appended to such Schedule 7.13); provided, however, that nothing herein shall prevent the Seller from entering into an agreement to pay an Agent any lesser amount;

(c) the following operating expenses of the Telcorp Business shall not exceed 20% of the gross carrier revenues for the same period: (i) base salaries (or base consulting fees), (ii) insurance, (iii) systems license fees, (iv) regulatory licensing fees, (v) rent, (vi) regulatory compliance fees, (vii) office telephone charges, (viii) consulting and collection costs, (ix) travel and (x) stationary.”; and

(d) no bonuses or other compensation in excess of the 2002 base salaries of employees of the Telcorp Business set forth on Schedule 13.1 shall be paid to such employees;

in each case without the written consent of both Buyer and the Seller, which consent shall not be unreasonably withheld by either party.

7.14 Prepaid Expenses. The Seller agrees that it shall not prepay any expenses relating to the Telcorp Business, other than those pre-paid items set forth on Schedule 13.2 which have already been prepaid.

7.15 Required Contracts. During the Post Closing Period, the Seller shall make the contracts and agreements listed on Schedule 7.15 attached hereto (the “Required Contracts”) available to the Buyer and the Buyer agrees to utilize the Required Contracts to operate the Telcorp Business. During the Post Closing Period, the Seller shall make the Required Contracts available to the Buyer either by (i) an assignment of a particular Required Contract, if so elected by the Buyer, or (ii) an equitable assignment by the Seller to the Buyer of all of the Seller’s right, title and interest in and to, and obligations under, such Required Contracts, to be accomplished by any reasonable arrangement designed to provide the Buyer the benefits under any such Required Contract, including, without limitation, compliance by the Seller on the Buyer’s behalf with any such Required Contract and enforcement for the benefit of the Buyer of any and all rights of the Seller against a third party thereto arising out of the breach or cancellation by such third party or otherwise; and the Buyer shall assume and timely perform, and indemnify and hold the Seller harmless in respect of, any and all obligations and liabilities owed by the Seller relating to Required Contracts which arise during the Post-Closing Period and relate to the operation of the Telcorp Business.

ARTICLE VIII

CONDITIONS PRECEDENT

8.1 Conditions to Each Party's Obligation.

(a) The respective obligation of each party to proceed with the Closing shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(1) Regulatory Approvals. (i) All material filings required to be made prior to the Closing Date with all applicable Governmental Entities and States in connection with the execution and delivery of this Agreement and the transactions contemplated hereby shall have been made; and (ii) on and as of the Closing Date, all applicable Regulatory Approvals shall have been obtained with respect to (A) those States which account for or generate at least 85% of the reported revenue of the Telcorp Business based on the Regulatory Approval Schedule, and (B) the FCC, and all statutory waiting periods in respect thereof shall have expired or been terminated (all such approvals and the expiration of all such waiting periods being referred to herein as the "Requisite Regulatory Approvals"); provided however, that the Buyer's obligation to proceed with the Closing shall not be subject to the satisfaction of Section 8.1(a)(1)(ii)(A) if the condition in such section is not satisfied due to the Buyer's failure to maintain or obtain in a timely manner its own certifications required for the Buyer to operate in any State and, but for such failure, the Requisite Regulatory Approvals would have been obtained.

(2) Absence of Suit. No action, suit or proceeding before any court or any Governmental Entity shall have been commenced or threatened, and no investigation by any Governmental Entity shall have been commenced, against the Buyer or the Seller, or any of their respective Affiliates, (i) seeking to restrain, prohibit or enjoin the consummation of the transactions contemplated hereby or to change any of the terms thereof, (ii) questioning the validity, legality or enforceability of any such transactions, or (iii) seeking damages in connection with any such transactions.

(3) Participation Agreements. At or prior to Closing, the Seller shall have terminated all of its existing Participation Agreements and entered into a replacement Participation Agreement for each such Participation Agreement in the form annexed hereto as Exhibit D.

(4) Agent Bonus Payment Escrow Agreement. Buyer, the Seller and the Escrow Agent shall have executed and delivered the Agent Bonus Payment Escrow Agreement.

8.2 Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated herein is subject to the satisfaction or waiver by Buyer, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties. The representations and warranties of the Seller and the Stockholders set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and (except to the extent such representations

and warranties speak as of an earlier date) as of the Closing Date as though made on and as of the Closing Date.

(b) Compliance With Agreement. The Seller and each Stockholder shall have performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Seller and each Stockholder, respectively, pursuant to the terms of this Agreement at or prior to the Closing Date, including delivery of the Closing Documents, which shall be in form and substance satisfactory to counsel for the Buyer.

(c) No Prohibition. Neither the consummation nor the performance of any of the transactions contemplated by this Agreement will directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause the Buyer to suffer any material adverse consequence under (i) any applicable laws, or (ii) any law that has been published, introduced, or otherwise proposed by or before any Governmental Entity.

(d) Absence of Liens. At or prior to the Closing, at the expense of the Seller, the Buyer shall have received a UCC search report issued by the Secretaries of States or other applicable agency or department dated within thirty (30) days of Closing in the States of California, New Jersey and New York and the Clerks of Counties from all jurisdictions in which the Seller maintains a principal office for the conduct of business or owns real property indicating that there are no filings under Article 9 of the UCC on file with such office which name the Seller as debtor or otherwise indicate any lien on the Assets.

(e) Condition of Assets. The Assets shall not have been affected in any way as a result of any fire, accident, storm or other casualty or labor or civil disturbance or act of God or the public enemy constituting a Material Adverse Effect.

(f) Interim Operations. Since December 31, 2001 (the "Financial Statement Date"), the Business has been conducted only in the ordinary and usual course of business consistent with past practice and the terms hereof. Without limiting the generality of the foregoing, the Seller has not since the Financial Statement Date:

(i) suffered any material adverse change in its financial condition, Business, operations, Assets or customer base; or

(ii) sold, transferred, or otherwise disposed of any material portion of the Assets except in the ordinary and usual course of business and consistent with past practice.

(g) Consulting Agreements. Each of Stephen Samuels, Joe Inguagiato and David Luther shall have entered into the Consulting Agreements, and the Seller shall have entered into the Non-Competition Agreement; and

(h) Agent Contracts. At or prior to Closing, the Seller shall have obtained either (i) a new agent or sub-agent agreement in a form approved by Buyer (a "New Agent Contract") with respect to any Agent Contract which by its terms does not permit assignment of such Agent Contract to Buyer, or (ii) an assignment of such Agent Contract to Buyer, in form and substance satisfactory to Buyer ("Agent Assignment"), effective at the Closing.

(i) Closing Deliveries. The Seller shall have delivered, or caused the delivery to Buyer of, each of the documents required to be delivered by the Seller on the Closing Date under Section 9.2.

8.3 Conditions to Obligations of the Seller. The obligations of the Seller to consummate the transactions contemplated herein is subject to the satisfaction, or waiver by the Seller, at or prior to the Closing of the following conditions:

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects on the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date, as though made on and as of the Closing Date.

(b) Compliance With Agreement. The Buyer shall have performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Buyer at or prior to the Closing Date pursuant to the terms of this Agreement, including delivery of the Closing Documents, which shall be in form and substance satisfactory to counsel for the Seller.

(c) No Prohibition. Neither the consummation nor the performance of any of the transactions contemplated by this Agreement will directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause the Seller or the Telcorp Business to suffer any material adverse consequence under (i) any applicable laws, or (ii) any law that has been published, introduced, or otherwise proposed by or before any Governmental Entity.

(d) Guaranty Agreement. NUI Capital Corporation shall have executed and delivered to the Seller the Guaranty Agreement.

(e) Closing Deliveries. Buyer shall have delivered, or caused the delivery to the Seller of, each of the documents required to be delivered by Buyer on the Closing Date under Section 9.3.

ARTICLE IX

CLOSING

9.1 Closing.

(a) Closing Date. The closing of the acquisition and assumption of the Assets of the Seller in the States for which all applicable Regulatory Approvals have been obtained and the consummation of the transactions contemplated by the Agreement in such States (the “Closing”) shall take place at the offices of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, P.C., One Riverfront Plaza, Newark, New Jersey 07102-5497 at 10:00 a.m. local time on (i) the last business day of the month in which the Requisite Regulatory Approvals have been obtained, or (ii) if the Requisite Regulatory Approvals are not obtained at least three (3) business days prior to the last business day of such month, the last business day of the month following the month in which the Requisite Regulatory Approvals have been obtained, or at such other time

and place as may be mutually agreed upon by the parties (the “Closing Date”). All proceedings to take place on the Closing Date shall be deemed to take place simultaneously and no delivery shall be deemed to have been made until all such proceedings have been completed.

(b) *Post Closing.* In the event that all of the Regulatory Approvals are not obtained by the Closing Date but at least the Requisite Regulatory Approvals have been obtained, the parties agree to take all actions necessary to transfer the net income (or loss) attributable to such Assets which relate to the Regulatory Approvals that have not been obtained to the Buyer through any mutually agreeable arrangement, which may include, without limitation, an amendment and continuation of the management arrangement set forth in Section 7.1 hereof, the execution of a wholesale provider agreement, or the procurement of new Letters of Agency with respect to the customers included in such Assets in the name of Buyer. If requested by Buyer, the Seller shall execute and deliver to Regulatory Counsel Transfer Instruments and Closing Documents relating to States for which Regulatory Approvals are pending as of the Closing Date to be held by Regulatory Counsel until receipt of the Regulatory Approvals and an opinion of counsel to the effect the appropriate Regulatory Approvals have been obtained. In the event that Buyer is unable to receive the benefit of all of the Assets on the Reconciliation Date (including, without limitation, because Buyer did not receive one or more of the Regulatory Approvals and a mutually agreeable arrangement could not be consummated to transfer the Assets related thereto pursuant to this Section 9.1(b)), then the determination of Post Closing EBIT shall exclude any revenue or Expenses associated with, or generated by, those Assets for which Buyer does not receive any benefit. In addition, Buyer acknowledges and agrees that any and all revenue generated by the Seller after the Closing Date for which the Buyer is not receiving credit (the “Post Closing Revenue”) will remain the property of the Seller until such time as the corresponding Regulatory Approval has been obtained or a mutually agreeable arrangement has been consummated. The Seller agrees that Post Closing Revenue will be segregated from its gross revenues and maintained in a separate interest bearing account, and within five (5) days of the (i) receipt of the corresponding Regulatory Approval or (ii) consummation of a mutually agreeable arrangement with respect to such Assets pursuant to this Section 9.1(b), the Seller shall distribute such Post Closing Revenue to Buyer by wire transfer to such account as Buyer shall notify the Seller in writing.

9.2 Documents to be Delivered by the Seller at the Closing. At the Closing, the Seller shall deliver to the Buyer the following documents:

(a) *Transfer Instruments.* Such bills of sale, assignments, licenses and other good and sufficient instruments of transfer, conveyance and assignment in form and substance reasonably acceptable to the Buyer and effective to vest in the Buyer all of the Seller’s right, title and interest in and to the Assets (the “Transfer Instruments”) for which the Regulatory Approvals have been obtained in accordance with the terms of this Agreement. If requested by Buyer, at the Closing, as to all Assets in States for which Regulatory Approvals are pending, the Seller shall deliver to the Escrow Agent the Transfer Instruments and other Closing Documents relating to such Assets to be held in escrow until the Regulatory Approval relating to such Asset is received. The Transfer Instruments and other Closing Documents will be dated as of the date of receipt of such Regulatory Approval.

(b) Compliance Certificate. A certificate signed by the Seller and each Stockholder to the effect that the representations and warranties of the Seller and the Stockholders set forth in Article IV of this Agreement are true and correct in all material respects on and as of the Closing Date, with the same effect as though made or given on and as of the Closing Date (except for changes contemplated or permitted by the terms of this Agreement, consented to in writing by the Buyer, or made as of a particular date, in which case such representations and warranties shall have been true and correct in all material respects as of such date), and that the Seller has performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Seller on or prior to the Closing Date.

(c) Good Standing Certificates. A good standing certificate of the Seller from the Secretaries of State of New York, New Jersey and California, obtained at the expense of the Seller, dated within thirty (30) days of the Closing.

(d) Secretary's Certificate. A Certificate, dated the Closing Date and delivered on the Closing Date, executed by the Secretary of the Seller, which shall (i) attach a certified copy of the resolutions of the board of directors and of the stockholders of the Seller authorizing and approving this Agreement and the consummation of the transactions contemplated by this Agreement; and (ii) identify by name and title and bear the signature of its officer authorized to execute any Closing Document to be executed and delivered on behalf of the Seller pursuant to the terms of this Agreement.

(e) Opinion of Counsel. A written opinion of counsel to the Seller, dated as of the Closing Date and delivered on the Closing Date addressed to Buyer in form reasonably acceptable to Buyer.

(f) Release of Encumbrances. UCC-3 termination statements or other evidence of the release of all Liens on the Assets.

(g) Agent Bonus Payment Escrow Agreement. Buyer, the Seller and the Escrow Agent shall have executed and delivered the Agent Bonus Payment Escrow Agreement.

(h) Consulting and Non-Competition Agreement. The Consulting Agreements shall have been executed and delivered to the Buyer by each of Stephen Samuels, Joe Inguagiato and David Luther, and the Non-Competition Agreement shall have been executed and delivered by the Seller.

(i) Agent Contract. The Seller shall deliver the New Agent Contracts and the Agent Assignments, as applicable, required by Section 8.2(h) of this Agreement, duly executed and delivered by the applicable Agents.

(j) Other Documents. All other documents, instruments or writings required to be delivered to the Buyer pursuant to the terms of this Agreement, including documents evidencing the Requisite Regulatory Approvals and all other Regulatory Approvals received by the Closing Date.

9.3 Documents to be Delivered by the Buyer. At the Closing, the Buyer shall deliver to the Seller the following documents:

(a) Secretary's Certificate. A Certificate dated the Closing Date and delivered on the Closing Date executed by the Secretary of the Buyer which shall (i) attach a certified copy of the resolutions of the board of directors of the Buyer and of the stockholders of Buyer authorizing and approving this Agreement and the consummation of the transactions contemplated by this Agreement; and (ii) identify by name and title and bear the signature of its officer authorized to execute any Closing Document to be executed and delivered on behalf of the Buyer pursuant to the terms of this Agreement.

(b) Payment. The Buyer shall have delivered the Purchase Price Advance in accordance with Section 2.2.

(c) Compliance Certificate. Certificates signed by the Buyer to the effect that the representations and warranties of the Buyer set forth in Article V of this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as though made or given on and as of the Closing Date (except for changes contemplated or permitted by the terms of this Agreement, consented to in writing by the Seller, or made as of a particular date, in which case such representations and warranties shall have been true and correct in all material respects as of such date), and that the Buyer has performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Buyer on or prior to the Closing Date.

(d) Agent Bonus Payment Escrow Agreement. Buyer, the Escrow Agent and the Seller shall have executed and delivered the Agent Bonus Payment Escrow Agreement.

(e) Consulting Agreement. The Consulting Agreements shall have been executed and delivered to the Stockholders by Buyer.

(f) Guaranty Agreement. NUI Capital Corporation shall have executed and delivered to the Seller the Guaranty Agreement.

(g) Opinion of Counsel. A written opinion of counsel to the Buyer, dated as of the Closing Date and delivered on the Closing Date addressed to the Seller in form reasonably acceptable to the Seller.

(h) Other Documents. All other documents, instruments or writings required to be delivered to the Seller at or prior to the Closing pursuant to the terms of this Agreement.

9.4 Assignment of Contracts, Rights and Obligations. This Agreement reflects the Seller's intent to assign all of the Assets to the Buyer on or prior to the Closing Date. However, at the Buyer's sole option, if an assignment thereof, without the consent of a third party thereto or the expiration of a notice period to a third party thereto, would constitute a breach or default thereof, cause or permit the acceleration or termination thereof or in any way materially and adversely affect the rights of the Buyer or the Seller thereunder or the right of the Buyer to conduct all or any part of the Business in the manner and on the terms presently enjoyed by the Seller, the parties shall arrange an equitable assignment by the Seller to the Buyer of all of the

Seller's right, title and interest in and to, and obligations under, such Assets. If a third party consent is not obtained or notice period expired with respect to any such Assets as of the date hereof (i) the Seller shall cooperate with the Buyer in any reasonable arrangement designed to provide the Buyer the benefits under any such Assets, including, without limitation, compliance by the Seller on the Buyer's behalf with any such Assets and enforcement for the benefit of the Buyer of any and all rights of the Seller against a third party thereto arising out of the breach or cancellation by such third party or otherwise, and (ii) the Buyer shall indemnify and hold the Seller harmless in respect of any and all obligations owed by the Seller relating to such Assets and arising after the Closing Date. The Seller and the Buyer covenant to proceed promptly to complete and satisfy any such third party actions as soon as possible after the date hereof. Upon a third party consent being obtained or sufficient notice having expired with respect to any such Assets, the Seller shall assign to the Buyer and the Buyer shall assume from the Seller, in each case effective as of the date hereof, by supplemental instrument of conveyance if requested by the Seller or the Buyer, all of the Seller's right, title and interest in and to, and obligations under, such Assets, without further payment of consideration, and the arrangements entered into between the Seller and the Buyer pursuant to the foregoing sentence with respect to such Assets shall terminate as to such Asset. Notwithstanding anything herein or in any Consulting Agreement or other Closing Document to the contrary, in the event that the landlord or sub-landlord for the Seller's premises at 99 West Hawthorne Avenue, Suite 400, Valley Stream, New York 11580 (the "Headquarters") does not permit the Telcorp Business to be operated at the Headquarters at any time after the Closing Date as a result of the change of ownership of the Telcorp Business, the Buyer shall not be penalized, and the Seller and the Stockholders shall not be able to exercise any rights which would otherwise accrue upon a change of the location of the Telcorp Business from the Headquarters; provided that the Buyer and the Seller shall use their commercially reasonable best efforts to move the Telcorp Business to an alternate location within ten miles of the Headquarters for the remainder of the Post Closing Period.

9.5 Recording of Documents. The Buyer shall be responsible for the filing or recording of such assignments, instruments or documents delivered by the Seller hereunder as may be necessary to perfect the Buyer's right, title or interest in or to any of the Assets.

9.6 Notices of Sale. As requested by the Buyer at any time and from time to time even following the Closing, the Seller shall prepare and mail notices to the other party under each of the contracts transferred, assigned, delivered and conveyed to the Buyer pursuant to this Agreement advising such other party that such contracts have been conveyed to the Buyer and directing such other party to send to the Buyer all future payments, notices and correspondence relating to the foregoing.

9.7 Passage of Title at Closing. Upon delivery of the Transfer Instruments at Closing or thereafter in accordance with the terms hereof, title to the Assets covered thereby shall pass to the Buyer. The Seller will put the Buyer in possession of all of the Assets for which Regulatory Approvals are received at Closing and, as to the Assets and Business for which Regulatory Approvals are pending, the Seller shall put the Buyer in possession of all such Assets as of the date of receipt of Regulatory Approval relating to the transfer of such Asset. From and after the Closing or, if applicable, upon receipt of the Regulatory Approval pending as of the Closing Date relating to the Assets and the Business, the ownership and operation of the Assets conveyed to the Buyer pursuant to this Agreement shall be for the account and risk of the Buyer.

9.8 Conduct of the Business Post Closing.

(a) The Buyer and Seller agree that during the Post Closing Period, except as otherwise approved in writing by the Seller, Buyer shall carry on the Business in accordance with Section 7.13 and in substantially the same manner as it previously has been carried on, and shall not make or institute any unusual or novel methods of purchase, sale, lease, management, accounting or operation that will vary materially from the methods used by the Seller as of the date of this Agreement. Buyer agrees that during the Post Closing Period it shall manage and control the Assets as if such Assets comprised a completely separate division or entity owned by Buyer. Until the Final Payment Date, Buyer further agrees that it will not remove Cy Cowen from his current position except for Cause (as defined in the Consulting Agreement between the Buyer and Stephen Samuels) or with the prior written consent of Stephen Samuels, which consent shall not be unreasonably withheld.

(b) Under the terms of his Consulting Agreement and subject to Buyer's right to remove him for Post Closing Cause (as defined therein), the President of Buyer hereby assigns Stephen Samuels the duties of manager of the day to day operations of the Telcorp Business during the Post Closing Period and designates Samuels as "President" of the Telcorp Business during such Post Closing Period, under the general direction of the President and the Board of Buyer; provided, however, that Buyer shall have control of all funds received or disbursed in connection with the Telcorp Business and shall authorize all disbursements made in connection therewith. In addition, the parties agree that during the Post Closing Period, the Telcorp Business shall be operated consistent with subparagraphs (b) through (g), (i) and (j) of Section 7.1 hereof.

(c) In the event that Buyer breaches any of the covenants or restrictions set forth in this Section 9.8 or if Samuels (i) is terminated without Post Closing Cause or Cause (as such terms are defined in the Consulting Agreement) or (ii) terminates the Consulting Agreement for Good Reason (as defined therein), during the Post Closing Period, Samuels shall have the right to visit the offices where the Business is located on a bi-weekly basis and shall have access to and the right to inspect during normal business hours any and all correspondence, records and documents pertaining to the Business; provided, that Samuels shall have no discussions with personnel of Buyer other than to request access to correspondence, records, documents and information.

ARTICLE X

TERMINATION AND AMENDMENT

10.1 Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by consent of the Buyer and the Seller in a written instrument, if the appropriate officer of each so determines:

(b) by the Buyer or the Seller upon written notice to the other party (i) at least thirty (30) days after the date on which any request or application for a Requisite Regulatory Approval required to consummate the transaction shall have been denied or withdrawn at the

request or recommendation of the Governmental Entity which must grant such Requisite Regulatory Approval, unless within the thirty (30) day period following such denial or withdrawal a petition for rehearing or an amended application has been filed with the applicable Governmental Entity; provided, however, that no party shall have the right to terminate this Agreement pursuant to this Section 10.01(b)(i) if such denial or request or recommendation for withdrawal shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party), set forth herein, or (ii) if any Governmental Entity of competent jurisdiction shall have issued a final nonappealable order enjoining or otherwise prohibiting the consummation of any of the transactions contemplated by this Agreement;

(c) by the Buyer or the Seller (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a material breach of any of the representations or warranties set forth in this Agreement on the part of the other party, (i) which breach (if susceptible to cure) is not cured within twenty (20) business days following written notice to the party committing such breach, or (ii) which breach, by its nature, cannot be cured;

(d) by the Buyer or the Seller if the Closing shall not have occurred by December 1, 2002. Notwithstanding the foregoing, the parties hereto agree to use their best efforts to close hereunder by September 1, 2002.

10.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 10.1, this Agreement shall forthwith become void and have no effect except Section 7.4(b) shall survive any termination of this Agreement, and there shall be no further obligation on the part of the Buyer, the Seller, or their respective officers or directors except for the obligations under such provisions. Notwithstanding anything to the contrary contained in this Agreement, no party shall be relieved or released from any liabilities or damages arising out of its intentional breach of any provision of this Agreement.

ARTICLE XI

INDEMNIFICATION

11.1 Indemnification by the Seller and Stockholders. The Seller and the Stockholders, on a joint and several basis, but, with respect to the Stockholders, only in proportion to their respective Ownership Interest, covenant and agree that they will indemnify and hold the Buyer and its Affiliates, members, officers, directors, employees, stockholders and agents (collectively, the "Buyer's Indemnified Persons") at all times harmless from and against any Loss (including reasonable attorneys' fees) imposed on or incurred by the Buyer's Indemnified Persons caused by or arising out of or in connection with:

(a) any misrepresentation, breach of warranty, or breach or nonfulfillment of any covenant or agreement to be performed on the part of the Seller or the Stockholders on or prior to the Closing Date as provided in this Agreement or any certificate or other document delivered or to be delivered pursuant hereto,

(b) any Tax liability of the Seller,

(c) any failure of the Seller to maintain, at all relevant times prior to the Closing Date, all federal and state licenses, franchises, permits and authorizations necessary for the lawful conduct of the Seller's Business; or

(d) all other debts, claims, liabilities and obligations of the Seller arising from the conduct, ownership or operation of the Business and Assets prior to the Closing Date, including without limitation, the Excluded Liabilities and all other debts, claims, liabilities and obligations of the Seller to any Agent, including, without limitation, all Bonus Payments arising by reason of the transactions contemplated hereby;

provided, however, that the Seller's and Stockholders' maximum liability under this Section 11.1 shall be limited to a maximum aggregate amount equal to fifty percent (50%) of the Purchase Price (the "Seller's Maximum Amount") and the Seller and the Stockholders shall have no liability under this Section 11.1 unless and until the aggregate of all Losses exceeds \$130,000 (the "Buyer's Minimum Amount"), in which event the Seller and the Stockholders shall be liable for all Losses in excess of the Buyer's Minimum Amount, up to the Seller's Maximum Amount. Notwithstanding the foregoing, the Seller's Maximum Amount shall not apply with respect to Losses relating to claims under Section 11.1(b) or Section 11.1(c), and the Buyer's Minimum Amount shall not apply with respect to Losses relating to claims under Section 11.1(c).

11.2 Indemnification by the Buyer. The Buyer covenants and agrees that it will indemnify and hold the Seller and its successors and assigns and its respective Affiliates, officers, directors, employees, stockholders and agents (collectively, the "Seller's Indemnified Persons") at all times harmless from and against any Loss (including reasonable attorneys' fees and other costs of defense) imposed on or incurred by the Seller's Indemnified Persons caused by or arising out of or in connection with:

(a) any misrepresentation, breach of warranty, or breach or nonfulfillment of any covenant or agreement to be performed on the part of the Buyer prior to the Closing Date as provided in this Agreement or any certificate or other document delivered or to be delivered pursuant hereto, or

(b) all debts, claims, liabilities and obligations of the Seller arising from the Assumed Liabilities;

provided, however, that Buyer's maximum liability under this Section 11.2 shall be limited to a maximum aggregate amount equal to fifty percent (50%) of the Purchase Price ("Buyer's Maximum Amount") and Buyer shall have no liability under this Section 11.2 unless and until the aggregate of all Losses exceeds \$130,000 (the "Seller's Minimum Amount"), in which event Buyer shall be liable for all Losses in excess of the Seller's Minimum Amount up to Buyer's Maximum Amount.

11.3 Undisputed Claims. A party (the "Indemnified Party") may assert a Claim that it is entitled to, or may become entitled to, indemnification under this Agreement by giving written notice of its Claim to the party or parties that are, or may become, required to indemnify the Indemnified Party (the "Indemnifying Party"), providing reasonable details of the facts giving rise to the Claim and a statement of the Indemnified Party's Loss in connection with the Claim,

to the extent such Loss is then known to the Indemnified Party and, otherwise, an estimate of the amount of the Loss that it reasonably anticipates that it will incur or suffer.

11.4 Third-Party Suits. In the case of any Third-Party Suit, the Indemnifying Party shall control the defense of the Third-Party Suit, and shall be fully responsible for the costs of counsel related thereto the Indemnifying Party shall consult with the Indemnified Party with respect to the Third-Party Suit upon the Indemnified Party's reasonable request for consultation, and the Indemnified Party may, at its expense, participate in (but not control) the defense and employ counsel separate from the counsel employed by the Indemnifying Party. All parties shall cooperate in the defense of the Third-Party Suit.

11.5 Settlement or Compromise. If the Indemnified Party is conducting the defense of a Third-Party Suit, the Indemnified Party shall give the Indemnifying Party at least fifteen (15) days prior written notice of any proposed settlement or compromise, during which time the Indemnifying Party may assume the defense of the Third-Party Suit and, if it does so (or if the Indemnifying Party has already assumed control of such Third-Party Suit), the proposed settlement or compromise may not be made without the Indemnified Party's consent, which shall not be unreasonably withheld. If consent is withheld, the Indemnified Party shall pay or reimburse the Indemnifying Party for the amount of any award or settlement over the rejected settlement or compromise. If the Indemnifying Party does not so assume the defense of the Third-Party Suit, the Indemnified Party may enter into the proposed settlement. Any settlement or compromise of any Third-Party Suit by either the Indemnifying Party or the Indemnified Party entered into in compliance with this Section 11.5 shall also be binding on the other party in the same manner as if a final judgment or decree had been entered by a court of competent jurisdiction in the amount of the settlement or compromise.

11.6 Failure to Act by Indemnified Party. Any failure by the Indemnified Party to defend a Third-Party Suit shall not relieve the Indemnifying Party of its indemnification obligations if the Indemnified Party gives the Indemnifying Party at least thirty (30) days prior written notice of the Indemnified Party's intention not to defend and affords the Indemnifying Party the opportunity to assume the defense.

11.7 Insured Claims. In case any event shall occur which would otherwise entitle either party to assert a Claim for indemnification hereunder, no Loss shall be deemed to have been sustained by the Indemnified Party to the extent of any proceeds received by the Indemnified Party from any insurance policies with respect thereto.

11.8 Survival of Representations and Warranties; Time to Assert Claim. All representations, warranties, covenants and obligations in this Agreement and any other certificate or document delivered pursuant to this Agreement will survive the Closing Date for one (1) year from the date hereof; provided, however, that the representations and warranties of Section 4.9 shall survive until 120 days after the expiration of the applicable statute of limitations to which the representation or warranty applies. Neither party may make any Claim for indemnification under this Article XI unless the claiming party shall notify the other party of a Claim and the factual basis of that Claim in reasonable detail within one (1) year from the Closing Date.

ARTICLE XII

MISCELLANEOUS AND GENERAL

12.1 Employee Matters. The Buyer shall enter into the Consulting Agreements and may, at its sole option, interview and offer employment to other employees of the Seller. Notwithstanding the foregoing, Buyer shall have no liability or obligation with respect to any employee of the Seller, including without limitation any severance, contractual or other liabilities arising out of any employee's employment with the Seller. The Seller will provide the Buyer with access to information, prior to or as of the date of this Agreement, regarding its employees, including, without limitation, compensation, bonuses, performance evaluations, personnel files, medical records and other information maintained by the Seller in the ordinary course of business.

12.2 Sales, Use and Excise Taxes.

(a) The Buyer and the Seller acknowledge and agree that they intend the transactions contemplated hereby to be treated to the broadest extent possible as either (i) an exempt casual or isolated sale (or similar exempt transaction), or, (ii) an exempt sale for resale, pursuant to applicable sales and use tax, excise tax, gross receipts tax or similar Tax provisions. Notwithstanding the foregoing, however, the Buyer shall pay all sales, use, excise, gross receipts and transfer taxes (exclusive of any income taxes, including, without limitation, capital gains taxes, of the Seller and any Stockholder), if any, arising by reason of the sale and the transfer of the Assets pursuant to this Agreement. The Buyer shall not be responsible for any business, occupation, withholding or similar Tax, or for any Taxes of any kind related to any period before the Closing Date.

(b) The Seller acknowledges and agrees that prior to the Closing Date, the Buyer may provide notice of this transaction to all applicable state taxing authorities in compliance with any applicable bulk sale notification requirements for sales and use, excise, gross receipts or similar transfer or other Tax purposes. The Seller shall cooperate in providing information and documents, completing and executing forms and, to the extent necessary, communicating and negotiating with the state taxing authorities to allow the bulk sale notification process to be completed in an expeditious and satisfactory manner. Similarly, the Seller shall comply with all applicable escrow requirements requested by any Governmental Entity in order to effectuate the transactions contemplated by this Agreement on the Closing Date.

12.3 Access to Books and Records. Each of the Buyer and the Seller shall preserve until the third (3rd) anniversary of the Closing Date all records possessed or to be possessed by such party relating to any of the Assets or the Business prior to the Closing Date. After the Closing Date, where there is a legitimate purpose, such party shall provide the other parties with access, upon prior reasonable written request specifying the need therefor, during regular business hours, to (i) the officers and employees of such party and (ii) the books of account and records of such party, but, in each case, only to the extent relating to the Assets or the Business prior to the Closing Date, and the other parties and their representatives shall have the right to make copies of such books and records; provided, however, that the foregoing right of access

shall not be exercisable in such a manner as to interfere unreasonably with the normal operations and business of such party; and further, provided, that, as to so much of such information as constitutes trade secrets or confidential business information of such party, the requesting party and its officers, directors and representatives will use due care to not disclose such information except as set forth in the Confidentiality Agreement referred to in Section 7.4(b). Such records may nevertheless be destroyed by a party if such party sends to the other parties written notice of its intent to destroy records specifying with particularity the contents of the records to be destroyed. Such records may then be destroyed after the 30th day after such notice is given unless another party objects to the destruction in which case the party seeking to destroy the records shall deliver such records to the objecting party.

12.4 No Third-Party Rights. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement, or any provision hereof, being the intention of the parties hereto that this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their respective successors and assigns, and for the benefit of no other Person.

12.5 Schedules. The Schedules referenced in this Agreement constitute an integral part hereof. Information disclosed on any Schedule shall be deemed to have been disclosed with respect to all other articles and sections of this Agreement which are reasonably related to the information in such Schedule.

12.6 Further Assurances. The Seller and the Buyer hereby agree to execute and deliver such other documents and instruments, and take such other actions, as may be necessary or desirable in order to consummate and implement the transactions contemplated by this Agreement.

12.7 Parties-in-Interest; Assignment. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors and assigns. Neither party may assign its rights and obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld.

12.8 Mutual Drafting. This Agreement is the joint product of the parties hereto and each provision hereof has been subject to the mutual consultation, negotiation and agreement of, and shall not be construed for or against, any party hereto.

12.9 Governing Law. The validity, interpretation, enforceability and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, without regard to the conflict of laws or principles thereof.

12.10 Choice of Forum. Each of Buyer and the Seller irrevocably consent and submit to the jurisdiction of the state and federal courts of the State of New Jersey or New York and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or the transactions related hereto, in each case whether now existing or hereafter arising, and whether in contract,

tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above.

12.11 Services of Process. Each of Buyer and the Seller hereby waive personal service of any and all process upon it and consent that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth in Section 12.14 hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at either party's option, by service upon the other party in any other manner provided under the rules of any such courts.

12.12 Amendment and Modification. The parties may amend, modify and supplement this Agreement only by a writing signed by all parties.

12.13 Waiver of Conditions. The conditions to the respective obligations of the Buyer and the Seller to consummate the transactions contemplated hereby are for the sole benefit of such party and may be waived by such party in whole or in part.

12.14 Notices. All notices, requests, demands and other communications hereunder shall be in writing and delivered personally or sent by express overnight or certified mail, postage prepaid:

(a) if to the Buyer, to:

NUI Telecom, Inc.
550 Route 202-206
P.O. Box 760
Bedminster, NJ 07921
Attn: President

with a copy to:

NUI Corporation
550 Route 202-206
P.O. Box 760
Bedminster, NJ 07921
Attn: General Counsel

and

Gibbons, Del Deo, Dolan, Griffinger & Vecchione
One Riverfront Plaza
Newark, NJ 07102
Attn: Frank B. Reilly, Jr., Esq

(b) if to the Seller or to any Stockholder, to:

Telcorp, Ltd

99 W. Hawthorne Avenue
Suite 400
Valley Stream, NY 11580
Attn: President

with a copy to:

Wolff & Samson, P.A.
5 Becker Farm Road
Roseland, New Jersey 07068
Attn: Douglas M. Cohen, Esq.

and, which shall not be required to constitute notice, to

Nowalsky, Bronston & Gothard
3500 N. Causeway Blvd.
Suite 1442
Metairie, Louisiana 70002
Attn: Benjamin W. Bronston, Esq.

or to such other persons or addresses as may be designated in writing by the party to receive such notice.

12.15 Expenses. Whether or not the transactions contemplated hereby are consummated, each of the parties shall bear its own expenses (including, without limitation, the expenses of its brokers, accountants, counsel and other agents) in connection with the transactions contemplated hereby, except as is otherwise provided for in this Agreement or as may otherwise be agreed to in writing by the parties.

12.16 Entire Agreement. This Agreement (including the Schedules thereto) and the Closing Documents constitute the entire agreement between the parties hereto with respect to the transactions contemplated hereby, and there have been and are no agreements, representations or warranties between the parties other than those set forth or provided for herein or therein.

12.17 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is deemed to be so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

12.18 Publicity. Except as otherwise required by law or the rules of the New York Stock Exchange, so long as this Agreement is in effect, none of the Buyer, the Seller or any Stockholder shall, or shall permit any of their Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public

statement concerning, the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld.

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

12.20 Captions. The article, section and paragraph captions herein are for convenience of reference only, do not constitute a part of this Agreement, and shall not be deemed to limit or otherwise affect any of the provisions hereof.

ARTICLE XIII

DEFINITIONS

As used in this Agreement, the terms defined in the Preamble and the Recitals hereto shall have the respective meanings ascribed thereto, and the following terms shall have the meanings set forth below (such definitions to be applicable equally to the singular and plural forms thereof):

“**Acquisition Proposal**” shall have the meaning assigned in Section 7.2.

“**Affiliate**” with respect to any Person means any Person who directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. A person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other person or entity, whether through the ownership of voting securities or otherwise.

“**Agent Assignment**” shall have the meaning assigned in Section 8.2(h).

“**Agent Bonus Payment Escrow Agreement**” shall mean the Agent Bonus Payment Escrow Agreement in the form annexed hereto as Exhibit E.

“**Agent Bonus Schedule**” shall have the meaning assigned in Section 3.2.

“**Agent Contracts**” shall have the meaning assigned in Section 4.10.

“**Agent Escrow Account**” means an account established by the Escrow Agent to hold amounts subject to the Agent Bonus Payment Escrow Agreement.

“**Agents**” shall have the meaning assigned in Section 4.10.

“**Assets**” shall have the meaning assigned in Section 1.1.

“**Assigned Contracts**” shall have the meaning assigned in Section 1.1(f).

“**Assumed Liabilities**” shall have the meaning assigned in Section 1.4.

“**Bonus Payment**” shall have the meaning assigned in Section 4.10.

“Bulk Sales Laws” shall have the meaning assigned in Section 7.8.

“Buyer’s Indemnified Persons” shall have the meaning assigned in Section 11.1.

“Buyer’s Maximum Amount” shall have the meaning assigned in Section 11.2.

“Buyer’s Minimum Amount” shall have the meaning assigned in Section 11.1.

“Buyer’s Regulatory Counsel” shall mean the law firm of Early, Lennon, Crocker & Bartosiewicz, P.L.C., regulatory counsel to the Buyer.

“CDR” shall have the meaning assigned in Section 7.3.

“Claim” means a claim pursuant to Article XI that a party is entitled, or may become entitled, to indemnification under this Agreement.

“Closing” shall have the meaning assigned in Section 9.1(a).

“Closing Date” shall have the meaning assigned in Section 9.1(a).

“Closing Documents” means the Agent Bonus Payment Escrow Agreement, the Consulting Agreements, the Non-Competition Agreement, the Guaranty Agreement and all other documents or instruments delivered by any party at the Closing.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Confidentiality Agreement” shall have the meaning assigned in Section 7.4(b).

“Consulting Agreements” shall have the meaning assigned in Section 7.11.

“Delivery Date” shall have the meaning assigned in Section 3.1.

“EBIT Schedule” shall have the meaning assigned in Section 3.1.

“Escrow Agent” shall mean Wolff & Samson, P.A., as escrow agent under the Agent Bonus Payment Escrow Agreement.

“Excluded Assets” shall have the meaning assigned in Section 1.3.

“Excluded Liabilities” shall have the meaning assigned in Section 1.5.

“Expenses” shall mean the expenses associated with, or generated by those Assets for which Buyer does not receive any benefit pursuant to Section 9.1(b) and excluded from the determination of Post Closing EBIT, the amount of which shall be a pro rata percentage of all expenses incurred by the Business during the Valuation Period based on the percentage of revenues associated with, or generated by such Assets.

“FCC” shall have the meaning assigned in Section 7.6.

“Final Payment Date” shall have the meaning assigned in Section 2.2(a)(ii).

“Financial Statements” shall have the meaning assigned in Section 4.6(a).

“Financial Statement Date” shall have the meaning assigned in Section 8.2(f).

“Governmental Entity” shall have the meaning assigned in Section 4.4.

“Guaranty Agreement” shall mean the agreement made by NUI Capital Corporation in favor of the Seller dated [the date hereof], in form and substance satisfactory to Seller, pursuant to which NUI Capital Corporation guarantees the obligation of Buyer to pay the Purchase Price hereunder.

“Indemnified Party” shall have the meaning assigned in Section 11.3.

“Indemnifying Party” shall have the meaning assigned in Section 11.3.

“Independent Firm” shall have the meaning assigned in Section 3.1(a).

“Letter of Agency” for a customer shall mean a signed Letter of Authorization from such customer allowing the Seller to act as such customer’s local or long distance communications provider.

“Loss” means any loss, damage or expense (including, without limitation, reasonable attorneys’ fees and costs) entitled to indemnification pursuant to Article XI. In no event shall Loss be defined to include any consequential or incidental damages resulting from any Claim or alleged to result therefrom.

“Management Letter” shall have the meaning assigned in Section 7.1.

“Material Adverse Effect” means, with respect to the Buyer, the Seller or the Telcorp Business, as the case may be, any change or effect that is or is reasonably expected to be materially adverse to the business, properties, assets, liabilities, financial condition or results of operations of such party and its subsidiaries, taken as a whole.

“New Agent Contract” shall have the meaning assigned in Section 8.2(h).

“Ownership Interest” shall have the meaning assigned in Section 4.1(c).

“Panel” shall have the meaning assigned in Section 11.4(b).

“Participation Agreement” means any contract, agreement, commitment or arrangement between the Seller and any Person (excluding either Stockholder) pursuant to which the Seller has agreed to distribute all or any portion of the proceeds of a sale of the Business. Assets or the Seller.

“Permitted Encumbrances” shall have the meaning assigned in Section 1.2.

“Person” means an individual, a partnership, a corporation, a limited liability company, 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).

“Post Closing EBIT” shall mean the earnings of the Telcorp Business during the Valuation Period before deduction of interest and Taxes and without taking into account any extraordinary, non-recurring or non-cash items, as determined by Buyer in accordance with GAAP consistently applied with the Seller’s past accounting practices, including, without limitation, the principles set forth below:

(a) Treatment of Assets as Separate Entity. During the Post Closing Period, the Assets shall be managed and controlled as if such Assets comprised a completely separate division or entity owned by Buyer, and for purposes of valuation only, Buyer shall not enter into any agreement or transaction whatsoever with any of its Affiliates, which in any way relates to or involves the Assets.

(b) Treatment of Surplus Charges to Accounts. Any surplus between the amount invoiced to accounts for the Telcorp Business for monthly recurring charges, the Federal Universal Service Fee (“USF”) and the Long Distance Access Fee (“LDAF”) (the “Monthly Charges”) and the amounts charged to the Telcorp Business for such Monthly Charges shall be treated as a reduction of carrier cost in the income statement for the Telcorp Business.

(c) Bad Debt. The percentage of sales to be charged as bad debt shall be 0.97%.

(d) Vacation Accrual. Irrespective of the calendar months during which the Valuation Period takes place, the amount of vacation time accrued shall be an amount equal to 50% of the value of earned vacation time of the Seller’s employees prior to the Closing Date based upon such employees’ 2002 base weekly salaries as set forth on Schedule 13.1.

(e) Salary Accrual. The amount expensed for employee salaries associated with the Telcorp Business shall be based upon Seller’s existing employees’ 2002 base salaries as set forth on Schedule 13.1 and the actual time period such employee remains an employee of the Telcorp Business during the Valuation Period.

(f) Agent Commissions. The commissions paid to each Agent shall be matched and accrued to the revenue generated by such Agent’s subscribers on a monthly basis in accordance with the subscriber rates set forth on Schedule 7.13. Any additional compensation paid to Agents prior to the Valuation Period shall not be deemed part of cost of goods sold during the Valuation Period.

(g) Carrier Accrual. Carrier billings to the Telcorp Business, which are the sole financial responsibility of Network Billing Systems II, LLC (“NBS”) but paid by the Seller pursuant to that certain letter agreement dated January 15, 2002 between NBS, Interconnect Services Group, II, LLC (“ISG”) and the Seller, a copy of which has been delivered to the Buyer, shall not be recorded or included in the income statement for the Telcorp Business, except in recording a net payment made by the Seller or with respect to the Telcorp Business to NBS or ISG pursuant to such letter agreement, including with respect to the performance of billing

services, the license to use ISG's TOPS Account Management System and calling card services. All carrier billings shall be accrued in the month that the end user revenue is accrued.

(h) Apportionment of Fees. Certain regulatory and professional fees paid with respect to the Telcorp Business before or originating during the Valuation Period shall be apportioned between Buyer and the Seller and expensed during the Valuation Period in the following manner:

(i) Regulatory Fees Not Based on Usage or Revenue: allocated 50/50 between Buyer and Seller so that one-half of such fee affects Post Closing EBIT; provided, however, that the regulatory fees set forth on Schedule 13.2 shall not be expensed during the Valuation Period;

(ii) Regulatory Fees Based on Usage or Revenue: for the Post-Closing Period only shall be allocated *pro rata* based on revenue or usage, as the case may be; and

(iii) Professional Fees: actual costs incurred during the Valuation Period with respect to the Telcorp Business, up to a maximum of \$5,000 shall be charged as a cost.

Notwithstanding, the foregoing, the parties acknowledge and agree that the expenses incurred by the Buyer or the Seller in (i) the determination of Post Closing EBIT, (ii) the preparation and finalization of the EBIT Schedule, or (iii) the consummation of the Transactions, shall not affect, nor be included in the determination of, Post Closing EBIT.

(i) Pre-paid Items. Except for the pre-paid items set forth on Schedule 13.2 hereof which shall not be expensed during the Valuation Period, to the extent the Seller has pre-paid any items of expense prior to the Closing Date (including any fee or service) for a period which includes all or part of the Valuation Period, such pre-payment shall be treated as an expense for that portion of the Valuation Period to which such prepayment relates.

(j) Disputed Amounts. Bona fide disputes with carriers regarding amounts exceeding 10% of any specific monthly invoice shall be charged as a cost. Seller shall process such disputes pursuant to procedures set forth in the carrier contracts and provide Buyer with copies of all pertinent documentation. Nothing else contained herein shall be deemed to permit any other bona fide disputed carrier charges to be charged as a cost.

(k) LEC Install Charges. Seller shall have the right to incur installation charges for Local Exchange Carriers of the Telcorp Business with respect to new term plan customers without the consent of Buyer, provided, that the annualized net profit to Buyer with respect to a new customer, after waiver to customer or payment to carrier of installation costs and payment of commissions, is equal to or exceeds 12% over the course of a year commencing with the first full month of customer usage. For all other installation charges for Local Exchange Carriers, Seller shall seek the consent of Buyer by providing both a written and oral request to Richard Boudria and Thomas McCrosson, or any replacement for such persons as may be designated by the Buyer, regarding same. A failure by Buyer to respond to such request within three (3) business days of its receipt of same shall be deemed an automatic consent by Buyer to

the applicable request. Installation charges for Local Exchange Carriers with respect to new customers of the Telcorp Business which are incurred without the consent of Buyer where such consent is required pursuant to this paragraph shall be charged as a cost.

(l) **Extraordinary Bad Debt.** Notwithstanding that any extraordinary, non-recurring or non-cash items will not be taken into account in determining Post Closing EBIT, (i) any extraordinary, non-recurring or non-cash items, which are incurred by the Seller of its own accord without the consent of the Buyer, shall be taken into account, and (ii) any extraordinary bad debt which is incurred for reasons beyond the control of Buyer or the Seller and which exceeds \$100,000 in the aggregate during the Valuation Period shall result in a reduction of the Purchase Price in an amount equal to 2X the amount of such extraordinary bad debt.

(m) **Compliance with Section 7.13.** To the extent Section 7.13 hereof is violated for any period after the Closing Date, the stated standards set forth in Section 7.13 will be reflected in the calculation of Post Closing EBIT, rather than the actual amount. To the extent Section 7.13 hereof is violated for any period prior to the Closing Date, any deviation from the standards stated in Section 7.13 will be reflected in the calculation of Post Closing EBIT.

(n) **Regulatory Approvals.** In the event that Buyer is unable to receive the benefit of all of the Assets on the Reconciliation Date (including, without limitation, because Buyer did not receive all of the Regulatory Approvals and a mutually agreeable arrangement could not be consummated to transfer the Assets related thereto pursuant to Section 9.1(b)), then the determination of Post Closing EBIT shall exclude any revenue or Expenses associated with, or generated by, those Assets for which Buyer does not receive any benefit.

“**Post Closing Period**” means the period commencing on the Closing Date and continuing through and including the day immediately preceding the Reconciliation Date.

“**Purchase Price**” shall have the meaning assigned in Section 2.1.

“**Purchase Price Advance**” shall have the meaning assigned in Section 2.2(i).

“**Reconciliation Date**” shall have the meaning assigned in Section 3.1(a).

“**Reconciliation Procedures**” shall have the meaning assigned in Section 3.1(a).

“**Regulatory Agreement**” shall have the meaning assigned in Section 4.17

“**Regulatory Approval Schedule**” shall have the meaning assigned in Section 8.1

“**Regulatory Approvals**” shall have the meaning assigned in Section 4.19.

“**Requisite Regulatory Approvals**” shall have the meaning assigned in Section 8.1

“**Regulatory Counsel**” shall mean the law firm of Nowalsky, Bronston & Gothard, regulatory counsel to the Seller

“**Resolution Period**” shall have the meaning assigned in Section 11.4.

“**SEC**” shall have the meaning assigned in Section 4.13.

“**Seller Contracts**” shall have the meaning assigned in Section 4.13.

“**Seller’s Indemnified Persons**” shall have the meaning assigned in Section 11.2.

“**Seller Leases**” shall have the meaning assigned in Section 4.14.

“**Seller’s Maximum Amount**” shall have the meaning assigned in Section 11.1.

“**Seller’s Minimum Amount**” shall have the meaning assigned in Section 11.2.

“**Seller’s Objection**” shall have the meaning assigned in Section 3.1.

“**Standard Commission**” shall have the meaning assigned in Section 4.10.

“**Stockholders**” shall mean Stephen Samuels and Joseph Inguagiato.

“**Taxes**” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code § 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, charge, assessment or fee of any kind whatsoever imposed by any governmental authority, including any interest, penalty, or addition thereto, whether disputed or not.

“**Telcorp Business**” shall mean the Business, the income and expenses attributable thereto, and the Assets, whether as operated and conducted by the Seller on the date hereof and during the Pre-Closing Period, or by the Buyer, during the Post Closing Period, as a separate division or entity of Buyer.

“**Transfer Instruments**” shall have the meaning assigned in Section 9.2.

“**UCC**” shall mean the Uniform Commercial Code in effect in any applicable jurisdiction.

“**Valuation Period**” shall have the meaning assigned in Section 3.1.

“**Workers’ Compensation Claim**” shall have the meaning assigned in Section 4.8.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE S-1 TO FOLLOW]

IN WITNESS WHEREOF, the Buyer, the Seller and the Stockholders have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

NUI TELECOM, INC., a New Jersey corporation

By: _____
Richard M. Boudria, President

TELCORP, LTD., a New York corporation

By: _____
Stephen Samuels, President

STOCKHOLDERS:

Name: Stephen Samuels

Name: Joseph Inguagiato

Exhibit B

NUI Corporation
Consolidated Financials

NUI Corporation and Subsidiaries
Consolidated Balance Sheet
(Dollars in thousands)

	<u>September 30,</u>	
	<u>2001</u>	<u>2000</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$3,274	\$3,515
Accounts receivable (less allowance for doubtful accounts of \$3,914 in 2001 and \$1,544 in 2000)	98,578	108,425
Notes receivable	—	7,000
Fuel inventories, at average cost	56,227	37,177
Unrecovered purchased gas costs	55,041	3,500
Derivative assets	62,422	12,085
Federal income tax receivable	17,077	—
Prepayments and other	<u>54,525</u>	<u>51,275</u>
	<u>347,144</u>	<u>222,977</u>
Property, Plant and Equipment		
Property, plant, and equipment, at original cost	943,048	828,359
Accumulated depreciation and amortization	(300,574)	(281,976)
Unamortized plant acquisition adjustments, net	<u>27,987</u>	<u>29,460</u>
	<u>670,461</u>	<u>575,843</u>
Funds for Construction Held by Trustee		
Investment in TIC Enterprises, LLC	12,570	28,706
Other Investments	—	26,225
Assets Held for Sale	5,095	1,191
	<u>3,470</u>	<u>—</u>
Other Assets		
Regulatory assets	61,325	50,615
Goodwill, net of accumulated amortization	48,794	4,239
Deferred assets	<u>21,941</u>	<u>11,061</u>
	<u>132,060</u>	<u>65,915</u>
	<u>\$1,170,800</u>	<u>\$920,857</u>
CAPITALIZATION AND LIABILITIES		
Current Liabilities		
Notes payable to banks	\$184,610	\$96,700
Notes payable	3,000	—
Current portion of long-term debt and capital lease obligations	22,203	1,965
Accounts payable, customer deposits and accrued liabilities	152,089	132,207
Derivative liabilities	19,994	—
Federal income and other taxes	<u>8,189</u>	<u>11,884</u>
	<u>390,085</u>	<u>242,756</u>
Other Liabilities		
Capital lease obligations	3,323	4,396
Deferred Federal income taxes	105,628	75,248
Unamortized investment tax credits	4,387	4,825
Environmental remediation reserve	32,559	33,361
Regulatory and other liabilities	<u>36,684</u>	<u>34,355</u>
	<u>182,581</u>	<u>152,185</u>
Capitalization (See accompanying statements)		
Common shareholders' equity	289,145	256,969
Preferred stock	—	—
Long-term debt	<u>308,989</u>	<u>268,947</u>
	<u>598,134</u>	<u>525,916</u>
	<u>\$1,170,800</u>	<u>\$920,857</u>

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Income
(Dollars in thousands, except per share amounts)

	<u>Years Ended September 30,</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating Margins			
Operating revenues	\$1,134,303	\$934,776	\$826,194
Less- Purchased gas and fuel	873,609	713,380	621,363
Cost of sales and services	24,459	14,864	10,385
Energy taxes	<u>14,111</u>	<u>11,571</u>	<u>12,702</u>
	<u>222,124</u>	<u>194,961</u>	<u>181,744</u>
Other Operating Expenses			
Operations and maintenance	118,132	96,138	89,763
Depreciation and amortization	29,075	29,508	26,939
Restructuring and other non-recurring items	---	---	(3,954)
Taxes, other than income taxes	<u>7,803</u>	<u>9,039</u>	<u>8,909</u>
	<u>155,010</u>	<u>134,685</u>	<u>121,657</u>
Operating Income	<u>67,114</u>	<u>60,276</u>	<u>60,087</u>
Other Income and Expense, Net			
Equity in earnings (losses) of TIC Enterprises, LLC, net	(5,954)	1,309	1,223
Gain on sales of assets	303	2,834	245
Other	<u>1,255</u>	<u>177</u>	<u>115</u>
	<u>(4,396)</u>	<u>4,320</u>	<u>1,583</u>
Income before Interest and Taxes	62,718	64,596	61,670
Interest expense	<u>24,005</u>	<u>19,703</u>	<u>19,952</u>
Income before Income Taxes	38,713	44,893	41,718
Income taxes	<u>16,039</u>	<u>18,146</u>	<u>17,158</u>
Net Income	<u>\$22,674</u>	<u>\$26,747</u>	<u>\$24,560</u>
Net Income Per Share of Common Stock	<u>\$ 1.70</u>	<u>\$ 2.07</u>	<u>\$ 1.93</u>
Dividends Per Share of Common Stock	<u>\$ 0.98</u>	<u>\$ 0.98</u>	<u>\$ 0.98</u>
Weighted Average Number of Shares of Common Stock Outstanding	<u>13,355,573</u>	<u>12,928,528</u>	<u>12,715,300</u>

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Cash Flows
(Dollars in thousands)

	<u>Years Ended September 30,</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating Activities			
Net Income	\$22,674	\$26,747	\$24,560
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,380	31,155	28,914
Deferred Federal income taxes	29,181	5,297	7,454
Non-cash portion of restructuring and other non-recurring items	---	---	(4,726)
Amortization of deferred investment tax credits	(438)	(426)	(459)
Derivative assets and liabilities	(42,830)	(490)	(5,305)
Other	15,788	4,508	3,237
Effects of changes in:			
Accounts receivable, net	17,909	(22,011)	(22,383)
Fuel inventories	(19,050)	(8,604)	6,364
Accounts payable, deposits and accruals	9,705	22,008	20,865
Over (under) recovered purchased gas costs	(51,541)	(2,599)	7,160
Other	<u>(33,565)</u>	<u>(9,353)</u>	<u>(6,725)</u>
Net cash (used in) provided by operating activities	<u>(20,787)</u>	<u>46,232</u>	<u>58,956</u>
Financing Activities			
Proceeds from sales of common stock, net of treasury stock purchased	526	703	340
Dividends to shareholders	(13,128)	(12,671)	(12,443)
Notes receivable from Virginia Gas	(13,000)	(7,000)	---
Proceeds from issuance of long-term debt	60,000	---	39,813
Funds for construction held by trustee, net	17,198	10,666	(24,871)
Principal payments under capital lease obligations	(2,126)	(8,144)	(1,810)
Net short-term (repayments) borrowings	<u>42,488</u>	<u>22,850</u>	<u>(14,015)</u>
Net cash provided by (used for) financing activities	<u>91,958</u>	<u>6,404</u>	<u>(12,986)</u>
Investing Activities			
Cash expenditures for property, plant and equipment	(59,160)	(48,577)	(47,213)
Acquisitions and other	<u>(12,252)</u>	<u>(2,105)</u>	<u>1,875</u>
Net cash used in investing activities	<u>(71,412)</u>	<u>(50,682)</u>	<u>(45,338)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (241)</u>	<u>\$ 1,954</u>	<u>\$ 632</u>
Cash and Cash Equivalents			
At beginning of period	\$ 3,515	\$ 1,561	\$ 929
At end of period	\$ 3,274	\$ 3,515	\$ 1,561
Supplemental Disclosures of Cash Flows			
Income taxes paid, net	\$ 2,333	\$ 3,889	\$ 7,695
Interest paid	\$ 25,764	\$ 21,481	\$ 20,732

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Shareholders' Equity
(Dollars in thousands)

	<u>Common Stock</u>				<u>Unearned Employee Compensation</u>	<u>Total</u>
	<u>Shares Outstanding</u>	<u>Paid-in Amount</u>	<u>Held in Treasury</u>	<u>Retained Earnings</u>		
Balance,						
September 30, 1998	12,680,398	\$207,356	\$ (1,932)	\$ 19,263	\$ (1,695)	\$222,992
Common stock issued*	85,352	2,628				2,628
Treasury stock transactions	(15,480)		(379)			(379)
Net income				24,560		24,560
Cash dividends				(12,443)		(12,443)
Unearned compensation					(40)	(40)
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 1999	12,750,270	\$209,984	\$ (2,311)	\$ 31,380	\$ (1,735)	\$237,318
Common stock issued						
-Purchase of NUI Telecom	113,200	2,800				2,800
-Employee benefit plans*	99,995	2,700				2,700
Treasury stock transactions	19,061		65			65
Net income				26,747		26,747
Cash dividends				(12,671)		(12,671)
Unearned compensation					10	10
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 2000	12,982,526	\$215,484	\$ (2,246)	\$ 45,456	\$ (1,725)	\$256,969
Common stock issued						
-Purchase of Virginia Gas	792,600	22,020				22,020
-Employee benefit plans*	51,055	3,176				3,176
Treasury stock transactions	(71,143)					---
Net income				22,674		22,674
Cash dividends				(13,128)		(13,128)
Unearned compensation					(2,566)	(2,566)
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 2001	<u>13,755,038</u>	<u>\$240,680</u>	<u>\$ (2,246)</u>	<u>\$ 55,002</u>	<u>\$ (4,291)</u>	<u>\$289,145</u>

* Represents common stock issued in connection with NUI Direct and various employee benefit plans.

See the notes to the consolidated financial statements.

Exhibit B

NUI Corporation
Consolidated Financials

NUI Corporation and Subsidiaries
Consolidated Balance Sheet
(Dollars in thousands)

	<u>September 30.</u>	
	<u>2001</u>	<u>2000</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$3,274	\$3,515
Accounts receivable (less allowance for doubtful accounts of \$3,914 in 2001 and \$1,544 in 2000)	98,578	108,425
Notes receivable	---	7,000
Fuel inventories, at average cost	56,227	37,177
Unrecovered purchased gas costs	55,041	3,500
Derivative assets	62,422	12,085
Federal income tax receivable	17,077	---
Prepayments and other	<u>54,525</u>	<u>51,275</u>
	<u>347,144</u>	<u>222,977</u>
 Property, Plant and Equipment		
Property, plant, and equipment, at original cost	943,048	828,359
Accumulated depreciation and amortization	(300,574)	(281,976)
Unamortized plant acquisition adjustments, net	<u>27,987</u>	<u>29,460</u>
	<u>670,461</u>	<u>575,843</u>
 Funds for Construction Held by Trustee		
Investment in TIC Enterprises, LLC	12,570	28,706
Other Investments	---	26,225
Assets Held for Sale	5,095	1,191
	<u>3,470</u>	<u>---</u>
 Other Assets		
Regulatory assets	61,325	50,615
Goodwill, net of accumulated amortization	48,794	4,239
Deferred assets	<u>21,941</u>	<u>11,061</u>
	<u>132,060</u>	<u>65,915</u>
	<u>\$1,170,800</u>	<u>\$920,857</u>
 CAPITALIZATION AND LIABILITIES		
Current Liabilities		
Notes payable to banks	\$184,610	\$96,700
Notes payable	3,000	---
Current portion of long-term debt and capital lease obligations	22,203	1,965
Accounts payable, customer deposits and accrued liabilities	152,089	132,207
Derivative liabilities	19,994	---
Federal income and other taxes	<u>8,189</u>	<u>11,884</u>
	<u>390,085</u>	<u>242,756</u>
 Other Liabilities		
Capital lease obligations	3,323	4,396
Deferred Federal income taxes	105,628	75,248
Unamortized investment tax credits	4,387	4,825
Environmental remediation reserve	32,559	33,361
Regulatory and other liabilities	<u>36,684</u>	<u>34,355</u>
	<u>182,581</u>	<u>152,185</u>
 Capitalization (See accompanying statements)		
Common shareholders' equity	289,145	256,969
Preferred stock	---	---
Long-term debt	<u>308,989</u>	<u>268,947</u>
	<u>598,134</u>	<u>525,916</u>
	<u>\$1,170,800</u>	<u>\$920,857</u>

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Income
(Dollars in thousands, except per share amounts)

	<u>Years Ended September 30,</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating Margins			
Operating revenues	\$1,134,303	\$934,776	\$826,194
Less- Purchased gas and fuel	873,609	713,380	621,363
Cost of sales and services	24,459	14,864	10,385
Energy taxes	<u>14,111</u>	<u>11,571</u>	<u>12,702</u>
	<u>222,124</u>	<u>194,961</u>	<u>181,744</u>
Other Operating Expenses			
Operations and maintenance	118,132	96,138	89,763
Depreciation and amortization	29,075	29,508	26,939
Restructuring and other non-recurring items	---	---	(3,954)
Taxes, other than income taxes	<u>7,803</u>	<u>9,039</u>	<u>8,909</u>
	<u>155,010</u>	<u>134,685</u>	<u>121,657</u>
Operating Income	<u>67,114</u>	<u>60,276</u>	<u>60,087</u>
Other Income and Expense, Net			
Equity in earnings (losses) of TIC Enterprises, LLC, net	(5,954)	1,309	1,223
Gain on sales of assets	303	2,834	245
Other	<u>1,255</u>	<u>177</u>	<u>115</u>
	<u>(4,396)</u>	<u>4,320</u>	<u>1,583</u>
Income before Interest and Taxes	62,718	64,596	61,670
Interest expense	<u>24,005</u>	<u>19,703</u>	<u>19,952</u>
Income before Income Taxes	38,713	44,893	41,718
Income taxes	<u>16,039</u>	<u>18,146</u>	<u>17,158</u>
Net Income	<u>\$22,674</u>	<u>\$26,747</u>	<u>\$24,560</u>
Net Income Per Share of Common Stock	<u>\$ 1.70</u>	<u>\$ 2.07</u>	<u>\$ 1.93</u>
Dividends Per Share of Common Stock	<u>\$ 0.98</u>	<u>\$ 0.98</u>	<u>\$ 0.98</u>
Weighted Average Number of Shares of Common Stock Outstanding	<u>13,355,573</u>	<u>12,928,528</u>	<u>12,715,300</u>

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Cash Flows
(Dollars in thousands)

	<u>Years Ended September 30,</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating Activities			
Net Income	\$22,674	\$26,747	\$24,560
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,380	31,155	28,914
Deferred Federal income taxes	29,181	5,297	7,454
Non-cash portion of restructuring and other non-recurring items	---	---	(4,726)
Amortization of deferred investment tax credits	(438)	(426)	(459)
Derivative assets and liabilities	(42,830)	(490)	(5,305)
Other	15,788	4,508	3,237
Effects of changes in:			
Accounts receivable, net	17,909	(22,011)	(22,383)
Fuel inventories	(19,050)	(8,604)	6,364
Accounts payable, deposits and accruals	9,705	22,008	20,865
Ovcr (under) recovered purchased gas costs	(51,541)	(2,599)	7,160
Other	<u>(33,565)</u>	<u>(9,353)</u>	<u>(6,725)</u>
Net cash (used in) provided by operating activities	<u>(20,787)</u>	<u>46,232</u>	<u>58,956</u>
Financing Activities			
Proceeds from sales of common stock, net of treasury stock purchased	526	703	340
Dividends to shareholders	(13,128)	(12,671)	(12,443)
Notes receivable from Virginia Gas	(13,000)	(7,000)	---
Proceeds from issuance of long-term debt	60,000	---	39,813
Funds for construction held by trustee, net	17,198	10,666	(24,871)
Principal payments under capital lease obligations	(2,126)	(8,144)	(1,810)
Net short-term (repayments) borrowings	<u>42,488</u>	<u>22,850</u>	<u>(14,015)</u>
Net cash provided by (used for) financing activities	<u>91,958</u>	<u>6,404</u>	<u>(12,986)</u>
Investing Activities			
Cash expenditures for property, plant and equipment	(59,160)	(48,577)	(47,213)
Acquisitions and other	<u>(12,252)</u>	<u>(2,105)</u>	<u>1,875</u>
Net cash used in investing activities	<u>(71,412)</u>	<u>(50,682)</u>	<u>(45,338)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (241)</u>	<u>\$ 1,954</u>	<u>\$ 632</u>
Cash and Cash Equivalents			
At beginning of period	\$ 3,515	\$ 1,561	\$ 929
At end of period	\$ 3,274	\$ 3,515	\$ 1,561
Supplemental Disclosures of Cash Flows			
Income taxes paid, net	\$ 2,333	\$ 3,889	\$ 7,695
Interest paid	\$ 25,764	\$ 21,481	\$ 20,732

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Shareholders' Equity
(Dollars in thousands)

	<u>Common Stock</u>				<u>Unearned Employee Compensation</u>	<u>Total</u>
	<u>Shares Outstanding</u>	<u>Paid-in Amount</u>	<u>Held in Treasury</u>	<u>Retained Earnings</u>		
Balance,						
September 30, 1998	12,680,398	\$207,356	\$ (1,932)	\$ 19,263	\$ (1,695)	\$222,992
Common stock issued*	85,352	2,628				2,628
Treasury stock transactions	(15,480)		(379)			(379)
Net income				24,560		24,560
Cash dividends				(12,443)		(12,443)
Unearned compensation					(40)	(40)
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 1999	12,750,270	\$209,984	\$ (2,311)	\$ 31,380	\$ (1,735)	\$237,318
Common stock issued						
-Purchase of NUI Telecom	113,200	2,800				2,800
-Employee benefit plans*	99,995	2,700				2,700
Treasury stock transactions	19,061		65			65
Net income				26,747		26,747
Cash dividends				(12,671)		(12,671)
Unearned compensation					10	10
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 2000	12,982,526	\$215,484	\$ (2,246)	\$ 45,456	\$ (1,725)	\$256,969
Common stock issued						
-Purchase of Virginia Gas	792,600	22,020				22,020
-Employee benefit plans*	51,055	3,176				3,176
Treasury stock transactions	(71,143)					--
Net income				22,674		22,674
Cash dividends				(13,128)		(13,128)
Unearned compensation					(2,566)	(2,566)
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 2001	<u>13,755,038</u>	<u>\$240,680</u>	<u>\$ (2,246)</u>	<u>\$ 55,002</u>	<u>\$ (4,291)</u>	<u>\$289,145</u>

* Represents common stock issued in connection with NUI Direct and various employee benefit plans.

See the notes to the consolidated financial statements.

EXHIBIT C

Customer Notice

NUI Telecom, Inc.

Telcorp, Ltd.

(Customer Name)
(Address)

Dear Customer:

NUI Telecom, Inc. ("NUI") and Telcorp, Ltd. ("Telcorp") have entered into an agreement whereby, subject to the regulatory approval, the telecommunications assets of Telcorp will be acquired by NUI, and NUI will become your telecommunication service provider. NUI anticipates becoming your telecommunications provider on [date], or shortly thereafter.

This change in ownership will not affect or in any way disrupt your current service. There will be no change in the underlying network currently handling your service. Many of the people currently serving your account at Telcorp will continue to do so once the transaction is completed. The rates and terms and conditions of the services offered by NUI will be the same as those offered by Telcorp. No charges or fees will be imposed and no rate increase will occur as a result of this transaction.

You have a choice of carriers. If you do not wish to remain a customer, you may change carriers and such change will be at NUI's expense.

The toll free Customer Service number will remain the same and if you have any questions, please call one of our Customer Service Representatives at 1-800-768-2852.

All customers receiving this notice, including those who have arranged preferred carrier freezes through their local service providers, will be transferred to NUI if a different preferred carrier is not selected before [date].

We at NUI Telecom, Inc. are pleased to welcome you to our team and would like to express our appreciation for allowing us the opportunity of being your telecommunication service provider. We are confident that you will be pleased with the high quality of our service.