

020000-14

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

ORIGINAL

In re
PSA, INC., a Delaware corporation, and affiliates.
Debtors

Chapter 11
Case No. 00-3570 (JCA)
(Jointly Administered
Case Nos. 00-3570 through 00-3572, and 00-3718 through 00-3725)
Hearing Date: September 20, 2002, at 9:00 a.m.
Objection Date: September 13, 2002, at 4:00 p.m.

02 SEP -2 AM 9:14
DISTRIBUTION CENTER

0003570 40119 J04916A08 S#0000326
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BLVD
CAPITOL CIRCLE OFFICE CENTER
TALLAHASSEE, FL 32399-0850

NOTICE OF MOTION AND NOTICE OF HEARING

The above-captioned debtors and debtors in possession (the "Debtors") have filed the **Debtors' Motion for Order Approving: (I) Agreement for the Sale of Debtors' Florida Operations Pursuant to Sections 363 and 1146 of the Bankruptcy Code, Free and Clear of All Liens and Encumbrances; (II) Rejection or Assumption and Assignment of Ancillary Contracts Related Thereto Pursuant to Section 365 of the Bankruptcy Code; and (III) Granting Related Relief** (the "Motion").

Responses to the Motion, if any, must be filed on or before September 13, 2002 at 4:00 p.m. ET (the "Objection Deadline") with the United States Bankruptcy Court for the District of Delaware, 5th Floor, 824 Market Street, Wilmington, Delaware 19801. At the same time, you must also serve a copy of the response upon the undersigned counsel to the Debtors so that the response is received on or before the Objection Deadline.

A FINAL HEARING ON THE MOTION (THE "SALE HEARING") WILL BE HELD ON SEPTEMBER 20, 2002 AT 9:00 A.M. ET BEFORE THE HONORABLE JOHN C. AKARD AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 844 KING STREET, ROOM 2124, WILMINGTON, DELAWARE 19801. IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING

Pursuant to the Motion, Debtors are seeking Court approval of a transaction with Metropolitan Telecommunications of Florida, Inc. and Metropolitan Payphones Corporation, Inc. (collectively, "MetTel"), as documented in the Asset Sale Agreement between the parties (the "Sale Agreement") and the Exclusive Service Agreement between the parties dated August 16, 2002 (the "Service Agreement"), the terms of which are summarized as follows (in its entirety, the "Sale Transaction")¹:

Purchase Price: Sale of the Florida Operations for \$1,700,000 consisting of \$1,000,000 in cash and \$700,000 in credit to be applied against charges Debtors incur under the Service Agreement.

AUS _____
CAF Assets Being Sold: Debtors' complete Florida Operations, including payphone equipment, licenses, certificates, site leases and
CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
MMS _____
SEC _____
OTH _____

Closing Date: September 30, 2002, or such other date as the parties may agree and the Court may approve.

Deposit: \$170,000, 10% of total purchase price.

Breakup Fee: \$105,000, or such other amount as approved by the Court pursuant to the Procedures Order.

¹ This summary is provided for parties' convenience only. Parties are directed to the full text of the Motion, the Sale Agreement and the Service Agreement for the complete terms of the Sale Transaction. These documents may be obtained at www.pgfm.com/courtfilings.asp, www.deb.uscourts.gov or by written request to Debtors' counsel at the address listed at the end of this Notice

DOCUMENT NUMBER - DATE
09241 SEP-30
FPSC-COMMISSION CLERK

Remedies

In the event MetTel breaches MetTel's obligations or warranties in the Sale Agreement, the deposit may be retained by Debtors as liquidated damages in full settlement of all claims of Debtors. MetTel is entitled to a return of the deposit if Debtors breach the Sale Agreement. The Service Agreement remains in effect regardless of any breach of the Sale Agreement and contains a liquidated damages provision if Debtors breach the Service Agreement.

Service Agreement:

Debtors are to engage MetTel as the exclusive provider of telephone line service for at least 9550 of Debtors' payphones. The rates under the Service Agreement will be the current rates offered by MetTel to similarly situated customers, subject to downward adjustment in the future if a baseline rate decreases (with the baseline rate being established by market conditions as is more fully set forth in the Service Agreement). The Service Agreement contains a right of first refusal for MetTel if Debtors ever sell their New York operations.

Competing bids on the Sale Transaction must be in the form of a written objection to the Motion, as set forth in the Court's order establishing procedures for the sale of the Florida Operations (Docket No. 2414) (the "Procedures Order").² The Procedures Order further provides that all bids must: (a) provide for an initial bid of at least \$1,750,000 (consisting of the original bid of \$1,700,000 plus an initial overbid of \$50,000) plus the amount of the breakup fee to the extent approved pursuant to the Procedures Order (a maximum of \$105,000); (b) be accompanied by an executed asset sale agreement in substantially the same form as the Sale Agreement with the differences which Debtors will consider favorably being a higher purchase price, any changes to the list of assumed contracts and the deletion of the ability of the purchaser to terminate the agreement after completion of due diligence; (c) be accompanied by a refundable deposit (cash or certified funds) in the amount of ten percent (10%) of the bid (except that the deposit will be retained by Debtors as liquidated damages in the event such third party bidder is selected as the successful bidder and subsequently fails to consummate the transaction due to the fault of such third party); and (d) be filed with the Court and actually received by Debtors' counsel no later than September 13, 2002 at 4:00 P.M. Eastern Time.

To the extent a competing bid that is higher or better than the offer of MetTel (as determined by Debtors after consultation with the Committee) is submitted in accordance with the approved procedures, bidding will proceed prior to the hearing on the Motion in minimum increments of \$25,000 and otherwise be conducted pursuant to the auction sale procedures previously approved by the Court in the March 15th Order. Debtors will present the highest and best bid, after consultation with the Committee, to the Court for approval at the Sale Hearing.

Dated: Wilmington, Delaware
August 30, 2002

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/

Brendan Linehan Shannon (No. 3136)
Sean M. Beach (Bar No. 4070)
Young Conaway Stargatt & Taylor, LLP
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and

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Shannon Lowry Nagle
David A. Geiger
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Atlanta, Georgia 30303
Telephone: (404) 572-6600
Facsimile: (404) 572-6999

Co-Counsel for Debtors and Debtors in Possession

² A copy of this order is being served concurrently herewith, and in the event of a discrepancy the procedures set forth in the Procedures Order shall govern

**IN THE UNITED STATES BANKRUPTCY COURT
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3725)

ORDER ESTABLISHING PROCEDURES FOR SALE OF DEBTORS' FLORIDA OPERATIONS

This matter having come before the Court for consideration on August 19, 2002 upon request of Debtors in anticipation of filing "Debtors' Motion for Order Authorizing: (I) Sale of Debtors' Florida Operations Pursuant to Sections 363 and 1146 of the Bankruptcy Code, Free and Clear of All Liens and Encumbrances; (II) Rejection or Assumption and Assignment of Ancillary Contracts Related Thereto Pursuant to Section 365 of the Bankruptcy Code, and (III) Granting Related Relief" (the "Sale Motion"); Debtors having accepted an offer from Metropolitan Telecommunications of Florida, Inc. ("MetTel") for the purchase of the Florida Operations and for use of MetTel as the exclusive provider of line service in selected areas as will be set forth in the Sale Motion, all subject to Court approval; the Court having jurisdiction to consider the relief requested in accordance with 28 U.S.C. §§ 157 and 1334, the Court having determined that the relief sought by Debtors to establish procedures and have hearing dates scheduled is in the best interests of Debtors, their creditors, and all parties in interest, especially considering that an auction and other extensive marketing efforts were previously conducted with respect to the Florida Operations with no success; and sufficient cause appearing therefor:

Now, therefore, it is hereby ordered that the following procedures are hereby approved with respect to the Sale Motion:

1. In the event any party in interest desires to submit a competing bid on the Florida Operations (as that term is defined in the Sale Motion) that is higher or better than that of MetTel, such party must do so in the form of a written objection to the Sale Motion and such objection must: (a) provide for an initial bid of at least \$1,750,000 (consisting of the original bid of \$1,700,000 plus an initial overbid of \$50,000) plus the amount of the break-up fee to the extent approved as contemplated in paragraph 4 below; (b) be accompanied by an executed asset sale agreement in substantially the same form as that attached to the Sale Motion with such differences as may be necessary to reflect the terms of such competing bid, such as a higher purchase price, any changes to the list of assumed contracts and the deletion of the ability of the purchaser to terminate the agreement after completion of due diligence; (c) be accompanied by a refundable deposit (cash or certified funds) in the amount of ten percent (10%) of the bid (except that the deposit will be retained by Debtors as liquidated damages in the event such third party bidder is selected as the successful bidder and subsequently fails to consummate the transaction due to the fault of such third party); and (d) be filed with the Court and actually received by Debtors' counsel no later than September 13, 2002 at 4:00 P.M. Eastern Time;

2. To the extent a competing bid that is higher or better than the offer of MetTel (as determined by Debtors after consultation with the Committee) is submitted in accordance with the procedures set forth herein, bidding will proceed in minimum increments of \$25,000 and otherwise be conducted pursuant to the auction sale procedures previously approved by the Court in the Order dated March 15, 2001 (Docket No. 1190) at a date and time to be established by Debtors and noticed, in writing, to those parties submitting qualified bids, MetTel and the Committee;

3. Debtors will present the highest and best bid, after consultation with the Committee, to the Court for approval at the hearing to be conducted on the Sale Motion on September 20, 2002 at 9:00 A.M., 844 King Street, Room 2124, Wilmington, Delaware 19801;

4. MetTel has requested a breakup or termination fee in the amount of \$105,000 (the "Breakup Fee"). The Breakup Fee is hereby approved on an interim basis as a reasonable and necessary cost of administering the estates; provided, however, that such approval shall be without prejudice to the rights of the Official Committee of Unsecured Creditors (the "Committee") and the United States Trustee (the "UST") to object to the Breakup Fee and the Court's consideration of any such objection; and provided, further, that in the event the Committee or the UST does not file and serve an objection to the Breakup Fee on or before September 13, 2002, the Breakup Fee shall be deemed to have been approved on a final basis. If a competing bid is approved by the Court, the Breakup Fee (to the extent allowed) shall be paid to MetTel in accordance with the provisions of the Asset Sale Agreement (as attached to the Sale Motion as Exhibit A);

5. Debtors shall serve a copy of this Order with the Notice of the Sale Motion; and

6. Debtors are hereby authorized and empowered to take such actions as may be necessary and appropriate to implement the terms of this Order

Dated: August 22, 2002
Wilmington, Delaware

/s/ _____
John C. Akard
United States Bankruptcy Judge