

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

IN RE: §
HOME OWNERS LONG DISTANCE § CASE NO. 02-50080 K
INCORPORATED, § (Chapter 7)
Debtor. §

ORDER APPROVING JOINT APPLICATION TO COMPROMISE TRUSTEE'S
CLAIMS PENDING IN
ADVERSARY PROCEEDING NUMBER 02-5021-K

On this day, the Court considered the Joint Application to Compromise Trustee's Claims Pending in Adversary Proceeding Number 02-5021-K (the "Application") of José Rodriguez, Chapter 7 Trustee (the "Trustee"), Joseph W. Webb, an Individual; James A. Young, an Individual; Edward L. Dunn, an Individual; Philip S. Dunn, Individually and as Trustee for the Dunn Stock Trust No. 1, and is of the opinion that the Application should be **GRANTED**. Accordingly, it is hereby

ORDERED that the terms of the Settlement Agreement between the Trustee and Joseph W. Webb (the "Webb Agreement"), a copy of which is attached to this Order as Exhibit "A" and incorporated by this reference, are hereby **APPROVED**. It is further,

ORDERED that the terms of the Settlement Agreement between the Trustee and James A. Young, Edward L. Dunn, and Philip S. Dunn, individually and as Trustee for the Dunn Stock Trust No. 1 (the "Dunn Agreement"), a copy of which is attached to this Order as Exhibit "B"

AUS _____ and incorporated by this reference, are hereby **APPROVED**. It is further,

CAF _____
CMP _____
COM _____ **ORDERED** that upon payment to the Trustee of the total sum of \$100,000.00 by James
CTR _____
ECR _____ A. Young, Edward L. Dunn and Philip S. Dunn, individually and as Trustee for the Dunn Stock
GCL _____
OPC _____
MMS _____ Trust No. 1, in accordance with the terms of the Dunn Agreement, the Trustee's claims pending

SEC _____
OTH _____

against James A. Young, Edward L. Dunn, and Philip S. Dunn, individually and as Trustee for the Dunn Stock Trust No. 1, in Adversary Proceeding 02-5021-K shall be dismissed with prejudice and that an Order to that effect shall be entered by this Court. It is further,


ORDERED that upon payment to the Trustee of the total sum of \$200,000.00 by Joseph W. Webb in accordance with the Webb Agreement, the Trustee's claims pending against Joseph Webb in Adversary Proceeding 02-5021-K shall be dismissed and that an Order to that effect shall be entered by this Court. It is further,

ORDERED that in the event Joseph W. Webb fails to make the payment of \$200,000.00 to the Trustee by January 4, 2003 as required by the Webb Agreement, an agreed judgment shall be entered by this Court in Adversary Proceeding Number 02-5021-K providing that Joseph W. Webb shall be liable to the Trustee in the amount of \$400,000.00.

Signed this ___ day of _____, 2002.

RONALD B. KING
UNITED STATES BANKRUPTCY JUDGE

APPROVED IN FORM AND SUBSTANCE:



Roderick J. Regan
State Bar No. 16733040
Patrick H. Atry
State Bar No. 01447600
Rebecca L. Holt
State Bar No. 24032431
MATTHEWS & BRANSCOMB, P.C.
112 East Pecan Street, Suite 1100
San Antonio, Texas 78205-1516
(210) 357-9300
(210) 226-0521 Telecopy

ATTORNEYS FOR JOSÉ RODRIGUEZ,
BANKRUPTCY TRUSTEE

MARVIN G. PIPKIN BY ROD REGAN WITH PERMISSION

Marvin G. Pipkin
State Bar No. 1602660
PIPKIN, OLIVER & BRADLEY, L.L.P.
1020 N.E. Loop 410, Suite 810
San Antonio, TX 78209
(210) 820-0082
(210) 820-0077

ATTORNEYS FOR JAMES A. YOUNG,
EDWARD L. DUNN, AND PHILIP S.
DUNN, INDIVIDUALLY AND AS
TRUSTEE FOR THE DUNN STOCK
TRUST FUND NO. 1

CLAIBORNE B. GREGORY BY ROD REGAN WITH PERMISSION

Claiborne B. Gregory, Jr.
State Bar No. 08439000
JACKSON WALKER, L.L.P.
112 East Pecan Street, Suite 2100
San Antonio, TX 78205
(210) 978-7700
(210) 978-7790 Telecopy

ATTORNEYS FOR JOSEPH W. WEBB

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

IN RE: §
§
HOME OWNERS LONG DISTANCE § CASE NO. 02-50080 K
INCORPORATED, § (Chapter 7)
§
Debtor. §

**JOINT APPLICATION TO COMPROMISE TRUSTEE'S CLAIMS
PENDING IN ADVERSARY PROCEEDING NUMBER 02-5021-K**

**THIS PLEADING REQUESTS RELIEF THAT MAY BE ADVERSE TO
YOUR INTERESTS.**

**IF NO TIMELY RESPONSE IS FILED WITHIN TWENTY (20) DAYS
FROM THE DATE OF SERVICE, THE RELIEF REQUESTED HEREIN
MAY BE GRANTED WITHOUT A HEARING BEING HELD.**

**A TIMELY FILED RESPONSE IS NECESSARY FOR A HEARING TO
BE HELD.**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Pursuant to Bankruptcy Rule 9019(a), José C. Rodriguez, the Chapter 7 Trustee in this case (the "Trustee"), jointly with Joseph W. Webb, an Individual; James A. Young, an Individual; Edward L. Dunn, an Individual; and Philip S. Dunn, Individually and as Trustee for the Dunn Stock Trust Fund No. 1 (collectively, the "Defendants") file this Joint Application to Compromise Trustee's Claims in Adversary Proceeding Number 02-5021-K and respectfully state:

1. Pursuant to an Order of this Court dated May 13, 2002, the Trustee was allowed to intervene in Adversary Proceeding Number 02-5021-K, styled *MCI Worldcom, Inc. f/k/a WorldCom, Inc., f/k/a LDDS Communications, Inc. of Texas, and f/k/a LDDS Metromedia Communications, and MCI WorldCom Network Services, Inc. f/k/a MCI Telecommunications*

Corp. v. Home Owners Long Distance, Inc.; Joseph W. Webb, an Individual; James A. Young, an Individual; and Edward L. Dunn, an Individual; and Philip S. Dunn, Individually and as Trustee for the Dunn Stock Trust Fund No. 1 (the "Adversary Proceeding"). The Adversary Proceeding is currently pending in this Chapter 7 case.

2. Following his intervention in the Adversary Proceeding, the Trustee filed a First Amended Complaint in Intervention (the "Complaint") in which he alleged causes of action on behalf of Home Owners Long Distance Incorporated (the "Debtor") and its creditors against Joseph W. Webb, James A. Young, Edward L. Dunn, and Philip S. Dunn (collectively, the "Defendants") based on corporate denuding, piercing the corporate veil, wrongful distributions under section 2.41 of the TEXAS BUSINESS CORPORATION ACT, breach of fiduciary duty, fraudulent transfer claims under section 24.005 and 24.006 of the TEXAS BUSINESS AND COMMERCE CODE (the "Texas Fraudulent Conveyance Act") and 11 U.S.C. section 544(b) and 550(a), and conversion. Additionally, the Trustee asserted claims under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1962(a), (c) and (d), in relation to the Defendants' alleged acts of wire, mail, and access device fraud.

3. The Defendants deny any and all liability with regard to the Trustee's claims set forth in his Complaint.

4. The Defendants have collectively agreed to pay the Trustee the cumulative sum of \$300,000.00 pursuant to the terms set forth in the agreements in full and final satisfaction of all of the Trustee's claims alleged in the Adversary Proceeding. The Trustee has accepted the Defendants' offers, subject to this Court's approval. The settlement agreement executed between Defendant Joseph W. Webb and the Trustee (the "Webb Agreement") is attached to this Application as Exhibit "A" and incorporated by this reference. Additionally, a separate

settlement agreement executed between the Trustee and Defendants James A. Young, Edward L. Dunn, and Philip S. Dunn, individually and as Trustee for the Dunn Stock Trust Fund No. 1, (the "Dunn Agreement") is attached to this Application as Exhibit "B" and is incorporated by this reference. (The Webb Agreement and Dunn Agreement are collectively referred to in this Application as the "Agreements".) The Trustee acknowledges payment by the Defendants to the Trustee pursuant to the terms of the Agreements does not constitute an admission of liability by the Defendants.

5. Settlements are encouraged in bankruptcy so as to minimize litigation and expedite the administration of a bankruptcy estate. *See Florida Trailer and Equip. Co. v. Deal*, 284 F.2d 567, 571 (5th Cir. 1960); *see also In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996). The Court should focus on the following four factors in deciding whether to approve a compromise: "(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors." *Martin*, 91 F.3d at 393; *In re Marvel Entertainment Group, Inc.*, 222 B.R. 243, 249 (D. Del. 1998).

6. It is not required that the Court determine the success or failure of the claims being settled to a certainty. *See Florida Trailer*, 284 F.2d at 572. Rather, the Court should inquire into the reasonableness of the proposed agreement. *See In re W. T. Grant Co.*, 699 F.2d 599, 608 (2^d Cir. 1983), *cert. denied, sub nom. Cosoff v. Rodman*, 464 U.S. 822 (1983); *Florida Trailer*, 284 F.2d at 571. Furthermore, the Court need only determine whether the settlement falls below the lowest point of the range of reasonableness. *See W. T. Grant*, 699 F.2d at 608.

7. The Dunn and Webb Agreements are in the best interest of the Debtor's estate and its creditors. In the event that the Agreements are not approved, it is highly likely that resolution

of Trustee's claims would require protracted litigation by the Trustee, which in turn will lead to substantial, additional legal cost to be borne by the Debtor's estate. While the Trustee wholly believes that its claims against the Defendants have merit, the Defendants have asserted defenses, and are expected to assert additional defenses, which can be expected to make the likelihood or degree of success subject to uncertainty. Further, the Trustee's claims present complex legal issues, particularly with regard to his RICO causes of action. The Agreements allow the Trustee to resolve significant claims against the Defendants with a minimum of time and cost to the Debtor's estate. The Agreements were entered into only after negotiations and a thorough analysis of substantial boxes and volumes of accounting records, invoices, checks, correspondence and applicable law with respect to the Trustee's claims against the Defendants. The terms of the Agreements are well within the range of reasonableness.


8. Provisions have been inserted into the Agreements so as to minimize the difficulties associated with collection. The terms of the Dunn Agreement require that Defendants James A. Young, Edward L. Dunn, and Philip S. Dunn transfer to the trust account of their attorney \$100,000.00 by September 18, 2002. Within two days of approval of the Dunn Agreement by this Court, such funds will be transferred to the Trustee. The Webb Agreement requires that Defendant Webb pay \$200,000.00 to the Trustee on or before January 4, 2003. In the event that he does not pay by that deadline, the Court is requested to enter an agreed judgment, with the Court holding Defendant Webb liable to the Trustee in the amount of \$400,000.00. Further, and most importantly, the interest of all of the Debtor's creditors will be served by collecting the cumulative sum of \$300,000.00 from the Defendants as property of the estate.

9. The Trustee requests that the Court approve the Agreements and authorize (1) the dismissal of the Trustee's claims pending against Defendants James A. Young, Edward L. Dunn, and Philip S. Dunn, individually and as Trustee for the Dunn Stock Trust Fund No. 1, in the Adversary Proceeding upon their payment to the Trustee of \$100,000.00 in accordance with the terms of the Dunn Agreement and (2) the dismissal of the Trustee's claims pending against Defendant Joseph W. Webb upon his payment of \$200,000.00 to the Trustee in accordance with the terms of the Webb Agreement. The Trustee further requests that, in the event that Defendant Webb fails to pay \$200,000.00 by January 4, 2003 as required by the terms of the Webb Agreement, an agreed judgment be entered in the Adversary Proceeding holding Defendant Webb liable to the Trustee in the amount of \$400,000.00.

WHEREFORE, PREMISES CONSIDERED, José C. Rodriguez, the Chapter 7 Trustee, jointly with Joseph W. Webb, an individual; James A. Young, an individual; Edward L. Dunn, an individual; and Philip S. Dunn, individually and as Trustee for the Dunn Stock Trust Fund No. 1, request that the Court approve the attached Agreements and grant such other and further relief as requested in this Application.

Respectfully submitted this 2 day of October, 2002.


MATTHEWS & BRANSCOMB, P.C.
112 East Pecan Street, Suite 1100
San Antonio, Texas 78205-1516
(210) 357-9300
(210) 226-0521 Telecopy



Roderick J. Regan
State Bar No. 16733040
Patrick H. Autry
State Bar No. 01447600
Rebecca L. Holt
State Bar No. 24032431

ATTORNEYS FOR JOSÉ RODRIGUEZ,
BANKRUPTCY TRUSTEE

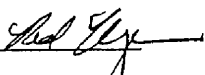
JACKSON WALKER, L.L.P
112 East Pecan Street, Suite 2100
San Antonio, TX 78205
(210) 978-7700
(210) 978-7790 Telecopy

CLAIBORNE B. GREGORY WITH PERMISSION 

Claiborne B. Gregory, Jr.
State Bar No. 08349000

ATTORNEYS FOR JOSEPH W. WEBB

PIPKIN, OLIVER & BRADLEY, L.L.P
1020 N.E. Loop 410, Suite 810
San Antonio, TX 78209
(210) 820-0082
(210) 820-0077

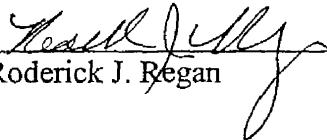
MARVIN G. PIPKIN WITH PERMISSION BY 

Marvin G. Pipkin
State Bar No. 1602660

ATTORNEYS FOR JAMES A. YOUNG,
EDWARD L. DUNN, AND PHILIP S. DUNN,
INDIVIDUALLY AND AS TRUSTEE FOR THE
DUNN STOCK TRUST FUND NO. 1

CERTIFICATE OF SERVICE

The undersigned certifies that a true copy of the foregoing Joint Application to Compromise Trustee's Claims in Adversary Proceeding Number 02-5021-K was served by first-class mail, postage prepaid, this 2 day of October, 2002 upon the attached service list.



Roderick J. Regan

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

IN RE: INCORPORATED §
HOME OWNERS LONG DISTANCE INC. §
Debtor §

BANKRUPTCY NO. 02-50080-RBK
CHAPTER 7 ~~PROCEEDING~~ CASE

MCI WORLDCOM, INC. f/k/a WORLDCOM, §
INC., f/k/a LDDS COMMUNICATIONS, INC. §
OF TEXAS, and f/k/a LDDS METROMEDIA §
COMMUNICATIONS, and MCI §
WORLDCOM NETWORK SERVICES, INC. §
f/k/a MCI TELECOMMUNICATIONS CORP. §

Plaintiffs, §

v. §

INCORPORATED §
HOME OWNERS LONG DISTANCE INC., §
JOSEPH W. WEBB, an Individual; JAMES §
A. YOUNG, an Individual; and EDWARD §
L. DUNN, an Individual, PHILIP S. DUNN, §
Individually and as Trustee for the Dunn §
Stock Trust Fund No. 1 §

Defendants §

ADVERSARY NO. 02-5021-K
CHAPTER 7 PROCEEDING

SETTLEMENT AGREEMENT

The parties hereto agree that this lawsuit and all related claims and controversies between them are hereby settled in accordance with the following terms of this Settlement Agreement.

1: The parties acknowledge that bona fide disputes and controversies exist between them, both as to liability and the amount thereof, if any, and by reason of such disputes and controversies they desire to compromise and settle all claims and causes of action of any kind whatsoever which the parties have or may have arising out of the transaction or occurrence which is the subject of this litigation. It is further understood and agreed that this is a compromise of a disputed claim, and nothing contained herein shall be construed as an admission of liability by any party, all such liability being expressly denied.

2. Each signatory hereto hereby warrants and represents that:

EXHIBIT A

shall furnish to
9. The Trustee ~~and~~ Webb ~~shall~~ upon
full consummation of this settlement (and entry
of a final order approving same), a full release
of all claims, said release to be in form
reasonably acceptable to counsel for Webb.

to be held in trust
by the Trustee.

10. Webb shall enter into an agreed judgment
with the Trustee in an amount of \$400,000.00. ~~When~~ When
the settlement amount as stated in ~~paragraph~~ paragraph 9
is timely paid, the Trustee shall return the agreed judgment
to Webb together with the release provided for in paragraph 9 above.

11. Except for the ^{and subject to bankruptcy court approval} agreements set forth herein, the parties hereby agree to release,
discharge, and forever hold the other harmless from any and all claims, demand, or suits, known or
unknown, fixed or contingent, liquidated or unliquidated, whether or not asserted in the above case,
as of this date, arising from or related to the events and transactions which are the subject matter of
this cause. This mutual release runs to the benefit of all attorneys, agents, employees, officers,
directors, shareholders, partners, heirs, assigns, and legal representatives of the parties hereto.

12. Counsel for Trustee shall deliver drafts of any further documents to be
executed in connection with this settlement to counsel for the other parties hereto within 10
days from the date hereof. The parties and their counsel agree to cooperate with each other in the
drafting and execution of such additional documents as are reasonably requested or required to
implement the provisions and spirit of this Settlement Agreement, but notwithstanding such
additional documents the parties confirm that this is a written settlement agreement as contemplated
by Section 154.071 of the Texas Civil Practice and Remedies Code.

13. This Settlement Agreement is made and performable in Bexar County, Texas, and
shall be construed in accordance with the laws of the State of Texas.

14. If one or more disputes arise with regard to the interpretation and/or performance of
this Agreement or any of its provisions, the parties agree to attempt to resolve same with Thomas
J. Smith, the Mediator, who facilitated this settlement. If litigation is brought to construe or enforce
this Agreement, the prevailing party shall be entitled to recover attorney's fees, as well as court costs
and expenses, including the cost of the mediation.

14. Although the mediator has provided a basic outline of this Settlement Agreement to the parties' counsel as a courtesy to facilitate the final resolution of this dispute, the parties and their counsel have thoroughly reviewed such outline and have, where necessary, modified it to conform to the requirements of their agreement. All signatories to this Settlement Agreement hereby release the Mediator from any and all responsibility arising from the drafting of this Settlement Agreement, and by signing this Settlement Agreement acknowledge that they, or their attorneys, have been advised by the mediator in writing that this Settlement Agreement should be independently reviewed by counsel before executing the Agreement.

15. The parties represent and warrant that: (i) they have carefully reviewed this Settlement Agreement; (ii) they have consulted with their attorneys concerning this Settlement Agreement; (iii) any questions that they have pertaining to this Settlement Agreement have been answered and fully explained by their attorneys; (iv) their decision to execute this Settlement Agreement was not based on any statement or representation, either written or oral, made by any person or entity other than those statements contained in this Settlement Agreement, and specifically was not based on any statement or representation made by any opposing party or its counsel; (v) this Settlement Agreement constitutes the entire agreement and understanding between the parties; (vi) they have entered into this Settlement Agreement of their own free will; and (vii) all prior and contemporaneous agreements, understandings, representations and statements, whether written or oral, are merged herein.

Agreed, this 4th day of September, 2002.

PLAINTIFFS:

~~MCI WORLD COM, INC.~~

~~By: _____
Name: _____
Title: _____~~

~~MCI WORLD COM NETWORK SERVICES, INC.~~

~~By: _____
Name: _____
Title: _____~~

DEFENDANTS:

HOME OWNERS LONG DISTANCE, INC.

By: _____
Name: _____
Title: _____

Joseph W. Webb, an Individual

~~_____~~
James A. Young, an Individual

~~_____~~
Edward L. Dunn, an Individual

~~_____~~
Philip S. Dunn, Individually and as Trustee for the
Dunn Stock Trust Fund No. 1

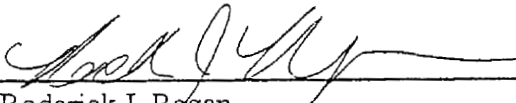
APPROVED AS TO FORM:

~~STUMPF CRADDOCK MASSEY & PULMAN, P.C.
Weston Centre, Suite 700
112 East Pecan Street
San Antonio, Texas 78205
(210) 231-0919
(210) 231-0004 (Fax)~~

By: _____
Randall A. Pulman
State Bar No. 16393250

ATTORNEY FOR PLAINTIFFS
MCI WORLDCOM, INC. and MCI WORLDCOM
NETWORK SERVICES, INC.

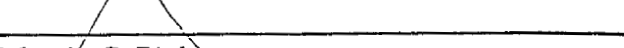
MATTHEWS & BRANSCOMB
112 E. Pecan, Suite 1100
San Antonio, Texas 78205
(210) 357-9333
(210) 226-0521 (Fax)

By: 

Roderick J. Regan
State Bar No. 16733040

ATTORNEY FOR CHAPTER 7 TRUSTEE
JOSE RODRIGUEZ, INTERVENOR

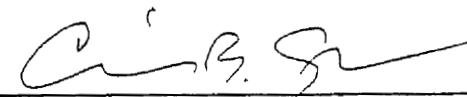
PIPKIN, OLIVER & BRADLEY, LLP
1020 N.E. Loop 410, Suite 810
San Antonio, Texas 78209
(210) 820-0082
(210) 820-0077 (Fax)

By: 

Marvin G. Pipkin
State Bar No. 16026600

ATTORNEY FOR DEFENDANTS
JAMES A. YOUNG, an Individual, EDWARD L.
DUNN, an Individual, PHILIP S. DUNN, Individually
and as Trustee for the Dunn Stock Trust Fund No. 1

JACKSON WALKER, LLP
112 E. Pecan, Suite 2100
San Antonio, Texas 78205
(210) 978-7700
(210) 978-7790 (Fax)

By: 

Claiborne B. Gregory, Jr.
State Bar No. 08439000

ATTORNEY FOR DEFENDANT
JOSEPH W. WEBB

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

IN RE: § BANKRUPTCY NO. 02-50080-RBK
§ CHAPTER 7 PROCEEDING
HOME OWNERS LONG DISTANCE, INC., §
§
Debtor §

MCI WORLDCOM, INC. f/k/a WORLDCOM, §
INC., f/k/a LDDS COMMUNICATIONS, INC. §
OF TEXAS, and f/k/a LDDS METROMEDIA §
COMMUNICATIONS, and MCI §
WORLDCOM NETWORK SERVICES, INC. §
f/k/a MCI TELECOMMUNIGATIONS CORP. §
§
Plaintiffs, §

v. § ADVERSARY NO. 02-5021 K
§ CHAPTER 7 PROCEEDING
§
HOME OWNERS LONG DISTANCE, INC., §
JOSEPH W. WEBB, an Individual; JAMES §
A. YOUNG, an Individual; and EDWARD §
L. DUNN, an Individual, PHILIP S. DUNN, §
Individually and as Trustee for the Dunn §
Stock Trust Fund No. 1 §
§
Defendants §

SETTLEMENT AGREEMENT

The parties hereto agree that this lawsuit and all related claims and controversies between them are hereby settled in accordance with the following terms of this Settlement Agreement.

1. The parties acknowledge that bona fide disputes and controversies exist between them, both as to liability and the amount thereof, if any, and by reason of such disputes and controversies they desire to compromise and settle all claims and causes of action of any kind whatsoever which the parties have or may have arising out of the transaction or occurrence which is the subject of this litigation. It is further understood and agreed that this is a compromise of a disputed claim, and nothing contained herein shall be construed as an admission of liability by any party, all such liability being expressly denied.

2. Each signatory hereto hereby warrants and represents that:

EXHIBIT B

- a. such person has authority to bind the party or parties for whom such person acts.
- b. the claims, suits, rights, and/or interests which are the subject matter hereto are owned by the party asserting same, have not been assigned, transferred or sold, and are free of any encumbrance.

3. The parties will execute and file an Agreed Order dismissing all claims in the above-styled and numbered case with prejudice. Each party will bear its own costs.

~~4. _____ agrees to pay _____
the sum of _____ and _____/100 Dollars (\$ _____)
on or before _____~~

4. The undersigned Settling Payee ("Payee") will pay \$100,000 to the below described Trustee ("Payee") and said sum will be paid into the trust account of Pipkin, Oliver & Bradley, L.L.P. w/in 14 days hereafter. Such sum will be disbursed to the Payee w/in 2 business days after approval of this settlement by the above styled Bankruptcy Court.

5. The Payee agrees to support & file no objection to any approval by any court of the separate settlement of this date by & between the above styled Plaintiff and Payee and as to this settlement.

6. All parties represent and warrant that they have not relied upon any statements or representations by any party or opposing counsel.

(7) The above settlement payment represents reimbursement of amounts previously paid by HOLD INC

to its shareholders/directors and previously
subject Federal Income Tax by shareholders/
directors and for no other reason.

8. Except for the agreements set forth herein, ^{and subject to approval by the *} the parties hereby agree to release, discharge, and forever hold the other harmless from any and all claims, demand, or suits, known or unknown, fixed or contingent, liquidated or unliquidated, whether or not asserted in the above case, as of this date, arising from or related to the events and transactions which are the subject matter of this cause. This mutual release runs to the benefit of all attorneys, agents, employees, officers, directors, shareholders, partners, heirs, assigns, and legal representatives of the parties hereto.

9. Counsel for Trustco shall deliver drafts of any further documents to be executed in connection with this settlement to counsel for the other parties hereto within 10 days from the date hereof. The parties and their counsel agree to cooperate with each other in the drafting and execution of such additional documents as are reasonably requested or required to implement the provisions and spirit of this Settlement Agreement, but notwithstanding such additional documents the parties confirm that this is a written settlement agreement as contemplated by Section 154.071 of the Texas Civil Practice and Remedies Code.

10. This Settlement Agreement is made and performable in Bexar County, Texas, and shall be construed in accordance with the laws of the State of Texas.

11. If one or more disputes arise with regard to the interpretation and/or performance of this Agreement or any of its provisions, the parties agree to attempt to resolve same with Thomas J. Smith, the Mediator, who facilitated this settlement. If litigation is brought to construe or enforce this Agreement, the prevailing party shall be entitled to recover attorney's fees, as well as court costs and expenses, including the cost of the mediation.

*above styled bankruptcy court.

12 Although the mediator has provided a basic outline of this Settlement Agreement to the parties' counsel as a courtesy to facilitate the final resolution of this dispute, the parties and their counsel have thoroughly reviewed such outline and have, where necessary, modified it to conform to the requirements of their agreement. All signatories to this Settlement Agreement hereby release the Mediator from any and all responsibility arising from the drafting of this Settlement Agreement, and by signing this Settlement Agreement acknowledge that they, or their attorneys, have been advised by the mediator in writing that this Settlement Agreement should be independently reviewed by counsel before executing the Agreement.

13 The parties represent and warrant that: (i) they have carefully reviewed this Settlement Agreement; (ii) they have consulted with their attorneys concerning this Settlement Agreement; (iii) any questions that they have pertaining to this Settlement Agreement have been answered and fully explained by their attorneys; (iv) their decision to execute this Settlement Agreement was not based on any statement or representation, either written or oral, made by any person or entity other than those statements contained in this Settlement Agreement, and specifically was not based on any statement or representation made by any opposing party or its counsel; (v) this Settlement Agreement constitutes the entire agreement and understanding between the parties; (vi) they have entered into this Settlement Agreement of their own free will; and (vii) all prior and contemporaneous agreements, understandings, representations and statements, whether written or oral, are merged herein.

Agreed, this 4th day of September, 2002.

PLAINTIFFS:

MCI WORLDCOM, INC.

By: _____
 Name: _____
 Title: _____

MCI WORLDCOM NETWORK SERVICES, INC.

By: _____
 Name: _____
 Title: _____

DEFENDANTS:

~~HOME OWNERS LONG DISTANCE, INC.~~

~~By: _____~~

~~Name: _____~~

~~Title: _____~~

~~Joseph W. Webb, an Individual~~

~~James A. Young, an Individual~~

~~Edward L. Dunn, an Individual~~

~~Philip S. Dunn, Individually and as Trustee for the
Dunn Stock Trust Fund No. 1~~

APPROVED AS TO FORM:

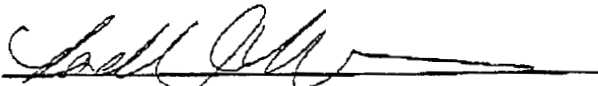
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Weston Centre, Suite 700
112 East Pecan Street
San Antonio, Texas 78205
(210) 231-0919
(210) 231-0004 (Fax)~~

~~By: _____~~

~~Randall A. Pulman
State Bar No. 16393250~~


~~ATTORNEY FOR PLAINTIFFS
MCI WORLD COM, INC. and MCI WORLD COM
NETWORK SERVICES, INC.~~

MATTHEWS & BRANSCOMB
112 E. Pecan, Suite 1100
San Antonio, Texas 78205
(210) 357-9333
(210) 226-0521 (Fax)

By: 
Roderick J. Regan
State Bar No. 16733040

ATTORNEY FOR CHAPTER 7 TRUSTEE
JOSE RODRIGUEZ, INTERVENOR

PIPKIN, OLIVER & BRADLEY, LLP
1020 N.E. Loop 410, Suite 810
San Antonio, Texas 78209
(210) 820-0082
(210) 820-0077 (Fax)

By: 
Marvin G. Pipkin
State Bar No. 16026600

ATTORNEY FOR DEFENDANTS
JAMES A YOUNG, an Individual, EDWARD L.
DUNN, an Individual, PHILIP S. DUNN, Individually
and as Trustee for the Dunn Stock Trust Fund No. 1

JACKSON WALKER, LLP
112 E. Pecan, Suite 2100
San Antonio, Texas 78205
(210) 978-7700
(210) 978-7790 (Fax)

By: _____
Claiborne B. Gregory, Jr.
State Bar No. 08439000

ATTORNEY FOR DEFENDANT
JOSEPH W. WEBB