

3.7 Receivables

The accounts receivable of TSI shown on the balance sheets referred to in Section 3.5 hereof, or thereafter acquired by TSI, have been collected or are collectible in amounts not less than the amounts thereof carried on the books of TSI, without right of recourse, defense, deduction, counterclaim, offset or setoff on the part of the obligor, and can reasonably be expected to be collected within 60 days of the date incurred, except for occasional temporary delays beyond 60 days which are not significant and except to the extent of the allowance for doubtful accounts shown on such balance sheets.

3.8 Taxes

TSI has filed or has caused to be filed all federal, state and local tax returns which are required to be filed and has paid in full or accrued all taxes, estimated taxes, interest, penalties, assessments and deficiencies assessed in connection with such returns. The provision for income and other taxes payable reflected in the balance sheet as of March 31, 1987 makes adequate provision for all accrued and unpaid taxes of TSI. TSI is not a party to any pending action or proceeding, and there is no action or proceeding threatened, by any governmental authority for assessment or collection of taxes, and no unresolved claim for assessment or collection of taxes has been asserted against TSI.

3.9 Debt Instruments

Except for the promissory notes and other evidences of indebtedness listed on Schedule 4 hereto, TSI is neither a party to, nor has TSI assumed or guaranteed, and none of TSI's properties or assets are subject to, any mortgages, indentures, notes or other obligations for or relating to indebtedness (including conditional sales contracts). TSI has performed all material obligations required to be performed by it to date, and is not in default in any material respect, under any of the promissory notes or other items listed in Schedule 4, and there has not occurred any event which (whether with or without the passage of time or the giving of notice or both) would constitute such a default.

3.10 Contracts

Except for the contracts described in Schedule 5 hereto (true and complete copies of which have heretofore been delivered to SouthernNet) and the leases described in

Schedule 6 hereto, TSI is not a party to or subject to or bound by any material (that is, involving payments of more than \$20,000 during its entire term or more than \$12,000 in any one year) contract, commitment, instrument or other agreement. Each such agreement is in full force and effect and constitutes a valid and binding obligation of, and is enforceable in accordance with its terms against, the respective parties thereto. TSI has in all material respects performed the obligations required to be performed by it to date under such agreements and is not in default thereunder in any material respect, and there has not occurred any event which (whether with or without the passage of time or the giving of notice) would constitute such a default.

3.11 Leases

Except for the leases described in Schedule 6 hereto (true and complete copies of which have heretofore been delivered to SouthernNet), TSI is not a party to any material (as defined in Section 3.10) lease or agreement under which TSI is lessee or lessor of, or holds, manages or operates, any property, real or personal, owned by any third party, or under which any property, real or personal, owned by TSI is held, operated or managed by a third party. TSI is the owner and holder of all leasehold estates purported to be granted by such leases. Each such lease is in full force and effect and constitutes a valid and binding obligation of, and is enforceable in accordance with its terms against, the respective parties thereto. TSI has in all material respects performed all the obligations required to be performed by it to date under such leases and is not in default thereunder in any material respect, and there has not occurred any event which (whether with or without the passage of time or the giving of notice or both) would constitute such a default.

3.12 Books and Records

The books of account, stock records, minute books and other records of TSI are in all material respects complete and correct and have been maintained in accordance with good business practices, and the matters contained therein are appropriately and accurately reflected in the financial statements of TSI referred to in Section 3.5 hereof.

3.13 Title to Assets

Except as otherwise noted on Schedule 7 hereto, TSI has, and at the Effective Time will have, good, valid and marketable title to all of its assets, free and clear of all

APR 02 1997

liens, mortgages, security interests, encumbrances, restrictions, agreements, defects or equities of any kind (collectively "Encumbrances"), other than minor defects which do not cause title to such assets to be unmarketable. All tangible assets of TSI are in good operating condition and repair, provided that any representation and warranty that is made with respect to equipment acquired from Rockwell International Corporation ("Rockwell") is limited to the extent of the warranties of Rockwell to TSI, if any, and that no representation or warranty is made with respect to the compatibility of the TSI system with that of SouthernNet.

3.14 Conduct of Business Since March 31, 1987

Since March 31, 1987, TSI has not (i) incurred or become subject to, or agreed to incur or become subject to, any obligations or liabilities (absolute or contingent) except current liabilities incurred in the ordinary course of business and obligations under leases and other agreements and contracts listed in the Schedules hereto; (ii) sold, leased or transferred, or agreed to sell, lease or transfer, any of its assets, or cancelled, or agreed to cancel, any debts or claims, except in each case in the ordinary course of business, or entered or agreed to enter into any agreement or arrangement granting any preferential rights to purchase any of its assets, property or rights or requiring the consent of any party to the transfer and assignment of such assets, property and rights; (iii) entered or agreed to enter into any transactions other than in the ordinary course of business except as herein stated; (iv) increased or agreed to increase the rate of compensation or benefits payable, or to become payable, by it to any of its officers or employees over the rate being paid to them on March 31, 1987; or (v) made or agreed to make capital expenditures or commitments therefor involving more than \$15,000 for each expenditure or \$100,000 for all expenditures, except as specified on Schedule 5 hereto.

3.15 Litigation

There are no claims, actions, suits, proceedings or investigations (other than proceedings affecting the telecommunications industry in general) pending or threatened or anticipated against or affecting TSI or its assets or business or this Agreement, at law or in equity, by or before any court, arbitrator or governmental authority, domestic or foreign. TSI is not operating under, subject to or in default with respect to any order, judgment, injunction or decree of any court, arbitrator or governmental authority, domestic or foreign.

3.16 Labor Relations; Benefit Plans

There are no strikes, work stoppages, grievance proceedings or other controversies pending or threatened between TSI and any of its employees or agents or any union or collective bargaining unit. TSI has complied and is in compliance in all material respects with all laws and regulations relating to the employment of labor, including without limitation provisions relating to wages, hours, collective bargaining, occupational safety and health, equal employment opportunity, and the withholding of income taxes and social security contributions. Except as set forth on Schedule 8 hereto, there are no employment agreements between TSI and any of its employees. The consummation of the transactions contemplated hereby will not cause TSI to incur or suffer any liability relating to, or obligation to pay, severance, termination or other payments to any person or entity. No employee of TSI has any contractual right to continued employment by TSI following consummation of the Exchange, except as contemplated by Section 7.6 hereof. There are no "employee benefit plans" as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, or any other employee benefit plans, maintained by TSI, or under which TSI has any liability.

3.17 No Infringement or Contest

The trademarks, service marks, trade names, trade dress, labels, and logos and all rights thereto owned or used by TSI do not and (assuming that future operations of TSI are consistent with current operations) will not infringe on any trademarks, copyrights, or other proprietary rights of any third party. There is no claim, action, suit or proceeding pending or threatened or reasonably anticipated against TSI with respect thereto. Except as set forth on Schedule 9 hereto, TSI is not required to pay any royalty to anyone under any such trademark, service mark, trade name, trade dress, label or logo owned or used by TSI. TSI possesses the right to use all such trademarks, service marks, trade names, trade dress, labels and logos necessary for the conduct of its business.

3.18 Compliance with Applicable Laws

TSI has complied fully and is in full compliance in all material respects with all laws, ordinances, regulations, rules, orders, judgments, injunctions, and decrees applicable to its business and assets the non-compliance with which could have a material adverse effect upon the business, operations,

prospects, condition (financial or otherwise), properties, assets or liabilities of TSI.

3.19 Consents

TSI is not subject to any law, ordinance, regulation, rule, order, judgment, injunction, decree, charter or bylaw, or material contract, commitment, lease, agreement, instrument or other restriction of any kind, which would prevent the consummation of this Agreement or any of the transactions contemplated hereby without the consent of any third party, which would require the consent of any third party to the consummation of this Agreement or any of the transactions contemplated hereby, or which would result in any penalty, forfeiture or termination as a result of such consummation, other than consents described on Schedule 10 hereto.

3.20 Absence of Violation

Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby constitutes a violation or default under, or conflicts with, or will result in the creation of any Encumbrance on any of the assets owned by TSI under, any term or provision of the Articles of Incorporation or Bylaws of TSI, or, except as set forth on Schedule 10 hereto, any material contract, commitment, lease, instrument, agreement, arrangement or understanding to which TSI is a party or to which TSI or any of its property is subject, or by which TSI or any of its property is bound.

3.21 Banks; Attorneys-in-fact

Attached hereto as Schedule 11 is a complete list showing (in the case of the TSI Signing Shareholders, to their knowledge) the name of each bank or other financial institution in which TSI has accounts (including a description of the account), certificates of deposit or safe deposit boxes and the name of all persons authorized to draw thereon or to have access thereto. Such list also shows the name of each person holding a power of attorney from TSI and a brief description thereof.

3.22 Affiliate Agreements

Each of the Affiliate Agreements in the form attached hereto as Exhibit B (the "Affiliate Agreements"), previously executed and delivered to SouthernNet by the officers, directors and certain shareholders of TSI specified on Schedule 12 hereto (the "TSI Affiliates"), constitutes a valid

and binding obligation of the respective TSI Affiliate who is a party thereto, enforceable against such TSI Affiliate in accordance with its terms. Each of the Affiliate Agreements is in full force and effect. Each TSI Affiliate has performed all obligations required to be performed by such TSI Affiliate to date under the respective Affiliate Agreement to which such TSI Affiliate is a party, and is not in default under such Affiliate Agreement, and there has not occurred any event which (whether with or without the passage of time or the giving of notice, or both) would constitute such a default. Notwithstanding any other provision of this Agreement, the representations contained in this Section 3.22 are not made by any TSI Signing Shareholder with respect to any other TSI Signing Shareholder.

3.23 Exchange Approval

Except for the undertakings of the TSI Signing Shareholders set forth in Section 7.12 hereof, neither TSI nor any TSI Signing Shareholder is aware of any agreement or other undertaking of any holder of TSI Common Stock which would require such holder either to vote for and participate in the Exchange or to become a Dissenting Shareholder.

3.24 Disclosure

No representation or warranty by TSI or the TSI Signing Shareholders in this Agreement, nor any document, statement, certificate or Schedule to be furnished or delivered to SouthernNet by TSI pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit any material fact required to make the statements therein, in light of the circumstances in which they were made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SOUTHERNNET

SouthernNet hereby represents and warrants to TSI and the TSI Signing Shareholders as follows:

4.1 Organization and Standing; Power and Authority

SouthernNet is a corporation duly organized, validly existing and in good standing under the laws of the State of South Carolina and has the full corporate power and corporate authority to carry on its business, to execute and deliver this

Agreement and the related documents called for herein and to consummate the transactions contemplated hereby.

4.2 Capitalization

The authorized capital of SouthernNet consists of 50,000,000 shares of Common Stock, par value \$.01 per share, of which 11,674,994 shares are duly authorized, validly issued and outstanding, fully-paid and nonassessable on the date hereof, and 1,000,000 of Series Preferred Stock, par value \$.01 per share, of which no shares are issued and outstanding on the date hereof. The issuance of shares of SouthernNet Common Stock as provided for in Article II has been duly authorized by the Board of Directors of SouthernNet, and such shares, when so issued and upon receipt of the consideration therefor as provided herein, will be validly issued, fully paid and nonassessable.

4.3 Corporate Approvals

The Board of Directors of SouthernNet has approved this Agreement and the transactions contemplated hereby in the manner prescribed by law and has authorized the execution, delivery and performance of this Agreement by SouthernNet.

4.4 Binding Obligation

This Agreement and each document and instrument to be executed by SouthernNet pursuant hereto constitute or will constitute valid and binding obligations of SouthernNet, enforceable in accordance with their respective terms.

4.5 Financial Statements

SouthernNet has prepared and furnished to TSI and the TSI Signing Shareholders, and there are attached hereto as Schedule 13, an audited balance sheet of SouthernNet as of December 31, 1986 and a statement of income for the year then ended. The financial statements specified in this Section 4.5 (a) are in accordance with the books and records of SouthernNet, (b) present fairly the financial condition and results of operations of SouthernNet as of the date and for the period indicated, and (c) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis.

4.6 Disclosure Document

The disclosure document to be provided by SouthernNet to the shareholders of TSI pursuant to Section 9.3(f) of this

Agreement, as such disclosure document may be amended, updated and supplemented from time to time, will not contain any untrue statement of a material fact or omit to state any material fact required to make the statements therein, in light of the circumstances in which they were made, not misleading; provided that the foregoing representation shall not apply to any information concerning TSI or the TSI Signing Shareholders contained in such disclosure document, and supplied by TSI or the TSI Signing Shareholders.

4.7 Knowledge of Breaches

The executive officers of SouthernNet (as identified in the Annual Report on Form 10K filed by SouthernNet with the Securities and Exchange Commission on March 31, 1987) do not have any knowledge of any facts or circumstances that, as of the date hereof, constitute a breach of the representations, warranties, covenants and agreements given or made by TSI or the TSI Signing Shareholders in Articles III and V and in other provisions of this Agreement or in the Exhibits or Schedules hereto or in any certificate delivered pursuant hereto.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE TSI SIGNING SHAREHOLDERS

Each of the TSI Signing Shareholders hereby represents and warrants to SouthernNet (where a representation or warranty relates to a TSI Signing Shareholder, as to himself or itself, severally and not jointly, with no TSI Signing Shareholder making any such representation or warranty as to any other TSI Signing Shareholder), as follows:

5.1 Organization and Standing; Authority; Power and Capacity

(a) Each of the TSI Signing Shareholders that is a corporation is duly organized, validly existing and in good standing under the laws of its state of incorporation, and has the full and unrestricted corporate power and corporate authority to execute and deliver this Agreement and the related documents called for herein and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and of all other agreements contemplated hereby and the due consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of

each such corporate TSI Signing Shareholder (none of which actions have been modified or rescinded, and all of which actions are in full force and effect).

(b) Each of the TSI Signing Shareholders that is a partnership or trust has the full and unrestricted power and authority to execute and deliver this Agreement and the related documents called for herein and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and of all other agreements contemplated hereby and the due consummation of the transactions contemplated hereby and thereby have been duly and validly authorized in accordance with the partnership or trust agreement of such TSI Signing Shareholder and in accordance with law.

(c) Each TSI Signing Shareholder that is an individual has power and capacity to execute and deliver this Agreement and the related documents called for herein and to consummate the transactions contemplated hereby.

5.2 Binding Obligation

This Agreement and each document and instrument to be executed by the TSI Signing Shareholders pursuant hereto constitutes a valid and binding obligation of the TSI Signing Shareholders, enforceable in accordance with its respective terms.

5.3 Title to TSI Common Stock and TSI Warrants and Transferability

Each shareholder of TSI is the legal and beneficial owner of the number of shares of TSI Common Stock set forth opposite such shareholder's name on Schedule 2 hereto. Each holder of TSI Warrants is the legal and beneficial owner of the number of TSI Warrants set forth opposite such warrant holder's name on Schedule 2 hereto. As of the Closing, each holder of TSI Common Stock and of TSI Warrants shall have the full and unencumbered right to transfer such shares or warrants. As of the Closing, each holder of TSI Common Stock and of TSI Warrants will have, and at the Effective Time SouthernNet will acquire, good, valid and marketable title to the TSI Common Stock and the TSI Warrants held by each such shareholder or warrant holder of TSI, free and clear of all mortgages, liens, pledges, charges, claims, security interests, agreements, encumbrances and equities whatsoever.

5.4 Representations and Warranties with Respect to SouthernNet Common Stock

Each of the TSI Signing Shareholders hereby represents, warrants and covenants as follows:

(a) Such TSI Signing Shareholder understands that the shares of SouthernNet Common Stock to be issued to him under this Agreement have not been registered under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions contained in the Act and applicable regulations promulgated thereunder or interpretations thereof, and cannot be offered for sale, sold or otherwise transferred unless such shares subsequently are so registered or qualify for exemption from registration under the Act, and that, until such shares are so registered, the certificates representing such shares shall bear a legend substantially as follows:

"The securities represented by this certificate have not been registered under the Securities Act of 1933 (the "Act") or under any state securities laws and cannot be offered, sold, or transferred in the absence of registration or the availability of an exemption from registration under the Act and regulations promulgated thereunder and applicable state securities laws."

and any transfer agent employed or utilized by SouthernNet shall be instructed not to effect transfer of such shares without prior written authorization from SouthernNet (or, if SouthernNet serves as its own transfer agent, a notation shall be made in SouthernNet's records indicating the transfer restrictions to which such shares are subject).

(b) The shares of SouthernNet Common Stock to be issued under this Agreement are being acquired by such TSI Signing Shareholder in good faith solely for his own account, for investment and not with a view toward resale or other distribution within the meaning of the Act, and such shares will not be offered for sale, sold or otherwise transferred without either registration or exemption from registration under the Act. Notwithstanding the foregoing, it is understood that such TSI Signing Shareholder may elect to register such SouthernNet Common Stock pursuant to the provisions of Article VIII hereof.

(c) Such TSI Signing Shareholder has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of his

investment in such shares and he understands and is able to bear any economic risks associated with such investment (including the necessity of holding such shares for an indefinite period of time, inasmuch as such shares have not been registered under the Act).

(d) Such TSI Signing Shareholder is familiar with and has full knowledge of the business which is conducted and intended to be conducted by SouthernNet, including financial matters related to such business, or will have the opportunity to obtain such knowledge in connection with the review of the disclosure document described in Section 9.3(f) hereof; such TSI Signing Shareholder has been given (or will then be given) the opportunity to ask questions of, and receive answers from, the directors and principal officers of SouthernNet concerning the business and financial affairs of SouthernNet and the terms and conditions of purchase of the SouthernNet Common Stock; and he has had (or will then have) further opportunity to obtain any additional information necessary to verify the accuracy of the foregoing information. Such TSI Signing Shareholder acknowledges that SouthernNet can provide no assurances as to, and that he is not relying upon, any predictions or projections as to the future business or financial performance of SouthernNet.

(e) Such TSI Signing Shareholder understands that such shares will be considered "restricted securities" within the meaning of Rule 144 under the Act; that Rule 144 may not be available to exempt from the registration requirements of the Act sales of such "restricted securities"; that if Rule 144 is available, sales may be made in reliance upon Rule 144 only in accordance with the terms and conditions of Rule 144, which among other things generally requires that the securities be held for at least two years and that sales be made in limited amounts (which amounts are subject to certain exceptions depending upon whether the seller is an "affiliate" within the meaning of Rule 144 and how long the securities have been held); and that, if an exemption for such sales is not available, registration of such shares may be required, but that, except as set forth in Article VIII of this Agreement, SouthernNet is under no obligation to register such shares or to facilitate compliance or to comply with any exemption. Notwithstanding the foregoing, it is understood that such TSI Signing Shareholder may elect to register such SouthernNet Common Stock pursuant to the provisions of Article VIII hereof.

ARTICLE VI

COVENANTS CONCERNING CONDUCT AND TRANSACTIONS PRIOR TO EFFECTIVE TIME

6.1 Access

Between the date of this Agreement and the Effective Time, TSI and the TSI Signing Shareholders will provide SouthernNet full access to the offices, books and records of TSI and will furnish SouthernNet such financial and operating data and other information with respect to the business and properties of TSI as SouthernNet may reasonably request, including all contracts, agreements and arrangements with clients, customers, vendors, lessors, licensors and suppliers of TSI. SouthernNet agrees at all times between the date of this Agreement and the Effective Time (i) to keep confidential all such information which is identified as being of a confidential nature, (ii) not to use such information on its own behalf, except in connection with the consummation of the transactions contemplated hereby, or on behalf of any other person, firm or entity, and (iii) not to disclose such information to any third party without TSI's advance written authorization. In the event this Agreement is terminated, SouthernNet will return to TSI all documents, workpapers and other materials furnished to SouthernNet relating to the transactions contemplated hereunder, whether obtained before or after the execution of this Agreement. In the event of a breach or a threatened breach by SouthernNet of the provisions of this Section 6.1, TSI shall be entitled to an injunction restraining SouthernNet from disclosing, in whole or in part, such information. Nothing herein shall be construed as prohibiting TSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

6.2 Operation of Business of TSI

(a) Between the date of this Agreement and the Effective Time, TSI will to use its best efforts to preserve intact the business organization of TSI, to preserve its present relationships with its customers, suppliers, consultants and any other persons having business relations with it, to maintain all of its properties in customary repair and condition, and to maintain insurance policies in respect of its business and properties consistent with past practice.

(b) Between the date of this Agreement and the Effective Time, except as contemplated by this Agreement or as

reasonably required to carry out TSI's obligations hereunder, TSI will conduct its business only in the ordinary course and, by way of amplification and not limitation, TSI will not, without the prior written consent of SouthernNet, (i) issue any capital stock, or any options, warrants or other rights to subscribe for or purchase any capital stock or any securities convertible into or exchangeable for capital stock, (ii) declare, set aside, or pay any dividend or distribution with respect to its capital stock, (iii) directly or indirectly redeem, purchase, or otherwise acquire any of its capital stock, (iv) effect a split, reclassification, or other change in or of any of its capital stock, (v) amend the Articles of Incorporation or Bylaws of TSI, (vi) grant any increase in the compensation payable or to become payable by TSI to officers or employees of TSI or enter into any bonus, insurance, pension or other benefit plan, payment or arrangement for or with any of such officers or employees, except for causing the rights to certain share of TSI Common Stock to be vested as contemplated by Section 9.2(h) hereof, (vii) borrow or agree to borrow any funds except in the ordinary course of business or directly or indirectly guarantee or agree to guarantee the obligations of others (except pursuant to endorsements in connection with the collection of instruments in the ordinary course of business), (viii) except in the ordinary course of business, enter into any agreement, contract or commitment which will have a material effect on the business and operations of TSI, (ix) place or allow to be placed on any of its material assets or properties any Encumbrance, (x) except in the ordinary course of business, cancel any indebtedness owing to TSI or any claims which TSI may possess or waive any rights of substantial value, (xi) sell, assign, or transfer any patents, trademarks, trade names, copyrights, formulas, or other intangible assets which will have a material effect on the business and operations of TSI, (xii) except in the ordinary course of business, sell or otherwise dispose of any interest in real property or personal property which will have a material effect on the business and operations of TSI, (xiii) commit any act or omit to do any act which will cause a material breach of any agreement, contract or commitment and which will have a material effect on the business and operations of TSI, (xiv) knowingly violate any law, statute, rule, governmental regulation or order which will have a material effect on the business and operations of TSI, (xv) except in the ordinary course of business, engage in any activity or transaction or incur any obligation (by conduct or otherwise) which will have a material effect on the business and operations of TSI, or (xvi) except in the ordinary course of business consistent with past practices, make any loan or advance to any shareholder of TSI or to any other person, firm or corporation.

SECRETARY OF STATE OF SOUTH CAROLINA

6.3 Financial Statements

TSI will, within 30 days after the end of each month following the date of this Agreement, deliver to SouthernNet a balance sheet of TSI as at the end of such month and the related statements of operations and changes in financial position of TSI for such month and for the period from the beginning of the current fiscal year to the end of such month, setting forth in each case in comparative form the figures for the corresponding periods of the previous fiscal year, all in reasonable detail (such financial statements referred to as "Interim Financial Statements"). TSI will, within 5 days after such statements are available, but in any event not later than the Closing Date, deliver to SouthernNet an audited balance sheet of TSI as of March 31, 1987 and a statement of income for the fiscal year then ended (the "Year-End Financial Statements"). The chief financial officer of TSI shall certify upon delivery that the respective Interim Financial Statements or Year-End Financial Statements (i) are in accordance with the books and records of TSI, (ii) present fairly the financial condition and results of operations of TSI as of the dates and for the periods indicated, and (iii) have been prepared in accordance with generally accepted accounting principles consistently applied, subject, in the case of the Interim Financial Statements, to normal year-end adjustments which shall in the aggregate not be material.

6.4 Compliance with Conditions

TSI and the TSI Signing Shareholders shall take all actions as may be necessary or appropriate to effectuate the Exchange, and by way of amplification and not limitation, TSI will (a) promptly advise SouthernNet orally and in writing of any inquiry or proposal received by TSI for the acquisition of the stock, assets or business of TSI; (b) promptly advise SouthernNet in writing of any written objection to the Exchange received by TSI from any shareholder of TSI and furnish SouthernNet with such information as SouthernNet shall request with respect thereto; and (c) obtain each of the consents, authorizations and approvals referred to in Schedule 10.

ARTICLE VII

FURTHER AGREEMENTS

The parties hereto further agree as follows:

7.1 Expenses

Each of the parties will pay its or his own expenses

incurred in preparing for, entering into and carrying out this Agreement and consummating the transactions contemplated hereby.

7.2 Shareholders' Meeting

Promptly following the execution of this Agreement, TSI will cause to be called and duly notice a meeting of its shareholders, to be held upon 10 days' notice to such shareholders, but in any event within 30 days following the delivery of the disclosure document, for the purpose of considering and approving the Exchange, and will recommend to its shareholders the approval of this Agreement, the Articles of Exchange and the transactions contemplated hereby and thereby.

7.3 Negotiations with Others

From and after the date of this Agreement and to and including the earlier of the Effective Time or the termination of this Agreement pursuant to Article XI hereof, TSI and the TSI Signing Shareholders covenant and agree that they will not offer all or any material part of the shares of capital stock or assets of TSI to, entertain offers for such stock or assets from, negotiate for the sale of such stock or assets to, or offer to merge TSI with or into, entertain offers to merge TSI with or into, or negotiate for the merger of TSI with or into, or make information available (for the purposes of any such sale or merger) to, any third party, except as may otherwise be required in the exercise of fiduciary responsibilities by TSI and its directors.

7.4 News Releases

Except as may be otherwise required for compliance with applicable securities laws, neither SouthernNet, TSI nor any TSI Signing Shareholder will issue or approve any news release or other public announcement concerning the Exchange without the prior written approval of SouthernNet and TSI, which shall not be unreasonably withheld.

7.5 Release of TSI Signing Shareholder Obligations

SouthernNet will take all reasonable actions to cause the TSI Signing Shareholders to be released, as of the Effective Time, from all personal or corporate liability with respect to the obligations described on Schedule 14, and to deliver to the TSI Signing Shareholders at the Closing written releases with respect to such obligations.

7.6 Employees

Prior to the Closing, SouthernNet shall offer to employ Talmadge M. Crews, effective at the Effective Time, on the terms and conditions set forth in the Employment Agreement attached hereto as Exhibit C. The TSI Signing Shareholders, and prior to the Effective Time, TSI, shall use their reasonable efforts to cause any employees to whom SouthernNet or TSI makes offers of employment for the period following the Effective Time to accept such offers of employment.

7.7 Termination of Certain Contracts and Agreements

TSI will cause all contracts and agreements (except for the contracts described on Schedule 15 hereto) between TSI and any of the TSI Signing Shareholders to be terminated, at or prior to the Effective Time, without payment of any premium or penalty by TSI.

7.8 Noncompetition

Each of the TSI Signing Shareholders hereby severally covenants and agrees with respect to himself or itself (but not with respect to any other TSI Signing Shareholder) that, for a period of two years from and after the Effective Date, such TSI Signing Shareholder will not, within the territory consisting of the States of Alabama, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia and West Virginia (the "Territory"), either directly or indirectly (i) in any manner engage in a Competing Business (as defined below) or (ii) participate as a director, officer or employee of, or as a stockholder, partner, agent or representative or other independent contractor of, or have any direct or indirect financial interest in, any enterprise (other than SouthernNet or any entity controlling, controlled by, or under common control with SouthernNet) which is engaged, or plans to engage, in any such Competing Business within the Territory; provided, however, that the foregoing restriction shall be inapplicable to activities as a consultant or to the ownership of no more than 5% of the securities of any publicly-traded company. For purposes of this Section 7.8, the term "Competing Business" shall mean the long distance telephone (including telecommunication transport service) business of the type conducted by SouthernNet or TSI on the date of this Agreement, including long distance transport of data, voice, broadband video, compressed video and other broadband video services, dedicated and private line services, and switched data and voice services, but excluding public and private land mobile radio services (including radio commo

carrier, paging, cellular radio and specialized mobile radio services), voice storage and retrieval services, teleports, and broadcast radio and television station operations (including all uses of a station's main channel, subsidiary channel and/or vertical blanking interval, or any associated broadcast auxiliary facilities, including transmissions using mobile satellite trucks for news gathering and other purposes, and including transmissions of radio and television broadcasts through cable television systems). In the event of a breach or threatened breach by such persons of the provisions of this Section 7.8, SouthernNet shall be entitled to an injunction restraining such persons from any such breach. Nothing herein shall be construed as prohibiting SouthernNet from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

7.9 Confidentiality

TSI and the TSI Signing Shareholders hereby acknowledge that they have obtained and may continue to obtain knowledge of and access to confidential and valuable business information relating to the business and plans of SouthernNet (sometimes hereinafter referred to as "Restricted Information"), which includes, without limitation, customer lists, customer needs and requirements, marketing plans, pricing information and formulas, employee lists and salaries and operating expenses, owned or used by or known to SouthernNet, proposed acquisitions and business combinations, and other information concerning the products and services of SouthernNet and its business and affairs, not generally known by or available to the general public. TSI and the TSI Signing Shareholders therefore each covenants and agrees as to himself or itself (but not as to any other TSI Signing Shareholder) at all times (i) to keep all such Restricted Information confidential, (ii) not to use such Restricted Information on his or its own behalf or on behalf of any other person, firm or entity and (iii) not to disclose any such Restricted Information to any third party, without SouthernNet's advance written authorization. In the event this Agreement is terminated, TSI and the TSI Signing Shareholders will return to SouthernNet all documents, workpapers and other material furnished to TSI or the TSI Signing Shareholders relating to SouthernNet or the transactions contemplated hereunder, whether obtained before or after the execution of this Agreement. In the event of a breach or threatened breach by TSI or the TSI Signing Shareholders of the provisions of this Section 7.9, SouthernNet shall be entitled to an injunction restraining TSI or the TSI Signing Shareholders from disclosing, in whole or in part, any such Restricted Information. Nothing herein shall be

APR 02 1997


SECRETARY OF STATE OF SOUTH CAROLINA

construed as prohibiting SouthernNet from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

7.10 Exchange Indemnification

(a) From and after the Effective Time, SouthernNet shall indemnify and hold harmless the shareholders of TSI (other than Dissenting Shareholders) from and against any and all claims, demands, actions, causes of action, losses, costs, damages, liabilities and expenses, including reasonable attorneys' fees and expenses ("Damages"), incurred by the shareholders of TSI, arising out of the breach of the representations, warranties, covenants and agreements given or made by SouthernNet in this Agreement or the Exhibits hereto or in any certificate delivered pursuant hereto, and shall indemnify the shareholders of TSI (other than Dissenting Shareholders) from and against any and all Damages arising out of any failure of SouthernNet or TSI to satisfy any obligations or liabilities of TSI. It shall be a condition of the right of each shareholder of TSI to indemnification pursuant to this Section 7.10(a) that such shareholder of TSI shall assert a claim for such indemnification on or prior to the date of issuance of the report of independent certified public accountants with respect to the financial statements as of December 31, 1987 of SouthernNet (including TSI).

(b) From and after the Effective Time, the TSI Signing Shareholders shall severally (as described below) but not jointly indemnify and hold harmless SouthernNet and its officers and directors, and each person, if any, who controls or may control SouthernNet within the meaning of the Securities Act of 1933, as amended (all such persons hereinafter referred to individually as an "Indemnified Person" and collectively as "Indemnified Persons," but in no event shall any of the TSI Signing Shareholders be such an Indemnified Person), from and against any and all Damages arising out of the breach of the representations, warranties, covenants and agreements given or made by TSI or the TSI Signing Shareholders in Articles III and V and in other provisions of this Agreement or in the Exhibits or Schedules hereto or in any certificate delivered pursuant hereto. This indemnity obligation of each TSI Signing Shareholder shall be satisfied only through the delivery to SouthernNet of shares of SouthernNet Common Stock (valued for this purpose at the SouthernNet Common Stock Value) and shall

be limited to the percentage of the total indemnification due to SouthernNet hereunder as follows:

Robert L. Parker Trust and Positive Placement Partnership, jointly and severally	40.57%
Resource Holdings Inc.	20.29%
WCSC, Inc.	20.29%
Talmadge M. Crews	6.75%
James B. Edwards	5.35%
Walter R. Pettiss	6.75%
	<u>100.00%</u>

It shall be a condition of the right of each Indemnified Person to indemnification pursuant to this Section 7.10(b) that such Indemnified Person shall assert a claim for such indemnification on or prior to the date of issuance of the report of independent certified public accountants with respect to the financial statements as of December 31, 1987 of SouthernNet (including TSI). The obligations of the TSI Signing Shareholders with respect to the foregoing indemnification (i) shall not extend to any condition or occurrence caused by or resulting from the willful acts of SouthernNet and (ii) shall be offset by any insurance proceeds received by SouthernNet or TSI with respect to Damages otherwise covered by this indemnification under insurance policies of TSI in effect on April 1, 1987, or renewals thereof (provided that if any such insurance proceeds are utilized for such an offset, then the TSI Signing Shareholders shall indemnify and reimburse SouthernNet and TSI for any increased insurance premiums subsequently charged to SouthernNet or TSI which are based upon or which relate to the event for which such insurance proceeds were paid by the insurance company). In addition, the maximum liability of all TSI Signing Shareholders pursuant to the foregoing indemnity shall be an amount equal to the product of (a) ten percent (10%) of the number of shares of SouthernNet Common Stock issued to the TSI Signing Shareholders pursuant to Article II and (b) the SouthernNet Common Stock Value.

Notwithstanding the foregoing, in each instance in this Agreement in which a TSI Signing Shareholder makes a representation, warranty or agreement as to himself or itself, and not as to any other TSI Signing Shareholder, such TSI Signing Shareholder shall be solely and completely liable to each Indemnified Person under the foregoing provisions with respect thereto, and such TSI Signing Shareholder shall not be entitled to any participation or contribution from any other TSI Signing Shareholder.

(c) As soon as SouthernNet shall become aware of facts or circumstances that may give rise to a claim for indemnity, and if SouthernNet intends to seek indemnity with respect thereto under this Agreement, SouthernNet shall promptly (and in any case within thirty days of such claim being made and within the period provided in Section 7.10(b), if applicable) notify the TSI Signing Shareholders of such claim. All (but not less than all) the TSI Signing Shareholders shall have thirty days after receipt of such notice to undertake, conduct and control, through counsel of their own choosing and at their expense, the settlement or defense thereof, and SouthernNet shall cooperate with them in connection therewith; provided that (i) the TSI Signing Shareholders shall permit SouthernNet to participate in such settlement or defense through counsel chosen by SouthernNet, provided that the fees and expenses of such counsel shall be borne by SouthernNet, and (ii) the TSI Signing Shareholders shall promptly reimburse SouthernNet for the full amount of any loss resulting from such claim and all related expenses incurred by SouthernNet within the limits of this Section 7.10. So long as the TSI Signing Shareholders are reasonably contesting any such claim in good faith, SouthernNet shall not pay or settle any such claim. Notwithstanding the foregoing, SouthernNet shall have the right to defend, pay or settle any such claim, provided that in such event it shall waive any right to indemnity therefor by the TSI Signing Shareholders. Subject to the limitations set forth in this Section 7.10, if all of the TSI Signing Shareholders do not notify SouthernNet within 30 days after the receipt of SouthernNet's notice of a claim of indemnity hereunder that they elect to undertake the defense thereof, SouthernNet shall have the right to defend, contest, settle, compromise or pay the claim in the exercise of its judgment at the expense of the TSI Signing Shareholders.

7.11 Disclosure by TSI

TSI and the TSI Signing Shareholders shall provide to SouthernNet and its attorneys, accountants and other representatives all information (including information concerning TSI and the TSI Signing Shareholders) reasonably requested by SouthernNet and such attorneys, accountants and other representatives in connection with the preparation by SouthernNet of any securities disclosure document. None of the information furnished or delivered to SouthernNet by TSI or the TSI Signing Shareholders pursuant to this Section 7.11 contains or will contain any untrue statement of a material fact or omits or will omit any material fact required to make the statements therein, in light of the circumstances in which they were made, not misleading.

7.12 Approval of the Exchange

Each of the TSI Signing Shareholders shall vote all shares of TSI Common Stock owned by such TSI Signing Shareholder in favor of the Exchange, and each TSI Signing Shareholder who is a member of the Board of Directors of TSI shall (subject to any fiduciary obligations to the contrary) recommend that the shareholders of TSI approve the Exchange when the same is presented to the shareholders of TSI for consideration.

7.13 Brokers

The TSI Signing Shareholders hereby agree that they shall be severally (as described in Section 7.10(b)) but not jointly liable for, and shall severally (as so described) but not jointly indemnify SouthernNet, the Indemnified Persons (as defined in Section 7.10(b)), and (subsequent to the Effective Time) TSI with respect to, all obligations (including obligations for fees or commissions) and liabilities to, any broker, investment banker or other entity whether with respect to the Exchange and the transactions contemplated by this Agreement or with respect to any other matter. TSI and the TSI Signing Shareholders represent and warrant to SouthernNet that they have not engaged, or incurred any unpaid liability (for any brokerage fees, finders' fees, commissions or otherwise) to, any broker, finder or agent in connection with the transactions contemplated by this Agreement (with the understanding that if any broker, investment banker or other entity asserts any claims, TSI and the TSI Signing Shareholders take the position that such claims are unfounded, but as described above shall indemnify SouthernNet with respect thereto); SouthernNet represents and warrants to TSI and the TSI Signing Shareholders that SouthernNet has not engaged, or incurred any unpaid liability (for any brokerage fees, finders' fees, commissions or otherwise) to, any broker, finder or agent in connection with the transactions contemplated by this Agreement; and the TSI Signing Shareholders severally (as described in Section 7.10(b)) but not jointly (and, prior to the Effective Time, TSI) agree to indemnify SouthernNet, the Indemnified Persons and (after the Effective Time) TSI, and SouthernNet agrees to indemnify the TSI Signing Shareholders and (prior to the Effective Time) TSI, against any claims asserted against the other parties for any such fees or commissions by any person purporting to act or to have acted for or on behalf of the indemnifying party. The indemnity obligations of each TSI Signing Shareholder under this Section 7.13 shall be satisfied only through the delivery to SouthernNet of shares of SouthernNet Common Stock (valued for

this purpose at the SouthernNet Common Stock Value). Notwithstanding any other provision of this Agreement, the representations, warranties, indemnities and obligations set forth in this Section 7.13 shall survive termination of this Agreement, the Closing and/or the Effective Time without limitation as to time or in any other respect.

7.14 Tax Returns

SouthernNet and the TSI Signing Shareholders each agree that in all federal, state and local tax returns filed after the Effective Time, they shall report the Exchange as a taxable transaction, or as a tax-free transaction, in a manner consistent with the basis utilized pursuant to Article II in determining the number of shares of SouthernNet Common Stock issuable in exchange for shares of TSI Common Stock and TSI Warrants. Notwithstanding any other provision of this Agreement, the obligations set forth in this Section 7.14 shall survive the Effective Time without limitation as to time or in any other respect.

ARTICLE VIII

REGISTRATION RIGHTS

8.1 TSI Registration.

(a) Subject to the terms of this Section 8.1, SouthernNet shall, no later than the earlier of 60 days after the Effective Time or June 30, 1987, give written notice to all former shareholders of TSI (the "SouthernNet Notice") of the proposed registration (the "TSI Registration") of the shares of SouthernNet Common Stock acquired pursuant to this Agreement and held by the former shareholders of TSI ("Registrable Shares") and shall thereafter, as expeditiously as practicable, use its best efforts (i) to file with the SEC under the Act a registration statement on the appropriate form concerning all Registrable Shares with respect to which SouthernNet has received written request for inclusion within 15 days after the date of the SouthernNet Notice (the "Requested Shares") and (ii) to cause such registration statement to be declared effective. Notwithstanding the foregoing, SouthernNet shall not be required to permit such TSI Registration statement to become effective until after financial statements of SouthernNet covering at least 30 days of operations following the Exchange have been published and shall not be required to effect the TSI Registration at all if there are fewer than 250,000 Requested Shares (such number to be adjusted to reflect

stock dividends, stock splits and reverse stock splits of SouthernNet subsequent to the date hereof).

(b) No shares of SouthernNet Common Stock other than Requested Shares shall be included in the TSI Registration without the written consent of the holders of the Requested Shares (which consent shall not be unreasonably withheld) unless (i) SouthernNet proposes to include shares issuable in connection with SouthernNet's (or a SouthernNet subsidiary's) acquisition of the assets or shares of or merger or consolidation with another corporation after the Effective Date (a "SouthernNet Acquisition"), or shares previously so issued and proposed to be sold by former shareholders of such a corporation (in either case, the "Acquisition Shares"), and (ii) the TSI Registration is an underwritten offering and the managing underwriters advise SouthernNet that in their opinion the total number of shares of SouthernNet Common Stock requested to be included in such offering does not exceed the number that can be sold in such offering and will not have a material adverse effect on the price of the shares to be sold.

(c) SouthernNet shall not be obligated to include Requested Shares held of record by a former shareholder of TSI unless (i) such former shareholder of TSI shall have promptly furnished SouthernNet all information and statements about or pertaining to such former shareholder of TSI in such detail as is deemed by SouthernNet to be necessary or appropriate with respect to the preparation of the registration statement, (ii) such former shareholder of TSI shall have provided to SouthernNet the agreements described in Sections 8.4, 8.5(b) and 8.5(c), and (iii) such former shareholder of TSI shall have executed all affidavits and shall have provided all letters, documents and undertakings relating thereto as is deemed necessary or appropriate by SouthernNet, its counsel and/or the underwriter(s), in connection with such registration statement, the related filings and underwriting.

(d) Former shareholders of TSI participating in any TSI Registration pursuant to this Section 8.1 may withdraw their respective Registrable Shares at any time before a registration statement is declared effective, in which event SouthernNet may withdraw such registration statement unless at least 250,000 Registrable Shares remain covered by such registration statement. Notwithstanding any such withdrawal, SouthernNet shall be deemed to have satisfied all of its obligations with respect to a TSI Registration.

(e) If the TSI Registration is an underwritten offering, the Requested Shares must be included in such

underwriting. If managing underwriters of the TSI Registration advise SouthernNet in writing that in their opinion the number of shares requested to be included in such registration exceeds the number that can be sold in such offering or will have a material adverse effect on the price of the shares to be sold, then there shall be included in such offering (i) first, the Requested Shares, and (ii) thereafter, any other shares proposed to be included in such registration to the extent permitted by such underwriter. If as a result of such advice Requested Shares must be excluded, the Requested Shares to be excluded shall be selected pro rata among the former shareholders of TSI who have requested inclusion pursuant hereto in proportion to the number of Requested Shares such former shareholders propose to include in the TSI Registration. If the TSI Registration is an underwritten offering, SouthernNet will enter into an underwriting agreement containing conventional representations, warranties, conditions and indemnification provisions with any underwriter that acquires Requested Shares.

(f) SouthernNet will deliver to the former shareholders of TSI participating in the TSI Registration such reasonable number of copies of a definitive prospectus included in such TSI Registration and of any revised or supplemental prospectus filed as such former shareholders of TSI may from time to time reasonably request during the period in which SouthernNet is required to keep such registration statement effective. SouthernNet shall file post-effective amendments or supplements to such registration statement for a period of up to but not more than 90 days or such shorter period as is necessary for the distribution described in such registration statement to be completed in order that the registration statement may be effective at all times during such period and at all times during such period comply with various applicable federal and state securities laws, after which time SouthernNet may withdraw such Requested Shares from registration to the extent not sold.

(g) The former shareholders of TSI participating in the TSI Registration shall pay all sales commissions or similar selling charges with respect to Requested Shares sold pursuant to the TSI Registration. All such commissions and similar selling charges shall be allocated pro rata among all participating former shareholders of TSI in proportion to the number of Requested Shares sold by such former shareholders of TSI in the TSI Registration, and, if not previously paid, shall be deducted and paid from the proceeds of the TSI Registration. SouthernNet shall pay all registration and filing fees, fees and expenses of compliance with federal and

state securities laws, printing expenses, messenger and delivery expenses, fees and disbursements of counsel and accountants (including counsel and accountants of SouthernNet) and all other expenses incurred in connection with the TSI Registration.

8.2 Piggyback Registration

(a) On the first occasion after the Effective Time that SouthernNet proposes to sell any shares of SouthernNet Common Stock under the Act (other than for an offering primarily or exclusively to employees or in connection with a SouthernNet Acquisition) and the registration form to be used may also be used for the registration of Registrable Shares, and provided that such Registrable Shares have not previously been sold pursuant to the TSI Registration, SouthernNet shall notify the former shareholders of TSI at least 30 days prior to the filing of any such registration form with the Securities and Exchange Commission, and will use its best efforts to include in such registration all such Registrable Shares with respect to which SouthernNet has received written request for inclusion within 10 days after receipt of such notice (a "Piggyback Registration"). Each such request shall contain an undertaking from the former shareholder of TSI to provide all such information and material and to take all such actions as may be required by SouthernNet in order to permit SouthernNet to comply with all applicable federal and state securities laws, and shall further contain the agreements described in Sections 8.4, 8.5(b) and 8.5(c) hereof. Except to the extent set forth in Section 8.2(e), SouthernNet shall not be obligated to include Registrable Shares in any Piggyback Registration statement after the first registration statement of SouthernNet filed after the Effective Time that is available for a Piggyback Registration pursuant to this Section 8.2(a).

(b) Each selling former shareholder of TSI shall be required to pay all sales commissions or similar selling charges with respect to Registrable Shares sold by the former shareholder of TSI pursuant to a Piggyback Registration. All such commissions and similar selling charges shall be allocated pro rata among all participating former shareholders of TSI in proportion to the number of Registrable Shares sold by such former shareholders of TSI in the Piggyback Registration, and, if not previously paid, shall be deducted and paid from the proceeds of the Piggyback Registration. SouthernNet shall pay all registration and filing fees, fees and expenses of compliance with federal and state securities laws, printing expenses, messenger and delivery expenses, and fees and