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verizon

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April 2, 2002

RECEIVED FPSC
02 APR -2 AM 11:07
COMMISSION CLERK

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 020054-TP
Emergency joint application for approval of assignment of assets and AAV/ALEC Certificate No. 4025 and IXC Certificate No. 2699 from Winstar Wireless, Inc. to Winstar Communications, LLC

Dear Ms. Bayo:

Please find enclosed an original and 15 copies of Verizon Florida Inc.'s Petition Protesting Proposed Agency Action Order Approving Assignment of Assets and Alternative Local Exchange Telecommunications and Interexchange Telecommunications Certificates for filing in the above matter. Service has been made as made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at 813-483-2617.

Sincerely,

for

Kimberly Caswell

KC:tas
Enclosures

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03726 APR-2 02
FPSC-COMMISSION CLERK

DISTRIBUTION CENTER
02 APR -2 AM 10:24

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Emergency joint application for approval of assignment of assets and AAV/ALEC Certificate No. 4025 and IXC Certificate No. 2699 from Winstar Wireless, Inc. to Winstar Communications, LLC.	Docket No. 020054-TP Filed: April 2, 2002

VERIZON FLORIDA INC.'S PETITION PROTESTING PROPOSED AGENCY ACTION ORDER APPROVING ASSIGNMENT OF ASSETS AND ALTERNATIVE LOCAL EXCHANGE TELECOMMUNCIATIONS AND INTEREXCHANGE TELECOMMUNICATIONS CERTIFICATES

Pursuant to the Notice of Proposed Agency Action issued in this docket on March 12, 2002 ("PAA Notice") and Florida Administrative Code section 28-106.201, Verizon Florida Inc. ("Verizon") protests the PAA Notice. That Notice proposed approving the Emergency Joint Application for Approval of the Assignment of Assets and AAV/ALEC Certificate No. 4025 and IXC Certificate No. 2699 from Winstar Wireless, Inc. ("Old Winstar") to Winstar Communications, LLC ("New Winstar") (together, "Applicants"), filed on January 16, 2002. Verizon learned of the PAA Notice from the Commission's website on March 13, 2002.

The Applicants seek to transfer Old Winstar's certificates, customers, and assets to New Winstar so that New Winstar can continue providing service to Old Winstar's customers. They assert that expedited approval of the Application is essential to avoid disruption of service to existing customers of Old Winstar. (*See* Emergency Joint Application at 2, 6, 7, 8.) This Protest is necessary because there are disputed material facts with regard to New Winstar's ability to continue to provide uninterrupted service to Old Winstar's customers and its financial capability to meet its ownership obligations.

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FPSC-COMMISSION CLERK

Verizon provided Old Winstar services and facilities under the parties' interconnection agreement (Verizon/Winstar Agreement), approved by the Commission on August 24, 1998, and under Verizon's tariffs. As of April 18, 2001 (when Winstar filed its bankruptcy petition), Old Winstar owed Verizon approximately $515,384.00 for services rendered under the Verizon/Winstar Agreement and Verizon's tariffs. Old Winstar has not assigned the Verizon/Winstar Agreement to New Winstar, nor have any other arrangements involving Verizon been assumed by, or assigned to, New Winstar. To prevent disruptions of service to existing Old Winstar customers, this assumption and assignment must occur, including New Winstar's assumption of Old Winstar's debts to Verizon.[1]

If the current contracts and arrangements are not assumed and assigned, they will be cancelled. The circuits and other facilities used to provide those services will revert back to Verizon's inventory for use by other customers. If New Winstar places new orders or seeks new arrangements, those requests will be handled in order. During that time, there will be no service to New Winstar.

It is precisely this potential result that prompted the Massachusetts Department of Telecommunications and Energy ("MDTE") to oppose the debtors' motion to reject certain special access tariffs with Verizon in the bankruptcy proceeding involving Net2000.[2] As the MDTE noted, if the special access tariff arrangements are rejected, the circuits will be disconnected:

> Once a circuit is disconnected, it goes back into Verizon's inventory, and is assigned on a first-come, first-served basis to the next customer in line

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[1] Pursuant to §365 of the U.S. Bankruptcy Code, before any contract assumption and assignment can occur, (1) Old Winstar's default must be cured and (2) Verizon must receive adequate assurance of future performance under its contracts. Because neither has occurred, no transfer can occur and New Winstar's customers will not receive uninterrupted service. Verizon's tariffs also require the assignee to assume the assignor's outstanding indebtedness before service will be transferred (Facilities For Intrastate Access Tariff, Sec. 2.1.1(A)(1).)

[2] *In re: Net2000, Inc., et al.*, (Bankr. D. Del. 2001) (Case No. 01-11324 (MFW).)

> for facilities. If a circuit serving a former Net2000 customer is disconnected, that customer will have to go to the end of the line for new facilities before having its telecommunications service restored. The business customers currently served via those circuits will lose voice and data service for an indeterminate period of time, and may suffer an incalculable loss of both revenue and reputation, a loss for which they may never be made whole. (Opposition of MDTE at 2.)

What the Applicants seek to do is to enjoy the full benefit of Old Winstar's contracts and service arrangements with Verizon while completely avoiding the liability that Old Winstar has accrued thereunder. The only way to transfer the service arrangements and ensure that service continues without interruption is for Old Winstar to assign its contracts and service arrangements to New Winstar. In order for those contracts and arrangements to be assumed and assigned, they must be brought current and fully paid and Verizon must receive adequate assurances that future payments will be made. The Joint Applicants have not disclosed to the Commission that their failure to take these actions will cause the very service disruptions they purportedly seek to prevent.

Verizon and its customers have a substantial interest in this proceeding. To the extent Verizon cannot collect the money it is owed by Old Winstar, it will need to recover that bad debt in its telecommunications service rates, to the detriment of subscribers to those services.

Under Commission Rules 25-24.730 and 25-24.473, New Winstar must demonstrate that it has the financial capability to maintain service and to meet its "ownership obligations." (*See* form for Application for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida, at 12.) The Applicants have failed to make the requisite showing of financial ability to

take on Old Winstar's obligations and have misled the Commission with regard to their ability to transfer Old Winstar's customers to New Winstar without disruption.

Verizon understands that the Applicants have informed the Commission that they intend to discontinue certain telecommunications services in Florida. (Notification of Winstar Wireless, Inc. and Winstar Comm., LLC of Discontinuance of Certain Services in the State of Florida, Docket No. 020054-TP, March 18, 2002 ("Discontinuation Notice").) However, they have not sought to cancel the certificates to be transferred under the PAA Notice and New Winstar will still provide local resale services and long distance services. (*Id.* at 4.) So the notification of discontinuation of some services does not affect the rationale underlying this Protest. The fact remains that a certificate transfer is contemplated from a company that left the market owing substantial uncured debt to Verizon, with no assurance that the transferee will not do the same. In fact, in light of the Applicants' stated possibility that additional services may be discontinued (Discontinuation Notice at fn 5), it is critically important for the Commission to assure that the new certificated entity can and will fulfill its ownership obligations, including the payment of outstanding debts and charges for services rendered going forward.

For all the reasons discussed in this Protest, Verizon asks the Commission to modify its PAA Notice to condition the transfer of Old Winstar's operation to New Winstar on the following actions:

1. New Winstar must assume Old Winstar's indebtedness to Verizon.
2. New Winstar shall deposit into an escrow account an amount equal to the last six months billings from Verizon to Old Winstar, from which Verizon

shall be able to draw should New Winstar fail to make any payment to Verizon as it becomes due; and

3. Every contract between Verizon and New Winstar shall include a provision that Verizon has the unilateral right to terminate the contract upon thirty days' written notice if New Winstar fails to make any payment as it becomes due.

These second and third remedies shall be cumulative and Verizon's ability to draw upon the bond for payment shall not be considered a cure of any failure to pay on the part of New Winstar. In other words, if New Winstar fails to make any payment when it becomes due, Verizon shall be able to draw upon the bond for payment <u>and</u> terminate the contract.

Verizon does not believe any hearing is necessary for the Commission to impose these conditions. However, if the Commission wishes to examine the relevant facts in greater detail, then Verizon requests initiation of a formal evidentiary proceeding.

Respectfully submitted on April 2, 2002

By: for

Kimberly Caswell
P. O. Box 110, FLTC0007
Tampa, FL 33601
Telephone: (813) 483-2617

Attorney for Verizon Florida Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Petition Protesting Proposed Agency Action Order Approving Assignment of Assets and Alternative Local Exchange Telecommunications and Interexchange Telecommunications Certificates in Docket No. 020054-TP were sent via U.S. mail on April 2, 2002 to the parties on the attached list.

for

Kimberly Caswell

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

McDermott Will & Emery
Shirley Fujimoto
600 13th Street, NW
Washington, DC 20005-3096

Swidler & Berlin
Jean Kiddoo
Brett P. Ferenchak
3000 K Street, NW, #300
Washington, DC 20007

Winstar Wireless, Inc.
Kimberly A. Bradley
1615 L Street, NW, Suite 1260
Washington, DC 20036-5625

Winstar Communications, LLC
520 Broad Street
Newark, NJ 07102-3111

Winstar Communications LLC
Kimberly A. Bradley
1850 M Street, NW, Suite 300
Washington, DC 20036

EXHIBIT 2

RECEIVED
02 APR 10 PM 2:59
PUBLIC UTILITY COMMISSION
FILING CLERK

DOCKET NO. 25622

APPLICATION OF WINSTAR COMMUNICATIONS, LLC FOR AN AMENDMENT TO ITS SERVICE PROVIDER CERTIFICATE OF OPERATING AUTHORITY	§ § § § §	PUBLIC UTILITY COMMISSION OF TEXAS

VERIZON SOUTHWEST'S MOTION TO INTERVENE

Verizon Southwest (Verizon) seeks to intervene in this docket pursuant to Tex. P.U.C. Proc. R. § 22.103. In support of this motion, Verizon states the following:

1. On March 21, 2002, Winstar Communications, LLC ("New Winstar") and Winstar Wireless, Inc. ("Old Winstar") filed an application with the Public Utility Commission of Texas requesting authority to discontinue certain telecommunications services. The application also explains that New Winstar will provide some of the services currently provided by Old Winstar, including the resale of incumbent local exchange carrier services.

2. As of April 10, 2002, Old Winstar owes Verizon approximately $12,900.[1] To date, Verizon has not been paid.

3. New Winstar is using the services and facilities Verizon provided to Old Winstar even though these services and facilities have not been lawfully assumed by, or assigned to, New Winstar. If they are not assigned they will be cancelled, and New Winstar's end users may suffer service interruptions. This is because the circuits and facilities used to provide service will revert back to Verizon's inventory.[2]

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[1] This amount also includes monies owed to VADI, a Verizon affiliate.

[2] If New Winstar places new orders or seeks new arrangements with Verizon, it will be treated like any other carrier, and its requests will be handled in the order they are received.

ent by: SWIDLER BERLIN SHERIFF FRIEDMAN 2024243645; 04/13/02 12:36PM;Jetfax #143;Page 2/4

4. The only way to transfer the services and facilities and ensure that service continues to end users without interruption is for New Winstar to assume the services and facilities Verizon provided to Old Winstar. By doing so, New Winstar will ensure that the facilities remain in place and that customers receive continuous service. But in order for the existing arrangements to be assumed, they must be brought current and fully paid, and Verizon must receive adequate assurances that future payments will be made.[3] The Commission should resolve this matter before granting Winstar's application.

WHEREFORE, Verizon requests the Commission grant this motion.

Respectfully submitted.

By: Charles H. Carrathers III

CHARLES H. CARRATHERS III
816 Congress Avenue, Suite 1500
Austin, TX 78701
512-370-4231
Fax: 512-370-4229

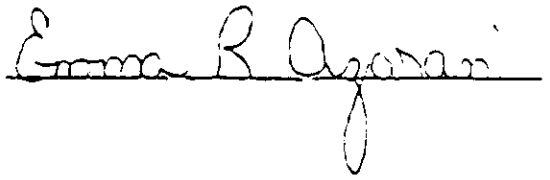
ITS ATTORNEY

[3] Pursuant to § 365 of the Bankruptcy Code, before any assumption and assignment can occur (1) the default must be cured and (2) Verizon must receive adequate assurance of future performance under its contracts. Neither has occurred, and, if they do not, no transfer can occur and New Winstar's customers will not receive uninterrupted service. Verizon does not know how long any interruption may last.

Sent by: SWLDER BERLIN SHERER HAUSMAN 2024240643; 04/13/02 12:30PM;Jetfax #143;Page 3/4

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Verizon Southwest's Motion to Intervene has been hand-delivered to the General Counsel and mailed, First Class U.S. Mail, to all parties of record this 10th day of April 2002.



Sent by: SWIDLER BERLIN SHEREFF FRIEDMAN 2024249645; 04/13/02 12:37PM;Jetfax #145;Page 4/4

EXHIBIT 3

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
WINSTAR COMMUNICATIONS, INC., et al.,	Case No.: 01-1430 (JJF)
Debtors.	Jointly Administered

ORDER AUTHORIZING (i) SALE OF CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS ENCUMBRANCES, AND INTERESTS, (ii) APPROVING CURE AMOUNTS WITH RESPECT TO CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (iii) AUTHORIZING THE DEBTORS TO ENTER INTO AND APPROVING MANAGEMENT AGREEMENT, (iv) APPROVING REGULATORY TRANSITION PROCESS AND (v) GRANTING RELATED RELIEF

This matter having come before the court on (1) the motion (the "Original Motion"; terms not otherwise defined in this Sale Order shall have the meanings ascribed to such terms in the Original Motion) filed by Winstar Communications, Inc. and its affiliated debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors"), requesting the entry of (A) an order pursuant to sections 363(b) and 105(a) of title 11, United States Code (the "Bankruptcy Code") and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) approving bidding procedures, including bid protections, (ii) approving the form and manner of notice of (a) the hearing to consider granting certain bid protections (the "Bid Procedures Hearing"), (b) the hearing on the sale of certain of the Debtors' assets (the "Sale Hearing"), (c) proposed cure payments and (d) assumption and assignment of executory contracts and unexpired leases, and (iii) scheduling the Sale Hearing,

and (B) an order authorizing and approving (i) the sale of certain of the Debtors' assets free and clear of liens, claims and encumbrances (the "Sale") and (ii) the assumption and assignment of certain executory contracts and unexpired leases, and (II) the supplement to the Original Motion filed with the Bankruptcy Court on December 14, 2001 (the "Motion Supplement", and together with the Original Motion, the "Motion") seeking entry of an order (i) authorizing the Debtors to enter into, and approving, a management agreement substantially in the form annexed to the Motion Supplement as Exhibit A (the "Management Agreement"), (ii) approving, and authorizing the Debtors to implement, the Debtors' proposed regulatory transition process (the "Regulatory Transition Process") and (iii) granting related relief, including an extension of the period under Bankruptcy Code section 365(d)(4) within which the Debtors may decide whether to assume or reject unexpired leases of nonresidential real property; and the Court having conducted a hearing on November 27, 2001, and having entered an order dated November 27, 2001 approving the Bidding Procedures; and an auction having been held at the offices of Shearman & Sterling, counsel to the Debtors, on December 5, 2001, in accordance with the Bidding Procedures previously approved by this Court; and following the conclusion of the Auction, the Debtors, in consultation with their financial advisors, and after consultation with counsel to each of the Creditors' Committee, the Agent for the Prepetition Lenders and the Agent for the DIP Lenders, having (i) reviewed each bid on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) identified the bid of IDT Winstar Acquisition, Inc. (the "Buyer"), as set forth in the Asset Purchase Agreement, dated as of December 18, 2001 (the "Asset Purchase Agreement") as the highest and best offer for the Purchased Assets (as defined below in Paragraph H) at the Auction (the "Successful Bid"); and a hearing on the Motion

having been commenced on December 10, 2001 and continued on December 17, 2001 and December 18, 2001 (the "Sale Hearing"); and all interested parties having been afforded an opportunity to be heard with respect to the Motion; and the Court having reviewed and considered (i) the Motion, (ii) the objections thereto, if any, and (iii) the arguments of counsel made, and the evidence proffered or adduced at the Sale Hearing; and it appearing that the relief requested in the Motion and approval of the Sale of the assets to be acquired under the Asset Purchase Agreement (as defined therein, the "Purchased Assets") and the entry of an order approving the Sale (this "Sale Order") is in the best interests of the Debtors, their estates, creditors, and other parties in interest; and upon the record of the Sale Hearing, and these cases; and after due deliberation thereon; and good cause appearing therefor, it is hereby

FOUND AND DETERMINED AS FOLLOWS:[1]

A. This Court has jurisdiction over the Motion and the transactions contemplated by the Motion pursuant to 28 U.S.C. §§157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(M). Venue of these cases and the Motion is proper pursuant to 28 U.S.C. §§1408 and 1409.

B. The statutory predicates for the relief sought in the Motion are sections 105, 363 and 365 of 11 U.S.C. §§101 et seq. (the "Bankruptcy Code") and Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure.

C. As evidenced by the affidavits of service previously filed with the Court, and based on the representations of counsel at the Sale Hearing, (i) proper, timely, adequate and sufficient notice of the Motion, the Sale Hearing, the Cure Notices, the Sale of the Purchased

[1] Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed.R.Bank.P. 7052.

Assets and of the related transactions contemplated thereby (including without limitation the entry of the Debtors into the Management Agreement and the implementation of the Regulatory Transition Process) has been provided in accordance with sections 102(1), 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure; (ii) such notice was reasonable, sufficient, and appropriate under the circumstances; and (iii) no other or further notice of the Motion, the Sale Hearing, the Cure Notices, the Sale of the Purchased Assets and all the related transactions contemplated thereby (including without limitation the entry of the Debtors into the Management Agreement and the implementation of the Regulatory Transition Process) shall be required.

D. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested in the Motion has been afforded to all interested persons and entities, including (i) counsel for the Buyer, (ii) counsel for The Bank of New York, as Agent under the Pre-Petition Credit Agreement, (iii) counsel for Citibank, N.A., as agent under the DIP Credit Agreement, (iv) counsel for the Official Committee of Unsecured Creditors (the "Creditors' Committee"), (v) the Office of the United States Trustee, (vi) each party identified by the Debtors as a potential Buyer of the Purchased Assets that was contacted as part of the Sale process, (vii) all entities known to have any asserted lien, claim, encumbrance, alleged interest in or with respect to the Purchased Assets, (viii) all applicable federal, state and local taxing authorities; and (ix) all other entities that have filed requests for notices pursuant to Bankruptcy Rule 2002.

E. The Debtors (i) have full corporate power and authority to execute the Asset Purchase Agreement and all other documents contemplated by the Motion, (ii) have all of the corporate power and authority necessary to consummate the transactions contemplated by the

Motion and the Asset Purchase Agreement and (iii) have taken all corporate action necessary to authorize and approve the Sale and the consummation by the Debtors of the transactions contemplated thereby.

F. The Debtors have demonstrated sound business justifications for the Sale and the other transactions and actions contemplated by the Motion pursuant to section 363(b) of the Bankruptcy Code.

G. Each of the Sale, the Management Agreement and the Asset Purchase Agreement were negotiated, proposed and agreed to by the Debtors and the Buyer as parties thereto without collusion, in good faith, and from arm's-length bargaining positions. The Buyer is a good faith purchaser under section 363(m) of the Bankruptcy Code and, as such is entitled to all of the protections afforded thereby.

H. The consideration provided by the Buyer for the Purchased Assets (i) is fair and reasonable, (ii) is the highest or otherwise best offer for the Purchased Assets and (iii) will provide a greater recovery for the Debtors' creditors and other interested parties than would be provided by any other practically available alternative.

I. The transfer of the Purchased Assets to the Buyer under the Sale and the Asset Purchase Agreement will be a legal, valid, and effective transfer of such Purchased Assets, and will, upon the occurrence of the Closing (as defined in the Asset Purchase Agreement), vest in the Buyer all right, title and interest of the Debtors in the Purchased Assets free and clear of all Encumbrances and interests other than the Permitted Encumbrances (in each case, as defined in the Asset Purchase Agreement) (collectively, the "Interests") including, but not limited to, those (i) that purport to give to any party a right or option to give any of the foregoing in the future, any sale or contingent sale or title retention agreement or lease, or termination of the Debtors' or

the Buyer's interest in the Purchased Assets, or any similar rights, and (ii) relating to taxes arising under or out of, in connection with, or in any way relating to the operation of the Debtors' businesses prior to the Closing Date (as defined in the Asset Purchase Agreement).

J. The transfer of the Purchased Assets to the Buyer free and clear of all Interests will not result in any undue burden or prejudice to any holders of any Interests since all such Interests of any kind or nature whatsoever shall attach to the net proceeds of the Sale (the "Sale Proceeds") in the order of their priority, with the same validity, force and effect which they now have as against the Purchased Assets, subject to the Carveout (as defined in the Final Order Authorizing Debtors In Possession to Enter Into Post-Petition Credit Agreement and Obtain Post-Petition Financing Pursuant to Section 363 and 364 of the Bankruptcy Code, and Providing Adequate Protection and Granting Liens, Security Interests and Superpriority Claims, dated May 14, 2001 and entered in these cases) and to any claims and defenses the Debtors or other parties may possess with respect thereto.

K. The Buyer would not consummate the transactions contemplated by the Sale, thus adversely affecting the Debtors, their estates, and their creditors, if the Sale of the Purchased Assets to the Buyer was not free and clear of all Interests of any kind or nature whatsoever, or if the Buyer would, or in the future could, be liable for any such Interests and if the assignment of the Purchased Assets could not be made under section 363 of the Bankruptcy Code.

L. The Debtors may sell the Purchased Assets free and clear of all Interests of any kind or nature whatsoever because, in each case, one or more of the standards set forth in section 363(f) of the Bankruptcy Code has been satisfied. Those (i) holders of Interests and (ii) non-debtor parties who did not object, or who withdrew their objections, to the Sale, the Sale of the Purchased Assets or the Motion are deemed to have consented pursuant to Bankruptcy Code

section 363(f)(2). Those holders of Interests fall within one or more of the other subsections of Bankruptcy Code section 363(f) and are adequately protected by having their Interests, if any, attach to the proceeds of the Sale ultimately attributable to the property against or in which they claim or may claim an Interest. Notwithstanding anything contained herein or in the Asset Purchase Agreement to the contrary, the Sale of the Purchased Assets is subject to the consent of the DIP Lenders.

M. Due to the regulated environment in which certain of the Purchased Assets are operated, the entry of this Sale Order is necessary to ensure the uninterrupted provision of services to customers of the Debtors (the "Customers") during the period in which the Buyer and the Debtors seek to comply with the applicable federal and state regulatory laws and to enter into contractual or other legal arrangements necessary for the consummation of the Sale, the transfer of the Licenses (as defined below) to the Buyer and the operation of the Purchased Assets by the Buyer (the "Compliance Items").

N. Approval at this time of the Sale, the Asset Purchase Agreement and the Management Agreement, and all the transactions contemplated thereby and hereby (including the Regulatory Transition Process) is in the best interests of the Debtors, their creditors, their estate and other parties in interest.

NOW THEREFORE, BASED UPON THE FOREGOING FINDINGS OF FACT, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED, EFFECTIVE IMMEDIATELY, THAT:

1. The Motion is granted, as further described herein.

2. All objections to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are overruled on the merits, provided, however, that nothing herein shall alter or impair the rights of any party

that has filed and served a timely objection to dispute the amount of a cure payment listed on an applicable Cure Notice, which rights are specifically reserved and which disputes shall be resolved either consensually or, as necessary, by further order of the Court. Notwithstanding anything in the Motion, the Asset Purchase Agreement or this Sale Order to the contrary, the Debtors shall not be authorized to assume and assign any executory contract(s) between any of the Debtors and the United States General Services Administration (the "GSA") without the prior consent of a person authorized to act on behalf of the GSA to the extent such consent is required by any contract or applicable law.

3. The Asset Purchase Agreement substantially in the form attached as Exhibit A to the Notice of Filing of Asset Purchase Agreement, dated December 18, 2001 (including all exhibits, schedules and annexes thereto), and all of the terms and conditions thereof, are hereby approved.

4. Pursuant to section 363(b) of the Bankruptcy Code, the Debtors are authorized to consummate the Sale of the Purchased Assets, pursuant to and in accordance with the terms and conditions of the Asset Purchase Agreement, to enter into the Management Agreement and to implement the Regulatory Transition Process.

5. The Debtors are authorized to execute and deliver, and are empowered to perform under, consummate and implement, the Asset Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Asset Purchase Agreement (including the Management Agreement), and to take all further actions as may be requested by the Buyer for the purpose of assigning, transferring, granting, conveying and conferring to the Buyer or reducing to possession, the Purchased Assets, or as may be necessary or appropriate to the performance of the obligations as contemplated by

the Asset Purchase Agreement, including without limitation the implementation of the Regulatory Transition Process. Notwithstanding anything in the Motion, the Asset Purchase Agreement or this Sale Order to the contrary, the Buyer assumes no employee liabilities that arose prior to the Closing Date, including any accrued but unbilled liabilities.

6. The transfer of the Purchased Assets to the Buyer pursuant to, and subject to the terms of, the Asset Purchase Agreement shall constitute a legal, valid and effective transfer of the Purchased Assets, and shall, upon the occurrence of the Closing, vest in the Buyer all right, title and interest of the Debtors in and to the Purchased Assets to be acquired by such Buyer free and clear of all Interests of any kind or nature whatsoever, with all such Interests to attach to the Sale Proceeds in the order of their priority, with the same validity, force and effect which they now have as against the Purchased Assets, subject to the Carveout and to any claims and defenses the Debtors or other parties may possess with respect thereto.

7. In consideration for the Purchased Assets, and subject to the terms and conditions of the Asset Purchase Agreement, the Buyer shall assume the Assumed Liabilities (as defined therein) and, on the Closing Date, shall irrevocably (i) pay, at the Debtors' election, exercised prior to the Closing Date, (x) an amount in cash equal to $38,000,000 (the "Cash Payment") or (y) an amount in cash equal to $30,000,000 and cause to be issued to the Debtors a number of shares of Class B common stock of IDT Corporation, having a value equal to $12,500,000 based on the average closing price of such stock during the seven trading day period ended December 14, 2001 (the "IDT Shares", and together with the $30,000,000, the "Cash/Stock Payment"), and (ii) issue to the Debtors such number of shares of common stock of the Buyer, representing 5% of the outstanding shares of Buyer Common Stock as of the date hereof, all in accordance with the terms and conditions of the Asset Purchase Agreement.

Pursuant to the Escrow Agreement (as defined in the Asset Purchase Agreement), which is hereby approved, on or before the date of this Sale Order, the Buyer shall deliver or shall have delivered the Cash Payment to the Escrow Agent (as defined in the Asset Purchase Agreement) to be held in escrow pending Closing. On the Closing Date, the Debtors and the Buyer shall instruct the Escrow Agent to promptly release the Escrow Amount (as defined in the Asset Purchase Agreement) to an account or accounts designated by the Debtors, on behalf of the Debtors in accordance with the terms of the Escrow Agreement. Such account shall be an interest-bearing account in the name of one or more of the Debtors established at Citibank, N.A. for the purpose of receiving such funds (the "Proceeds Account"). The Sale Proceeds shall be maintained in the Proceeds Account and shall not be distributed to any party in interest, including professionals and secured parties, pending further order of the Court following notice and a hearing. Accrued interest on such funds shall constitute part of the Sale Proceeds available for distribution. The Buyer shall have no claim whatsoever to or against any of the funds in the Proceeds Account or to the IDT Shares or the Buyer Common Stock subsequent to the Closing. Any allocation of the Purchase Price agreed to by the Debtors and the Buyer shall not be binding on any other party.

8. On the Closing Date, the Buyer and the Debtors shall enter into the Management Agreement, and the Buyer shall deposit into an account at Citibank, N.A. (the "Operating Account") an amount in cash equal to $60 million in immediately available funds, to be used from and after the Closing Date through and including the Cutoff Date (as defined in the Management Agreement) exclusively to pay all costs set forth in subsection 3.1(a) of the Management Agreement. In the event that the Buyer shall fail to pay, as and when due, any such costs and the Debtors shall be held liable therefore, the Buyer hereby agrees to indemnify the

Debtors for all such costs. In the event that any funds shall be on deposit in the Account (as defined in the Management Agreement) after the Cutoff Date, and all accrued and unpaid costs required to be paid in accordance with the Management Agreement shall have been paid, any balance may, upon five (5) days' written notice to the Debtors, the Agent for the Postpetition Lenders and such telecommunications service providers that shall send written request to the Buyer requesting such notice and the Buyer shall provide such notice to each party to the extent such party shall continue to provide services to the Debtors or the Buyer, be withdrawn by the Buyer.

9. Except as expressly permitted or otherwise specifically provided for in the Asset Purchase Agreement or this Sale Order, effective upon the occurrence of the Closing, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax and other regulatory authorities, lenders, trade and other creditors holding Interests (including but not limited to any claims under any applicable revenue, pension, ERISA, tax, labor, environmental or natural resource law, rule or regulation, or any products liability law) of any kind or nature whatsoever against or in the Debtors or the Purchased Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, liquidated or unliquidated, senior or subordinated), arising under or out of, in connection with, or in any way relating to, the Debtors, the Purchased Assets, the operation of the Debtors' businesses prior to the Closing Date of the Sale of the Purchased Assets, or the transfer of such Purchased Assets to the Buyer, hereby are forever barred, estopped, and permanently enjoined from asserting against the Buyer, its successors or assigns (to the extent allowed by law), its property, its officers, directors and shareholders or the Purchased Assets, such persons' or entities' Interests. Notwithstanding anything herein to the contrary, nothing

herein shall in any way affect or diminish any rights of the Debtors or any successor thereto (including any chapter 11 or chapter 7 trustee) with respect to obligations of the Buyer arising under the Asset Purchase Agreement, the Management Agreement or this Sale Order. This Sale Order shall be binding on the Debtors and the Debtors' estates, including, following any conversion of these cases, any successor chapter 7 estates, and any chapter 7 trustees appointed in these cases.

10. The consideration provided by the Buyer for the Purchased Assets under the Asset Purchase Agreement shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

11. Notwithstanding any provision to the contrary in this Sale Order, the Motion or the Asset Purchase Agreement, certain prototype laboratory equipment (as listed on Exhibit A hereto, the "Lab Equipment") and certain disbursement and investment accounts established in connection with the Lucent Credit Agreement (as listed on Exhibit B hereto, the "Accounts") shall be segregated from the Debtors' other assets, shall not constitute part of the Purchased Assets and shall not be included in the Sale. Nothing in this Sale Order, the Motion or the Asset Purchase Agreement shall impair or affect the rights and interests of Lucent in the Lab Equipment and the Accounts. The Buyer hereby reserves the right, subject to notice and a hearing, to seek to characterize the Lab Equipment as owned by the Debtors, and to the extent an Order so providing is entered by the court, the Lab Equipment shall constitute Purchased Assets.

12. This Sale Order (a) shall be effective as a determination that, on the Closing Date, and subject to the occurrence of the Closing, all Interests of any kind or nature whatsoever existing prior to the Closing as to the Purchased Assets transferred pursuant to the