

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
OPTEL, INC., et al.¹) Case No. 99-3951 (SLR)
)
) (Jointly Administered)
Debtors.)

**NOTICE OF (I) APPROVAL OF DISCLOSURE STATEMENT, (II)
DEADLINE FOR VOTING ON DEBTORS' JOINT REORGANIZATION
PLAN OF OPTEL, INC. AND THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS, (III) HEARING TO CONSIDER
CONFIRMATION OF THE PLAN, AND (IV) LAST DATE
FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN**

TO: ALL HOLDERS OF CLAIMS IN CLASSES 5 AND 6

PLEASE TAKE NOTICE THAT YOUR VOTE IS BEING SOLICITED IN CONNECTION WITH THE DEBTORS' JOINT REORGANIZATION PLAN OF OPTEL, INC. AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "PLAN"). YOU SHOULD CAREFULLY REVIEW THE MATERIAL SET FORTH IN THE DISCLOSURE STATEMENT ENCLOSED HEREWITH (AND IN THE EXHIBITS ATTACHED THERETO) IN ORDER TO MAKE AN INDEPENDENT DETERMINATION AS TO WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

APP _____
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OTH Wann

In addition too OpTel, Inc. the other Debtors herein are Bay Area Cable Television, Inc., Phonoscope Village Cable, Inc., IRPC - Arizona, Inc., Richey Pacific Cablevision, Inc., IRPC Texas - Ventana, Inc., Sunshine Television Entertainment, Inc., IRPC Texas, Inc., TA V GP Holdings Corp., OpTel (Arizona) Telecom, Inc., Tara Communications Systems, Inc., OpTel (California) Telecom, Inc., TVMAX Communications (Texas), Inc., OpTel (Colorado) Telecom, Inc., TVMAX Telecommunications, Inc., OpTel (Florida) Telecom, Inc., Transmission Holdings, Inc., OpTel (Illinois) Telecom, Inc., OpTel (Illinois), L.P., OpTel (Indiana) Telecom, Inc., Richey Pacific Cable Partners V., L.P., OpTel (Texas) Telecom, Inc., OpTel (DFW) Holdings, Inc., Phonoscope Entertainment, Inc.

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FPSC-COMMISSION CLERK

APPROVAL OF DISCLOSURE STATEMENT

PLEASE TAKE FURTHER NOTICE that, by Order dated October 25, 2001, the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") approved the Debtors' Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code with respect to the Debtors' Plan (the "Disclosure Statement") as containing adequate information within the meaning of section 1125 of the Code.

DEADLINE FOR VOTING ON THE PLAN

PLEASE TAKE FURTHER NOTICE that, by Order dated October 25, 2001, the Bankruptcy Court established **November 29, 2001, at 4:00 p.m.** Eastern Standard Time (the "Voting Deadline") as the deadline by which ballots accepting or rejecting the Plan must be received. To be counted, your ballot (which is enclosed herewith) must actually be received on or before the Voting Deadline by:

Bankruptcy Services, LLC
70 E. 55th Street, 6th Floor
New York, New York 10022-3222
Attn: OpTel Balloting Center

Ballots received by facsimile will not be counted.

CONFIRMATION HEARING

PLEASE TAKE FURTHER NOTICE that, on **December 4, 2001 at 8:30 a.m.** Eastern Standard Time, or as soon thereafter as counsel may be heard, a hearing will commence before the Sue L. Robinson, Chief United States District Court Judge, at the United States District Court, 844 King Street, 6th Floor, Wilmington, Delaware 19801 to consider confirmation of the Plan, as the same may be further amended or

modified, and for such other and further relief as may be just (the "Confirmation Hearing").

PLEASE TAKE FURTHER NOTICE that the Confirmation Hearing may be adjourned from time to time without further notice to creditors or other parties in interest, other than by an announcement of such an adjournment in open court at the Confirmation Hearing or any adjournment thereof. Additionally, the Plan may be modified in accordance with the Code, the Federal Rules of Bankruptcy Procedure and other applicable law, without further notice, prior to or as a result of the Confirmation Hearing.

DEADLINE FOR OBJECTIONS TO CONFIRMATION OF THE PLAN

PLEASE TAKE FURTHER NOTICE that objections, if any, to the confirmation of the Plan, including any supporting memoranda, must be in writing, be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 5th Floor, 824 Market Street, Wilmington, Delaware 19801 together with proof of service, and shall (a) state the name and address of the objecting party and the amount of its claim or the nature of its interest in the Debtors' Chapter 11 Cases, (b) state with particularity the provision or provisions of the Plan objected to and for any objection asserted, the legal and factual basis for such objection, and (c) be served upon (i) the Debtors, OpTel, Inc., Office of General Counsel, 1111 W. Mockingbird Lane, Dallas, Texas 75247, Attn: Carol Grissom, Esq.; (ii) co-counsel to the Debtors, Kronish Lieb Weiner & Hellman LLP, 1114 Avenue of the Americas, New York, New

York 10036, Attn: James A. Beldner, Esq. and Young Conaway Stargatt & Taylor, LLP, 11th Floor, Wilmington Trust Center, P.O. Box 391, Wilmington, Delaware 19899, Attn: Brendan L. Shannon, Esq.; (iii) Counsel to the Official Committee of Unsecured Creditors, Akin, Gump, Strauss, Hauer and Feld, L.L.P., 590 Madison Avenue, New York, New York 10022, Attn: Ira S. Dizengoff, Esq. and Blank, Rome, Comisky & McCauley, 1201 Market Street, Suite 2100, Wilmington, Delaware 19801, Attn: Bonnie Fratell, Esq., and (iv) Office of the United States Trustee, 844 King Street, Suite 2313 (Lock Box 35), Wilmington, Delaware 19801, Attn: Don Beskrone, Esq. by hand or in a manner as will cause such objection to be received by all such parties on or before **4:00 p.m. Eastern Standard Time, on November 27, 2001**. Any objection not filed and served as set forth above will be deemed waived and will not be considered by the Court.

KRONISH LIEB WEINER & HELLMAN LLP

S/James A. Beldner
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(212) 479-6000

-and-

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Co-Counsel for Debtors and Debtors in Possession

Dated: November 7, 2001

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RIYADH (AFFILIATE)

October 17, 2001

To All Unsecured Creditors of OpTel, Inc.,
TVMAX Telecommunications, Inc., et al.:

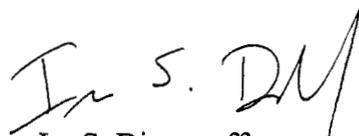
The Official Committee of Unsecured Creditors (the "Committee") of OpTel, Inc., TVMAX Telecommunications, Inc., et al. (collectively, "OpTel") strongly encourages all unsecured creditors to vote in favor of the Joint Reorganization Plan of OpTel and the Committee (the "Plan").

The Committee was comprised of seven members, two of which resigned shortly after the commencement of OpTel's bankruptcy cases. The five remaining members were two holders of OpTel's 11½% Senior Notes due 2008 and OpTel's Senior Notes due 2005 (collectively, the "Notes"), the indenture trustee for the Notes, and two trade creditors. Once formed, the Committee retained Akin, Gump, Strauss, Hauer & Feld, L.L.P. as its legal counsel. The Committee was actively involved in the bankruptcy cases of OpTel and the Plan is the joint product of OpTel and the Committee.

The Plan provides that most unsecured creditors will receive stock in Reorganized OpTel. Reorganized OpTel will focus (through its wholly-owned subsidiaries) on providing cable television services in the following markets: Houston, Dallas-Ft. Worth, San Francisco, Miami, Fort Lauderdale, Orlando, Tampa, Phoenix, Denver, Chicago, Atlanta, Indianapolis, and Greater Washington, D.C.

The Committee believes that the Plan will result in the highest available distribution to unsecured creditors and, therefore, urges all unsecured creditors to vote in favor of the Plan.

Very truly yours,



Ira S. Dizengoff
Counsel to the Committee

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
In re : Chapter 11
OpTel, Inc., et al., : Case No. 99-3951 (SLR)
 : (Jointly Administered)
Debtors. :
 :
-----X

**AMENDED DISCLOSURE STATEMENT AND SUMMARY OF PLAN
DISTRIBUTIONS FOR HOLDERS OF CLAIMS AND EQUITY INTERESTS
WITH RESPECT TO JOINT REORGANIZATION PLAN OF OPTEL, INC.**

KRONISH LIEB WEINER & HELLMAN LLP
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P.O. Box 391
Wilmington, Delaware 19899-0391
(302) 571-6600

Co-Counsel for the Debtors and
Debtors in Possession

Dated: New York, New York
October 30, 2001

DISCLAIMER

ALL HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND SUMMARY OF PLAN DISTRIBUTIONS (THE "DISCLOSURE STATEMENT") IN ITS ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE HOLDERS OF CLASS 7 AND CLASS 8 EQUITY INTERESTS WILL NOT RECEIVE OR RETAIN ANY PROPERTY UNDER THE PLAN, ARE DEEMED UNDER 11 U.S.C. § 1126(g) TO HAVE REJECTED THE PLAN, AND ARE NOT ENTITLED TO VOTE ON THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS OR RECOMMENDATIONS OF THE DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "COMMITTEE") OR ANY OTHER PARTY IN INTEREST, HAVE BEEN SUBMITTED TO OR APPROVED BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY REPRESENTATION REGARDING SUCH DESCRIPTIONS.

THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS, IN THE DEBTORS.

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ARTICLE I
INTRODUCTION

OpTel, Inc. ("OpTel"), for itself and on behalf of its subsidiaries and affiliates⁽¹⁾ (collectively, the "Subsidiaries and Affiliates" and together with OpTel, the "Debtors") filed their petitions for relief under Chapter 11 of the United States Bankruptcy Code on October 28, 1999 in the United States Bankruptcy Court for the District of Delaware (the "Court"). On September 28, 2001, the Debtors filed their joint plan of reorganization dated September 25, 2001 (the "Plan") and disclosure statement (the "Disclosure Statement")⁽²⁾. The Debtors submit this Disclosure Statement pursuant to Section 1125 of Title 11 of the United States Code (the "Bankruptcy Code") to creditors of the Debtors (collectively, the "Creditors") and holders of equity interests in the Debtors (collectively, the "Equity Interests") in connection with (i) the solicitation from the Creditors of acceptances or rejections of the Plan (a copy of the Plan is attached hereto as Exhibit A) proposed by the Debtors and the Official Committee of Unsecured Creditors (the "Committee") and filed with the Court and (ii) the hearing on confirmation of the Plan scheduled for December 4, 2001 at 8:30 a.m. Eastern Standard Time (the "Confirmation Hearing").

A. Definitions

Unless otherwise defined herein, capitalized terms used in this Disclosure Statement shall be defined as set forth in the Plan or as defined in the Bankruptcy Code.

B. Notice To Creditors And Holders Of Equity Interests

On October 25, 2001, after notice and a hearing, the Court approved this Disclosure Statement as containing information of a kind and in sufficient detail adequate to enable

¹ Bay Area Cable Television, Inc.
IRPC - Arizona, Inc.
IRPC Texas - Ventana, Inc.
IRPC Texas, Inc.
OpTel (Arizona) Telecom, Inc.
OpTel (California) Telecom, Inc.
OpTel (Colorado) Telecom, Inc.
OpTel (Florida) Telecom, Inc.
OpTel (Illinois) Telecom, Inc.
OpTel (Indiana) Telecom, Inc.
OpTel (Texas) Telecom, Inc.
Phonoscope Entertainment, Inc.
Phonoscope Village Cable, Inc.
Richey Pacific Cablevision, Inc.
Sunshine Television Entertainment, Inc.
TA V GP Holdings Corp.
Tara Communications Systems, Inc.
TVMAX Communications (Texas), Inc.
TVMAX Telecommunications, Inc.
Transmission Holdings, Inc.
OpTel (Illinois), L.P.
Richey Pacific Cable Partners V., L.P.
OpTel (DFW) Holdings, Inc.

² This Disclosure Statement contains certain changes made to the Disclosure Statement dated September 25, 2001 which were announced on the record at the October 25, 2001 hearing to consider approval of the Disclosure Statement.

hypothetical, reasonable investors typical of the Creditors and the holders of Equity Interests in each Class under the Plan to make an informed judgment as to whether to reject or accept the Plan. Approval of this Disclosure Statement by the Court does not constitute a determination by the Bankruptcy Court as to the fairness or the merits of the Plan.

The Debtors and the Committee believe that the Plan provides for the best possible recoveries to creditors and believe that acceptance of the Plan is in the best interests of each and every class of creditors entitled to vote. The Debtors and the Committee recommend that you vote to accept the Plan.

ALL HOLDERS OF CLAIMS AND ALL HOLDERS OF EQUITY INTERESTS SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS TO THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN. ALL EXHIBITS OR SCHEDULES TO THIS DISCLOSURE STATEMENT ARE ANNEXED HERETO AND SUPPLEMENTED WITH CERTAIN ADDITIONAL MATERIALS. EXCEPT TO THE EXTENT THAT THE PLAN IS AMENDED TO DELETE ONE OR MORE OF THE EXHIBITS THERETO, THE FINAL EXHIBITS TO THE PLAN WILL BE FILED NO LATER THAN SEVEN (7) DAYS PRIOR TO THE CONFIRMATION HEARING. ALL EXHIBITS OR SCHEDULES TO THIS DISCLOSURE STATEMENT OR THE PLAN MAY BE INSPECTED AT THE OFFICE OF THE CLERK OF THE COURT DURING NORMAL COURT HOURS. ALL HOLDERS OF CLAIMS AND HOLDERS OF EQUITY INTERESTS MAY OBTAIN COPIES OF THE EXHIBITS AND SCHEDULES TO THE DISCLOSURE STATEMENT AND THE PLAN, ONCE FILED, UPON WRITTEN REQUEST ONLY TO THE FOLLOWING ADDRESS:

KRONISH LIEB WEINER & HELLMAN LLP

1114 Avenue of the Americas

New York, New York 10036

(212) 479-6000

Attn: James A. Beldner, Esq.

Attn: Richard S. Kanowitz, Esq.

PLAN PROVISION SUMMARIES AND ALL OTHER STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE OTHER EXHIBITS AND SCHEDULES HERETO AND THERETO AND ANY OTHER DOCUMENTS REFERENCED HEREIN OR THEREIN.

After carefully reviewing this Disclosure Statement, including the exhibits and schedules hereto, each Creditor holding an Allowed Claim in an impaired class should vote on the enclosed Ballot and return the Ballot in the pre-addressed envelope so that it is received by 4:00 p.m., Eastern Standard Time, on or before November 29, 2001 (the "Voting Deadline"). Please vote and return your Ballot to the Debtors' Ballot Agent:

Bankruptcy Services, L.L.C.
OpTel's Ballot Processing
70 East 55th Street, 6th Floor
New York, New York 10022-3222
Attn: Laura Campbell

If you have any questions about this Disclosure Statement, the Plan, or the procedure for voting, or if you did not receive a Ballot, received a damaged Ballot or lost your Ballot, please call Laura Campbell at Bankruptcy Services, L.L.C. at (212) 376-8487.

TO BE COUNTED, YOUR BALLOT MUST BE SIGNED AND RECEIVED AT THE ADDRESS SPECIFIED ABOVE BY 4:00 P.M., EASTERN STANDARD TIME ON OR BEFORE NOVEMBER 29, 2001. ANY BALLOT RECEIVED WHICH DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. BALLOTS SUBMITTED BY FACSIMILE WILL NOT BE ACCEPTED. ONLY ORIGINALLY SIGNED BALLOTS WILL BE COUNTED. IF YOU ARE A NOTEHOLDER, DO NOT SURRENDER THE NOTE(S) AT THIS TIME OR RETURN THEM WITH YOUR BALLOT.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

IN THE EVENT THAT ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN THE DEBTORS MAY SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AND, IF REQUIRED MAY AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION. SEE "ACCEPTANCE OR CRAMDOWN."

UNLESS OTHERWISE INDICATED, ALL DOLLAR AMOUNTS USED OR REFERENCED HEREIN OR IN THE PLAN ARE IN UNITED STATES DOLLARS.

Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a debtor that are "impaired" under the terms and provisions of a plan of reorganization are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity or by payment in full in cash. Classes of claims and interests that are not impaired are not entitled to vote on the plan and are deemed to have accepted the plan. In addition, classes of claims and interests that receive no distributions under a plan are not entitled to vote on the plan and are deemed to have rejected the plan. The classification of Claims and Equity Interests for the Debtors' Chapter 11 Cases is summarized, together with notations as to whether each Class of Claims or

Equity Interests is impaired or unimpaired, under the caption "Treatment of Claims and Equity Interests." Pursuant to Section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting or other purposes.

In most cases, each ballot enclosed with this Disclosure Statement has been encoded with the amount of your Claim for voting purposes (if your Claim is a Disputed Claim this amount may not be the amount ultimately allowed for purposes of distribution) and the Debtor and Class to which your Claim has been attributed. PLEASE FOLLOW THE DIRECTIONS ON THE ENCLOSED BALLOT CAREFULLY.

The Plan, the Plan Supplement and the Disclosure Statement can be reviewed at the office of the Clerk of the Court, or by logging onto the Court's website at www.deb.uscourts.gov. You may also obtain a copy of the Plan, the Disclosure Statement and copies of any exhibits to the foregoing documents, at your own expense by contacting Bankruptcy Services, L.L.C.

C. Solicitation And Right To Vote On The Plan

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests that are impaired under the terms and provisions of a Chapter 11 plan are entitled to vote to accept or reject a plan. Holders of allowed claims or equity interests in classes of claims or equity interests that are unimpaired under the terms and provisions of a Chapter 11 plan are conclusively presumed to have accepted the plan and therefore are not entitled to vote on such plan. The Debtors believe that holders of Claims in Classes 1, 2, 3 and 4 are unimpaired, are conclusively presumed to have accepted the Plan, and therefore do not have the right to vote on the Plan.

Holders of Claims in Class 5 (General Unsecured Claims) and Class 6 (Convenience Claims) are impaired and therefore are entitled to vote to accept or reject the Plan. Holders of Claims in Class 7 (Preferred Stock Interests) and Class 8 (Common Stock Interests) do not receive any distributions under the Plan and the holders of those Equity Interests are conclusively presumed to have rejected the Plan. Therefore, the Debtors are soliciting acceptances only from the holders of Allowed Claims in Class 5 (General Unsecured Claims) and Class 6 (Convenience Claims).

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. For a complete description of the requirements for confirmation of the Plan, see Article IX herein "Confirmation of the Plan."

If a class of claims or equity interests rejects the Plan or is deemed to reject the Plan, the Debtors have the right, and reserve the right, to request confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code. Section 1129(b) permits the confirmation of the Plan notwithstanding the nonacceptance of such Plan by one or more impaired classes of claims or equity interests if the proponent thereof complies with the provisions of that section. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and

equitable" with respect to each non-accepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Article IX.C. herein "Acceptance or Cramdown."

The Debtors and the Committee believe that (i) through the Plan, holders of Claims against the Debtors will obtain a substantially greater recovery from the Debtors' estates than the recovery that would be available if the assets of the Debtors were liquidated under Chapter 7 of the Bankruptcy Code and (ii) the Plan will afford the Debtors the opportunity and ability to continue in business as a viable going concern and preserve ongoing employment for the Debtors' employees.

After carefully reviewing this Disclosure Statement, including the Exhibits, each holder of an Allowed Claim that is entitled to vote on the Plan should vote on the Plan.

D. Disclosure Statement Enclosures

Accompanying this Disclosure Statement are copies of (i) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time and place of the hearing to consider the Confirmation of the Plan and related matters, and the time for filing objections to the Confirmation of the Plan (the "Confirmation Hearing Notice") and (ii) one or more Ballots (and return envelopes) to be used by you in voting to accept or reject the Plan.

E. Voting Procedures, Ballots And Voting Deadline

After carefully reviewing this Disclosure Statement and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Please complete and sign your Ballot (copies will not be accepted) and return your Ballot to Bankruptcy Services, L.L.C. using the envelope provided.

Each Ballot has been designated to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the designated Ballot or Ballots sent to you with this Disclosure Statement.

F. Confirmation Hearing

Pursuant to Section 1128 of the Bankruptcy Code, a hearing to confirm the Plan (the "Confirmation Hearing") will be held on December 4, 2001 at 8:30 a.m. Eastern Standard Time before the Honorable Sue L. Robinson, Chief United States District Judge, at the United States District Court, 844 North King Street, 6th Floor, Wilmington, Delaware. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before November 27, 2001, 4:00 p.m. Eastern Standard Time. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for

the objection and the amount of the Claim held by the objector. Objections must be filed with the United States Bankruptcy Court, 5th Floor, Marine Midland Plaza, 824 Market Street, Wilmington, Delaware, 19801 and served so that they are received by the Court (with a copy to Chambers) and the following parties on or before November 27, 2001 at 4:00 p.m., Eastern Standard Time:

OPTEL, INC.

1111 W. Mockingbird Lane
10th Floor
Dallas, TX 75247
Attn: Office of the General Counsel

KRONISH LIEB WEINER & HELLMAN LLP

Co-Counsel for the Debtors and Debtors in Possession
1114 Avenue of the Americas
New York, NY 10036-7798
Attn: James A. Beldner, Esq.
Attn: Richard S. Kanowitz, Esq.

YOUNG, CONAWAY, STARGATT & TAYLOR LLP

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Rodney Square North, 11th Floor
P.O. Box 391
Wilmington, DE 19899-0391
Attn: Brendan Lineham Shannon, Esq.

**AKIN, GUMP, STRAUSS, HAUER
& FELD, LLP**

Counsel to the Committee of Unsecured Creditors
590 Madison Avenue
New York, NY 10022
Attn: Daniel H. Golden, Esq.
Ira S. Dizengoff, Esq.

The Confirmation Hearing may be adjourned from time to time by the Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

ARTICLE II

GENERAL INFORMATION

A. Introduction

The Debtors provide cable television and high speed Internet access services to residents of multiple dwelling units ("MDUs") in the United States. MDUs generally include apartment buildings, condominiums, cooperatives, townhouses and mobile home communities. In each market that they serve, the Debtors seek to become the principal competitor in the MDU marketplace to the incumbent franchise cable television operator by providing video and Internet access services at competitive prices. The Debtors currently provide cable television services in a number of metropolitan areas including Houston, Dallas-Fort Worth, San Francisco, Miami, Fort Lauderdale, Orlando, Tampa, Phoenix, Denver, Chicago, Atlanta, Indianapolis, and Greater Washington, D.C. Debtors currently provide Internet access services in Houston, Dallas-Fort Worth, Denver and San Francisco.

By this Disclosure Statement, the Debtors are providing disclosures relative to their solicitation of acceptances to the Plan. **The Debtors and the Committee believe that the Plan provides for the best possible recoveries to creditors and believe that acceptance of the Plan is in the best interests of each and every class of creditors entitled to vote. The Debtors and the Committee recommend that you vote to accept the Plan.**

Through the Plan, the Debtors intend to recapitalize their businesses by converting a substantial portion of the Allowed General Unsecured Claims outstanding on the Confirmation Date into equity in Reorganized OpTel in the form of the New Common Stock. The Debtors plan to continue to reorganize their businesses, both prior to and following Confirmation, principally by eliminating lines of businesses which the Debtors believe are not profitable and cannot achieve profitability under probable circumstances, selling assets in certain non-strategic markets, and restructuring and downsizing the Debtors' organization. Following Confirmation, the Debtors intend that the Reorganized Entities will provide cable television services to approximately 156,000 residential subscribers in MDUs located in 11 markets.

B. Overview Of The Debtors And Their Business

The Debtors began operation in April 1993 with the strategy of consolidating the then fragmented private cable television, or non-franchise cable television, industry serving MDUs. Since December 1994, the Debtors completed numerous acquisitions of MDU oriented video and, in one case, telephone, service providers to become, in Debtors' belief, the nation's largest provider of private (non-franchised) cable television services to MDUs. The Debtors also sought to become the principal competitor in the MDU marketplace to the incumbent local exchange telephone carrier.

In providing their services to MDUs, the Debtors have relied on private rights of entry ("ROEs") with owners of MDUs. These ROE agreements generally grant the Debtors the exclusive right to provide cable television services to an MDU. The Debtors' ROE agreements generally provide financial incentives to the MDU owners to promote and sell the Debtors' services to MDU residents, including generally the obligation to pay the MDU owner a percentage of gross revenues. The Debtors further expanded their cable and telephone subscriber bases by securing additional ROE agreements from MDU owners and expanding their communications networks.

The Debtors provide their cable television services through a hybrid fiber optic-coaxial network in their Houston market, and by point-to-point microwave (18 GHz) networks, stand-alone satellite master antenna television ("SMATV") systems, and digital broadcast satellite systems in their other markets (except certain smaller markets where cable television services are exclusively provided by SMATV systems). Because the majority of the incumbent franchise cable companies now offer tiers of digital video services, during the Debtors' Chapter 11 Cases, the Debtors continued to make capital expenditures to upgrade certain systems and networks to deliver digital video programming in order to meet ROE competitive service requirements that are sometimes included in the Debtors' ROE agreements. The Debtors expect to continue to expend funds for digital system and network upgrades following Confirmation, which expenditures are included in the Debtors' financial projections attached hereto (the "Projections").

Until January 2001, the Debtors offered local and long distance telephone services in ten of the Debtors' major markets. In recent years leading to and following the filing of the Debtors' Chapter 11 Cases, the Debtors invested significantly in their telecommunications networks and to develop telephone subscribers in all telephone-served markets. At their peak, the Debtors served approximately 26,000 telephone subscribers in MDUs across its served markets. However, the Debtors concluded that these telephone operations could not be run profitably without the expenditure of significant amounts of additional capital in excess of cash flow from operations which the Debtors did not believe was or would likely be available. As a result, from January through September of 2001, the Debtors discontinued their telephone businesses (with the exception of immaterial telephone services which the Debtors continue to provide pending the satisfaction or termination of certain contractual obligations).

C. Events Leading To The Filing Of The Chapter 11 Cases

The Debtors sought to further expand their cable and telephone businesses and subscriber bases by securing additional ROE agreements from MDU owners, increasing penetration and cross-selling additional services to existing subscribers, and continuing to expand their communications networks. In pursuit of their strategies, the Debtors required substantial capital on a continuing basis to finance the acquisition of other private cable television operators, network expansion and market growth, upgrades to existing facilities to desired technical and signal quality standards and continued operations. The Debtors expected to fund additional capital requirements through internally generated funds and public or private debt and/or equity financing.

The Debtors incurred substantial indebtedness in expanding and developing their cable and telecommunications businesses and networks. The Debtors' parent, Le Groupe Videotron Ltee. ("GVL"), through its affiliates, had been a significant source of capital for the Debtors since 1994. GVL, through an affiliate, invested over \$230,000,000 in the Debtors in the form of preferred and common equity and was a source of guarantee for lines of credit. The Debtors issued approximately 2,525,000 shares of Common Stock and Preferred Stock, the bulk of which was issued to an affiliate of GVL. In 1997 and 1998, the Debtors also raised approximately \$425,000,000 in debt financing through their issuance of the Notes.

The Debtors were unable to achieve the expected growth in either cable or telephone subscribers or achieve the revenues necessary to wholly fund the Debtors' capital needs. Additionally, in part due to this less than expected growth, the Debtors never realized internally projected operating efficiencies. Accordingly, the Debtors' capital needs remained high. In May 1999, OpTel sought to effect an initial public offering of its Class A Common Stock. OpTel was unsuccessful in its initial public offering.

During the year prior to the filing of the Chapter 11 Cases, the Debtors incurred an average cash flow deficiency of approximately \$10,000,000 per month. In the months prior to the Debtors' filing their Chapter 11 Cases, the Debtors retained investment banking advisors in an attempt to raise equity financing in the private markets. However, according to those advisors, in view of the Debtors' heavy debt burden, their internal growth projections and a significant operating and capital cash flow deficiency, such equity financing was not available to the Debtors on any terms. Further, covenants under the Indenture governing one of the Notes (the 13% Senior Notes due 2005) restricted the Debtors' ability to incur additional debt financing or draw upon available lines of credit. With no available source of financing and the certainty that they shortly would be without money for operations, the Debtors filed their Chapter 11 Cases on the Petition Date.

D. Developments In The Chapter 11 Cases

Since the filing of their Chapter 11 Cases, the Debtors have made substantial progress in preserving the value of and reorganizing their businesses by (i) stabilizing their businesses, (ii) substantially reducing expenditures, (iii) selling non-strategic assets and (iv) eliminating their telephone businesses. As described below and as reflected in Debtors' Projections, certain of these initiatives are presently continuing and are not expected to be fully completed until after Confirmation.

1. Stabilization Of The Debtors' Businesses

Upon the commencement of the Debtors' Chapter 11 Cases, the Debtors immediately took measures to stabilize their businesses, including obtaining Court approval of first day motions that included, but were not limited to: (i) the joint administration of the Chapter 11 Cases; (ii) the extension of time to file schedules; (iii) the provision of adequate assurance of future payment to utility companies; (iv) the maintenance of existing bank accounts and business forms; (v) the

payment of pre-petition wages, compensation and employee benefits and deductions; and (vi) the payment of essential trade creditors. Subsequently, the Debtors obtained Court approval of motions that allowed the Debtors to: (i) establish and implement an employee severance plan and employee retention plan to ensure the continuity of the expertise and services of its highly trained workforce; (ii) retain investment bankers, restructuring consultants and tax consultants to assist in the Debtors' reorganization; (iii) pay pre-petition customer refunds and deposits to protect subscribers; (iv) extend the time to assume or reject non-residential real property leases; (v) assume various executory contracts determined by the Debtors to be beneficial to the Estates; and (vi) reject various executory contracts determined not to be in the best interests of the Estates.

Since filing, the Debtors provided for their working capital requirements by first securing the Court's approval of Debtors' right to use cash collateral securing a prepetition loan made to the Debtors by The Toronto-Dominion Bank and The Bank of Nova Scotia. Shortly afterward, Debtors negotiated and obtained Court approval of a \$60,000,000 secured debtor-in-possession financing facility from The CIT Group/Business Credit, Inc. and Foothill Capital Corporation (the "Initial DIP Credit Facility"), the initial proceeds of which were used to repay the Toronto-Dominion Bank and The Bank of Nova Scotia. Following the sale of certain of Debtors' Southern California and Austin/San Antonio, Texas assets (described below) and the repayment of the Initial DIP Credit Facility, the Debtors extended the maturity of the Initial DIP Credit Facility to December 2001 and modified such facility to, among other things, reduce the credit availability to \$25,000,000.

2. Cost Reductions

The Debtors have reduced operating losses and capital spending significantly through a combination of cost reductions and business restructuring. By July 2001, the Debtors' monthly cash usage for operations and capital expenditures, not including Chapter 11 related reorganization costs, had been cut by over 80%. The Debtors expect to achieve further cost reductions in the months immediately preceding and subsequent to Confirmation.

a. From Petition Date Through November 2000

At the time the Debtors filed their Chapter 11 Cases, the Debtors spent approximately \$7,000,000 per month on capital projects, exclusive of payments on capital leases. Debtors curtailed construction projects immediately after their Chapter 11 filing and limited capital spending to completing existing projects required to increase subscribers or complying with contractual obligations. In the twenty-one months subsequent to the Petition Date, total capital spending, exclusive of payments on capital leases, was less than \$5,500,000.

Through November 2000, the Debtors intentionally targeted operating expense reductions to those areas that would not meaningfully impair their overall enterprise value or deter potential buyers of the Debtors' cable television and telecommunications assets. Nevertheless, the Debtors achieved a \$200,000 reduction in monthly expenses by eliminating noncritical activities and changing spending practices. In addition, the Debtors effectuated two general workforce reductions

eliminating approximately 130 full time positions. The aggregate savings resulting from those workforce reductions was approximately \$400,000 per month. The Debtors' workforce was further reduced by 40 employees as a result of the Debtors' sales of their Southern California and Austin/San Antonio, Texas assets.

b. From December 2000 Through And Following Confirmation

In December 2000, the Debtors determined to discontinue their telephone operations and to concentrate their efforts and resources on the provision of cable television and Internet access services to MDUs in select markets. This has resulted, and the Debtors believe will continue to result, in significant expense reductions. Since December, 2000 the Debtors have undertaken six major initiatives described below designed to reduce operating cash consumption. These initiatives and the general workforce reductions and asset sales described above have allowed the Debtors to reduce their workforce from approximately 850 employees (including contract labor) prior to the filing of the Chapter 11 Cases to approximately 300 employees as of September 2001. The Debtors expect to further reduce their workforce by approximately 50 full time positions by November 2001 as the Debtors complete their restructuring initiatives. Further, as a result of these initiatives and the other cost reduction initiatives previously undertaken by the Debtors during their Chapter 11 Cases, the Debtors have reduced their average monthly operating cash flow deficiency from approximately \$3,000,000 immediately prior to the filing of the Chapter 11 Cases to approximately \$1,700,000 for the three (3) month period ending August 31, 2001. The Debtors estimate that they will continue to reduce their monthly operating cash flow deficiency as the Debtors complete the implementation of their planned restructuring and cost reduction initiatives.

(1) Exit From Telephone Business

As more fully described below, the Debtors have substantially discontinued their local and long distance telephone businesses. The Debtors began exiting their telephone businesses in December 2000 and expect to complete their exit from all telephone services during September, 2001.

(2) Cable And Internet Customer Service Call Center Outsourcing

In order to reduce costs associated with customer care and to permit significant corporate headquarters space reductions, the Debtors outsourced their cable and Internet customer call center services by entering into a services agreement with PCCS, Inc. ("PCCS"). PCCS, an entity owned by two of the Debtors' largest creditors or their affiliates, provides call center services for the Debtors' cable and Internet customers utilizing a call center facility located in Plainville, Kansas. In addition, the Debtors entered into a put and call agreement with the shareholders of PCCS, exercisable after Confirmation, that will provide the Reorganized Entities with an option to purchase, and the shareholders of PCCS with an option to sell, PCCS' call center service business at a price equal to a stated rate of return on each shareholder's equity investment. Thus, the Reorganized Entities will have the ability to purchase PCCS' call center service business in the event they

determine it to be beneficial to do so. Through the outsourcing described above and the discontinuance of the Debtors' telephone businesses, the Debtors will have substantially eliminated their headquarters call center costs, with the exception of certain cable television related customer functions which have been relocated to the Debtors' regional offices.

(3) Corporate Office Restructuring

The Debtors have begun and intend to continue to reduce the degree of centralized corporate office control and oversight of their regional operations. This reflects the Debtors' return from an integrated communications provider strategy to a more simple and conventional private cable operator strategy. Through the resulting corporate headquarters workforce reductions, the Debtors have realized, and expect to continue to realize, monthly savings.

(4) Field Office Restructuring

Due to the reduced level of the Debtors' construction activity and improved field employee productivity, the Debtors have reduced their regional workforce. This reduction is in addition to workforce reductions that will result from the Debtors' exit from their telephone businesses.

(5) Headquarters And Regional Office Facility Expense Reductions

The Debtors expect that the discontinuance of their telephone businesses and the workforce reductions described above will allow the Debtors' to reduce the size and occupancy costs of their corporate headquarters and certain regional offices.

(6) Video Programming Consolidation

On June 14, 2001, the Debtors entered into an agreement with a supplier of video programming services pursuant to which the Debtors plan to purchase a substantial portion of its video programming for its cable television services at rates which are currently more favorable than the programming rates previously incurred by the Debtors. The Debtors anticipate receiving a substantial portion of its video programming from this supplier by October 2001.

3. Sales Of Non-Strategic Assets

On October 31, 2000, the Debtors sold their cable television operations in Southern California to Adelpia Communications Corporation for approximately \$54 million. On November 27, 2000, the Debtors sold their cable television and telephone assets located in Austin and San Antonio, Texas to affiliates of Time-Warner Entertainment for approximately \$4.2 million. The proceeds from those sales were used to finance the Debtors working capital needs during their Chapter 11 Cases and, in November of 2000, pay off the then outstanding balance of the Initial DIP Credit Facility.

Both prior to, and following Confirmation, the Debtors plan to continue to hold for sale certain non-strategic assets and markets which the Debtors believe will not be beneficial to the business of the Reorganized Entities. As described in more detail below, the Debtors' plan contemplates a corporate reorganization of the Subsidiaries and Affiliates that the Debtors believe will, among other things, help to facilitate post-Confirmation sales of non-strategic assets. The Debtors' Projections do not include the receipt of any sales proceeds from transactions that have not already closed.

4. Elimination Of Telephone Business

The Debtors originally planned to provide telephone services in most of their major markets, including switched central office telephone services in their Houston, Dallas-Fort Worth, Irvine/Los Angeles, Phoenix, Illinois, Miami and Denver markets. In recent years leading to and following the filing of the Debtors' Chapter 11 Cases, the Debtors invested significantly in their telecommunications networks and to develop telephone subscribers in these markets. The Debtors deployed and activated switched central office telephone services in their Houston, Dallas-Fort Worth, Irvine/Los Angeles and Phoenix markets. At their peak, Debtors served approximately 26,000 telephone subscribers in MDUs.

In December 2000, however, the Debtors concluded that their telephone operations could not be run profitably without the expenditure of significant amounts of additional capital in excess of cash flow from operations which the Debtors did not believe was or would likely be available. As a result from January through September of 2001, the Debtors discontinued their telephone businesses, (with the exception of immaterial telephone services which the Debtors continue to provide pending the satisfaction or termination of certain contractual obligations). As stated above and in the Debtors' Projections, the Debtors' exit from their telephone businesses has allowed the Debtors to avoid additional capital expenditures on their telecommunications networks, avoid the related negative operating cash flow and reduce employment costs associated with their telecommunications businesses.

E. Post Confirmation Operations

In accordance with the Plan, the Debtors intend to recapitalize their businesses by converting a substantial portion of the Allowed General Unsecured Claims outstanding on the Confirmation Date into equity in Reorganized OpTel in the form of the New Common Stock. The Debtors plan to continue to reorganize their businesses as described above. The Debtors expect that the Reorganized Entities will enjoy substantially all of the economic benefits of the Debtors' reorganization plans by December 31, 2001.

Following Confirmation, the Debtors intend that the Reorganized Entities will provide cable television services to approximately 156,000 residential subscribers in MDUs located in 11 markets and with cable systems serving approximately 331,000 passings. The Debtors expect that the Reorganized Entities will continue to provide cable television services in the Debtors' existing

markets, including Houston, Dallas-Fort Worth, San Francisco, Miami, Fort Lauderdale, Orlando, Tampa, Phoenix, Denver, Chicago, Atlanta, Indianapolis, and Greater Washington, D.C. The Debtors plan that the Reorganized Entities will continue to make Internet access available to cable television customers in Houston, Dallas-Fort Worth, Denver and San Francisco, and introduce Internet access services in their other markets.

The Reorganized Entities will continue to provide cable television services through a hybrid fiber optic - coaxial network and by point-to-point microwave (18 GHz) networks, stand alone satellite master antenna television ("SMATV") systems, and digital broadcast satellite systems in their other markets (except certain smaller markets where cable television services may continue to be provided exclusively by SMATV systems). The Debtors plan that the Reorganized Entities will refine their marketing strategies in order to increase subscribers in presently served MDUs. The Debtors also expect to continue to make capital expenditures to upgrade certain systems and networks to deliver digital video programming in order to meet ROE competitive service requirements where necessary and to expand service to additional MDUs. Further, the Debtors intend that the Reorganized Entities will more effectively utilize certain of their assets, including their Houston fiber optic-coaxial network. The Debtors believe that the Reorganized Entities will be able to generate additional revenues from the Houston network by selling transport services to other communications providers, providing cable television and Internet access services to single family communities and providing telecommunications access to small businesses.

The Debtors plan to continue to hold for sale certain non-strategic markets which the Debtors believe will not be beneficial to the business of the Reorganized Entities. The Debtors' Projections do not include the receipt of any sales proceeds from sales transactions that have not already closed. However, upon a sale of assets, the sales proceeds would be available to repay the outstanding balance of the Exit Financing Facility or provide funding for the Reorganized Entities' working capital needs.

The Debtors' Plan contemplates a corporate reorganization of the Subsidiaries and Affiliates. As described in Article V herein, following the substantive consolidation of the Debtors' Chapter 11 Cases and confirmation of the Plan, the Debtors' assets will be transferred to the Reorganized Subsidiaries and Affiliates and the New Subsidiaries such that all of the assets specific to a market will be separately held in one of the Reorganized Subsidiaries and Affiliates or one of the New Subsidiaries. Contemporaneously with such corporate reorganization, the Debtors intend to change the name under which the Reorganized Entities and New Subsidiaries will do business to "TVMAX", a name which the Debtors believe is more closely aligned with their future business focus as a provider of cable television and Internet services. The name of Reorganized OpTel, Inc. will be changed to TVMAX Holdings, Inc., the name of Reorganized TVMAX Telecommunications, Inc. will be changed to TVMAX, Inc., and the names of the other Reorganized Entities will be changed to incorporate the "TVMAX" name and a geographic designation consistent with the market in which the assets to be held by each entity are located.

ARTICLE III

SUMMARY OF THE PLAN OF REORGANIZATION

A. Introduction

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself and its creditors and shareholders. In addition to permitting rehabilitation of the debtor, Chapter 11 promotes equality of treatment of creditors and equity security holders who hold substantially similar claims against or interests in the debtor and its assets. The consummation of a plan of reorganization is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor, any Person acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR IMPLEMENTATION OF THE PLAN, AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS THEREIN), WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS **EXHIBIT A**.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENT OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS, THEIR ESTATES, THE REORGANIZED ENTITIES, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT

BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

In general, a Chapter 11 plan of reorganization (i) divides claims and interests into separate classes, (ii) specifies the property that each class is to receive under the plan, and (iii) contains other provisions necessary to the reorganization of the debtor. Under the Bankruptcy Code, "claims" and "equity interests" are classified rather than "creditors" and "shareholders" because such Persons may hold claims or equity interests in more than one class. For purposes of this Disclosure Statement, the terms "creditor" and "shareholder" refer to the holder of a "Claim" or "Equity Interest," respectively, in a particular Class under the Plan. The term "Impaired" refers to those creditors to whom this Disclosure Statement (and the related Ballots and other materials delivered together herewith) are being furnished and who are entitled to vote to accept or reject the Plan. The Claims in each of Class 5 (General Unsecured Claims) and Class 6 (Convenience Class Claims) are impaired under the Plan, and the holders of Claims in such Classes are entitled to vote to accept or reject the Plan.

A Chapter 11 plan may specify that certain classes of claims or interests are to have their claims or interests remain unaltered by the reorganization effectuated by the plan. Such classes are referred to as "unimpaired" and, because of such favorable treatment, are conclusively deemed to accept the plan. Accordingly, under Section 1126(f) of the Bankruptcy Code, it is not necessary to solicit acceptances from the holders of claims or interests in such classes. Administrative Claims, Professional Fee Claims, Priority Tax Claims, CIT Secured Claims, Other Secured Claims and Other Priority Claims are not impaired under the Plan, and each class is, therefore, conclusively deemed to have accepted the Plan.

A Chapter 11 plan may also specify that certain classes will not receive any Distribution of property under the plan. Under Section 1126(g) of the Bankruptcy Code, such classes are conclusively deemed to reject the plan and, therefore, need not be solicited to vote to accept or reject the plan. The holders of Equity Interests in each of Class 7 (Preferred Stock Interests and Claims) and Class 8 (Common Stock Interests and Claims) will not receive or retain any property under the Plan on account of such Equity Interests, and each such Class is, therefore, conclusively deemed to have rejected the Plan.

The Effective Date will occur when each of the conditions precedent to the Effective Date of the Plan specified in Article XI.B of the Plan have been satisfied or waived in accordance with Article XI.C of the Plan.

**B. Summary Of Classification And Treatment
Of All Claims And Equity Interests Under The Plan**

1. The Plan divides Claims into classified Claims and unclassified Claims. In addition, certain Claims are impaired, and certain Claims are unimpaired. As set forth in Section 1124 of the Bankruptcy Code, a Claim is impaired unless the plan (1) leaves unaltered the legal, equitable and contractual rights of the Claim or (2) provides for the Reinstatement of the Claim.

2. Classified Claims which are deemed impaired are entitled to vote on the Plan, classified Claims which are deemed unimpaired are not entitled to vote on the Plan, and unclassified Claims are presumed to have accepted the Plan and, therefore, do not vote on the Plan.

3. The classification of Claims and Interests, the estimated aggregate amount of Claims in each Class, and the amount and nature of distributions to holders of Claims or Interests in each Class are summarized below.

<u>Class</u>	<u>Estimate of Total Amount of Claims</u>	<u>Estimated Recovery</u>	<u>Treatment</u>
<u>Unclassified</u>			
Administrative Claims	\$5,480,000	100%	Unimpaired; paid in full in cash on the Effective Date, or in accordance with the terms and conditions of transactions or agreements relating to obligations incurred in the ordinary course of business during the pendency of the Chapter 11 Cases or assumed by the Debtors.

<u>Class</u>	<u>Estimate of Total Amount of Claims</u>	<u>Estimated Recovery</u>	<u>Treatment</u>
<u>Unclassified</u>			
United States Trustee Claims	Undetermined	100%	Unimpaired; all fees payable pursuant to 28 U.S.C. §1930 whether due before or after the Effective Date until the Chapter 11 Cases are closed pursuant to a final decree shall be paid in full in cash. ⁽³⁾
<u>Unclassified</u>			
Professional Fee Claims	\$1,000,000	100%	Unimpaired; paid in full in cash on monthly basis as approved by the Court.

³ The office of the United States Trustee has made a claim for alleged underpaid quarterly fees. The U.S. Trustee asserts that quarterly fees should be calculated based on disbursements of each affiliated Debtor resulting from the allocation of expenses derived from federal tax returns for each affiliated Debtor. The Debtors, however, assert that such fees should be based on the Debtors from which the cash payment was actually disbursed in accordance with a cash management order previously entered by the Court. This matter will either be settled or decided by the Court.

<u>Class</u>	<u>Estimate of Total Amount of Claims</u>	<u>Estimated Recovery</u>	<u>Treatment</u>
<u>Unclassified</u>			
Priority Tax Claims	\$2,050,000	100%	Unimpaired; holders of Allowed Priority Tax Claims shall receive deferred cash payments over a period not exceeding six years from the date of assessment as provided in Section 1129 (a)(9)(c) of the Bankruptcy Code with interest payable at the Case Interest Rate or as established by the Court.
<u>Class 1</u>			
CIT Secured Claims	\$14,580,000 ⁽⁴⁾	100%	Unimpaired; satisfied in accordance with the terms of the DIP Credit Facility or such other treatment as the Debtors and such holders of Class 1 Claims shall have agreed upon in writing.

⁴ Represents balance as of July 31, 2001.

<u>Class</u>	<u>Estimate of Total Amount of Claims</u>	<u>Estimated Recovery</u>	<u>Treatment</u>
<u>Class 2</u>			
Ad Valorem Secured Tax Claims	\$1,463,000	100%	Unimpaired; holders of Allowed Ad Valorem Secured Tax Claims shall receive deferred cash payments over a period not exceeding six years from the date of assessment with interest payable at the Case Interest Rate or as established by the Court.
<u>Class 3</u>			
Other Secured Claims	\$2,400,000	100%	Unimpaired; the underlying collateral will be valued and returned to the holders of Other Secured Claims. If the value of the collateral securing such Class 3 Claim is less than the amount of such Claim, the difference shall be a General Unsecured Claim.
<u>Class 4</u>			
Other Priority Claims	\$109,000	100%	Unimpaired; holders of Allowed Other Priority Claims shall be paid in full in Cash on the Effective Date.

<u>Class</u>	<u>Estimate of Total Amount of Claims</u>	<u>Estimated Recovery</u>	<u>Treatment</u>
<u>Class 5</u>			
General Unsecured Claims	\$462,000,000	61%	Impaired; holders of Allowed General Unsecured Claims shall receive as of the Effective Date, a distribution equal to one share of New Common Stock for each \$100 of General Unsecured Claims
<u>Class 6</u>			
Convenience Claims	\$701,000	55%	Impaired; holders of Allowed Convenience Claims will be paid 55% in Cash on the Effective Date.
<u>Class 7</u>			
Preferred Stock Equity Interests and Claims	9,060 Series A and Series B Shares outstanding	0%	Impaired; holders of Preferred Stock Equity Interests and Claims will not receive distributions or retain property on account of such Equity Interests and Claims under the Plan; all Preferred Stock Equity Interests and Claims shall be extinguished and be deemed cancelled.

<u>Class</u>	<u>Estimate of Total Amount of Claims</u>	<u>Estimated Recovery</u>	<u>Treatment</u>
<u>Class 8</u>			
Common Stock Equity Interests and Claims	2,742,771 Class A, Class B and Class C Shares outstanding	0%	Impaired; holders of Common Stock Equity Interests and Claims will not receive distributions or retain property on account of such Equity Interests and Claims under the Plan; all Common Stock Equity Interests and Claims shall be extinguished and be deemed cancelled.

ARTICLE IV

SUMMARY OF OTHER PROVISIONS OF THE PLAN OF REORGANIZATION

A. Substantive Consolidation

Although the Debtors are organized as separate legal entities, OpTel generally conducted its business through its Subsidiaries and Affiliates in a manner which disregarded their status as distinct legal entities from both an operational and financial standpoint. The Debtors operated their businesses on the basis of geographical location and factors other than which entity may have held title to a particular asset. Consequently the Debtors maintained their books and records on a geographic basis rather than on a legal entity basis. The Debtors never prepared separate financial statements or federal tax returns for the Debtors other than OpTel. The Debtors collected their revenues from operations centrally and deposited and intermingled such revenues into common bank accounts, primarily in the name of TVMAX Telecommunications, Inc. Revenues from such accounts were disbursed to fund corporate and regional operations without regard to corporate entities. In addition, borrowings were generally made by OpTel and the proceeds thereof were disbursed to fund corporate and regional operations without regard to corporate entities. In addition,

the composition of the Board of Directors for each Debtor was similar and the activities of each of the Subsidiaries and Affiliates were directed by OpTel.

The Plan contemplates the substantive consolidation of the Chapter 11 Cases into a single consolidated Chapter 11 Case solely for the purposes of the Debtors' Chapter 11 Cases and for all actions with respect to confirmation and implementation of the Plan. Substantive consolidation is an equitable remedy which may be applied by the Court where creditors have dealt with the entities to be substantively consolidated as a single economic unit and where such entities' financial affairs are intertwined. The Debtors and the Committee reviewed the issues surrounding substantive consolidation and determined that although the assets of certain of the Debtors may not be assets of all of the Debtors, there is a well-founded basis in law and fact to support the substantive consolidation of the Debtors which is contemplated by the Plan. However, while the Debtors believe in good faith that they can prevail with respect to the issue of substantive consolidation, it is difficult to predict the outcome of any particular ruling with absolute certainty. The inquiry to be conducted by the Court regarding substantive consolidation is a fact-intensive one and one which is subject to different potential outcomes. The failure of the Court to approve the substantive consolidation contemplated by the Plan may result in the Plan not being confirmed and/or not becoming effective, and the transactions contemplated therein not being consummated.

B. Equity And Debt Securities

1. Cancellation Of Existing Equity Securities

On the Effective Date, except as otherwise provided for herein, (i) the Existing Equity Securities, to the extent not already cancelled, shall be automatically cancelled without any further action by Reorganized OpTel, and (ii) the obligations of the Debtors under the Existing Equity Securities, under any provision of their respective certificates of incorporation, and under any other agreements or indentures governing the Existing Equity Securities shall be deemed discharged and extinguished.

2. Cancellation Of Notes And Indentures

The Indentures and other agreements that govern the rights of the holder of a Noteholder Claim and that are administered by the Indenture Trustee shall continue in effect solely for the purposes of (a) allowing the Indenture Trustee to receive and then make the distributions to be made on account of such Claims under the Plan as provided in Article V thereof and (b) permitting the Indenture Trustee to maintain any rights it may have for fees, costs, and expenses under the Indentures or such other agreements.

Any actions taken by the Indenture Trustee that are not for the purposes authorized in Article V.D. of the Plan shall not be binding upon the Debtors. Notwithstanding the foregoing, the Debtors may terminate either of the Indentures or other governing agreements and the authority of the Indenture Trustee to act thereunder at any time, with or without cause, by giving five (5) days'

written notice of termination to the Indenture Trustee. If distributions under the Plan to the holders of Noteholder Claims have not been completed at the time of termination of the Indenture or other governing agreement, the Debtors shall designate a Disbursing Agent to act in place of the Indenture Trustee, and the provisions of the Plan shall be deemed to apply to the Disbursing Agent to the same extent as if it were the Indenture Trustee.

3. Issuance And Reserve Of New Common Stock

a. Issuance

Pursuant to the Plan Reorganized OpTel will issue all of the shares of the New Common Stock that are required to be distributed to holders of Class 5 Claims without further act or action by the Board of Directors of Reorganized OpTel and without further act or action under applicable law, regulation, order, or rule.

b. Reserve

Pursuant to the Plan Reorganized OpTel will be authorized, without further act or action by the Board of Directors of Reorganized OpTel and without further act or action under applicable law, regulation, order, or rule, to reserve (i) 6,000,000 shares of New Common Stock for issuance to the holders of Allowed General Unsecured Claims as and when required under the Plan, and (ii) 1,000,000 shares of New Common Stock for issuance pursuant to the Incentive Stock Option Plan. The Board of Directors of Reorganized OpTel may reduce the amount of shares of New Common Stock so reserved at any time as it deems appropriate.

C. **Repayment Of The DIP Credit Facility/Exit Financing**

In order for the Plan to become Effective, one or more of the Reorganized Entities and the New Subsidiaries will enter into one or more credit facilities (collectively, the "Exit Financing Facility") to repay the outstanding balance of the DIP Credit Facility and to fund cash requirements. The Debtors expect the amount of such Exit Financing Facility to be approximately \$60,000,000 on a revolving basis, or such other amount which, as reasonably determined by the Debtors and the Committee, will provide the Reorganized Entities and the New Subsidiaries with adequate working capital. The Debtors are currently negotiating an Exit Financing Facility which is anticipated to be secured by all of the Reorganized Entities' and the New Subsidiaries' unencumbered assets, and contain customary affirmative and negative covenants, financial covenants and events of default. Set forth below is a more detailed summary of the principal terms of the Exit Financing Facility being solicited:

Revolving Loan Facility:

Principal: \$60,000,000

Maturity: 5 Years

Interest Rate: Prime rate plus 1%

Covenants:

Affirmative Covenants:

- 1) Delivery of financial statements, compliance certificates and other information
- 2) Maintenance of insurance
- 3) Maintenance of existence and properties
- 4) Maintenance of assets
- 5) Notification of any default or material litigation
- 6) Compliance with laws
- 7) Payment of taxes

Negative Covenants:

- 1) Limitation on liens
- 2) Limitation on mergers and consolidations
- 3) Limitation on payment of dividends
- 4) Limitation on indebtedness
- 5) Limitation on advances and investments
- 6) Limitation on transactions with affiliates
- 7) Limitation on change in business
- 8) Financial covenants

The foregoing is based upon preliminary discussions. Final rates, fees and covenants will be determined in connection with formulating a committed proposal.

D. Provisions Governing Distributions

1. Distributions For Claims Allowed As Of The Effective Date

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Allowed Claims as of the Effective Date shall be made on the Distribution Date, or as soon thereafter as practicable, but in any event no later than sixty (60) days after the Effective Date. The shares of New Common Stock to be issued under the Plan with respect to any Class 5 Claims which are Allowed Claims as of the Effective Date shall be deemed issued as of the Effective Date regardless of the date on which they are actually distributed. Distributions on account of Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Articles IV, VIII, and X of the Plan.

Under Section 1145(a) of the Bankruptcy Code, the issuance of the New Common Stock to be distributed under the Plan in exchange for Allowed Claims against the Debtors and the subsequent resale of such securities by entities that are not "underwriters" (as defined in Section 1145(b) of the Bankruptcy Code) are not subject to the registration requirements of Section 5 of the Securities Act of 1933. There may be certain restrictions on the ability of holders of New Common Stock to sell, transfer, or otherwise freely dispose of such New Common Stock received under the

Plan if the holders are "issuers" or "dealers" under Sections 2(11) and 2(12), respectively, of the Securities Act of 1933, or "underwriters," as defined in Section 1145(b) of the Bankruptcy Code.

2. Disbursing Agent

The Disbursing Agent shall make all distributions required under the Plan (subject to the provisions of Articles IV, VIII, and X of the Plan) to the holders of Allowed Claims in accordance with the provisions of the Plan. If the Disbursing Agent is an independent third party designated by Reorganized OpTel and the Committee to serve in such capacity, such Disbursing Agent, shall receive, without further Court approval, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services from Reorganized OpTel on terms acceptable to Reorganized OpTel and the Committee. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court. Unless otherwise ordered, all costs and expenses of procuring any such bond shall be paid by Reorganized OpTel.

3. Cancellation And Surrender Of Notes

On the Effective Date, all Notes, promissory notes and other instruments evidencing any Claim in Class 5 shall be deemed cancelled without further act or action and any obligations of the Debtors under any Indentures and any other documents, instruments and agreements governing such Claims shall be discharged.

Each holder of a Note, promissory note or other instrument evidencing a Claim in Class 5 shall surrender such Note, promissory note or other instruments to the Disbursing Agent. No distribution of New Common Stock or any other property hereunder shall be made to or on behalf of any such holders unless and until such Note, promissory note or other instrument is received by the Disbursing Agent or the unavailability of such Note, promissory note or other instrument is established to the reasonable satisfaction of the Disbursing Agent. The Disbursing Agent may require any Person delivering an affidavit of loss and indemnity to furnish a surety bond in form and substance (including, without limitation, with respect to amount) reasonably satisfactory to the Disbursing Agent from a surety company satisfactory to the Disbursing Agent. Any holder that fails within one year after the date of entry of the Confirmation Order (i) to surrender or cause to be surrendered such Note, promissory note or other instrument, (ii) to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to the Indenture Trustee, or (iii) if requested, to furnish a bond reasonably satisfactory to the Disbursing Agent upon request, shall be deemed to have forfeited all rights and Claims in or against the Debtors with respect to such Notes, promissory notes or other instruments, and shall not participate in any distribution under the Plan.

4. Means Of Cash Payment

Cash payments made pursuant to the Plan shall be in U.S. funds, by the means agreed to by the payor and the payee, including by check or wire transfer, or, in the absence of an agreement, such commercially reasonable manner as the payor shall determine in its sole discretion.

5. Calculation Of Distribution Amounts Of New Common Stock

No fractional shares of New Common Stock shall be issued or distributed under the Plan. Whenever any distribution to a particular Person would otherwise call for the distribution of a fraction of a share of New Common Stock pursuant to the Plan, the number of shares of New Common Stock to be distributed to such Person shall be rounded (up or down) to the nearest whole share, with .50 shares rounded up to the next highest share.

6. Delivery Of Distributions

Distributions to holders of Allowed Claims shall be made by the Disbursing Agent, (a) at the addresses set forth on the proofs of Claim filed by such holders (or at the last known addresses of such holders if no proof of Claim is filed or if the Debtor has been notified of a change of address), (b) at the addresses set forth in any written notices of address changes delivered to Reorganized OpTel and the Disbursing Agent after the date of any related proof of Claim, (c) at the addresses reflected in the Schedules if no proof of Claim has been filed and Reorganized OpTel or the Disbursing Agent has not received a written notice of a change of address, or (d) in the case of a Noteholder Claim that is governed by the Indentures or other agreement and is administered by the Indenture Trustee, at the addresses contained in the official records of such Indenture Trustee, or (e) at the addresses set forth in the properly completed letter of transmittal accompanying Notes properly remitted to the Debtors or Reorganized OpTel. If any holder's distribution is returned as undeliverable, then no further distributions to such holder shall be made unless and until Reorganized OpTel and the Disbursing Agent or the Indenture Trustee is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. Amounts in respect of undeliverable distributions made through the Disbursing Agent or the Indenture Trustee, shall be returned to Reorganized OpTel until such distributions are claimed. All claims for undeliverable distributions must be made on or before the second anniversary of the Effective Date, after which date (i) all Cash in respect of such undeliverable distribution shall revert to Reorganized OpTel and (ii) all New Common Stock in respect of such undeliverable distribution shall be cancelled, notwithstanding any federal or state escheat laws to the contrary.

7. Fractional Dollars; De Minimus Distributions

Any other provision of the Plan notwithstanding, payments of fractions of dollars shall not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded up.

E. Treatment Of Executory Contracts And Unexpired Leases

1. Assumption And Rejection Of Executory Contracts And Unexpired Leases

The Bankruptcy Code gives the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or other unexpired lease is rejected, the other party to the agreement may file a claim for damages incurred by reason of the rejection. In the case of a rejection of leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code.

(a) Cable Only ROEs

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have assumed each Cable-Only ROE to which it is a party, unless such Cable-Only ROE (i) was previously assumed or rejected by such Debtor, (ii) is the subject of a motion to reject filed on or before the Confirmation Date, or (iii) is identified as a rejected Executory Contract in the Plan Supplement.

(b) Agreements And Leases Other Than Cable-Only ROEs

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date each Debtor shall be deemed to have rejected each Executory Contract and Unexpired Lease to which it is a party, unless such Executory Contract or Unexpired Lease (i) is a Cable-Only ROE, in which case the assumption or rejection of such Cable-Only ROE shall be as provided in Article IX.A.1 of the Plan, (ii) was previously assumed or rejected by such Debtor, (iii) previously expired or terminated pursuant to its own terms, (iv) is the subject of a motion to assume filed on or before the Confirmation Date, (v) is identified as an assumed Executory Contract or an assumed Unexpired Lease, as applicable, in the Plan Supplement or (vi) is assumed pursuant to another Section of the Plan.

(c) Effect Of Assumption Of Certain Contracts And Leases

Each Executory Contract and Unexpired Lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (i) all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such Executory Contract or Unexpired Lease and (ii) all Executory Contracts or Unexpired Leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises, and any other interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements has been rejected pursuant to an order of the Court.

(d) Effect Of Confirmation Order On Assumptions And Rejections

The Confirmation Order shall constitute an order of the Court under Section 365 of the Bankruptcy Code approving the Executory Contract and Unexpired Lease assumptions and rejections described above, as of the Effective Date.

2. Payments Related To Assumption Of Executory Contracts And Leases

In accordance with Section 1123(a)(5)(G) of the Bankruptcy Code, on the Effective Date, or as soon as practicable thereafter, the Reorganized Entities shall cure all defaults under any executory contract or lease assumed pursuant to the Plan by making a Cash payment in an amount agreed to between the Debtors and the holder of such Claim, or as otherwise fixed pursuant to an order of the Court.

3. Bar To Rejection Damages

Under the Plan, Claims arising out of the rejection of an executory contract or unexpired lease designated for rejection pursuant to the Confirmation Order, must be filed with the Court or served upon the Debtors or the Reorganized Entities or as otherwise may be provided in the Confirmation Order by no later than 30 days after the notice of entry of an order approving such rejection. Any Claims not filed within such time will be forever barred from assertion against the Debtors, their estates, the Reorganized Entities, and the New Subsidiaries and their property, and the holders thereof shall not be entitled to any distribution under the Plan or otherwise from the Reorganized Entities. All Claims arising from the rejection of executory contracts and unexpired leases shall be treated as General Unsecured Claims under the Plan.

4. Certain Employment Agreements

The Debtors or the Reorganized Entities may enter into Employment Agreements with certain employees intended to serve the Reorganized Entities and/or New Subsidiaries following the Confirmation Date. To the extent possible, the Debtors will identify those employees in the Plan Supplement. Any Employment Agreement entered into on the Confirmation Date shall amend and supersede any pre-Confirmation Date employment agreements, stock incentive plans, and severance plans with or for the benefit of those employees who are parties to such Employment Agreements.

5. Employee Incentive And Severance Plans

(a) Employee Incentive Stock Option Plan

Reorganized OpTel may adopt an Employee Incentive Stock Option Plan which will allow Reorganized OpTel to grant Incentive Stock Options to officers, directors and employees of the Reorganized Entities and New Subsidiaries as the board of directors of Reorganized OpTel may

from time to time determine subject to the terms and conditions of the Employee Incentive Stock Option Plan.

(b) Employee Severance Plans

The Reorganization Severance Plan shall terminate effective as of the Confirmation Date; provided, however, benefits under the Reorganization Severance Plan shall continue after the Confirmation Date with respect to Transition Employees. Subject to a Transition Employee's compliance with the terms and conditions of the Reorganization Severance Plan, Reorganized OpTel shall pay such Transition Employee a severance payment calculated in accordance with the Reorganization Severance Plan on the Intended Termination Date or such earlier termination of such employee's employment, provided such earlier termination is "without cause" (as such term is defined in the Reorganization Severance Plan), and provided further that no Transition Employee shall be entitled to receive any severance payment under any severance plan that may be adopted by any of the Reorganized Entities or New Subsidiaries. A Transition Employee who voluntarily terminates his or her employment prior to the Intended Termination Date shall not be entitled to the payment of any severance. Reorganized OpTel may adopt a new severance plan for employees of the Reorganized Entities and New Subsidiaries.

6. Employee Benefits Plans

Except as and to the extent previously assumed by an order of the Court, on or before the Confirmation Date, all Employee Benefit Plans of the Debtors, including programs subject to Sections 1114 and 1129(a)(13) of the Bankruptcy Code, entered into before or after the Petition Date and not since terminated, shall be deemed to be, and shall be treated as if they were, executory contracts that are assumed under the Plan and shall survive Confirmation of the Plan.

F. Procedures For Resolving Disputed, Contingent And Unliquidated Claims

Unless otherwise ordered by the Court, the Debtors or the Reorganized Entities shall have the exclusive right, except with respect to applications for the allowance of compensation and reimbursement of expenses of professionals under Sections 330 and 503 of the Bankruptcy Code, to object to the allowance of Claims filed with the Court with respect to which the liability is disputed in whole or in part. All objections will be litigated to Final Order; however, the Debtors may compromise and settle any objections to Claims, subject to the approval of the Court. All objections to Claims will be served and filed no later than 90 days after the Effective Date, or within such other time period as may be fixed by the Court, except as to Claims arising from the rejection of unexpired leases and other executory contracts and other Claims filed after the Confirmation Date.

At such time as a disputed claim is resolved by Final Order and is Allowed, the holder thereof will receive, as soon as practicable thereafter, the distributions to which such holder is then entitled under the Plan. Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until

all objections to such Disputed Claim have been settled, withdrawn or have been determined by Final Order, and even then only to the extent that the Disputed Claim has become an Allowed Claim.

G. Effect Of Confirmation And Discharge Of The Debtors And Injunction

All consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims against the Debtors of any nature whatsoever or against any of the Debtors' assets or properties. Except as otherwise expressly provided in the Plan, entry of the Confirmation Order acts as a discharge of all Claims against and Liens on the Debtors, the Debtors' assets, and the Debtors' properties, arising at any time before the entry of the Confirmation Order, regardless of whether a proof of Claim therefor was filed, whether the Claim is Allowed, or whether the holder thereof votes to accept the Plan or is entitled to receive a distribution thereunder, subject to the occurrence of the Distribution Date. Upon entry of the Confirmation Order, and subject to the occurrence of the Distribution Date, any holder of such discharged Claim or Equity Interest shall be precluded from asserting against the Debtors, any of the Reorganized Entities, any of the New Subsidiaries, any of their successors or any of their respective assets or properties any other or further Claim or Equity Interest based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the date of entry of the Confirmation Order. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors, subject to the occurrence of the Distribution Date.

In accordance with Section 524 of the Bankruptcy Code, the discharge provided by this Section and Section 1141 of the Bankruptcy Code shall act as an injunction against the commencement or continuation of any action, employment of process, or act to collect, offset or recover the Claims discharged hereby. Except as otherwise expressly provided in the Plan or the Confirmation Order, all Persons who have held, hold, or may hold Claims against any of the Debtors will be permanently enjoined and precluded permanently, on and after the Effective Date, subject to the occurrence of the Distribution Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim against any of the Debtors, the Reorganized Entities, the New Subsidiaries or any of their respective successors or Related Parties, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against any of the Debtors, the Reorganized Entities, the New Subsidiaries or any of their respective successors or Related Parties on account of any such Claim, (iii) creating, perfecting or enforcing any encumbrance of any kind against any of the Debtors, the Reorganized Entities or the New Subsidiaries or against their respective property or interests in property on account of any such Claim, and (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to any of the Debtors, any of the Reorganized Entities or any of the New Subsidiaries or against their respective property or interests in property on account of any such Claim. The foregoing injunction will extend to successors of any of the Debtors (including, without limitation, Reorganized OpTel or Reorganized Entities) and their respective properties and interests in property including the property and interests in property which may be assigned or transferred to the New Subsidiaries.

H. Amendment And Severability Of Plan Provisions

The Debtors with the consent of the Committee may alter, amend or modify the treatment of any Claim provided for under the Plan. If, prior to Confirmation, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Debtors or the Committee, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

I. Indemnification Obligations

Except as otherwise specifically limited in the Plan, any obligations or rights of the Debtors or the Reorganized Entities to defend, indemnify, reimburse or limit the liability of the Debtors' Related Parties pursuant to the Debtors' or the Reorganized Entities' certificate of incorporation, by-laws or policies of providing employee indemnification, applicable state law or specific agreement in respect of any claims, demands, suits, causes of action or proceedings against such Related Parties based upon any act or omission related to such Related Parties' service with, for, or on behalf of the Debtors prior to the Effective Date, shall survive confirmation of the Plan and remain unaffected thereby, and shall not be discharged, irrespective of whether such defense, indemnification, reimbursement, or limitation of liability is owed in connection with an occurrence before or after the Petition Date. Notwithstanding the foregoing, the Reorganized Entities shall not indemnify or reimburse the Debtor's Related Parties for any indemnification obligations referenced above prior to the receipt by the Reorganized Entities of a general release from a director or officer, at such time of seeking indemnification, referenced in the definition of Related Parties, other than the obligation to indemnify or such other obligation related to the employment between such party and the Debtors.

J. Revocation, Withdrawal, Or Non-Occurrence Effective Date

The Debtors or the Committee may revoke or withdraw the Plan at any time prior to the Confirmation Date. If the Debtors or the Committee revoke or withdraw the Plan prior to the Confirmation Date, then it will be deemed null and void.

K. Preservation Of Rights Of Action

Under Sections 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, a debtor in possession has certain powers to recover money or other assets for the debtor's estate, eliminate

security interests in estate property or eliminate debt incurred by the estate. Under the Plan, any rights of action accruing to the Debtors, including those arising under Sections 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, shall remain assets of the estates of the Reorganized Entities. The Plan further provides that to the extent necessary, Reorganized OpTel shall be deemed the representative of the Estates under Section 1123(b) of the Bankruptcy Code.

L. Termination Of Committee

Except as otherwise provided in the Plan, effective 20 days after the Distribution Date, the Committee shall cease to exist, and its members and employees or agents (including, without limitation, attorneys, investment bankers, financial advisors, accountants and other professionals) will be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with their service on the Committee. The Committee will continue to exist after such date solely with respect to (i) applications filed pursuant to Section 330 and 331 of the Bankruptcy Code seeking payment of fees and expenses incurred by any professional, including objections and appeals therefrom, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the Plan or the Confirmation Order, and (iii) any matters pending as of the Effective Date in the Chapter 11 Cases, until such matters are finally resolved.

M. Exculpation And Other Releases

In accordance with the Plan, none of the Debtors, the Reorganized Entities, the Committee, or any of their respective members, officers, directors, employees, advisors or agents will have or incur any liability to any holder of an Allowed Claim or Equity Interest for any act or omission in connection with, or arising out of, the pursuit of confirmation of the Plan, the effectiveness of the Plan or the administration of the Plan or the property to be distributed under the Plan except for willful misconduct or gross negligence, and, in all respects, the Debtors, the Reorganized Entities, the Committee and each of their respective members, officers, directors, employees, advisors and agents will be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

The Debtors do not believe that there are any potential claims against any of their Related Parties. Accordingly, the Plan contemplates that upon the Effective Date, pursuant to Section 1123(b)(3)(A) of the Bankruptcy Code, any and all claims held by the Debtors against any of their Related Parties shall be forever settled, waived, released and discharged, and will not be retained or enforced by any of the Reorganized Entities. The Related Parties shall release and discharge any and all claims against the Debtors, the Reorganized Entities, the Committee and all of their respective counsel, advisors and agents, other than the Debtors' obligation to indemnify or such other obligation related to the employment between such party and the Debtors. Further, to the extent allowable under applicable bankruptcy law, the Plan further provides that on the Effective Date any and all claims and causes of action, whether direct or derivative, against any of the Related Parties of any of the Debtors by any holder of an Allowed Claim or Allowed Equity Interest under the Plan will similarly be forever settled, waived, released and discharged, and not retained or enforced by such holder.

N. Plan Supplement

Any and all exhibits, lists or schedules not filed with the Plan shall be contained in the Plan Supplement and filed with the Clerk of the Court seven days prior to the date set for the Confirmation Hearing. Upon its filing with the Court, the Plan Supplement or Supplements may be inspected in the office of the Clerk of the Court during normal court hours or may be viewed on the Court's website at www.deb.uscourts.gov. Holders of Claims may obtain a copy of the Plan Supplement upon written request to the Debtors in accordance with Article I.B. hereof.

O. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy rules), the laws of (i) the State of Delaware shall govern the construction and implementation of the Disclosure Statement and any agreements, documents, and instruments executed in connection with this Disclosure Statement and (ii) the laws of the State of Delaware shall govern corporate governance matters with respect to the Debtors, in either case without giving effect to the principles of conflicts of law thereof.

ARTICLE V

MANAGEMENT AND STRUCTURE OF THE REORGANIZED ENTITIES

A. Board Of Directors And Management

1. Certificate Of Incorporation And Bylaws. On the Effective Date, the Certificate of Incorporation and By-laws of Reorganized OpTel will be amended and restated in substantially the form annexed as Exhibits A and B, respectively, to the Plan. The Certificates of Incorporation and By-laws of the other Reorganized Entities will remain unchanged, except to the extent necessary to reflect changes to their names.

2. Control, Operation And Management. On the Effective Date, the management, control and operation of Reorganized OpTel and each other Reorganized Entity will become the responsibility of the Board of Directors of Reorganized OpTel or such other Reorganized Entity, and each such Board of Directors will thereafter have the responsibility for the management, control and operation of Reorganized OpTel or such other Reorganized Entity, as the case may be.

3. Directors And Officers. The Debtors and the Committee intend to announce prior to the Confirmation Date the identities of the individuals proposed to serve as directors or officers of the Reorganized Entities. If and to the extent possible, the identities of such individuals will be announced by inclusion of a list of proposed directors and officers in the Plan Supplement. The Plan Supplement will identify the proposed officers of the Reorganized Entities and a description of each officer's prior business experience and proposed compensation.

B. Corporate Structure Of The Reorganized Entities

The pre-Confirmation corporate structure of OpTel, Inc. and its subsidiaries and affiliates is set forth on the organizational chart attached as **Exhibit F** hereto. On the Effective Date, various steps described in Article V of the Plan will be taken or become effective which will result in Reorganized OpTel's corporate structure being changed as set forth on the organizational chart attached as **Exhibit G** hereto. The purpose of these changes is to provide a more rational structure for the way Reorganized OpTel's subsidiaries are organized in order to (i) make it easier for Reorganized OpTel to account for and track results of operations in the different Markets in which it provides cable television service, (ii) facilitate future sales of the businesses in the separate Markets, (iii) accomplish certain federal and state tax planning objectives, and (iv) eliminate unnecessary entities. The ultimate goal is to cause Reorganized OpTel to be the parent company of Reorganized TVMAX Telecommunications, Inc., which in turn will be the holding company for a number of operating subsidiaries, each providing cable television service to a separate and distinct geographic Market and holding all of the tangible and intangible assets related thereto (subject to certain FCC licenses being held by Reorganized Transmission Holdings, Inc.). In addition, Reorganized TVMAX Telecommunications, Inc. will hold all of the stock of certain corporations which will have special functions, such as holding all of the corporate headquarters assets, holding all FCC licenses, etc. For federal and/or state tax planning purposes, the operating subsidiaries which serve the Dallas-Fort Worth Market, the Houston Market and the Tampa Market will be organized as limited partnerships and will be owned by TVMAX Telecommunications, Inc. indirectly through other direct or indirect corporate or limited liability company subsidiaries.

In order to achieve the new corporate structure on the Effective Date, the following steps will be taken:

- (1) On the Effective Date, Reorganized OpTel will continue to hold all of the outstanding capital stock of Reorganized TVMAX Telecommunications, Inc.
- (2) On the Effective Date, Reorganized OpTel will transfer to Reorganized TVMAX Telecommunications, Inc. all of the outstanding capital stock of the other Reorganized Entities.
- (3) Effective as of the Effective Date, the following Subsidiaries and Affiliates will be merged with and into Reorganized TVMAX Telecommunications, Inc., and Reorganized TVMAX Telecommunications, Inc. will be the surviving corporation:
(i) IRPC Texas-Ventana, Inc.; (ii) IRPC Texas, Inc.; (iii) TA V GP Holdings Corp.; and (iv) Tara Communication Systems, Inc.

- (4) Effective as of the Effective Date, the following Subsidiaries and Affiliates will be merged with and into Reorganized TVMAX Communications (Texas), Inc., and Reorganized TVMAX Communications (Texas), Inc. will be the surviving corporation: (i) Bay Area Cable Television, Inc.; (ii) Phonoscope Village Cable, Inc.; and (iii) Phonoscope Entertainment, Inc.
- (5) Effective as of the Effective Date, the following Subsidiaries and Affiliates will be merged with and into Reorganized OpTel (Texas) Telecom, Inc., and Reorganized OpTel (Texas) Telecom, Inc. will be the surviving corporation: (i) OpTel (Arizona) Telecom, Inc.; (ii) OpTel (California) Telecom, Inc.; (iii) OpTel (Colorado) Telecom, Inc.; (iv) OpTel (Florida) Telecom, Inc.; (v) OpTel (Illinois) Telecom, Inc.; and (vi) OpTel (Indiana) Telecom, Inc.
- (6) Effective as of the Effective Date, the following Subsidiaries and Affiliates will be dissolved and their assets, if any, will vest in Reorganized TVMAX Telecommunications, Inc.: (i) Richey Pacific Cablevision, Inc., a California corporation; (ii) Richey Pacific Cable Partners V, L.P., a California limited partnership; and (iii) OpTel (DFW) Holdings, Inc., a Delaware corporation.
- (7) Effective as of the Effective Date, OpTel (Illinois) L.P. will be dissolved and an undivided interest in all of its assets will be distributed to and will vest in TA V GP Holdings Corp. its general partner (which will merge into Reorganized OpTel on the Effective Date), and Reorganized OpTel, its limited partner, in the ratio of 24% to TA V GP Holdings Corp. and 76% to Reorganized OpTel.
- (8) On or before the Effective Date, TVMAX Telecommunications, Inc. will organize new corporations, limited partnerships and /or limited liability companies which will be direct or indirect wholly owned subsidiaries of TVMAX Telecommunications, Inc. (the "New Subsidiaries"), so that there will be a separate New Subsidiary to operate the Debtors' cable television business from and after the Effective Date for each of the following Markets: (i) the Dallas-Fort Worth Market, (ii) the Houston Market, (iii) the Tampa Market, (iv) the Georgia Market, (v) the Northern California Market, (vi) the Colorado Market, (vii) the Illinois Market, (viii) the Indiana Market, and (ix) the Maryland, Virginia and Washington D.C. Market. From and after the Effective Date, Reorganized IRPC - Arizona, Inc. will operate the Debtors' cable television business in the Arizona Market, and Reorganized Sunshine Television Entertainment, Inc. will operate the Debtors' cable television business in the Miami Market. The cable television business for each of the Tampa Market, the Dallas-Fort Worth Market and the Houston Market will be conducted through a separate New Subsidiary which will be organized as a limited partnership and which will be indirectly owned by TVMAX Telecommunications, Inc. through two or more other New Subsidiaries which may be corporations or limited liability companies.

- (9) Effective as of the Effective Date (and after giving effect to the mergers contemplated by the Plan which will be effective on the Effective Date), (i) Reorganized OpTel will assign to Reorganized TVMAX Telecommunications, Inc., as a contribution to its capital, all of its rights in all tangible assets and certain intangible assets that relate to any of the Markets and all ROEs and other executory contacts and leases which have been assumed by the Debtors and relate to any of the Markets for Reorganized TVMAX Telecommunications, Inc. to assign to its Subsidiaries pursuant to the other provisions of this paragraph (9), and all such ROEs and Executory Contracts and Unexpired Leases will be assumed by the New Subsidiary to whom they are ultimately assigned, (ii) Reorganized TVMAX Telecommunications, Inc. will assign to each New Subsidiary directly owned by Reorganized TVMAX Telecommunications, Inc., as a contribution to its capital, all of its rights in all tangible assets and certain intangible assets that relate to that New Subsidiary's specific Market (or to the specific Market in which another New Subsidiary which will be directly or indirectly owned by that New Subsidiary will be operating) and all ROEs and other executory contacts and leases which have been assumed by the Debtors and relate to that New Subsidiary's specific Market (or to the specific Market in which another New Subsidiary which will be directly or indirectly owned by that New Subsidiary will be operating), and all such ROEs and Executory Contracts and Unexpired Leases will be assumed by the New Subsidiary to whom they are ultimately assigned, (iii) Reorganized TVMAX Communications (Texas), Inc. will assign to the New Subsidiary which will operate the cable business in the Houston market, as a contribution to its capital, all of its rights in all tangible assets and certain intangible assets that relate to the Houston Market and all of its rights in all ROEs and other executory contacts and leases which have been assumed by the Debtors and relate to the Houston Market and all such ROEs and Executory Contracts and Unexpired Leases will be assumed by the New Subsidiary to whom they are assigned, (iv) Reorganized TVMAX Telecommunications, Inc. will assign to Reorganized IRPC - Arizona, Inc., as a contribution to its capital, all of its rights in all tangible assets and certain intangible assets that relate to the Arizona Market and all of its rights in all ROEs and other executory contacts and leases which have been assumed by the Debtors' and relate to the Arizona Market, and all such ROEs and Executory Contracts and Unexpired Leases will be assumed by Reorganized IRPC - Arizona, Inc., and (v) Reorganized TVMAX Telecommunications, Inc. will assign to Reorganized Sunshine Television Entertainment, Inc., as a contribution to its capital, all of its rights in all tangible assets and certain intangible assets that relate to the Miami Market and all of its rights in all ROEs and other executory contacts and leases which have been assumed by the Debtors and relate to the Miami Market, and all such ROEs and Executory Contracts and Unexpired Leases will be assumed by Reorganized Sunshine Television Entertainment, Inc.
- (10) Contemporaneously with the reorganization contemplated by Article V.B. of the Plan, each Reorganized Entity will be authorized to transfer and assign to any

Reorganized Subsidiary or Affiliate or any New Subsidiary all of such Reorganized Entity's rights in all tangible or intangible assets that relate to such Reorganized Subsidiary or Affiliates' or New Subsidiary's specific Market. Each Reorganized Entity and the officers of each Reorganized Entity will be authorized without further act or action by its board of directors or stockholders, without the consent or approval of any other party, and without further act or action under any agreement or any applicable law, regulation, order or rule, to effect the transfers and assignments described in the Plan and to execute and deliver any and all instruments and agreements as they may deem necessary or appropriate to effect such transfers and assignments. Each such transfer or assignment of tangible or intangible assets shall be deemed to be made under the Plan pursuant to § 1146(c) of the Bankruptcy Code, and therefore, shall be exempt from the imposition of any stamp or similar tax.

Contemporaneously with such corporate reorganization, each Reorganized Entity will be authorized to transfer and assign to TVMAX HQ, Inc., all of such Reorganized Entity's rights in all tangible or intangible assets that relate to the use, occupancy or operation of the Debtors' corporate headquarters. Each Reorganized Entity and the officers of each Reorganized Entity will be authorized without further act or action by its board of directors or stockholders, without the consent or approval of any other party, and without further act or action under any agreement or any applicable law, regulation, order or rule, to effect the transfers and assignments described in the Plan and to execute and deliver any and all instruments and agreements as they may deem necessary or appropriate to effect such transfers and assignments. Each such transfer or assignment of tangible or intangible assets shall be deemed to be made under the Plan pursuant to § 1146(c) of the Bankruptcy Code, and therefore, shall be exempt from the imposition of any stamp or similar tax.

ARTICLE VI

DESCRIPTION OF CAPITAL STOCK OF REORGANIZED OPTEL

A. General

All Preferred Equity Interests and Common Equity Interests in OpTel will be extinguished and deemed cancelled pursuant to the Plan. On the Effective Date, the authorized capital stock of Reorganized OpTel will consist of 14,000,000 shares of New Common Stock, par value \$.001 per share, and 1,000,000 shares of preferred stock, par value \$.001 per share. Reorganized OpTel is authorized to issue to holders of Allowed General Unsecured Claims one share of New Common Stock for every \$100 of Allowed General Unsecured Claims (subject to rounding as described elsewhere in this Disclosure Statement). It is estimated that 4,620,000 shares of New Common Stock will be issued to the holders of Allowed General Unsecured Claims. No shares of preferred stock of Reorganized OpTel will be outstanding on the Effective Date.

B. New Common Stock

The holders of the New Common Stock will be entitled to one vote for each issued and outstanding share. Holders of New Common Stock will not have cumulative voting rights, so that holders of more than 50% of the voting rights attached to the New Common Stock will be able to elect all of Reorganized OpTel's Directors.

The holders of New Common Stock will be entitled to receive such dividends and other distributions as may be declared thereon from time to time by the board of directors of Reorganized OpTel out of assets or funds of Reorganized OpTel legally available therefor, subject to the rights of the holders of any series of preferred stock and any other provision of the certificate of incorporation.

In the event of any liquidation, dissolution or winding up of Reorganized OpTel, the holders of the New Common Stock will be entitled to receive the assets and funds of Reorganized OpTel available for distribution, after payments to creditors and to the holders of any preferred stock of Reorganized OpTel that may at the time be outstanding, in proportion to the number of shares held by them, respectively.

This description is intended as a summary and is qualified in its entirety by reference to the Delaware General Corporation Law (the "DGCL") and Reorganized OpTel's Certificate of Incorporation and Bylaws. Copies of Reorganized OpTel's Certificate of Incorporation and Bylaws are attached as Exhibits A and B to the Plan.

On the Effective Date, the Common Stock will not be registered with the SEC or listed on a national securities exchange or authorized for quotation on NASDAQ.

C. Preferred Stock

The preferred stock may be issued at any time or from time to time in one or more series with such designations, powers, preferences, rights, qualifications, limitations and restrictions (including dividend, conversion and voting rights) as may be fixed by the Board, without any further vote or action by the stockholders. Although Reorganized OpTel has no present plans to issue any shares of preferred stock, the ownership and control of Reorganized OpTel by the holders of the New Common Stock would be diluted if Reorganized OpTel were to issue preferred stock that had voting rights or that was convertible into New Common Stock. In addition, the holders of preferred stock issued by Reorganized OpTel would be entitled by law to vote on certain transactions such as a merger or consolidation, and thus the issuance of preferred stock could dilute the voting rights of the holders of the New Common Stock on such issues. The issuance of preferred stock could also have the effect of delaying, deferring or preventing a change of control of Reorganized OpTel.

D. Certain Provisions Of OpTel's Certificate Of Incorporation And Of Delaware Law

1. General.

The Certificate of Incorporation [and Bylaws] of Reorganized OpTel and the DGCL contain certain provisions that could make more difficult the acquisition of Reorganized OpTel by means of a tender offer, a proxy contest or otherwise. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Reorganized OpTel first to negotiate with Reorganized OpTel. Although such provisions may have the effect of delaying, deferring or preventing a change in control of Reorganized OpTel, Reorganized OpTel believes that the benefits of increased protection of Reorganized OpTel's potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure Reorganized OpTel outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms. The description set forth below is intended as a summary only and is qualified in its entirety by reference to the Certificate of Incorporation of Reorganized OpTel.

2. Blank Check Preferred Stock.

Reorganized OpTel's Certificate of Incorporation authorizes the issuance of up to [1,000,000] shares of preferred stock from time to time in one or more designated series. The Board, without approval of the stockholders, is authorized to establish voting, dividend, redemption, conversion, liquidation and other provisions of a particular series of preferred stock. The issuance of additional shares of preferred stock could, under certain circumstances, make it more difficult for a third party to acquire, or discourage a third party from acquiring, control of Reorganized OpTel. Reorganized OpTel has no present intention to authorize the issuance of any preferred stock.

3. Anti-Takeover Statute.

Section 203 of the DGCL ("Section 203") prohibits certain persons ("Interested Stockholders") from engaging in a "business combination" with a Delaware corporation for three years following the date such persons become Interested Stockholders. Interested Stockholders generally include (i) persons who are the beneficial owners of 15% or more of the outstanding voting stock of the corporation and (ii) persons who are affiliates or associates of the corporation and who held 15% or more of the corporation's outstanding voting stock at any time within three years before the date on which such person's status as an Interested Stockholder is determined. Subject to certain exceptions, a "business combination" includes, among other things (i) mergers or consolidations, (ii) the sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets having an aggregate market value equal to 10% or more of either the aggregate market value of all assets of the corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the corporation, (iii) transactions that result in the issuance or transfer by the corporation of any stock of the corporation to the Interested Stockholder, except pursuant to a transaction that effects a pro rata distribution to all stockholders of the corporation, (iv) any

transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the corporation that is owned directly or indirectly by the Interested Stockholder or (v) any receipt by the Interested Stockholder of the benefit (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

Section 203 does not apply to a business combination if (i) before a person becomes an Interested Stockholder, the board of directors of the corporation approves the transaction in which the Interested Stockholder became an Interested Stockholder or approved the business combination, (ii) upon consummation of the transaction that resulted in the Interested Stockholder becoming an Interested Stockholder, the Interested Stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (other than certain excluded shares) or (iii) concurrently with or following a transaction in which the person became an Interested Stockholder, the business combination is (a) approved by the board of directors of the corporation and (b) authorized at an annual or special meeting of stockholders (and not by written consent) by the affirmative vote of the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by the Interested Stockholder.

ARTICLE VII

CERTAIN RISK FACTORS TO BE CONSIDERED

A. Negative Cash Flow

The development of the Debtors' business has required and will continue to require substantial capital. These substantial capital requirements have resulted and may continue to result in negative cash flow until the Debtors complete their restructuring efforts, additional expense reductions are achieved or revenues enhanced. Although the Debtors have significantly reduced their monthly cash expenditures through a combination of cost cutting and business restructuring, certain of the restructuring activities will not be completed until after the Effective Date. There can be no assurance the restructuring efforts will have the projected results or that the Reorganized Entities and New Subsidiaries will achieve profitability or positive cash flow in the future.

B. Capital Requirements And Need For Additional Financing

The Reorganized Entities and New Subsidiaries will require capital on a continuing basis to finance expansion related to subscriber growth in their markets and to upgrade the technical and signal quality standards of their existing facilities, including upgrading their facilities to carry digital programming. The Debtors believe, based on the current business plan, that cash on hand, revenues from operations, and proceeds of the anticipated Exit Financing, will provide the Reorganized Entities and New Subsidiaries with sufficient capital to fund their capital requirements through December 31, 2006. However, the Debtors' future capital requirements will depend upon a number

of factors, including the Reorganized Entities' success in obtaining new ROE agreements in its remaining markets, completing the implementation of their restructuring and cost reduction programs, competitive conditions, changes in technology, government regulation, and capital costs. There can be no assurance the Reorganized Entities and New Subsidiaries will be successful in raising sufficient debt or equity capital when required or on acceptable terms.

C. Risks Associated With ROE Agreements

The Reorganized Entities' and New Subsidiaries' business will depend upon their ability to enter into and exploit favorable new long-term ROE agreements for demographically attractive MDUs and to exploit and renew their existing ROE agreements. The Reorganized Entities' and New Subsidiaries' success in doing so may be affected by a number of factors, including:

- the extent of competition in the multichannel television market,
- the Reorganized Entities' and New Subsidiaries' ability to identify suitable MDUs and contract with their owners,
- occupancy rates in the MDUs to which the Reorganized Entities and New Subsidiaries' provide services,
- the Reorganized Entities' and New Subsidiaries' ability to maintain superior levels of customer service,
- the absence of material adverse regulatory developments, and
- the enforceability of the material terms of existing ROE agreements, including exclusivity provisions.

The Debtors' ROE agreements generally grant the Debtors the exclusive right to provide residents within the MDU with multichannel cable television services. While the Debtors believe the exclusivity provisions of their ROE agreements are now generally enforceable under applicable law, there can be no assurance that laws or regulations that limit the Debtors' ability to enter into exclusive ROE agreements will not be adopted at the federal or state level. In addition, the terms of a number of the Debtors' ROE agreements require the Debtors to remain competitive with competitors in the respective market. To meet these competitive requirements, the Reorganized Entities and New Subsidiaries could be required to upgrade their networks and equipment, which would require capital expenditures. The failure to remain competitive could result in a loss or cancellation of the related ROE agreement.

D. Uncertainties Related To The Availability Of Radio Spectrum

The 18GHz point-to-point microwave paths that the Debtors use, and the other microwave frequencies that the Debtors use or intend to use to deliver services to MDUs, are licensed by the FCC. There can be no assurance that the FCC will not change the allocation of, or the rules applicable to, any frequency band that the Reorganized Entities and New Subsidiaries will use or seek to use in such a way as to limit the Reorganized Entities' and New Subsidiaries' access to or use of the band.

E. Line of Sight; Availability of Transmission Sites

Point-to point microwave transmission requires a direct line of sight between two dishes comprising a link. To maintain transmission quality, the distance between the two dishes is generally limited to approximately five miles. Therefore, the Debtors generally install their dishes and antennas on the rooftops of buildings and on other tall structures and construct intermediate links or use other means to resolve line of sight and distance issues. The availability of these rooftop sites is subject to market conditions and may be subject to zoning and other municipal restrictions. There can be no assurance that leases for any additional necessary sites or renewals of existing leases will be available to the Reorganized Entities and New Subsidiaries upon acceptable terms.

F. Dependence On Strategic Relationships

The Debtors have entered into important strategic relationships to provide certain of its services. These include an alliance with an Internet service provider to provide high-speed Internet access services and an agreement with a video programming distributor which permits the Debtors to provide an additional digital tier of digital broadcast satellite programming. The failure of these parties to deliver the contracted services could adversely affect the Reorganized Entities' and New Subsidiaries' ability to deliver these services.

G. Rapid Technological Changes

The multichannel cable television and Internet services industries are subject to rapid and significant changes in technology and frequent service innovations. There can be no assurance that the Reorganized Entities and New Subsidiaries will be able to predict accurately the direction of this evolving market or be able to respond effectively to future technological changes.

H. Competition

In each of its markets, the Debtors face significant competition from larger companies with greater access to capital, technology and other competitive resources. The Debtors' multichannel cable television services compete with incumbent franchise cable television operators as well as wireless cable television operators, other private cable television operators, DBS operators, stand-alone satellite service providers and providers capable of offering bundled cable television and telecommunications services.

The Debtors compete with other multichannel television operators to obtain ROE agreements and to enroll subscribers. In most markets serviced by the Debtors, franchise cable television operators offer revenue sharing and access fee arrangements to MDU owners in exchange for exclusive ROE agreements. There can be no assurance that these payments will not increase in the future as competition increases for access to the higher quality MDUs. Another basis of competition is the breadth of programming and range of services offered. Although the Debtors as a matter of course investigate new sources of programming and technologies that may increase their range of

services, other larger and more diversified competitors may attract the targeted MDUs based on their increased menu of services.

Competition also may be enhanced by technological developments that allow competitors to by-pass property owners altogether and market their services directly to the residents of MDUs. Although the Debtors' ROE agreements prohibit residents from installing other multichannel video services or receiving equipment on the MDU property, these provisions are not always enforced and do not prohibit residents from utilizing other services and technologies and, subject to certain conditions, do not prevent residents from receiving multichannel services by using direct broadcast satellite receiving equipment installed in areas over which residents have exclusive use. While the Debtors believe the exclusivity provisions of the ROE agreements provide it with competitive advantages, such advantages may be significantly diminished by technological, regulatory and other developments beyond the control of the Debtors.

I. Dependence Upon Programming Material

The Debtors have fixed-term contracts with various video programming suppliers. The terms of such contracts are of varying lengths, but such contracts are typically renewed upon expiration. In recent years the cable industry has experienced a rapid escalation in the cost of programming. This escalation may continue and the Reorganized Entities and New Subsidiaries may not be able to pass the full programming cost increases on to their subscribers. In addition, if the programming contracts were terminated or not renewed, the Reorganized Entities and New Subsidiaries would be required to seek programming material from other sources, which could place the Reorganized Entities and New Subsidiaries at a competitive disadvantage. Although federal law and FCC regulations require vertically integrated franchise cable television system operators and cable television programmers to sell programming to other video distributors on fair and non-discriminatory terms, the Debtors have in the past been denied certain popular sports programming by certain providers who claim that the programming is not required to be licensed to the Debtors. These denials have adversely impacted, and any such denials in the future could adversely impact, the Reorganized Entities' and New Subsidiaries' activities in the affected markets. There can be no assurance that the equal program access laws and regulations will not be invalidated, changed or repealed, which could limit the Reorganized Entities' and New Subsidiaries' ability to obtain programming or raise the cost of programming. In addition, one aspect of the equal program access laws, the prohibition on the sale of exclusive distribution rights by certain programmers, is scheduled to expire on October 5, 2002, unless the FCC finds that the prohibition continues to be necessary to promote competition in the multichannel television market.

J. Regulation

The cable television industry is subject to extensive regulation at the federal, state and local levels. Many aspects of regulation at the federal, state and local levels currently are subject to judicial review or are the subject of administrative or legislative proposals to modify, repeal, or adopt

new laws and administrative regulations and policies, the results of which the Debtors are unable to predict.

K. Projections

The projections and the Valuation Analysis included in this Disclosure Statement, while presented with numerical specificity, are based upon a number of estimates and assumptions which, though considered reasonable when taken as a whole by the Debtors, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Debtors, and are based upon specific assumptions with respect to future business decisions, some of which will change. The projections were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission, the American Institute of Certified Public Accountants or generally accepted accounting principles. Projections are necessarily speculative in nature, and it can be expected that one or more of the assumptions in the projections will not materialize or will vary significantly from actual results and such variances are likely to increase over time. The Debtors do not intend to update or revise the projections. You should not rely, and will be deemed not to have relied, on the projections in determining whether to accept or reject the Plan.

ARTICLE VIII

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to OpTel and certain holders of Claims and Equity Interests. This summary does not address the federal income tax consequences to holders whose Claims are entitled to reinstatement or payment in full in cash under the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations (including temporary or proposed regulations) promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the IRS as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. OpTel has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS or a reviewing court might adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers,

banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations and investors in pass-through entities).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR EQUITY INTEREST. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. Consequences To OpTel

OpTel files a consolidated federal income tax return with its subsidiaries, all of which are the Debtors. Hereinafter, unless the context otherwise requires, references to OpTel are intended to refer to the OpTel consolidated group.

1. Net Operating Losses

It is believed that, as of August 31, 2000, OpTel had consolidated net operating losses and consolidated net operating loss ("NOL") carryforwards for federal income tax purposes of approximately \$350,000,000, some of which are believed to be subject to a limitation under Section 382 of the Code prior to the reorganization. In addition, OpTel is expected to have a current year operating loss in the year ended August 31, 2001, of approximately \$130 million, most of which will be tax losses that will increase the NOL carryforward on August 31, 2001. OpTel's NOL carryforwards remain subject to examination by the IRS and thus subject to possible reduction. Moreover, as discussed below, such NOL carryforwards (and possibly certain other tax attributes of OpTel) may be reduced or eliminated, and any remaining NOL carryforwards may be subject to limitation upon the implementation of the Plan.

2. Cancellation Of Debt

In general, the Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes (such as its NOL carryforwards and possibly its tax basis in its assets) by the amount of any cancellation of debt, that is, the amount by which debt discharged exceeds any consideration given in exchange therefor. For purposes of determining the amount of cancellation of debt in a bankruptcy case in which a debtor corporation transfers stock to a creditor in satisfaction of its indebtedness, such corporation is treated as having satisfied its indebtedness with an amount of money equal to the fair market value of the stock.

OpTel believes that it will suffer substantial attribute reduction as a result of the discharge of the Allowed General Unsecured Claims and Allowed Convenience Claims pursuant to the Plan. (The attribute reduction is expected to reduce OpTel's NOL carryforwards by \$180 million or more).

3. Limitations On NOL Carryforwards And Other Tax Attributes

Under Section 382 of the Code, if a loss corporation undergoes an "ownership change," the amount of its pre-change losses that may be utilized to offset future taxable income is, in general, subject to an annual limitation. Such limitation also may apply to certain losses or deductions that are "built-in" (i.e., economically accrued but unrecognized) as of the date of the ownership change and are subsequently recognized.

OpTel's pre-October 2000 NOL carryforwards are virtually unusable (except to absorb attribute reductions and to absorb built-in gain with respect to appreciated assets held in October 2000 and sold within five years) because of an indirect ownership change that occurred when OpTel's parent corporation, Le Groupe Videotron Ltee. ("GVL") was acquired. The \$180 million of attribute reduction that will occur as a consequence of implementation of the Plan will reduce losses for the taxable year of discharge and thereafter will reduce otherwise unusable pre-October 2000 NOL carryforwards.

OpTel will undergo an ownership change as a result of the issuance of the New Common Stock pursuant to the Plan. The following discussion is based on the Section 382 rules as applied to ownership changes pursuant to a confirmed chapter 11 plan.

The amount of the annual limitation to which a loss corporation undergoing such an ownership change is subject generally equals the product of (i) the value of the equity of the reorganized loss corporation immediately after the ownership change and (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (5.0% for ownership changes occurring in September 2001). However, if the loss corporation does not continue its historic business or use a significant portion of its historic assets in a new business for two years after the ownership change, the annual limitation is zero. The annual limitation is determined on a consolidated basis.

As indicated above, Section 382 can also operate to limit the deductibility of built-in losses recognized subsequent to the date of the ownership change. If the loss corporation has a net unrealized built-in loss at the time of the ownership change (taking into account most assets and all items of built-in income and deduction), then any built-in losses recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as a pre-change loss and will be subject to the annual limitation. Conversely, if the loss corporation has a net unrealized built-in gain at the time of the ownership change, any built-in gains recognized during the following five years (up to the amount of the original net built-in gain) generally will increase the annual limitation in the year recognized, so that the loss corporation is permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance. In general, a loss

corporation's net unrealized built-in gain or loss will be deemed to be zero unless it is greater than the lesser of (i) \$10 million and (ii) 15% of the fair market value of the loss corporation's assets (with certain adjustments) before the ownership change. Net unrealized built-in gain or loss is determined on a consolidated basis. OpTel is believed to have been in a net unrealized built-in gain position in October 2000 and is expected to be in a net unrealized built-in gain position on the Effective Date.

An exception to the foregoing annual limitation (and built-in gain and loss) rules generally applies where stockholders and qualified (so-called "old and cold") creditors of the loss corporation receive at least 50% of the vote and value of the stock of the reorganized loss corporation pursuant to a confirmed chapter 11 plan. That exception will not be available to OpTel because an insufficient number of creditors have held their debt since at least 18 months prior to the filing of the chapter 11 case (on October 28, 1999).

Because the above exception does not apply, the value of the loss corporation, for purposes of determining the annual limitation under Section 382, is equal to the lesser of the value of the equity of the reorganized loss corporation immediately after the ownership change and the value of the loss corporation's assets (determined without regard to liabilities) immediately before such change.

4. Consequences To OpTel From Restructuring

OpTel will not recognize gain or loss on its contribution of stock and assets to TVMAX, Inc. Further, OpTel will not recognize gain or loss on its issuance of its own stock.

B. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed to the extent 20% of a corporation's alternative minimum taxable income exceeds the corporation's regular federal income tax. For purposes of computing alternative minimum taxable income, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation may be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, only 90% of the corporation's alternative minimum taxable income may be offset by available NOL carryforwards (as recomputed for AMT purposes), which should result in an effective tax rate of 2%.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

C. Consequences To Creditors

The federal income tax consequences to a Creditor arising from the Plan will vary depending upon, among other things, the type of consideration received by the Creditor in exchange for its Claim, and whether (i) the Creditor reports income using the cash or accrual method, (ii) the Creditor

has taken a "bad debt" deduction with respect to its Claim, and (iii) the Creditor's Claim constitutes a "security" for federal income tax purposes.

Creditors whose debt is reaffirmed without change under its pre-petition terms and Creditors the terms of whose debt is changed in a manner that does not constitute an "exchange" for tax purposes should have no federal income tax consequences arising from the Plan.

1. Consequences To Noteholders

Pursuant to the Plan, Noteholders will receive, in discharge of their claims, New Common Stock. The federal income tax consequences of the Plan to a Noteholder will depend, in part, on whether the Notes constitute "securities" for federal income tax purposes. The term "security" is not defined in the Internal Revenue Code or in the regulations issued thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt constitutes a "security" depends on an overall evaluation of the nature of the debt. Important factors to be considered include, among other things, length of time to maturity, degree of continuing interest in the issuer, similarity of the debt instrument to a cash payment, and the purpose of the borrowing. In general, debt obligations with a weighted average maturity at issuance of five years or less (e.g., trade debt and revolving credit obligations) do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of 10 years or more constitute securities. The following discussion assumes that the Notes constitute "securities" for federal income tax purposes. However, each holder is urged to consult its tax advisor regarding the status of the Notes.

i. Gain Or Loss

In general, Noteholders will not recognize any taxable income, gain or loss upon the implementation of the Plan, except as described below under "Distributions in Discharge of Accrued Interest." A Noteholder's aggregate tax basis in the New Common Stock received will equal the Noteholder's adjusted tax basis in its Notes. In general, the Noteholder's holding period for the New Common Stock received will include the Noteholder's holding period for its Notes. The Noteholder's tax basis in any New Common Stock issued in respect of accrued interest will be the fair market value thereof on the Effective Date, and the Noteholder's holding period therefor will begin the day following the Effective Date.

ii. Distributions In Discharge Of Accrued Interest

In general, to the extent any amount received (whether stock, cash, or other property) by a holder of a debt is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

The Plan provides that all of the New Common Stock, cash or other property received by Noteholders will be allocable to principal and not interest. The legislative history of the Bankruptcy Tax Act of 1980 suggests that this allocation should be respected for tax purposes.

Each Noteholder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

iii. Subsequent Sale Of New Common Stock

Any gain recognized by a Noteholder upon a subsequent taxable disposition of New Common Stock received pursuant to the Plan (or any stock or other property received for it in a later tax-free exchange) will be treated as ordinary income to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to its Notes and (ii) with respect to a cash-basis holder, also any amount that would have been included in its gross income if the Noteholder's Notes had been satisfied in full but that was not included by reason of the cash method of accounting.

In addition, the Treasury Department is expected to promulgate regulations providing that, upon a tax-free exchange of market discount bonds, any accrued "market discount" not theretofore treated as ordinary income will carry over to the nonrecognition property received in the exchange. If such regulations are promulgated and applicable to the Plan, and possibly even in the absence of such regulations, any Noteholder that has accrued market discount may be required to carry over such accrued market discount to the New Common Stock received pursuant to the Plan. Any gain recognized by the holder upon a subsequent disposition of such New Common Stock would be treated as ordinary income that is not dividend income to the extent of any accrued market discount not previously included in income. In general, a Note will have accrued market discount if such Note was acquired after its original issuance at a discount to its issue price.

2. Consequences To General Unsecured Creditors Other Than Noteholders

i. Gain Or Loss

Under the Plan, general unsecured creditors other than Noteholders will receive New Common Stock in satisfaction of their claims. Any such general unsecured creditor will recognize gain or loss in the transaction depending on whether the fair market value of the New Common Stock received exceeds or is less than the Creditor's basis in its Claim. If a general unsecured creditor is not a corporation and its Claim is for a nonbusiness debt, any loss recognized will be a short-term capital loss; otherwise, gains and losses recognized will generally be ordinary. A general unsecured creditor's basis in the New Common Stock received will be its fair market value.

ii. Distributions In Discharge Of Accrued Interest

The Plan provides that all of the New Common Stock, cash, or other property received by general unsecured creditors other than a Noteholders is allocable to principal and not interest. The legislative history of the Bankruptcy Tax Act of 1980 suggests that this allocation should be respected for tax purposes. Therefore, a general unsecured creditor other than a Noteholder will generally recognize a deductible loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

iii. Subsequent Sale Of New Common Stock

Any gain recognized by a General Unsecured Creditor upon a subsequent taxable disposition of New Common Stock received pursuant to the Plan (or any stock or other property received for it in a later tax-free exchange) will be treated as ordinary income to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to its debt and (ii) with respect to a cash-basis holder, also any amount that would have been included in its gross income if the General Unsecured Creditor's debt had been satisfied in full but that was not included by reason of the cash method of accounting.

3. Consequences To Holders Of Convenience Claims

Generally, under the Plan, a holder of an Allowed Convenience Claim will receive cash equal to 55% of its Claim. A holder will recognize taxable income gain or loss depending on whether the cash received exceeds or is less than the holder's basis in its Claim. If a holder is not a corporation and the Claim is for a nonbusiness debt, any loss recognized will be a short-term capital loss; otherwise, gains and losses recognized will generally be ordinary. In general, to the extent any amount received (whether stock, cash, or other property) by a holder is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally will recognize a deductible loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

4. Consequences To Holders Of Preferred Stock And Common Stock Interests

Under the Plan, all Common Stock and Preferred Stock Interests will be extinguished. Holders of Common Stock and Preferred Stock Interests will not receive or retain any interest or property pursuant to the Plan. Generally, the resulting loss to a holder of a Common Stock or Preferred Stock Interest will be a capital loss, unless the stock was an ordinary asset in the hands of the holder.

5. Withholding

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at a 31% rate. Backup withholding generally applies if the holder (a) fails to furnish its taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

ARTICLE IX

CONFIRMATION OF THE PLAN

A. **Conditions Precedent To Confirmation And Effectiveness Of The Plan**

1. Conditions To Confirmation

The following are conditions precedent to confirmation of the Plan that must be satisfied or waived in accordance with Article XI.C. of the Plan:

- a. The Court shall have entered the Confirmation Order in form and substance satisfactory to the Debtors and the Committee.
- b. The Confirmation Order entered by the Court shall approve the Exit Financing Facility as agreed to by the Debtors and the Committee.

2. Conditions To Effectiveness

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with Article XI.C. of the Plan:

- a. The Confirmation Order shall have become a Final Order.

- b. The Reorganized Entities and the New Subsidiaries shall have immediate availability to borrow under the Exit Financing Facility in an amount acceptable to the Reorganized Entities, the New Subsidiaries and the Committee.
- c. All authorizations, consents and regulatory approvals, if any, required in connection with the effectiveness of the Plan shall have been obtained.
- d. The amended and restated certificate of incorporation of Reorganized OpTel shall have been filed with the Secretary of State of the State of Delaware.
- e. All other actions, documents and agreements necessary to implement the Plan pursuant to Article V of the Plan shall have been effected or executed.

3. Waiver Of Conditions

Each of the conditions set forth in Article XI.B of the Plan, other than the condition that the Confirmation Order shall have become a Final Order, may be waived in whole or in part by the Debtors, Reorganized OpTel and the Committee without any notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Debtors, Reorganized OpTel or the Committee regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors or the Reorganized Entities). The failure of the Debtors, Reorganized OpTel or the Committee to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

B. Confirmation Hearing

The Bankruptcy Code requires a bankruptcy court, after notice, to hold a hearing on whether debtors have fulfilled the confirmation requirements of Section 1129 of the Bankruptcy Code. The Debtors' Confirmation Hearing has been scheduled for December 4, 2001, at 8:30 a.m., Eastern Standard Time, before The Honorable Sue L. Robinson, United States District Court, District of Delaware, Wilmington, Delaware. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount of the Claim held by the objector. Any such objections must be filed and served at the times and upon the persons designated in the notice of the Confirmation Hearing.

At the Confirmation Hearing, the Court will confirm the Plan only if all of the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (a) is accepted by the requisite holders of impaired Classes of Claims or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the non-accepting class; (b) is in the

"best interests" of each holder of a Claim in each impaired Class under the Plan; (c) is feasible; and (d) complies with applicable provisions of the Bankruptcy Code.

C. Acceptance Or Cramdown

A plan is accepted by an impaired class of claims if holders of two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. In addition to this voting requirement, Section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim in an impaired class or that the plan otherwise be found by the bankruptcy court to be in the best interests of each holder of a claim or interest in an impaired class. In addition, the impaired classes must accept the plan for the plan to be confirmed without application of the fair and equitable test of Section 1129(b) of the Bankruptcy Code, which is discussed below.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the Plan. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code. As indicated above, the Plan may be confirmed under the cramdown provisions, if, in addition to satisfying the other requirements of Section 1129 of the Bankruptcy Code, it: (a) is "fair and equitable"; and (b) "does not discriminate unfairly" with respect to each Class of Claims that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting class of unsecured claims receives full compensation for its allowed claims, no holder of allowed claims in any junior class may receive or retain any property on account of such claims. With respect to a dissenting class of secured claims, the "fair and equitable" standard requires, among other things, that holders either (a) retain their liens and receive deferred cash payments with a value as of the effective date of a plan equal to the present value of their interest in property of the estate or (b) otherwise receive the indubitable equivalent of their secured claims. With respect to unsecured claims the "fair and equitable" standard pursuant to Section 1129(b)(2)(B) has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than 100% of its allowed claims.

The Debtors believe that, if necessary, the Plan may be crammed down over the dissent of certain unsecured Classes, in view of the treatment proposed for such Classes. Cramdown of certain secured Classes of Claims, if required, may require amendment of the Plan. If necessary and appropriate, the Debtors and the Committee intend to amend the Plan to permit cramdown of dissenting Classes of Claims. There can be no assurance, however, that the "cramdown" requirements of Section 1129(b) of the Bankruptcy Code would be satisfied even if the Plan treatment provisions were amended or withdrawn as to one or more Creditors.

The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank. The

Debtors do not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

D. Best Interests Test; Liquidation Analysis

Notwithstanding acceptance of the Plan by each impaired class, to confirm the Plan, the Court must determine that the Plan is in the best interests of each holder of a claim or interest in any such impaired class who has not voted to accept the Plan. Accordingly, if an impaired class does not unanimously accept the Plan, the "best interests" test requires that the Court find that the Plan provides to each member of such impaired class a recovery on account of the member's claim that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each impaired Class of Claims or Equity Interests would receive if the Debtors were liquidated as part of a Chapter 7 case, the Court must first determine the aggregate dollar amount that would be available if the Chapter 11 Cases were converted to Chapter 7 cases under the Bankruptcy Code and the Debtors' assets were liquidated by a Chapter 7 Trustee (the "Liquidation Value"). The Liquidation Value of the Debtors would consist of the net proceeds from the disposition of the assets of the Debtors, augmented by any cash held by the Debtors.

The Liquidation Value of the Debtors' assets available for General Unsecured Claims would be reduced by the costs and expenses of the liquidation, as well as other administrative expenses of the Debtors' Chapter 7 cases. The Debtors' costs of liquidation under Chapter 7 would include the compensation of a trustee or trustees, as well as counsel and other professionals retained by the trustee, disposition expenses, all unpaid expenses incurred by the Debtors during the Chapter 11 Cases (including as compensation for attorneys and accountants) that are allowed in the Chapter 7 proceedings, litigation costs and claims against the Debtors arising from their business operations during the pendency of the Chapter 11 Cases and Chapter 7 liquidation proceedings. These costs, expenses and claims would be paid in full out of the Debtors' liquidation proceeds before the balance would be made available to pay General Unsecured Claims and Convenience Claims.

Once the percentage recoveries in liquidation of Administrative Claims, Professional Fee Claims, Priority Tax Claims, CIT Secured Claims, Other Secured Claims, Other Priority Claims, General Unsecured Claims, Convenience Claims and Equity Interests are ascertained, the value of the distribution available out of the Liquidation Value is compared with the value of the property offered to each of the Classes of Claims and Equity Interests under the Plan to determine if the Plan is in the best interests of each Class of Claims and Equity Interests. Annexed to this Disclosure Statement as **Exhibit B** is a consolidated liquidation analysis for the Debtors' (the "Liquidation Analysis"), which was compiled by the Debtors. In the Liquidation Analysis, the Debtors estimate that in a forced liquidation of the Debtors' assets, General Unsecured Claims and Convenience Claims would receive less than they will receive under the Plan. Refer to the Liquidation Analysis

for a description of the procedures followed, the factors considered and the assumptions and qualifications used in the preparation thereof.

In contrast to the Liquidation Analysis, the Plan provides for payment in full of all Administrative Claims, Professional Fee Claims, Priority Tax Claims and other Priority Claims and estimates a recovery to General Unsecured Claims of 61%. [See the Liquidation Analysis for a description of certain assumptions regarding such estimated recovery.] Thus, the Debtors estimate that the Plan distributions represent an improvement of at least \$.41 per dollar of Allowed Claim over the distributions holders of General Unsecured Claims would receive in a Chapter 7 liquidation.

Due to the numerous uncertainties and time delays associated with liquidation under Chapter 7 of the Bankruptcy Code, it is not possible to predict with certainty the outcome of any Chapter 7 liquidation of the Debtors or the timing of any distribution to creditors. As the Liquidation Analysis and the foregoing discussion demonstrate, however, the Debtors have concluded that a complete liquidation of the Debtors under Chapter 7 of the Bankruptcy Code would result in a lesser distribution to Creditors than that provided for in the Plan.

E. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtors, or any successors to the Debtors (unless such liquidation or reorganization is proposed in the Plan). For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared Projections as an exhibit annexed to this Disclosure Statement. The Projections, and the material assumptions upon which they are based are set forth in "Projected Consolidated Statement of Cash Flows." Based upon those Projections, the Debtors believe that the Plan meets the feasibility requirements of the Bankruptcy Code.

F. Compliance With Applicable Provisions Of The Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that a plan comply with the applicable provisions of the Bankruptcy Code. During the course of negotiations among the Debtors and the Committee, various legal issues, including Claim classification and treatment issues, were raised. The Debtors and the Committee have carefully considered each of these issues in the development and formulation of the Plan and believe that the Plan complies with all applicable provisions of the Bankruptcy Code.

G. Alternatives To Confirmation Of The Plan

The Debtors and the Committee have evaluated numerous alternatives to the Plan, including alternative structures and terms of the Plan, the sale of the Debtors as a going concern, either as a whole or on a breakup basis, a liquidation of the Debtors and delaying the adoption of any plan of

reorganization. Although the Debtors and the Committee have concluded that the Plan is the best alternative and will maximize recoveries by holders of Allowed Claims, if the Plan is not confirmed, the Debtors or any other party in interest in the Chapter 11 Cases could attempt to formulate and propose a different plan or plans of reorganization. Further, if no plan of reorganization can be confirmed, the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code. In liquidation cases under Chapter 7, a trustee or trustees would be elected or appointed to liquidate the assets of each Debtor. The proceeds of the liquidation would be distributed to the creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code. For further discussion of the potential impact on the Debtors of the conversion of the Chapter 11 Cases to a Chapter 7 liquidation, see "Liquidation Analysis."

ARTICLE X

VALUATION

In conjunction with formulating the Plan, the Debtors determined that it was necessary to estimate the post-confirmation going concern enterprise value of the Reorganized Entities and the New Subsidiaries. Accordingly, the Debtors, with Anchor Pacific's assistance, prepared such a valuation.

A. Valuation Overview

THE ESTIMATES OF ENTERPRISE VALUE SET FORTH HEREIN REPRESENT HYPOTHETICAL REORGANIZATION ENTERPRISE VALUES THAT WERE DEVELOPED SOLELY FOR THE PURPOSE OF THE PLAN. SUCH ESTIMATES REFLECT COMPUTATIONS OF THE ESTIMATED ENTERPRISE VALUE OF THE REORGANIZED ENTITIES AND THE NEW SUBSIDIARIES THROUGH THE APPLICATION OF VARIOUS GENERALLY ACCEPTED VALUATION TECHNIQUES AND DO NOT REFLECT OR CONSTITUTE APPRAISALS OF THE ASSETS OF THE DEBTORS OR THEIR ACTUAL MARKET VALUE. BECAUSE SUCH ESTIMATES ARE INHERENTLY UNCERTAIN, NEITHER THE DEBTORS NOR ANCHOR PACIFIC ASSUMES RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, ANCHOR PACIFIC DID NOT INDEPENDENTLY VERIFY THE DEBTORS' PROJECTIONS IN CONNECTION WITH THE VALUATION, AND NO INDEPENDENT EVALUATIONS OR APPRAISALS OF THE ASSETS WERE SOUGHT OR OBTAINED THEREWITH.

B. Methodology

In preparing its valuation, the Debtors, with Anchor Pacific's assistance, performed a variety of analyses, and considered a variety of factors. The material analyses and factors are described

below. The following summary of such analyses and factors considered does not purport to be a complete description of the analyses and factors considered.

In arriving at their conclusions, the Debtors placed various weights on each of the analyses or factors that they considered, and made judgments as to the significance and relevance of each analysis and factor. The Debtors did not consider any one analysis or factor to the exclusion of any other analysis or factor. Accordingly, the Debtors believe that their valuations must be considered as a whole and that selecting portions of their analyses, without considering all such analyses, could create a misleading or incomplete view of the processes underlying the preparation of their findings and conclusions. In their analyses, the Debtors and Anchor Pacific necessarily made numerous assumptions with respect to the Debtors, industry performance, general business, regulatory, economic, market, and financial conditions and other matters, many of which are beyond the Debtors' control. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which such business will actually trade.

The Debtors have considered a variety of generally accepted valuation techniques in estimating the enterprise value of the Reorganized Entities and the New Subsidiaries. The total enterprise value consists of both the projected debt and equity of the Reorganized Entities and the New Subsidiaries. The primary methodologies used in assessing the enterprise value are: (a) comparable mergers and acquisitions analysis ("M&A") and (b) single period income approach. Further, the Debtors and Anchor Pacific considered a discounted cash flow analysis ("DCF") but, for the reasons described below, did not rely on such a DCF analysis for purposes of estimating the enterprise value.

1. Mergers And Acquisitions Analysis

Under this approach, M&A multiples are calculated based upon the purchase price (including any debt assumed and equity purchased) paid to acquired businesses comparable to the subject company. For purposes of estimating the enterprise value of the Reorganized Entities and the New Subsidiaries, the Debtors and Anchor Pacific considered the transaction values of a selected group of private cable-related transactions, generally expressed as a value per acquired cable subscriber or value per acquired equivalent basic cable subscriber. Specific consideration was given to the remaining term of the Debtors' ROE agreements, the underlying on-property and network assets, the relative average revenues per cable subscriber, and the competitive environment in each of the Debtors' markets. Because no acquisition used in any analysis is identical to a target transaction, valuation conclusions cannot be based solely on quantitative results. The reasons for and circumstances surrounding each acquisition transaction are specific to such transaction, and there are inherent differences between the businesses, operations, and prospects of each. Therefore, qualitative judgments were made concerning the differences between the characteristics of these transactions and other factors and issues which could affect the price an acquiring company is willing to pay in an acquisition.

2. Single Period Income Analysis

This valuation methodology considers the historical and projected financial returns of the Debtors' cable business and adjusts for cost profiles and other operating synergies which may be realized from consolidation with other entities, thereby representing the potential profitability of the underlying cable businesses to such entities. Cost profiles and operating synergies are estimated based on review of financial and other operating information of entities which could pursue such consolidations with all or specific portions of the Debtors' cable business. Using an estimated annual growth rate for the underlying cable business and estimated required rates of return for potential consolidators, a valuation multiple is developed which, when applied to the proforma profitability estimate above, yields an estimate of the total business valuation.

3. Discounted Cash Flow Analysis

DCF is another method of valuing a company. The DCF value represents the present value of unlevered, after-tax cash flows to all providers of capital using a discount rate. The DCF valuation method allows an expected operating strategy to be incorporated into a financial projection model. In essence, the DCF method entails estimating the free cash flow available to debt and equity investors (i.e., the annual cash flows generated by the business) and a terminal value of the business at the end of a time horizon, and discounts these cash flows back to the present using a discount rate to arrive at the present value of these cash flows. The terminal value is determined by assuming the sale of the business at the end of the time horizon.

Due to the significant reliance on a sale of the business in determining a company's valuation under this methodology, the related uncertainties regarding timing of asset sales, market conditions for the Debtor's assets and financing availability at an undetermined future date, and potential changes to the Debtors' operating profile through their own potential development or acquisition activity and additional cost efficiency measures, the results of this valuation methodology were considered to be highly speculative. As such, the Debtors and Anchor Pacific did not place meaningful reliance on this methodology.

4. Valuation Of The Reorganized Entities And The New Subsidiaries

Anchor Pacific has advised the Debtors that for purposes of assisting the Debtors in preparing the valuation expressed below, Anchor Pacific assumed that, as of the Confirmation Date: (i) the proposed capitalization of the Debtors will be as set forth in the Plan and Disclosure Statement, (ii) market, business and general economic conditions will be similar to conditions assumed, (iii) the financial and other information furnished to Anchor Pacific by the Debtors and their professionals and the publicly available information are accurate and complete, and (iv) the Plan is confirmed without material changes. Based upon the advice of Anchor Pacific, the Debtors' analyses, the assumptions made, matters considered and limits of review as set forth above, the Debtors have concluded that an appropriate estimate for the post-confirmation going concern enterprise value of the Reorganized Entities and the New Subsidiaries would be approximately \$329 million. After deducting the estimated, net indebtedness of Reorganized Entities at the Effective Date of approximately \$49 million, the estimated total equity value is approximately \$280 million.

Therefore, assuming 4,620,000 shares of New Common Stock will be issued on the Distribution Date, value of New Common Stock is estimated to be \$61 per share, before the impact, if any, on the value of the stock from the issuance of the Incentive Stock Options.

THE ESTIMATED ENTERPRISE VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS SET FORTH IN THE PROJECTIONS AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS WHICH ARE NOT GUARANTEED.

THE VALUATIONS SET FORTH HEREIN REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE EQUITY VALUE ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET VALUE. SUCH TRADING VALUE, IF ANY, MAY BE AFFECTED BY SUCH THINGS AS THE CLOSELY HELD NATURE OF THE STOCK AFTER THE CONSUMMATION DATE, THE LACK OF IMMEDIATELY AVAILABLE AUDITED FINANCIAL STATEMENTS AND THE FACT THAT THE NEW COMMON STOCK WILL NOT BE TRADED ON A MAJOR EXCHANGE. DUE TO THESE REASONS AND OTHERS, THE TRADING VALUE MAY BE MATERIALLY DIFFERENT FROM THE REORGANIZATION EQUITY VALUE ASSOCIATED WITH THE VALUATION ANALYSIS.

ARTICLE XI

CONCLUSION AND RECOMMENDATION

The Debtors and the Committee believe that the Plan enables the Debtors to successfully emerge from Chapter 11 and preserves their businesses and allows creditors to realize the highest recoveries under the circumstances. Further, the Debtors and the Committee believe that the Confirmation and implementation of the Plan is preferable to the alternative of liquidation. The Debtors and the Committee urge holders of Impaired Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received not later than 4:00 p.m., Eastern Standard Time on November 29, 2001.

[SIGNATURE PAGE TO DISCLOSURE STATEMENT OF JOINT REORGANIZATION
PLAN OF OPTEL, INC.]

Dated: Dallas, Texas
October 30, 2001

OPTEL, INC., et al.

By: S/Michael E. Katzenstein
Michael E. Katzenstein, President

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EXHIBIT A
JOINT PLAN OF REORGANIZATION

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

-----X
: **Chapter 11**
: **Case No. 99-3951 (SLR)**
: **(Jointly Administered)**
: **Debtors.**
:
:
-----X

**JOINT REORGANIZATION PLAN OF OPTEL, INC. AND
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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September 25, 2001

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A	Certificate of Incorporation of Reorganized OpTel
B	By-Laws of Reorganized OpTel

INTRODUCTION

OpTel, Inc., a Delaware corporation ("OpTel"), for itself and on behalf of its subsidiaries and affiliates¹ (collectively, the "Subsidiaries and Affiliates" and together with OpTel, the "Debtors"), and the Official Committee of Unsecured Creditors (the "Committee") propose the following plan of reorganization (the "Plan") for the resolution of the Debtors' outstanding creditor Claims and Equity Interests. Reference is made to the Disclosure Statement, distributed contemporaneously herewith, for a discussion of the Debtors' history, businesses, properties, results of operations, projections for future operations, risk factors, a summary and analysis of the Plan, and certain related matters, including the New Securities to be issued pursuant to the Plan. The Debtors and the Committee are the proponents of this Plan within the meaning of Section 1129 of the Bankruptcy Code.

All holders of Claims and all holders of Equity Interests are encouraged to read this Plan and the Disclosure Statement in their entirety before voting to accept or reject this Plan. Subject to certain restrictions and requirements set forth in Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions or modifications set forth in Article XII of this Plan, the Debtors and the Committee reserve the right to alter, amend, modify, revoke, or withdraw this Plan prior to its substantial consummation.

ARTICLE I

DEFINITIONS, RULES OF INTERPRETATION, AND COMPUTATION OF TIME

A. Scope Of Definitions; Rules Of Construction

For purposes of this Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them in the Introduction or Article I of this Plan. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that

Bay Area Cable Television, Inc.
IRPC - Arizona, Inc.
IRPC Texas - Ventana, Inc.
IRPC Texas, Inc.
OpTel (Arizona) Telecom, Inc.
OpTel (California) Telecom, Inc.
OpTel (Colorado) Telecom, Inc.
OpTel (Florida) Telecom, Inc.
OpTel (Illinois) Telecom, Inc.
OpTel (Indiana) Telecom, Inc.
OpTel (Texas) Telecom, Inc.
Phonoscope Entertainment, Inc.

Phonoscope Village Cable, Inc.
Richey Pacific Cablevision, Inc.
Sunshine Television Entertainment, Inc.
TA V GP Holdings Corp.
Tara Communications Systems, Inc.
TVMAX Communications (Texas), Inc.
TVMAX Telecommunications, Inc.
Transmission Holdings, Inc.
OpTel (Illinois), L.P.
Richey Pacific Cable Partners V., L.P.
OpTel (DFW) Holdings, Inc.

term in the Bankruptcy Code or the Bankruptcy Rules. Whenever the context requires, such terms shall include the plural as well as the singular number, the masculine gender shall include the feminine, and the feminine gender shall include the masculine.

B. Definitions

1.1. "Administrative Claim" means a Claim for payment of an administrative expense of a kind specified in Section 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to Section 507(a)(1) of the Bankruptcy Code, including, but not limited to, (i) the actual necessary costs and expenses, incurred after the Petition Date, of preserving the Estates and operating the businesses of the Debtors, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Cases, including fees and expenses of the Indenture Trustee, (ii) Professional Fee Claims, (iii) all fees and charges assessed against the Estates under Chapter 11 of title 28, United States Code, and (iv) all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Court under Section 546(c)(2)(A) of the Bankruptcy Code.

1.2. "Ad Valorem Tax Claim" means a Claim for Ad Valorem Taxes.

1.3. "Ad Valorem Tax" means the tax assessed by a state or local governmental unit against any of the Debtors' personal or real property pursuant to state and/or local law.

1.4. "Allowed Claim" means a Claim or any portion thereof (i) as to which no objection to allowance or request for estimation has been interposed on or before the date provided for herein or the expiration of such other applicable period of limitation as may be fixed by the Bankruptcy Code, Bankruptcy Rules, or the Court, (ii) as to which any objection to its allowance has been settled, waived through payment, or withdrawn, or has been denied by a Final Order, (iii) that has been allowed by a Final Order, (iv) as to which the liability of the Debtors, and the amount thereof, are determined by Final Order of a court of competent jurisdiction other than the Court, or (v) that is expressly allowed in a liquidated amount in the Plan.

1.5. "Allowed Administrative Claim" means an Administrative Claim as to which a timely request for payment has been made in accordance with Article XIV.A.1 of this Plan (if such written request is required) or other Administrative Claim, in each case as to which the Debtors (a) have not interposed a timely objection or (b) have interposed a timely objection and such objection has been settled, waived through payment, or withdrawn, or has been denied by a Final Order.

1.6. "Allowed" means, when used in reference to a Claim or Equity Interest within a particular Class, an Allowed Claim or Allowed Equity Interest of the type described in such Class.

1.7. "Allowed Class . . . Claim" means an Allowed Claim in the particular Class described.

1.8. "Allowed Class . . . Equity Interest" means an Equity Interest (i) that has been allowed by a Final Order, (ii) for which (a) no objection to allowance has been filed within the periods of limitation set forth herein or such other periods fixed by the Bankruptcy Code, the Bankruptcy Rules or by any Final Order of the Court or (b) any objection to allowance has been settled or withdrawn, or has been denied by a Final Order or (iii) that is expressly allowed in the Plan.

1.9. "Ballot" means the form or forms distributed with the Disclosure Statement to holders of Impaired Claims and Impaired Equity Interests entitled to vote under Article IV of the Plan on which the holders indicate acceptance or rejection of the Plan.

1.10. "Ballot Date " means the date set by the Court by which all completed Ballots must be received.

1.11. "Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as codified in title 11 of the United States Code, 11 U. S. C. §§ 101-1330, as now in effect or hereafter amended.

1.12. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, and the Local Rules of the Court, as applicable to the Chapter 11 Cases or proceedings therein, as the case may be.

1.13. "Bar Date" means July 14, 2000, or any other date, if any, designated by the Court as the last date for filing proofs of Claim (including Administrative Claims other than Professional Fee Claims) against the Debtors.

1.14. "Board of Directors Designation" means the designation of the members of the Post-Effective Date Board of Directors filed with the Court by the Debtor and the Committee on or before ten days prior to the commencement of the Confirmation Hearing.

1.15. "By-laws" means the by-laws of the Debtors, in effect as of the date hereof.

1.16. "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in Dallas, Texas are authorized or obligated by federal or state law or Executive Order to close.

1.17. "Cable-Only ROEs" means, collectively, all oral or written right of entry, license, service or other agreements, as amended, however designated, which (i) permit or require any Debtor to provide cable television or other video entertainment services to residents or other customers of apartments, condominiums, townhouses, hotels, homes or other residential or commercial properties and (ii) do not obligate such Debtor to offer or provide any telephone services; provided, however, that "Cable-Only ROEs" shall also include the portion of any Severed ROE (as defined below) which relates to the rights and obligations of any Debtor to provide cable television or other video entertainment services to residents or other customers of apartments, condominiums, townhouses, hotels, homes or other residential or commercial properties, but shall not include the portion of such

Severed ROE which obligates such Debtor to provide telephone services or equipment of any kind. As used herein, "Severed ROE" means an ROE which originally permitted or required any Debtor to provide cable television or other video entertainment services, and also required such Debtor to offer or provide telephone services, to residents or other customers of apartments, condominiums, townhouses, hotels, homes or other residential or commercial properties, but which the Court has authorized the applicable Debtor to sever into two separate agreements, with one agreement relating only to cable television and/or other video entertainment services (that agreement is the portion of the Severed ROE that is a Cable-Only ROE) and the other agreement relating only to telephone services.

1.18. "Capital Lease Claims" means all obligations of any of the Debtors under or related to certain transactions for Equipment.

1.19. "Case Interest Rate" means the federal judgment rate provided in 28 U.S.C. § 1961 in effect on the Petition Date compounded annually on each anniversary of the Petition Date.

1.20. "Cash" means legal tender of the United States of America or equivalents thereof.

1.21. "Causes of Action" means the claims, rights of action, suits, or proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Person, which are to be retained by the Reorganized Entities pursuant to Article V.F. hereof, including, without limitation, Causes of Action under Chapter 5 of the Bankruptcy Code.

1.22. "Certificate of Incorporation" means the certificate of incorporation of OpTel or Subsidiaries and Affiliates, as amended and in effect as of the date hereof.

1.23. "Chapter 11 Cases" means the cases under Chapter 11 of the Bankruptcy Code commenced by the Debtors, styled In re OpTel, Inc., et. al., Case No. 99-3951, currently pending in the Court.

1.24. "CIT" means The CIT Group/Business Credit, Inc.

1.25. "CIT Secured Claims" means all Secured Claims of CIT pursuant to the DIP Credit Facility.

1.26. "Claim" means a claim against the Debtors, whether or not asserted, as defined in Section 101(5) of the Bankruptcy Code.

1.27. "Class" means a category of holders of Claims or Equity Interests, as described in Article II hereof.

1.28. "Collateral" means any property or interest in property of the Debtors' Estates subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.

1.29. "Committee" means the official committee of unsecured creditors, appointed by the United States Trustee pursuant to Section 1102(a) of the Bankruptcy Code in the Chapter 11 Cases as amended from time to time.

1.30. "Common Stock" means collectively, the Class A, Class B and Class C common stock of OpTel authorized as of the Petition Date and any and all options, rights and warrants to convert into or purchase any of the foregoing.

1.31. "Common Stock Equity Interest and Claims" means any Equity Interest arising from or under the Common Stock, including all Claims arising in connection therewith, including, but not limited to, Claims arising from the rescission of a purchase or sale of a security of the Debtors, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution under Section 502 of the Bankruptcy Code on account of such Claim and attorney's fees associated therewith.

1.32. "Confirmation" means entry by the Clerk of the Court of the Confirmation Order.

1.33. "Confirmation Date" means the date of entry of the Confirmation Order by the Clerk of the Court.

1.34. "Confirmation Hearing" means the hearing to consider confirmation of the Plan under Section 1129 of the Bankruptcy Code.

1.35. "Confirmation Order" means the Final Order of the Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

1.36. "Convenience Claim" means any Claim, other than a Noteholder Claim, that otherwise would be an Allowed Unsecured Claim against the Debtors in an amount equal to or less than \$6,000.

1.37. "Court" means the United States District Court for the District of Delaware, which has jurisdiction over the Chapter 11 Cases.

1.38. "Creditor" means any Person who holds a Claim against the Debtors.

1.39. "Cure" means the distribution of Cash, or such other property as may be agreed upon by the parties or ordered by the Court, with respect to the assumption of an Executory Contract or Unexpired Lease, pursuant to Section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed upon by the parties or ordered by the Court, under such Executory Contract or Unexpired Lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable non-bankruptcy law.

1.40. "Debtors" mean OpTel and each of its Subsidiaries and Affiliates in their capacity as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

1.41. "Disbursing Agent" means Reorganized OpTel, the U. S. Trust Company of Texas, N.A. or any party designated by Reorganized OpTel, in its sole discretion, to serve as a disbursing agent under the Plan.

1.42. "DIP Credit Facility " means the \$25 million credit facility evidenced by the Revolving Credit Agreement dated December 10, 1999, as modified and extended, which credit facility was approved by Final Order of the Court on January 16, 2001.

1.43. "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto or referenced therein) relating to the Plan, dated September __, 2001, as amended, supplemented or modified from time to time, and that is prepared and distributed in accordance with Sections 1125 and 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

1.44. "Disputed Claim" means, as applicable, any Claim or Equity Interest not otherwise Allowed or paid pursuant to the Plan or an order of the Court (i) which has been or hereafter is listed on the Schedules as unliquidated, contingent, or disputed, and which has not been resolved by written agreement of the parties or a Final Order of the Court, (ii) proof of which was required to be filed by order of the Court but as to which a proof of Claim or Equity Interest was not timely or properly filed, (iii) proof of which was timely and properly filed and which has been or hereafter is listed on the Schedules as unliquidated, disputed or contingent, (iv) that is disputed in accordance with the provisions of this Plan, (v) which Claim or Equity Interest is identified by the Debtors as being subject to Section 502(d) of the Bankruptcy Code or (vi) as to which the Debtors or the Reorganized Debtors, as the case may be, have interposed a timely objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules and any orders of the Court, or is otherwise disputed by the Debtors or the Reorganized Debtors, as the case may be, in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order; *provided, however*, that for purposes of determining whether a particular Claim is a Disputed Claim prior to the expiration of any period of limitation fixed for the interposition by the Debtors of objections to the allowance of Claims, any Claim that is not identified by the Debtors as an Allowed Claim shall be deemed a Disputed Claim.

1.45. "Distribution Date" means the date, occurring as soon as practicable after the Effective Date, upon which distributions are made by Reorganized OpTel or the Disbursing Agent to holders of Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1 through 6.

1.46. "Distribution Record Date" means the record date for purposes of making distributions under the Plan to holders of Allowed Claims, which date shall be the Effective Date.

1.47. "Distribution Reserve" means the reserve, if any, established and maintained by Reorganized OpTel, into which Reorganized OpTel shall deposit the amount of Cash or other

property (other than shares of New Common Stock) that would have been distributed by Reorganized OpTel on the Distribution Date to holders of (i) noncontingent liquidated Disputed Claims, pending (a) the allowance of such Claims, or (b) the estimation of such Claims for purposes of allowance and distribution, (ii) contingent liquidated Disputed Claims, if such Claims had been undisputed or noncontingent Claims on the Distribution Date, pending (a) the allowance of such Claims, (b) the estimation of such Claims for purposes of allowance and distribution, or (c) the realization of the contingencies, and (iii) unliquidated Disputed Claims, if such Claims had been liquidated on the Distribution Date, such amount to be estimated by the Court or agreed upon by the Debtors and the holders thereof as sufficient to satisfy such unliquidated Claim upon such Claim's (a) allowance, (b) the estimation of such claims for purposes of allowance and distribution, or (c) liquidation, pending the occurrence of such estimation or liquidation.

1.48. "Effective Date" means a Business Day, designated by OpTel, as soon as reasonably practicable after all the conditions specified in Article XI.B. of the Plan have been satisfied or waived as provided in Article XI.C hereof.

1.49. "Employee Benefit Plans" means all 401k plans, savings plans, health plans, disability plans, life insurance plans and other employee benefit plans and programs sponsored by the Debtors.

1.50. "Employment Agreements" means the employment agreements, if any, to be entered into between Reorganized OpTel or one of its directly or indirectly owned Subsidiaries or Affiliates and certain of its employees.

1.51. "Equity Interest" means (i) the interest of any holder of equity securities of OpTel represented by any issued and outstanding shares of Common Stock or Preferred Stock whether or not transferable and (ii) any option, warrant or right, contractual or otherwise, to acquire or receive any such interest.

1.52. "Estates" means the estates of the Debtors in the Chapter 11 Cases created pursuant to Section 541 of the Bankruptcy Code.

1.53. "Executory Contract" means a contract to which one or more of the Debtors is a party which is subject to assumption or rejection under Section 365 of the Bankruptcy Code.

1.54. "Exit Financing Facility" means a credit facility in a principal amount sufficient to repay the DIP Credit Facility and provide Reorganized OpTel with a revolving line of credit of approximately \$50 million or such other amount as may be agreed to by the Debtors and the Committee.

1.55. "Face Amount" means (i) when used in reference to a Disputed Claim, the full stated amount claimed by the holder of such Claim in any proof of Claim timely filed with the Court or otherwise deemed timely filed by any Final Order of the Court or applicable bankruptcy law, (ii) when used in reference to an unliquidated Claim, the amount of the Claim as estimated by the Court

pursuant to Section 502(c) of the Bankruptcy Code, and (iii) when used in reference to an Allowed Claim, the allowed amount of such Claim.

1.56. "Final Order" means an order or judgment of the Court, or other court of competent jurisdiction, the operation or effect of which has not been stayed or reversed, and as to which order or judgment the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending.

1.57. "General Unsecured Claim" means a Claim that is not a CIT Secured Claim, Ad Valorem Secured Tax Claim, Other Secured Claim, Administrative Claim, Professional Fee Claim, Priority Tax Claim, Other Priority Claim, or a Convenience Claim. General Unsecured Claims include, without limitation, all Noteholder Claims.

1.58. "Impaired" means, when used with reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of Section 1124 of the Bankruptcy Code and will not be receiving payment in full of its Claim or Equity Interest pursuant to the Plan.

1.59. "Incentive Stock Options" means the options which may be issued by Reorganized OpTel to the Incentive Stock Option Plan Participants to purchase shares of New Common Stock pursuant to the provisions of the Incentive Stock Option Plan.

1.60. "Incentive Stock Option Plan" means the incentive stock option plan pursuant to which the Incentive Stock Options may be issued, substantially in the form of the option plan to be included in the Plan Supplement, which Reorganized OpTel is authorized but not directed to adopt pursuant to Article IX.F.1. hereof.

1.61. "Incentive Stock Option Plan Participants" means the employees of the Reorganized Entities and New Subsidiaries who are declared to be participants in the Incentive Stock Option Plan.

1.62. "Indenture Trustee" means the U.S. Trust Company of Texas, N.A. in its capacity as trustee under the Indentures.

1.63. "Indentures" means (a) the Indenture dated February 14, 1997, between OpTel and the Indenture Trustee and (b) the Indenture dated July 7, 1998, between OpTel and the Indenture Trustee.

1.64. "Intended Termination Date" means, with respect to a Transition Employee, the date following the Confirmation Date specified by the Debtors in a written notice to such Transition Employee by which the Debtors believe such employee's services will no longer be needed for restructuring purposes and on which the Debtors intend that such employee's employment will be terminated.

1.65. "Intercompany Claim" means any Claim by a Debtor against another Debtor.

1.66. "Lien" means a lien, security interest, mortgage, deed of trust, or other charge or encumbrance on or in any real or personal property to secure payment of a debt or performance of an obligation.

1.67. "Markets" means each of the following separate geographic markets of the Debtors in which the Debtors provide cable television services: (i) Arizona (the "Arizona Market"), (ii) the Dallas-Fort Worth Metroplex area in Texas (the "Dallas-Fort Worth Market"), (iii) the greater Houston area in Texas (the "Houston Market"), (iv) the Miami area in Florida (the "Miami Market"), (v) the Tampa Orlando area in Florida (the "Tampa Market"), (vi) Georgia (the "Georgia Market"), (vii) Northern California (the "Northern California Market"), (viii) Colorado (the "Colorado Market"), (ix) Illinois (the "Illinois Market"), (x) Indiana (the "Indiana Market"), and (xi) Maryland, Virginia and Washington, D.C. (the "Maryland, Virginia and Washington, D.C. Market").

1.68. "New Common Stock" means the common stock of Reorganized OpTel, \$.01 par value per share, authorized under Reorganized OpTel's certificate of incorporation.

1.69. "New Equity Securities" means, collectively, the New Common Stock and Incentive Stock Options.

1.70. "New Subsidiaries" means, collectively, TVMAX HQ, Inc., TVMAX DFW GP, LLC, TVMAX DFW Limited, LLC, TVMAX DFW, LP, TVMAX Houston GP, LLC, TVMAX Houston Limited, LLC, TVMAX Houston, LP, TVMAX Tampa GP, LLC, TVMAX Tampa Limited, LLC, TVMAX Tampa, LP, TVMAX Georgia, Inc., TVMAX N. California, Inc., TVMAX Colorado, Inc., TVMAX Illinois, Inc., TVMAX Indiana, Inc. and TVMAX East, Inc. or any other entities which shall be created as of the Effective Date as subsidiaries of Reorganized OpTel.

1.71. "Notes" means the publicly traded 11-1/2% Senior Notes due 2008 in the original principal amount of \$200,000,000 and the publicly traded 13% Senior Notes due 2005 in the original principal amount of \$225,000,000.

1.72. "Noteholder Claims" means any and all Claims arising pursuant to the Indentures, the Notes and the documents executed in connection with any of the foregoing, including without limitation, any and all Claims for repayment of the principal and accrued pre-petition interest on the Notes.

1.73. "Noteholders" means the holders of the Notes.

1.74. "Old Equity Securities" mean, collectively, the Common Stock and the Preferred Stock and any and all options, rights and warrants to convert into or purchase the foregoing.

1.75. "Other Priority Claim" means a Claim entitled to priority pursuant to Section 507(a) of the Bankruptcy Code, other than an Administrative Claim, Professional Fee Claim or Priority Tax Claim.

1.76. "Other Secured Claims" means, collectively, all Secured Claims other than CIT Secured Claims or Ad Valorem Secured Tax Claims, including, but not limited to, Capital Lease Claims.

1.77. "Pension Plan" means the OpTel 401(k) Plan, a tax qualified defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act ("ERISA"), as amended, 29 U.S.C. §§ 1302 et seq. (1994 & Supp. III 1997).

1.78. "Person" means any individual, corporation, partnership, association, limited liability company, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any subdivision thereof, official or unofficial committee, and any other entity.

1.79. "Petition Date" means October 28, 1999, the date on which the Debtors filed their petitions for reorganization relief, commencing the Chapter 11 Cases.

1.80. "Plan" means this Chapter 11 plan of reorganization for Debtors and all exhibits annexed hereto or referenced herein, as the same may be amended, modified, or supplemented from time to time, and includes the Plan Supplement.

1.81. "Plan Supplement" means the compilation of documents and forms of documents specified in the Plan which will be filed with the Court on or before the date that is seven (7) days prior to the Confirmation Hearing.

1.82. "Preferred Stock" means collectively the Series A Preferred Stock and the Series B Preferred Stock.

1.83. "Preferred Stock Equity Interest and Claims" means any Equity Interest arising from or under the Preferred Stock, including all Claims arising in connection therewith, including, but not limited to, Claims arising from the rescission of a purchase or sale of a security of the Debtors, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution under Section 502 of the Bankruptcy Code on account of such Claim and attorney's fees associated therewith.

1.84. "Priority Tax Claim" means a Claim that is entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code.

1.85. "Professional" means any professional employed in the Chapter 11 Cases pursuant to Sections 327, 328 or 1103 of the Bankruptcy Code.

1.86. "Professional Fee Claim" means a Claim of a Professional for compensation or reimbursement of costs and expenses relating to services incurred after the Petition Date and prior to and including the Confirmation Date.

1.87. "Pro Rata" means, at any time, the proportion that the Face Amount of a Claim or Equity Interest in a particular Class bears to the aggregate Face Amount of all Claims or Equity Interests (including Disputed Claims and Equity Interests) in such Class, unless the Plan provides otherwise.

1.88. "Reinstated" or "Reinstatement" means, notwithstanding any contractual provision or applicable law that entitles the holder of a Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code, (ii) reinstating the maturity of such Claim as such maturity existed before such default, (iii) compensating the holder of such Claim for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law, and (iv) not otherwise altering the legal, equitable, or contractual rights to which such Claim entitles the holder of such Claim.

1.89. "Rejection Claim" means a claim arising from the rejection of an Executory Contract or Unexpired Lease by the Debtors or the Reorganized Entities.

1.90. "Related Parties" means with respect to any Person, such Person's then current officers, directors, employees, Anchor Pacific Corp., Deloitte Consulting LLC, Deloitte & Touche LLP and attorneys (in each case, solely in their capacity as such) who held or continues to hold such office, position or status on or after January 1, 2001.

1.91. "Reorganization Severance Plan" means the OpTel, Inc. Severance Plan approved by order of the Court on November 16, 1999, as same has been amended and restated as of the date of the filing of the Plan.

1.92. "Reorganized IRPC - Arizona, Inc." means IRPC - Arizona, Inc., or any successor thereto by merger, consolidation or otherwise, on and after the Effective Date, the name of which entity on and after the Effective Date shall be changed to TVMAX Arizona, Inc.

1.93. "Reorganized Entities" means, collectively, Reorganized OpTel and the Reorganized Subsidiaries and Affiliates.

1.94. "Reorganized OpTel" means OpTel, Inc. on and after the Effective Date, the name of which entity shall change to TVMAX Holdings, Inc. on the Effective Date.

1.95. "Reorganized OpTel (Texas) Telecom, Inc." means OpTel (Texas) Telecom, Inc., or any successor thereto by merger, consolidation or otherwise, on and after the Effective Date, the name of which entity on and after the Effective Date shall be changed to TVMAX Telecom, Inc.

1.96. "Reorganized Subsidiaries and Affiliates" means, collectively, Reorganized TVMAX Telecommunications, Inc., Reorganized TVMAX Communications (Texas), Inc., Reorganized

Sunshine Television Entertainment, Inc., Reorganized IRPC - Arizona, Inc., Reorganized Transmission Holdings, Inc., and Reorganized OpTel (Texas) Telecom, Inc.

1.97. "Reorganized Sunshine Television Entertainment, Inc." means Sunshine Television Entertainment, Inc., or any successor thereto by merger, consolidation or otherwise, on and after the Effective Date, the name of which entity on and after the Effective Date shall be changed to TVMAX Miami, Inc.

1.98. "Reorganized Transmission Holdings, Inc." means Transmission Holdings, Inc., or any successor thereto by merger, consolidation or otherwise, on and after the Effective Date.

1.99. "Reorganized TVMAX Communications (Texas), Inc." means TVMAX Communications (Texas), Inc., or any successor thereto by merger, consolidation or otherwise, on and after the Effective Date, the name of which entity on and after the Effective Date shall be changed to TVMAX Houston, Inc.

1.100. "Reorganized TVMAX Telecommunications, Inc." means TVMAX Telecommunications, Inc., or any successor thereto by merger, consolidation or otherwise, on and after the Effective Date, the name of which entity on and after the Effective Date shall be changed to TVMAX, Inc.

1.101. "ROEs" means, collectively, all oral or written right of entry, license, service or other agreements, however designated, which permit or require the Debtors to provide cable television and/or telephone services to residents or other customers of apartments, condominiums, townhouses, hotels, homes or other residential or commercial properties.

1.102. "Schedules" means the schedules of assets and liabilities and the statements of financial affairs, filed with the Court by any of the Debtors, as such schedules or statements may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009 or orders of the Court.

1.103. "Secured Claim" means a Claim, other than a Setoff Claim, that is secured by a Lien upon property, as provided for in a writing or by statute, of an Estate, to the extent of the value, as of the Effective Date or such later date as is established by the Court, of such Lien as determined by a Final Order of the Court (i) pursuant to Section 506 of the Bankruptcy Code, (ii) if applicable, Section 1129(b) of the Bankruptcy Code or (iii) as otherwise agreed upon in writing by the Debtors or Reorganized OpTel and the holder of such Claim.

1.104. "Securities Act" means the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, as now in effect or hereafter amended.

1.105. "Series A Preferred Stock" means series A preferred stock of OpTel, par value \$.01 per share, authorized as of the Petition Date.

1.106. "Series B Preferred Stock" means series B preferred stock of OpTel, par value \$.01 per share, authorized as of the Petition Date.

1.107. "Setoff Claim" means a Claim against any of the Debtors by a Creditor that has a valid right of setoff with respect to such Claim, which right is enforceable under Section 553 of the Bankruptcy Code as determined by a Final Order or as otherwise agreed to in writing by the Debtors with consent of the Committee, to the extent of the amount subject to such right of setoff.

1.108. "Stock Options" means options to purchase New Common Stock.

1.109. "Subsidiaries and Affiliates" means Bay Area Cable Television, Inc., a Texas corporation; IRPC - Arizona, Inc., an Arizona corporation; IRPC Texas-Ventana, Inc., a Texas corporation; IRPC Texas, Inc., a Texas corporation; OpTel (Arizona) Telecom, Inc., a Delaware corporation; OpTel (California) Telecom, Inc., a Delaware corporation; OpTel (Colorado) Telecom, Inc., a Delaware corporation; OpTel (Florida) Telecom, Inc., a Delaware corporation; OpTel (Illinois) Telecom, Inc., a Delaware corporation; OpTel (Indiana) Telecom, Inc., a Delaware corporation; OpTel (Texas) Telecom, Inc., a Delaware corporation; OpTel (DFW) Holdings, Inc., a Delaware corporation; Phonoscope Entertainment, Inc., a Texas corporation; Phonoscope Village Cable, Inc., a Texas corporation; Richey Pacific Cablevision, Inc., a California corporation; Sunshine Television Entertainment, Inc., a Florida corporation; TA V GP Holdings Corp., a Delaware corporation; Tara Communication Systems, Inc., an Illinois corporation; TVMAX Communications (Texas), Inc., a Delaware corporation; TVMAX Telecommunications, Inc., a Delaware corporation; Transmission Holdings, Inc., a Delaware corporation; OpTel (Illinois), L.P., a Colorado limited partnership; and Richey Pacific Cable Partners V, L.P., a California limited partnership.

1.110. "Substantive Consolidation" means the consolidation of the Chapter 11 Cases and the combining of the Estates, for the purposes of the Plan and the distributions to be made thereunder, by aggregating the Estates' assets and liabilities and eliminating cross corporate guaranties and Inter-company Claims pursuant to Article V.L. hereof.

1.111. "Tax" means any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, licenses, property, environmental, or other tax, assessment, or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state or local taxing authority.

1.112. "Transition Employees" means those employees of the Debtors (i) who are employees of any of the Reorganized Entities or New Subsidiaries on the Confirmation Date and (ii) whom the Debtors designate, with Committee consent, prior to the Confirmation Date as being employees necessary for the successful completion following the Confirmation Date of the Debtors' plans to restructure their businesses. In order to designate an employee as a Transition Employee, the Debtors, after the consent of the Committee, shall deliver a written notice to such employee at any time prior to the Confirmation Date notifying such employee of his or her designation as a Transition Employee and specifying such employee's Intended Termination Date.

1.113. "Unimpaired Claim" means a Claim that is not an Impaired Claim.

1.114. "Unexpired Lease" means collectively, any unexpired lease or agreement relating to a Debtor's interest in real or personal property.

1.115. "Unsecured Claim" means any Claim against the Debtors, other than a CIT Secured Claim, Ad Valorem Secured Tax Claim, Other Secured Claim, an Administrative Claim, a Professional Fee Claim, Priority Tax Claim or Other Priority Claim.

1.116. "Unsecured Deficiency Claim" means any portion of an Other Secured Claim to the extent that the value of the Collateral securing the Other Secured Claim is less than the amount of such Other Secured Claim, or to the extent that the amount of any such Other Secured Claim subject to a setoff is less than the amount of such Other Secured Claim, as determined pursuant to Section 506(a) of the Bankruptcy Code.

C. Rules Of Interpretation

For purposes of the Plan (i) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (ii) any reference in the Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified or supplemented, (iii) unless otherwise specified, all references in the Plan to Sections, Articles, Schedules and Exhibits are references to Sections, Articles, Schedules and Exhibits of or to the Plan, (iv) the words "herein" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan, (v) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan, and (vi) the rules of construction set forth in Section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply.

D. Computation Of Time

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE II

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

A. Introduction

All Claims and Equity Interests, except Administrative Claims, Professional Fee Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Professional Fee Claims and Priority Tax Claims, as described below, have not been classified.

A Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Equity Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released or otherwise settled prior to the Effective Date.

B. Unclassified Claims (not entitled to vote on the Plan)

1. Administrative Claims
2. Professional Fee Claims
3. Priority Tax Claims

C. Classified Claims And Equity Interests

Claims and Equity Interests, other than Administrative Claims, Professional Fee Claims and Priority Tax Claims, are classified for all purposes, including, where applicable, voting, confirmation and distribution pursuant to the Plan as follows:

1. Class 1 - CIT Secured Claims
2. Class 2 - Ad Valorem Secured Tax Claims
3. Class 3 - Other Secured Claims
4. Class 4 - Other Priority Claims
5. Class 5 - General Unsecured Claims
6. Class 6 - Convenience Claims

7. Class 7 - Preferred Stock Equity Interests And Claims
8. Class 8 - Common Stock Equity Interests And Claims

ARTICLE III

TREATMENT OF ADMINISTRATIVE CLAIMS, PROFESSIONAL FEE CLAIMS AND PRIORITY TAX CLAIMS

A. Unclassified Claims

1. Administrative Claims. Except as otherwise provided for herein, and subject to the requirements of Article XIV. A. hereof, each holder of an Allowed Administrative Claim shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Administrative Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Claim or (ii) such other treatment as to which the Debtors and such holder shall have agreed upon in writing; *provided, however*, that Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto. On or before the Effective Date, the Debtors shall pay or have paid in Cash in full all Allowed Administrative Claims for fees payable pursuant to 28 U.S.C. §1930 and fees payable to the Court, which are due and payable on or before the Effective Date. All fees payable pursuant to 28 U.S.C. §1930 after the Effective Date shall be paid by Reorganized OpTel until the Chapter 11 cases are closed pursuant to a final decree, dismissed or converted by entry of an order of the Court. Until entry of such an order, Reorganized OpTel and the Reorganized Entities shall file with the Court and serve upon the United States Trustee a financial report for each quarter, or portion thereof. As of the Effective Date the Chapter 11 Cases will be deemed closed, and no further fees pursuant to 28 U.S.C. §1930 will accrue after that date.

2. Professional Fee Claims. All Persons that are awarded compensation or reimbursement of expenses by the Court in accordance with Section 330 or 331 of the Bankruptcy Code or entitled to the priorities established pursuant to Section 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, shall be paid in full, in Cash, the amounts allowed by the Court (a) on or as soon as reasonably practicable following the later to occur of (i) the Effective Date and (ii) the date on which the Court order allowing such Claim becomes a Final Order, or (b) upon such other terms as may be mutually agreed upon between such holder of an Allowed Professional Fee Claim and Reorganized OpTel.

3. Priority Tax Claims. a. Pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor or the Reorganized Entity, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction of its Priority Tax Claim, deferred cash payments over a period not exceeding six years from the date of assessment of such Priority Tax Claim. Payments will be made in equal annual installments of

principal, plus interest payable at the Case Interest Rate accruing from the Effective Date on the unpaid portion of each Allowed Priority Tax Claim (or upon such other terms determined by the Court to provide the holder of a Priority Tax Claim with deferred cash payments having a value, as of the Effective Date, equal to the Allowed amount of such Priority Tax Claims). Unless otherwise agreed by the holder of a Priority Tax Claim and the Debtors, the first payment on account of such a Priority Tax Claim will be payable on the Distribution Date or, if the Priority Tax Claim is not allowed as of the Distribution Date, the first quarterly Distribution Date after the date on which (i) an order allowing such Priority Tax Claim becomes a Final Order or (ii) a Stipulation of Amount and Nature of Claim is executed by Reorganized OpTel and the holder of the Priority Tax Claim; provided, however, that Reorganized OpTel or the Reorganized Entities will have the right to pay any Allowed Priority Tax Claim, or any remaining balance of such Priority Tax Claim, in full at any time on or after the Effective Date without premium or penalty.

b. Notwithstanding the provisions of Article III.A.3.a., the holder of an Allowed Priority Tax Claim will not be entitled to receive any payment on account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim. Any such Claim or demand for any such penalty (i) will be subject to treatment in Class 5 and (ii) the holder of an Allowed Priority Tax Claim will not assess or attempt to collect such penalty from Reorganized OpTel or the Reorganized Entities or their property.

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Class 1 - CIT Secured Claims

1. Impairment and Voting. Class 1 is unimpaired by the Plan. The holders of Claims in Class 1 are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

2. Treatment. On the Effective Date, the Allowed CIT Secured Claims, if any, shall be satisfied in accordance with the terms of the DIP Credit Facility or shall receive such other treatment as the Debtors and such holders of Class 1 Claims shall have agreed upon in writing, subject to the consent of the Committee.

B. Class 2 - Ad Valorem Secured Tax Claims

1. Impairment and Voting. Class 2 is unimpaired by the Plan. The holders of Claims in Class 2 are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

2. Treatment. Each holder of an Allowed Ad Valorem Secured Tax Claim shall receive, in full satisfaction, settlement release and discharge of, and in exchange for, such Allowed Ad Valorem Secured Tax Claim, one of the following (i) in the sole discretion of the Debtors, either (A)

Cash equal to the unpaid portion of such Allowed Ad Valorem Secured Tax Claim or (B) deferred Cash payments over a period not exceeding six years after the date of assessment of such Allowed Ad Valorem Secured Tax Claim in an aggregate principal amount equal to the amount of such Allowed Ad Valorem Secured Tax Claim, plus interest on the unpaid portion thereof at the Case Interest Rate, or (ii) such other treatment as to which the Debtors and such holder shall have agreed in writing subject to the consent of the Committee. The Debtors reserve the right to pay any Allowed Ad Valorem Secured Tax Claim, or any remaining balance of any Allowed Ad Valorem Secured Tax Claim, in full at any time on or after the Distribution Date without premium or penalty.

To the extent, if any, that the value of the Collateral securing a Class 2 Allowed Ad Valorem Secured Tax Claim is less than the total amount of such Claim, the difference shall be an Allowed Priority Tax Claim.

C. Class 3- Other Secured Claims

1. Impairment and Voting. Class 3 is unimpaired by the Plan. The holders of Claims in Class 3 are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

2. Treatment. Prior to, or upon, the Effective Date at the option of the Debtors, with the consent of the Committee, such Allowed Other Secured Claims shall receive (a) some or all of the Collateral securing such Allowed Other Secured Claim, (b) Cash in an amount, not to exceed the allowed amount of such Claim, equal to the proceeds actually realized from the sale of any Collateral securing such Claim as may be agreed upon by the Debtors and the holder of the Allowed Secured Claim, less the actual costs and expenses of disposing of such Collateral, or (c) such other treatment as may be agreed upon by the Debtors and the Committee and the holder of the Allowed Other Secured Claim. In the Event that the Debtors and the Committee elect, pursuant to option (a) above, to distribute to the holder of the Allowed Other Secured Claim some of the Collateral securing such Claim, at the sole election of the Debtors, but with the Committee's Consent, the Debtors may (i) attempt to sell the remaining Collateral securing the Allowed Other Secured Claim, or (ii) abandon such remaining Collateral. In the event that the Debtors sell Collateral securing such Allowed Other Secured Claim or abandon such Collateral, all expenses relating thereto, including but not limited to transportation, shipping, decommissioning and storage expenses, shall be borne by the holder of the Allowed Other Secured Claim.

To the extent, if any, that the value of the Collateral securing a Class 2 Allowed Other Secured Claim is less than the total amount of such Claim, the difference shall be an Unsecured Deficiency Claim, and such Unsecured Deficiency Claim shall be treated as a Class 5 General Unsecured Claim under the Plan and the holder of such Claim shall be entitled to (i) vote to accept or reject the Plan as the holder of a Class 5 General Unsecured Claim, and (ii) receive the distribution otherwise made to holders of Allowed General Unsecured Claims that are classified in Class 5 under the Plan.

D. Class 4- Other Priority Claims

1. Impairment and Voting. Class 4 is unimpaired by the Plan. The holders of Claims in Class 4 are conclusively presumed to have accepted the Plan and holders of Class 4 Claims are not entitled to vote to accept or reject the Plan.

2. Treatment. Reorganized OpTel shall pay to each holder of an Allowed Claim in Class 4 Cash in an amount equal to its Allowed Other Priority Claim on the later of the Effective Date or the date such Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.

E. Class 5 - General Unsecured Claims

1. Impairment and Voting. Class 5 is impaired by the Plan. Each holder of an Allowed General Unsecured Claim in Class 5 is entitled to vote to accept or reject the Plan.

2. Treatment. Each holder of an Allowed General Unsecured Claim shall receive, as of the Effective Date, a distribution equal to one share of New Common Stock for each \$100 of each Allowed General Unsecured Claim held by such holder in full satisfaction, settlement, release and discharge of such Allowed General Unsecured Claim. All of the New Common Stock received by the holder of an Allowed General Unsecured Claim will be allocated first to principal, and then to interest. Fractional shares of New Common Stock shall be treated in accordance with Article VIII.E of the Plan.

F. Class 6 - Convenience Claims

1. Impairment and Voting. Class 6 is impaired by the Plan. Each holder of an Allowed Convenience Claim in Class 6 is entitled to vote to accept or reject the Plan.

2. Treatment. Each holder of an Allowed Convenience Claim in Class 6 shall receive Cash in an amount equal to fifty-five percent (55%) of such Allowed Convenience Claim in full satisfaction, settlement, release and discharge of such Allowed Convenience Claim on the later of (a) the Effective Date, or (b) 30 days after the date on which such Claim becomes an Allowed Convenience Claim, or as soon thereafter as practicable.

G. Class 7 - Preferred Stock Equity Interests And Claims

1. Impairment and Voting. Class 7 is impaired by the Plan. The holders of Preferred Stock Equity Interests and/or Claims in Class 7 are deemed to reject the Plan, and accordingly, are not entitled to vote to accept or reject the Plan.

2. Treatment. The holders of Preferred Stock Equity Interests and/or Claims in Class 7 shall not receive or retain any interest or property under the Plan.

3. Cancellation of Preferred Stock Equity Interests. On the Effective Date, all Preferred Stock Equity Interests shall be extinguished and the certificates and all other documents representing such Preferred Stock Equity Interests shall be deemed cancelled and of no force or effect.

H. Class 8 - Common Stock Equity Interests And Claims

1. Impairment and Voting. Class 8 is impaired by the Plan. The holders of Common Stock Equity Interests and/or Claims in Class 8 are deemed to reject the Plan, and accordingly, are not entitled to vote to accept or reject the Plan.

2. Treatment. The holders of Common Stock Equity Interests and/or Claims in Class 8 shall not receive or retain any interest or property under the Plan.

3. Cancellation of Common Stock Equity Interests. On the Effective Date, all Common Stock Equity Interests shall be extinguished and the certificates and all other documents representing such Common Stock Equity Interests shall be deemed cancelled and of no force or effect.

ARTICLE V

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Corporate Governance Of Reorganized OpTel

1. Certificate of Incorporation and Bylaws. Effective as of the Effective Date, the Certificate of Incorporation and By-laws of Reorganized OpTel shall be amended and restated in substantially the form annexed hereto as Exhibits A and B, respectively. The certificate of incorporation and by-laws of Reorganized OpTel shall satisfy the requirements of the Plan and the Bankruptcy Code and shall include, among other things, pursuant to Section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities.

2. Control, Operation and Management. On the Effective Date, the management, control and operation of Reorganized OpTel shall become the responsibility of the Board of Directors of Reorganized OpTel, who shall thereafter have the responsibility for the management, control and operation of Reorganized OpTel.

3. Directors And Officers. The Debtors and the Committee intend to announce prior to the Confirmation Date the individuals identified on the Board of Directors Designation who are to serve as directors or officers of the Reorganized Entities. If and to the extent possible, the identities of such individuals will be announced by inclusion of a list of proposed directors and officers in the Plan Supplement.

B. Restructuring and Corporate Governance Of Subsidiaries And Affiliates

1. Control, Operation and Management of Reorganized Subsidiaries and Affiliates.

On the Confirmation Date, the issued and outstanding capital stock of each Reorganized Subsidiary and Affiliate shall remain outstanding and shall be owned by the entity which owned such capital stock as of the Petition Date. As of the opening of business on the Effective Date, Reorganized OpTel shall transfer to Reorganized TVMAX Telecommunications, Inc., as a contribution of capital, (x) all of OpTel's interest as a limited partner in OpTel (Illinois) L.P. and (y) all of the issued and outstanding capital stock of the following Subsidiaries and Affiliates: (1) OpTel (Arizona) Telecom, Inc., (2) OpTel (California) Telecom, Inc., (3) OpTel (Colorado) Telecom, Inc., (4) OpTel (Indiana) Telecom, Inc., (5) OpTel (Florida) Telecom, Inc., (6) OpTel (Illinois) Telecom, Inc., (7) OpTel (Texas) Telecom, Inc., (8) IRPC - Arizona, Inc., (9) Richey Pacific Cablevision, Inc., (10) Sunshine Television Entertainment, Inc., (11) TA V GP Holdings Corp., and (12) TVMAX Communications (Texas), Inc. All of the transfers contemplated by the preceding sentence, and the execution and delivery of instruments and agreements to effect the same, are hereby authorized without further act or action by the board of directors or stockholders of Reorganized OpTel or Reorganized TVMAX Telecommunications, Inc. On the Effective Date, (i) the certificate of incorporation and by-laws of each Reorganized Subsidiary and Affiliate shall remain unchanged except that each may be amended as necessary to reflect the new name of such entity on and after the Effective Date, which amendments are hereby authorized without further act or action by the board of directors or stockholders of the applicable Reorganized Entity, and (ii) the management, control and operation of each of the Reorganized Subsidiaries and Affiliates shall become the responsibility of the Board of Directors of that Reorganized Subsidiary or Affiliate, who shall thereafter have the responsibility for the management, control and operation of that Reorganized Subsidiary or Affiliate. The Debtors and the Committee intend to announce prior to the Confirmation Date the identities of the individuals proposed to serve as directors or officers of each Reorganized Subsidiary or Affiliate. If and to the extent possible, the identities of such individuals will be announced by inclusion of a list of proposed directors and officers in the Plan Supplement.

2. Merger of Certain Debtors into Reorganized TVMAX Telecommunications, Inc.

Effective as of the Effective Date, the following Subsidiaries and Affiliates shall merge with and into Reorganized TVMAX Telecommunications, Inc., a Delaware corporation, and Reorganized TVMAX Telecommunications, Inc. shall be the surviving corporation: (i) IRPC Texas-Ventana, Inc., a Texas corporation; (ii) IRPC Texas, Inc., a Texas corporation; (iii) TA V GP Holdings Corp., a Delaware corporation; and (iv) Tara Communication Systems, Inc., an Illinois corporation. The merger of each of the foregoing corporations, and the execution, delivery and filing of any certificates or articles of merger or other instruments with the appropriate governmental authorities, and the execution and delivery of any agreements and plans of merger and any other instruments and agreements, by any officers of such corporations in order to effect the merger of the foregoing corporations are hereby authorized without further act or action by the board of directors or stockholders of any of such corporations and without further act or action under applicable law, regulation, order or rule. Except as otherwise provided in this Plan, all assets of the merged

corporations shall vest in the surviving corporation upon the effectiveness of the merger on the Effective Date.

3. Merger of Certain Debtors into Reorganized TVMAX Communications (Texas), Inc. Effective as of the Effective Date, the following Subsidiaries and Affiliates shall merge with and into Reorganized TVMAX Communications (Texas), Inc., a Delaware corporation, and Reorganized TVMAX Communications (Texas), Inc. shall be the surviving corporation: (i) Bay Area Cable Television, Inc., a Texas corporation; (ii) Phonoscope Village Cable, Inc., a Texas corporation; and (iii) Phonoscope Entertainment, Inc., Texas corporation. The merger of each of the foregoing corporations, and the execution, delivery and filing of any certificates or articles of merger or other instruments with the appropriate governmental authorities, and the execution and delivery of any agreements and plans of merger and any other instruments and agreements, by any officers of such corporations in order to effect the merger of the foregoing corporations are hereby authorized without further act or action by the Board of Directors or stockholders of any of such corporations and without further act or action under applicable law, regulation, order or rule. Except as otherwise provided in this Plan, all assets of the merged corporations shall vest in the surviving corporation upon the effectiveness of the merger on the Effective Date.

4. Merger of Certain Debtors into Reorganized OpTel (Texas) Telecom, Inc. Effective as of the Effective Date, the following Subsidiaries and Affiliates shall merge with and into Reorganized OpTel (Texas) Telecom, Inc., a Delaware corporation, and Reorganized OpTel (Texas) Telecom, Inc. shall be the surviving corporation: (i) OpTel (Arizona) Telecom, Inc., a Delaware corporation; (ii) OpTel (California) Telecom, Inc., a Delaware corporation; (iii) OpTel (Colorado) Telecom, Inc., a Delaware corporation; (iv) OpTel (Florida) Telecom, Inc., a Delaware corporation; (v) OpTel (Illinois) Telecom, Inc., a Delaware corporation; and (vi) OpTel (Indiana) Telecom, Inc., a Delaware corporation. The merger of each of the foregoing corporations, and the execution, delivery and filing of any certificates or articles of merger or other instruments with the appropriate governmental authorities, and the execution and delivery of any agreements and plans of merger and any other instruments and agreements, by any officers of such corporations in order to effect the merger of the foregoing corporations are hereby authorized without further act or action by the Board of Directors or stockholders of any of such corporations and without further act or action under applicable law, regulation, order or rule. Except as otherwise provided in this Plan, all assets of the merged corporations shall vest in the surviving corporation upon the effectiveness of the merger on the Effective Date.

5. Dissolution of Certain Debtors. Effective as of the Effective Date, the following Subsidiaries and Affiliates shall be dissolved and their assets, if any, shall vest in Reorganized TVMAX Telecommunications, Inc.: (i) Richey Pacific Cablevision, Inc., a California corporation; (ii) Richey Pacific Cable Partners V, L.P., a California limited partnership; and (iii) OpTel (DFW) Holdings, Inc., a Delaware corporation. The dissolution of each of the foregoing entities, and the execution, delivery and filing of any certificates or articles of dissolution or other instruments with the appropriate governmental authorities, and the execution and delivery of any instruments or agreements, by any officers or partners of such entity in order to effect the dissolution of each of the foregoing entities and effect the transfer of its assets contemplated hereby are hereby authorized

without further act or action by the Board of Directors, stockholders or partners of any of such entities and without further act or action under applicable law, regulation, order or rule.

6. Dissolution of OpTel (Illinois) L.P. Effective as of the Effective Date, OpTel (Illinois) L.P. shall be dissolved and an undivided interest in all of its assets shall be distributed to and shall vest in TA V GP Holdings Corp., its general partner (which will be merged into Reorganized OpTel on the Effective Date), and Reorganized OpTel, its limited partner, in the ratio of 24% to TA V GP Holdings Corp. and 76% to Reorganized OpTel, and the dissolution of such limited partnership, and the execution, delivery and filing of any certificates or articles of cancellation or other instruments with the appropriate governmental authorities, and the execution and delivery of any instruments or agreements, by the general partner of that limited partnership in order to effect the dissolution of that limited partnership and effect the transfer of its assets contemplated hereby are hereby authorized without further act or action by the general and limited partners of such limited partnership and without further act or action under applicable law, regulation, order or rule.

7. Creation of New Subsidiaries; Cable Operations After Effective Date. On or before the Effective Date, TVMAX Telecommunications, Inc. shall organize new corporations, limited partnerships and /or limited liability companies which will be direct or indirect wholly owned subsidiaries of TVMAX Telecommunications, Inc. (the "New Subsidiaries"), so that there will be a separate New Subsidiary to operate the Debtors' cable television business as of the Effective Date for each of the following Markets: (i) the Dallas-Fort Worth Market, (ii) the Houston Market, (iii) the Tampa Market, (iv) the Georgia Market, (v) the Northern California Market, (vi) the Colorado Market, (vii) the Illinois Market, (viii) the Indiana Market, and (ix) the Maryland, Virginia and Washington D.C. Market. As of the Effective Date, Reorganized IRPC - Arizona, Inc. shall operate the Debtors' cable television business in the Arizona Market, and Reorganized Sunshine Television Entertainment, Inc. shall operate the Debtors' cable television business in the Miami Market.

8. Special Structures for the Dallas, Houston and Tampa Markets. (a) As of the Effective Date, the Debtors' cable television business in the Dallas-Fort Worth Market shall be operated by TVMAX DFW, LP, which will be a limited partnership having TVMAX DFW GP, LLC as its general partner and TVMAX DFW Limited, LLC as its limited partner. Each of TVMAX DFW GP, LLC and TVMAX DFW Limited, LLC will be a single member limited liability company having Reorganized TVMAX Telecommunications, Inc. as its sole member. On the Effective Date, Reorganized TVMAX Telecommunications, Inc. will transfer to TVMAX DFW GP, LLC and TVMAX DFW Limited, LLC, as contributions to capital, and will cause them in turn to contribute to TVMAX DFW, LP, as contributions to capital, all of its assets necessary for the operation of the Debtors' cable television business in the Dallas-Fort Worth Market, including ROEs in that Market.

(b) As of the Effective Date, the Debtors' cable television business in the Houston Market shall be operated by TVMAX Houston, LP, which will be a limited partnership having TVMAX Houston GP, LLC as its general partner and TVMAX Houston Limited, LLC as its limited partner. Each of TVMAX Houston GP, LLC and TVMAX Houston Limited, LLC will be a single member

limited liability company having TVMAX Houston, Inc. as its sole member. On the Effective Date, TVMAX Houston, Inc. will transfer to TVMAX Houston GP, LLC and TVMAX Houston Limited, LLC, as contributions to capital, and will cause them in turn to contribute to TVMAX Houston, LP, as contributions to capital, all of its assets necessary for the operation of the Debtors' cable television business in the Houston Market, including ROES in that Market.

(c) As of the Effective Date, the Debtors' cable television business in the Tampa Market shall be operated by TVMAX Tampa, LP, which will be a limited partnership having TVMAX Tampa GP, LLC as its general partner and TVMAX Tampa Limited, LLC as its limited partner. Each of TVMAX Tampa GP, LLC and TVMAX Tampa Limited, LLC will be a single member limited liability company having Reorganized TVMAX Telecommunications, Inc. as its sole member. On the Effective Date, Reorganized TVMAX Telecommunications, Inc. will transfer to TVMAX Tampa GP, LLC and TVMAX Tampa Limited, LLC, as contributions to capital, and will cause them in turn to contribute to TVMAX Tampa, LP, as contributions to capital, all of its assets necessary for the operation of the Debtors' cable television business in the Tampa Market, including ROES in that Market.

9. Contribution of Assets to Operating Subsidiaries and New Subsidiaries. Effective as of the Effective Date (and after giving effect to the mergers and dissolutions contemplated by the Plan which shall be effective on the Effective Date), (i) Reorganized TVMAX Telecommunications, Inc. shall assign to each New Subsidiary directly owned by Reorganized TVMAX Telecommunications, Inc., as a contribution to its capital, all of its rights in all ROEs and other Executory Contacts and Unexpired Leases which have been assumed by the Debtors and relate to that New Subsidiary's specific Market (or to the specific Market in which another New Subsidiary which will be directly or indirectly owned by that New Subsidiary will be operating), and all such ROEs and Executory Contracts and Unexpired Leases shall be assumed by the New Subsidiary to whom they are ultimately assigned, (ii) Reorganized TVMAX Communications (Texas), Inc. shall assign to the New Subsidiary which will operate the cable business in the Houston market, as a contribution to its capital, all of its rights in all ROEs and other executory contacts and leases which have been assumed by the Debtors' and relate to the Houston Market and all such ROEs and Executory Contracts and Unexpired Leases shall be assumed by the New Subsidiary to whom they are assigned, (iii) Reorganized TVMAX Telecommunications, Inc. shall assign to Reorganized IRPC - Arizona, Inc., as a contribution to its capital, all of its rights in all ROEs and other executory contacts and leases which have been assumed by the Debtors' and relate to the Arizona Market, and all such ROEs and Executory Contracts and Unexpired Leases shall be assumed by Reorganized IRPC - Arizona, Inc., and (iv) Reorganized TVMAX Telecommunications, Inc. shall assign to Reorganized Sunshine Television Entertainment, Inc., as a contribution to its capital, all of its rights in all ROEs and other executory contacts and leases which have been assumed by the Debtors' and relate to the Miami Market, and all such ROEs and Executory Contracts and Unexpired Leases shall be assumed by Reorganized Sunshine Television Entertainment, Inc. The foregoing entities and the officers, managers, members and general partners of the foregoing entities are hereby authorized without further act or action by the Board of Directors, stockholders, managers, members or partners of any of such entities, without the consent or approval of any other party, and without further act or action under any agreement or any applicable law, regulation, order or rule, to effect the transfers

and contributions of assets to the New Subsidiaries, Reorganized Sunshine Television Entertainment, Inc. and Reorganized IRPC - Arizona, Inc. in accordance with the Plan, and to execute and deliver any and all instruments and agreements as they may deem necessary or appropriate to effect such transfers and contributions.

10. Transfer of Tangible or Intangible Assets. Contemporaneously with the reorganization contemplated by this Article V.B., each Reorganized Entity is hereby authorized to transfer and assign to any Reorganized Subsidiary or Affiliate or any New Subsidiary all of such Reorganized Entity's rights in all tangible or intangible assets that relate to such Reorganized Subsidiary or Affiliates' or New Subsidiary's specific Market. Each Reorganized Entity and the officers of each Reorganized Entity are hereby authorized without further act or action by its board of directors or stockholders, without the consent or approval of any other party, and without further act or action under any agreement or any applicable law, regulation, order or rule, to effect the transfers and assignments described in the preceding sentence and to execute and deliver any and all instruments and agreements as they may deem necessary or appropriate to effect such transfers and assignments. Each such transfer or assignment of tangible or intangible assets shall be deemed to be made under the Plan pursuant to § 1146(c) of the Bankruptcy Code, and therefore, shall be exempt from the imposition of any stamp or similar tax.

Contemporaneously with such corporate reorganization, each Reorganized Entity is hereby authorized to transfer and assign to TVMAX HQ, Inc., all of such Reorganized Entity's rights in all tangible or intangible assets that relate to the use, occupancy or operation of the Debtors' corporate headquarters. Each Reorganized Entity and the officers of each Reorganized Entity are hereby authorized without further act or action by its board of directors or stockholders, without the consent or approval of any other party, and without further act or action under any agreement or any applicable law, regulation, order or rule, to effect the transfers and assignments described in the preceding sentence and to execute and deliver any and all instruments and agreements as they may deem necessary or appropriate to effect such transfers and assignments. Each such transfer or assignment of tangible or intangible assets shall be deemed to be made under the Plan pursuant to § 1146(c) of the Bankruptcy Code, and therefore, shall be exempt from the imposition of any stamp or similar tax.

C. Cancellation Of Old Equity Securities

On the Effective Date, except as otherwise provided for herein, (i) the Old Equity Securities, to the extent not already cancelled, shall be automatically cancelled without any further action by the Reorganized Entities, and (ii) the obligations of OpTel under the Old Equity Securities and under the Certificate of Incorporation, any agreements, indentures, or certificates of designations governing the Old Equity Securities or the rights of holders thereof shall be deemed discharged and extinguished.

D. Cancellation Of Notes And Indentures

On the Effective Date, all Notes, promissory notes and other instruments evidencing any Claim in Class 5 shall be deemed cancelled without further act or action and any obligations of the Debtors under any Indenture or other document, instrument or agreement governing such Claims shall be discharged.

The Indentures and other agreements that govern the rights of the holder of a Noteholder Claim and that are administered by the Indenture Trustee shall continue in effect solely for the purposes of (a) allowing the Indenture Trustee to receive and then make the distributions to be made on account of such Claims under the Plan as provided in Article IV hereof and (b) permitting the Indenture Trustee to maintain any rights it may have for fees, costs, and expenses under the Indentures or such other agreements. The Indenture Trustee shall have an Allowed Administrative Claim in an amount equal to the reasonable and necessary fees and expenses incurred by the Indenture Trustee and its legal counsel. If a dispute arises as to such fees and expenses, then in that event, the dispute will be resolved by the Bankruptcy Court.

Any actions taken by the Indenture Trustee that are not for the purposes authorized in this Article V.D. shall not be binding upon the Debtors. Notwithstanding the foregoing, the Debtors may terminate any of the Indentures or other governing agreements and the authority of the Indenture Trustee to act thereunder at any time, with or without cause, by giving five (5) days' written notice of termination to the Indenture Trustee. If distributions under the Plan to the holders of Noteholder Claims have not been completed at the time of termination of the Indenture or other governing agreement, the Debtors shall designate a Disbursing Agent to act in place of the Indenture Trustee, and the provisions of this Article V.D. shall be deemed to apply to the Disbursing Agent to the same extent as if it were the Indenture Trustee.

E. Issuance And Reserve Of New Common Stock

1. Issuance

The issuance by Reorganized OpTel of all of the shares of the New Common Stock that are required to be distributed to holders of Class 5 Claims pursuant to this Plan is hereby authorized without further act or action by the Board of Directors of Reorganized OpTel and without further act or action under applicable law, regulation, order, or rule.

2. Reserve

Reorganized OpTel is hereby authorized, without further act or action by the Board of Directors of Reorganized OpTel and without further act or action under applicable law, regulation, order, or rule, to reserve (i) 6,000,000 shares of New Common Stock for issuance to the holders of Allowed General Unsecured Claims as and when required under the Plan, and (ii) 1,000,000 shares of New Common Stock for issuance pursuant to the Incentive Stock Option Plan. The Board of

Directors of Reorganized OpTel may reduce the amount of shares of New Common Stock so reserved at any time as it deems appropriate.

F. Revesting Of Assets

The property of the Estate of each Debtor that is not specifically transferred or disposed of pursuant to the Plan, shall revert in the Reorganized Entity which is the successor to that Debtor on the Effective Date. Thereafter, each Reorganized Entity may operate its business and may use, acquire, and dispose of any and all such property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Court. As of the Confirmation Date, all property of each Reorganized Entity (including, without limitation, the property of the Merged Entities and the Dissolved Entities which will vest in a Reorganized Entity or New Subsidiary on the Effective Date) shall be free and clear of all Claims and Equity Interests, except as specifically provided in the Plan or the Confirmation Order. Without limiting the generality of the foregoing, the Reorganized Entities may, without application to or approval by the Court, pay professional fees and expenses that it may incur after the Confirmation Date.

G. Exit Financing Facility, Obtaining Cash for Plan Distributions

On the Effective Date, the officers, managers, members and the general partners of the Reorganized Entities or New Subsidiaries are authorized, without any further act or action by the Board of Directors, stockholders, managers, members or partners of any such entities, without the consent or approval of any other party, and without further act or action under applicable law, regulation, order or rule, to execute and deliver those documents necessary or appropriate to obtain the Exit Financing Facility and to repay the DIP Credit Facility. All cash necessary for the Reorganized Entities to make payments pursuant to the Plan will be obtained from the Reorganized Entities' cash balances and operations and/or the Exit Financing Facility. Cash payments to be made pursuant to the Plan will be made by the Reorganized Entities, provided however, that the Debtors and the Reorganized Entities will be entitled to transfer funds between and among themselves as may be permitted by the Exit Financing Facility as they determine to be necessary or appropriate to enable the Reorganized Entities to satisfy their obligations under the Plan.

H. Preservation Of Rights Of Action

Except as otherwise provided in this Plan or the Confirmation Order, or in any contract, instrument, release, indenture, or other agreement entered into in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, the Reorganized Entities shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights, causes of action, suits or proceedings, whether in law or in equity, whether known or unknown, that the Debtors or the Estates may hold against any Person, including, without limitation, actions under Chapter 5 of the Bankruptcy Code. The Reorganized Entities or their successor(s) may pursue such retained claims, rights, causes of action, suits, or proceedings as appropriate, in accordance with the best interests of the Reorganized Entities or their successor(s) who hold such rights.

I. Effectuating Documents; Further Transactions

The chairman of the board of directors, chief executive officer, president, chief operating officer, chief financial officer, or any vice president, manager, member or general partner of the Debtors, Reorganized OpTel or any other Reorganized Entity or New Subsidiary, as the case may be, shall be authorized, without any further action by the Board of Directors, stockholders, managers, members or partners of any such entities, without the consent or approval of any other party, and without further act or action under applicable law, regulation, order or rule, to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions, as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The secretary or assistant secretary of the Debtors, Reorganized OpTel or any other Reorganized Entity, shall be authorized to certify or attest to any of the foregoing actions.

J. Applicability Of Sections 1125 And 1145 Of The Bankruptcy Code.

The protection afforded by Section 1125(e) of the Bankruptcy Code with regard to the solicitation of acceptances or rejections of the Plan and with regard to the offer, issuance, sale or purchase of the New Common Stock, shall apply to the full extent provided by law, and the entry of the Confirmation Order shall constitute the determination by the Bankruptcy Court that the Debtors, Reorganized Entities and the Committee and each of their respective officers, directors, partners, employees, members, agents, attorneys, accountants, or other professionals, shall have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code pursuant to Section 1125(e) of the Bankruptcy Code. In addition, the exemption from the requirements of Section 5 of the Securities Act of 1933, 15 U.S.C. § 77e, and any state or local law requiring registration for the offer or sale of a security provided for in Section 1145 of the Bankruptcy Code shall apply to the New Common Stock.

K. Exemption From Certain Transfer Taxes

Pursuant to Section 1146(c) of the Bankruptcy Code, any transfers either pre or post Confirmation from the Debtors or the Reorganized Entities to any Person or entity or to Reorganized Entities, including but limited to transfers to reallocate assets between and among the Reorganized Entities pursuant to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

L. Substantive Consolidation

The Plan contemplates and is predicated upon the entry by the Court of an order providing for the substantive consolidation of the Chapter 11 Cases into a single Chapter 11 Case solely for

the purposes of the Debtors' Chapter 11 Cases and for all actions with respect to confirmation, consummation and implementation of the Plan. For all other purposes, the Debtors shall continue to maintain their separate corporate or partnership existence except as otherwise expressly provided in the Plan. Pursuant to such order, on the Effective Date, for purposes of the Plan: (i) all Intercompany Claims are canceled and disallowed and no distributions shall be made on account thereof; (ii) all assets and all liabilities of the Debtors will be treated as though the Debtors were merged, with Reorganized OpTel as the surviving entity; (iii) any obligation of any Debtor and all guarantees thereof executed by one or more of the Debtors will be deemed to be one obligation of the consolidated Debtors; (iv) any Claims filed or to be filed in connection with any such obligation and such guarantees will be deemed one Claim against the consolidated Debtors; (v) each and every Claim filed in the individual Chapter 11 Cases of any of the Debtors will be deemed filed against the consolidated Debtors in the consolidated case; (vi) Executory Contracts and Unexpired Leases entered into during the Chapter 11 cases or Executory Contracts or Unexpired Leases that have been or will be assumed pursuant to the Plan will not be affected by such substantive consolidation; and (vii) for purposes of determining the availability of the right of setoff under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity so that, subject to the other provisions of Section 553 of the Bankruptcy Code, amounts due to any of the Debtors may be set off against the debts of any of the Debtors.

ARTICLE VI

ACCEPTANCE OR REJECTION OF THE PLAN

A. Classes Entitled To Vote

Each Impaired Class of Claims that may receive or retain property or any interest in property under the Plan (*i.e.*, Classes 5 and 6) shall be entitled to vote to accept or reject the Plan. By operation of law, each Unimpaired Class of Claims is deemed to have accepted the Plan and, therefore, is not entitled to vote to accept or reject the Plan. Because holders of Classes 7 and 8 are not entitled to receive or retain any property under the Plan, Classes 7 and 8 are presumed to have rejected the Plan and, therefore, shall not be entitled to vote on the Plan.

B. Acceptance By Impaired Classes

An Impaired Class of Claims shall have accepted the Plan if (i) the holders (other than any holder designated under Section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (ii) the holders (other than any holder designated under Section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

C. Cramdown

To the extent necessary, the Debtors or the Committee, jointly, shall request Confirmation of the Plan, as it may be modified from time to time, under Section 1129(b) of the Bankruptcy Code. The Debtors and the Committee reserve the right to modify the Plan to the extent, if any, that Confirmation pursuant to Section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE VII

**NEW COMMON STOCK TO BE ISSUED
IN CONNECTION WITH THE PLAN**

The shares of New Common Stock to be issued under this Plan with respect to any General Unsecured Claims which are Allowed Claims as of the Effective Date shall be deemed issued as of the Effective Date regardless of the date on which they are actually distributed and upon such issuance shall be fully paid and non-assessable. The shares of New Common Stock to be issued under this Plan with respect to any General Unsecured Claims which become Allowed Claims after the Effective Date shall be deemed issued as of the date on which they are actually distributed, and upon such issuance shall be fully paid and non-assessable.

ARTICLE VIII

PROVISIONS GOVERNING DISTRIBUTIONS

A. Distributions For Claims Allowed As Of The Effective Date

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Allowed Claims as of the Effective Date shall be made on the Distribution Date, or as soon thereafter as practicable, but in any event no later than sixty (60) days after the Effective Date. Distributions on account of Claims that first become Allowed Claims after the Effective Date shall be made pursuant to Articles III, VIII, and X hereof.

B. Disbursing Agent

The Disbursing Agent shall make all distributions required under this Plan (subject to the provisions of Articles III, VIII, and X hereof) to the holders of Claims in accordance with the provisions of this Plan.

If the Disbursing Agent is an independent third party designated by Reorganized OpTel to serve in such capacity, such Disbursing Agent, shall receive, without further Court approval, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement

of reasonable out-of-pocket expenses incurred in connection with such services from Reorganized OpTel on terms acceptable to Reorganized OpTel. No Disbursing Agent shall be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court. If otherwise ordered, all costs and expenses of procuring any such bond shall be paid by Reorganized OpTel.

C. Surrender Of Notes

Each holder of a Note, promissory note or other instrument evidencing a Claim in Class 5 shall surrender such Note, promissory note or other instruments to the Disbursing Agent. No distribution of New Common Stock or any other property hereunder shall be made to or on behalf of any such holders unless and until such Note, promissory note or other instrument is received by the Disbursing Agent or the unavailability of such Note, promissory note or other instrument is established to the reasonable satisfaction of the Disbursing Agent. The Disbursing Agent may require any Person delivering an affidavit of loss and indemnity to furnish a surety bond in form and substance (including, without limitation, with respect to amount) reasonably satisfactory to the Disbursing Agent from a surety company satisfactory to the Disbursing Agent. Any holder that fails within one year after the date of entry of the Confirmation Order (i) to surrender or cause to be surrendered such Note, promissory note or other instrument, (ii) to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to the Disbursing Agent, or (iii) if requested, to furnish a bond reasonably satisfactory to the Disbursing Agent shall be deemed to have forfeited all rights and Claims in or against the Debtors and the Reorganized Entities with respect to such Notes, promissory notes or other instruments, and shall not participate in any distribution under this Plan.

D. Means Of Cash Payment

Cash payments made pursuant to this Plan shall be by the means agreed to by the payor and the payee, including by check or wire transfer, or, in the absence of an agreement, such commercially reasonable manner as the payor shall determine in its sole discretion.

E. Calculation Of Distribution Amounts Of New Common Stock

No fractional shares of New Common Stock shall be issued or distributed under the Plan or by Reorganized OpTel, any Disbursing Agent or the Indenture Trustee. Whenever any distribution to a particular Person would otherwise call for distribution of a fraction of a share of New Common Stock pursuant to the Plan, the number of shares of New Common Stock to be distributed to such Person shall be rounded (up or down) to the nearest whole share, with .50 shares rounded up to the next highest share.

F. Delivery Of Distributions

Distributions to holders of Allowed Claims shall be made by Reorganized OpTel (in the case of distributions of New Common Stock) or the Disbursing Agent (in the case of other distributions), (a) at the addresses set forth on the proofs of Claim filed by such holders (or at the last known

addresses of such holders if no proof of Claim is filed or if the Debtor has been notified of a change of address), (b) at the addresses set forth in any written notices of address changes delivered to Reorganized OpTel and the Disbursing Agent after the date of any related proof of Claim, (c) at the addresses reflected in the Schedules if no proof of Claim has been filed and Reorganized OpTel or the Disbursing Agent has not received a written notice of a change of address, or (d) in the case of a Noteholder Claim that is governed by the Indentures or other agreement and is administered by the Indenture Trustee, at the addresses contained in the official records of such Indenture Trustee, or (e) at the addresses set forth in the properly completed letter of transmittal accompanying Notes properly remitted to the Debtors or Reorganized OpTel. If any holder's distribution is returned as undeliverable, then no further distributions to such holder shall be made unless and until Reorganized OpTel and the Disbursing Agent or the Indenture Trustee is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest. Amounts in respect of undeliverable distributions made through the Disbursing Agent or the Indenture Trustee, shall be returned to Reorganized OpTel until such distributions are claimed. All claims for undeliverable distributions must be made on or before the second anniversary of the Effective Date, after which date (i) all Cash in respect of such undeliverable distribution shall revert to Reorganized OpTel and (ii) all New Common Stock in respect of such undeliverable distribution shall be cancelled, notwithstanding any federal or state escheat laws to the contrary.

G. Fractional Dollars; De Minimis Distributions

Any other provision of the Plan notwithstanding, payments of fractions of dollars shall not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded up.

H. Withholding And Reporting Requirements

In connection with this Plan and all distributions hereunder, the Disbursing Agent shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions as may be necessary or appropriate to comply with such withholding and reporting requirements.

I. Setoffs

Reorganized OpTel may, but shall not be required to, set off against any Claim, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors or Reorganized OpTel may have against the holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by Reorganized OpTel of any such claim that the Debtors or Reorganized OpTel may have against such holder.

ARTICLE IX

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption And Rejection Of Executory Contracts And Unexpired Leases

1. Cable-Only ROEs.

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have assumed each Cable-Only ROE to which it is a party, unless such Cable-Only ROE (i) was previously assumed or rejected by such Debtor, (ii) is the subject of a motion to reject filed on or before the Confirmation Date, or (iii) is identified as a rejected Executory Contract in the Plan Supplement.

2. Agreements and Leases Other than Cable-Only ROEs.

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date each Debtor shall be deemed to have rejected each Executory Contract and Unexpired Lease to which it is a party, unless such Executory Contract or Unexpired Lease (i) is a Cable-Only ROE, in which case the assumption or rejection of such Cable-Only ROE shall be as provided in Article IX.A.1 of the Plan, (ii) was previously assumed or rejected by such Debtor, (iii) previously expired or terminated pursuant to its own terms, (iv) is the subject of a motion to assume filed on or before the Confirmation Date, (v) is identified as an assumed Executory Contract or an assumed Unexpired Lease, as applicable, in the Plan Supplement or (vi) is assumed pursuant to another Section of this Article XIV.A.

3. Effect of Assumption of Certain Contracts and Leases.

Each Executory Contract and Unexpired Lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (i) all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such Executory Contract or Unexpired Lease and (ii) all Executory Contracts or Unexpired Leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, vaults, tunnel or bridge agreements or franchises, and any other interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements has been rejected pursuant to an order of the Court.

4. Effect of Confirmation Order on Assumptions and Rejections.

The Confirmation Order shall constitute an order of the Court under Section 365 of the Bankruptcy Code approving the Executory Contract and Unexpired Lease assumptions and rejections described above, as of the Effective Date.

B. Payments Related To Assumption Of Executory Contracts And Unexpired Leases

Any monetary amounts by which each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan is in default shall be satisfied, under Section 365(b)(1) of the Bankruptcy Code, at the option of the Debtor party to the Executory Contract or Unexpired Lease or the assignee of the Debtor party assuming such Executory Contract or Unexpired Lease, by Cure, or by such other treatment as to which each Debtor and such non-Debtor Party to the Executory Contract or Unexpired Lease shall have agreed in writing subject to Committee consent. If there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of any Reorganized Entity or any assignee to provide "adequate assurance of future performance" (within the meaning of Section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, Cure shall occur within 30 days following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

C. Bar To Rejection Damages

If the rejection by the Debtors, pursuant to the Plan or otherwise, of an Executory Contract or Unexpired Lease results in a Claim that is not theretofore evidenced by a timely filed proof of Claim or a proof of Claim that is deemed to be timely filed under applicable law, then such Claim shall be forever barred and shall not be enforceable against any of the Debtors, the Reorganized Entities or the New Subsidiaries or their respective properties, unless a proof of Claim is filed with the Clerk of the Court and served upon counsel for the Debtors within thirty (30) days after the date of service of the Confirmation Order.

D. Contracts and Leases Entered Into After the Petition Date

Contracts and leases entered into by any of the Debtors, including any Executory Contracts and Unexpired Leases assumed by the Debtors, will be performed by the Reorganized Entity liable thereunder in the ordinary course of its business (unless any such Executory Contract or Unexpired Lease is assigned to another Reorganized Entity or New Subsidiary as described in Article V. B. hereof, in which case such contract or lease will be performed by the assignee). Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and, except for the possible assignment of one or more of such contracts and leases to a Reorganized Entity or New Subsidiary as of the Effective Date as described in Article V. B. hereof, shall remain unaffected by entry of the Confirmation Order.

E. Certain Employment Contracts

The Debtors or the other Reorganized Entities may enter into Employment Agreements with certain employees. To the extent possible, the Debtors will identify those employees in the Plan Supplement.

Notwithstanding the foregoing, Employment Agreements entered into on the Confirmation Date, if any, shall amend and supersede any pre-confirmation date employment agreements, stock incentive plans, and severance plans with or for the benefit of those employees who are parties to the Employment Agreements.

F. Employee Incentive And Severance Plans

1. Employee Incentive Stock Option Plan

Reorganized OpTel may adopt an Employee Incentive Stock Option Plan which will allow Reorganized OpTel to grant Incentive Stock Options to officers, directors and employees of the Reorganized Entities and New Subsidiaries as the board of directors of Reorganized OpTel may from time to time determine subject to the terms and conditions of the Employee Incentive Stock Option Plan.

2. Employee Severance Arrangements and Plan

The Reorganization Severance Plan shall terminate effective as of the Confirmation Date; provided, however, the Reorganization Severance Plan shall continue with respect to Transition Employees. In order to designate an employee as a Transition Employee, the Debtors with the consent of the Committee shall deliver a written notice to such employee at any time prior to the Confirmation Date notifying such employee of his or her status and specifying the Intended Termination Date, if any, with respect to such employee. Subject to a Transition Employee's compliance with the terms and conditions of the Reorganization Severance Plan, Reorganized OpTel shall pay such Transition Employee a severance payment calculated in accordance with the Reorganization Severance Plan on the Intended Termination Date or such earlier termination of such employee's employment, provided such earlier termination is "without cause" (as such term is defined in the Reorganization Severance Plan), and provided further that no Transition Employee shall be entitled to receive any further severance payment under any severance plan that may be adopted by any of the Reorganized Entities or New Subsidiaries. A Transition Employee who voluntarily terminates his or her employment or is terminated for cause prior to the Intended Termination Date shall not be entitled to the payment of any severance. Reorganized OpTel may adopt a new severance plan for employees of the Reorganized Entities and New Subsidiaries.

G. Employee Benefit Plans

Except as and to the extent previously assumed by an order of the Court or subject to a motion to assume pending before the Court, on the Confirmation Date, all Employee Benefit Plans

of the Debtors, including programs subject to Sections 1114 and 1129(a)(13) of the Bankruptcy Code, entered into before or after the Petition Date and not since terminated, shall be deemed to be, and shall be treated as if they were, Executory Contracts that are assumed and shall survive confirmation of this Plan.

ARTICLE X

PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT AND UNLIQUIDATED CLAIMS

A. Objection Deadline; Prosecution Of Objections

As soon as practicable, but in no event later than 90 days after the Effective Date (unless extended by an order of the Court), the Debtors or Reorganized OpTel, as the case may be, shall file objections to Claims (including any Administrative Claim, Priority Tax Claim, CIT Secured Claim, Other Secured Claim, Other Priority Claim, Unsecured Claim and Convenience Claim) with the Court and serve such objections upon the holders of each of the Claims to which objections are made. Nothing contained herein, however, shall limit Reorganized OpTel's right to object to Claims filed or amended more than 90 days after the Effective Date.

The foregoing shall apply to any and all Claims that are listed in the Schedules as disputed, contingent and/or unliquidated *only if* the holder of any such Claim filed a proof of Claim on account of such Claim. The Debtors reserve their rights to seek an order expunging and disallowing any Claim that is listed in the Schedules as disputed, contingent, and/or unliquidated, and for which no proof of Claim was timely filed, no later than 90 days after the Effective Date.

B. No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and even then only to the extent that the Disputed Claim has become an Allowed Claim.

C. Distribution Reserve

The Disbursing Agent shall withhold the Distribution Reserve from the Cash or other property (other than New Common Stock) to be distributed under the Plan. As to any Disputed Claim, upon a request for estimation by the Debtors, the Court shall determine what amount is sufficient to withhold as the Distribution Reserve. The Debtors may request estimation for every Disputed Claim that is unliquidated and the Disbursing Agent or Reorganized OpTel shall withhold the Distribution Reserve based upon the estimated amount of such Claim as set forth in a Final Order. If the Debtors elect not to request such an estimation from the Court with respect to a Disputed Claim that is unliquidated, the Disbursing Agent or Reorganized OpTel shall withhold the

Distribution Reserve based upon the Face Amount of such Claim as if such Claim was not an unliquidated Claim.

D. Distributions After Allowance

Reorganized OpTel or the Disbursing Agent, as the case may be, shall make payments and distributions of Cash or other property from the Distribution Reserve, or Reorganized OpTel shall make distributions of shares of New Common Stock, as required under the Plan, to each holder of a Disputed Claim that has become an Allowed Claim in accordance with the provisions of the Plan governing the class of Claims to which such holder belongs. On the next succeeding interim distribution date after the date that the order or judgment of the Court allowing all or part of such Claim becomes a Final Order, the Disbursing Agent shall distribute such Cash or other property (other than New Common Stock) to the holder of such Claim from the Distribution Reserve, or Reorganized OpTel shall issue and distribute to such holder such shares of New Common Stock, as the case may be, as would have been distributed on the Distribution Date had such Allowed Claim been allowed on the Distribution Date. After a Final Order has been entered, or other final resolution has been reached, with respect to every Disputed Claim and after all required distributions of Cash, New Common Stock or other property with respect to Allowed Claims have been made by Reorganized OpTel or the Disbursing Agent, then any Cash or other property remaining in the Distribution Reserve shall become property of Reorganized OpTel, and any authorized but unissued shares of New Common Stock which were theretofore reserved for issuance with respect to General Unsecured Claims shall cease to be reserved for such purpose. Notwithstanding the foregoing, neither the Disbursing Agent nor Reorganized OpTel shall be required to make distributions under this Article X.D. more frequently than once every 90 days.

E. Estimation

The Debtors or the Reorganized Entities may, at any time, request that the Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Reorganized Entities have previously objected to such Claim. The Court will retain jurisdiction to estimate any Claim at any time, including during litigation concerning any objection to such Claim. In the event that the Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim, the amount on which a reserve is to be calculated for purposes of the Disputed Claims Reserve.

ARTICLE XI

**CONDITIONS PRECEDENT TO CONFIRMATION AND
EFFECTIVENESS OF THE PLAN**

A. Conditions To Confirmation

The following are conditions precedent to confirmation of the Plan that must be satisfied or waived in accordance with Article XI.C. below:

1. The Court shall have entered the Confirmation Order in form and substance satisfactory to the Debtors and the Committee.

2. The Confirmation Order entered by the Court shall approve the Exit Financing Facility as agreed to by the Debtors and the Committee.

B. Conditions To Effectiveness

The following are conditions precedent to the occurrence of the Effective Date, each of which must be satisfied or waived in accordance with Article XI.C. below:

1. The Confirmation Order shall have become a Final Order.
2. The Reorganized Entities shall have immediate availability to borrow under the Exit Financing Facility in an amount acceptable to Reorganized OpTel and the Committee.
3. All authorizations, consents and regulatory approvals, if any, required in connection with the effectiveness of the Plan shall have been obtained.
4. The amended and restated certificate of incorporation of Reorganized OpTel in the form of Exhibit A to the Plan shall have been filed with the Secretary of State of the State of Delaware.
5. All other actions, documents and agreements necessary to implement the Plan pursuant to Article V shall have been effected or executed.

C. Waiver Of Conditions

Each of the conditions set forth in Article XI.B above, other than those set forth in Article XI.B.1. may be waived in whole or in part by the Debtors or the Reorganized Entities, as the case may be, with the consent of the Committee without any notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Debtors or the Reorganized Entities or the Committee regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors or the Reorganized Entities). The failure of the Debtors, the Reorganized Entities or the Committee to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

ARTICLE XII

MODIFICATIONS AND AMENDMENTS

With the consent of the Committee, the Debtors may alter, amend, or modify this Plan, the Plan Supplement or any Exhibits hereto under Section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to substantial consummation of the Plan, as defined in Section 1101(2) of the Bankruptcy Code, the Debtors may, under Section 1127(b) of the Bankruptcy Code, institute proceedings in the Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and to accomplish such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially adversely affect the treatment of holders of Claims or Equity Interests under the Plan;

provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Court.

ARTICLE XIII

RETENTION OF JURISDICTION

Under Sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

A. Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the allowance or priority of Claims or Equity Interests;

B. Hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under Sections 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code; *provided, however*, that from and after the Effective Date, the payment of the fees and expenses of the retained Professionals of the Reorganized Entities shall be made in the ordinary course of business and shall not be subject to the approval of the Court;

C. Hear and determine all matters with respect to the assumption or rejection of any Executory Contract or Unexpired Lease to which the Debtors are a party or with respect to which the Debtors may be liable, including, if necessary, the nature or amount of any required Cure or the liquidation or allowance of any Claims arising therefrom;

D. Effectuate performance of and payments under the provisions of the Plan;

E. Hear and determine any and all adversary proceedings including those proceedings, if any, instituted pursuant to Chapter 5 of the Bankruptcy Code, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases;

F. Enter such orders as may be necessary or appropriate to execute, implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;

G. Hear and determine disputes arising in connection with the interpretation, implementation, consummation or enforcement of the Plan, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

H. Consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

I. Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with implementation, consummation or enforcement of the Plan or the Confirmation Order;

J. Enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated, or if distributions pursuant to the Plan are enjoined or stayed;

K. Hear and determine any matters arising in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

L. Enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;

M. Recover all assets of the Debtors and property of the Debtors' Estates, wherever located;

N. Hear and determine matters concerning federal, state and local taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code;

O. Hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge;

P. Hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and

Q. Enter a final decree closing the Chapter 11 Cases.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

A. Bar Dates For Certain Claims

1. Administrative Claims. The Confirmation Order will establish a Bar Date for the filing of all Administrative Claims (not including Professional Fee Claims or the expenses of the members of the Committee), which date shall be 30 days after the Confirmation Date. Holders of asserted Administrative Claims, other than Professional Fee Claims, United States Trustee fees, or the expenses of the members of the Committee, not paid prior to the Confirmation Date must submit proofs of Administrative Claim on or before such Administrative Claims Bar Date or forever be barred from doing so. The notice of Confirmation to be delivered pursuant to Bankruptcy Rule 3020(c) and 2002(f) will set forth such date and constitute notice of this Administrative Claims Bar Date. The Debtors or Reorganized OpTel, as the case may be, shall have 30 days (or such longer period as may be allowed by order of the Court) following the Administrative Claims Bar Date to review and object to such Administrative Claims. If no objection is made then Reorganized OpTel shall pay such Administrative Claim as soon as practicable.

2. Professional Fee Claims. All final requests for compensation or reimbursement of Professionals pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code for services rendered to the Debtors or the Committee prior to the Effective Date must be filed and served on Reorganized OpTel, its counsel and the Committee's counsel no later than 45 days after the Effective Date, unless otherwise ordered by the Court. Objections to applications of such Professionals or other entities for compensation or reimbursement of expenses must be filed and served on Reorganized OpTel and its counsel and the requesting Professional or other Person no later than 20 days (or such longer period as may be allowed by order of the Court) after the date on which the applicable application for compensation or reimbursement was served.

3. Other Claims. By Supplemental Order dated May 19, 2000, the Court entered an order (the "Bar Date Order") setting July 14, 2000 as the last date for the filing of proofs of Claim against the Debtors on account of any Claim, as defined in Section 101(5) of the Bankruptcy Code, against the Debtors, which arose prior to the Petition Date. Pursuant to the Bar Date Order and Bankruptcy Rule 3003(c)(2), any Person that was required to file a timely proof of Claim in the form and manner specified by the Bar Date Order and that failed to do so on or before the Bar Date (or, in the case of a Claim based upon the Debtors' rejection of an Unexpired Lease or Executory Contract, before the Bar Date set forth in the order authorizing such rejection), shall not be entitled to vote on the Plan and shall not receive or retain, or be entitled to receive or retain, any property or any payment or distribution of property from the Debtors or their successors or assigns with respect to such Claim.

B. Payment Of Statutory Fees

On or before the Effective Date, the Debtors shall pay or have paid in Cash in full all allowed Administrative Claims for fees payable pursuant to 28 U.S.C. §1930 and fees payable to the Court, which are due and payable on or before the Effective Date. All fees payable pursuant to 28 U.S.C. §1930 after the Effective Date will be paid by the Reorganized Entities.

C. Amendment And Severability Of Plan Provisions

The Debtors may, with the consent of the Committee, alter, amend or modify the treatment of any Claim provided for under the Plan. If, prior to Confirmation, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

D. Successors And Assigns

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Person.

E. Discharge Of The Debtors And Injunction

All consideration distributed under the Plan shall be in exchange for, and in complete satisfaction, settlement, discharge and release of, all Claims against the Debtors and the Estates of any nature whatsoever or against any of the Debtors' assets or properties. Except as otherwise expressly provided in the Plan, entry of the Confirmation Order acts as a discharge of all Claims against and Liens on and Interests in the Debtors and the Estates, the Debtors' assets, and the Debtors' properties, arising at any time before the entry of the Confirmation Order, regardless of whether a proof of Claim therefor was filed, whether the Claim is Allowed, or whether the holder thereof votes to accept the Plan or is entitled to receive a distribution thereunder, subject to the occurrence of the Distribution Date. Upon entry of the Confirmation Order, and subject to the occurrence of the Distribution Date, any holder of such discharged Claim or Equity Interest shall be precluded from asserting against the Debtors, any of the Reorganized Entities, any of the New Subsidiaries, any of their successors or any of their respective assets or properties any other or further Claim or Equity Interest based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the date of entry of the Confirmation Order. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors, subject to the occurrence of the Distribution Date.

In accordance with Section 524 of the Bankruptcy Code, the discharge provided by this Section and Section 1141 of the Bankruptcy Code shall act as an injunction against the commencement or continuation of any action, employment of process, or act to collect, offset or recover the Claims discharged hereby. Except as otherwise expressly provided in the Plan or the Confirmation Order, all Persons who have held, hold, or may hold Claims against any of the Debtors will be permanently enjoined and precluded permanently, on and after the Effective Date, subject to the occurrence of the Distribution Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim against any of the Debtors, the Reorganized Entities, the New Subsidiaries or any of their respective successors or Related Parties, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against any of the Debtors, the Reorganized Entities, the New Subsidiaries or any of their respective successors or Related Parties on account of any such Claim, (iii) creating, perfecting or enforcing any encumbrance of any kind against any of the Debtors, the Reorganized Entities or the New Subsidiaries or against their respective property or interests in property on account of any such Claim, and (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to any of the Debtors, any of the Reorganized Entities or any of the New Subsidiaries or against their respective property or interests in property on account of any such Claim. The foregoing injunction will extend to successors of any of the Debtors (including, without limitation, Reorganized OpTel or Reorganized Entities) and their respective properties and interests in property including the property and interests in property which may be assigned or transferred to the New Subsidiaries.

F. Debtors Releases

From and after the Effective Date none of the Debtors, Reorganized OpTel, the Reorganized Entities, the New Subsidiaries or the Committee, and none of their respective present or former directors, officers, employees, members, attorneys, advisors shall have or incur any liability to any Person, including holders of Claims or Equity Interests, for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, confirmation or consummation of the Plan (other than an action in contravention of the Plan or its confirmation), the Disclosure Statement related thereto or any contract, instrument, release or agreement or document created or entered into, or any other act taken

or omitted to be taken in connection with the Plan; provided, however, that the foregoing shall not affect the liability that otherwise would result from any such act or omission to the extent that such act or omission is determined by a Final Order to have constituted gross negligence or willful misconduct. Any of the foregoing parties in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

G. Exculpation And Other Releases

Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective Date, each of the Debtors shall unconditionally release (a) each of the Debtors' Related Parties, (b) the Committee, each of its members and its respective Related Parties, and (c) the Indenture Trustee and its Related Parties from any and all claims, obligations, rights, causes of action and liabilities which the Debtors, the Reorganized Entities or any holder of a Claim against the Debtors may be entitled to assert, whether for tort, fraud, contract, violations of federal or state securities laws, or otherwise, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, based in whole or in part upon any act or omission, transaction, or other occurrence taking place on or before the Effective Date in any way relating to the Chapter 11 Cases or the Plan; *provided, however*, that nothing herein shall release any Person from any claims, obligations, rights, causes of action or liabilities based upon any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the solicitation of acceptances of the Plan, the pursuit of Confirmation of the Plan, the Effectiveness of the Plan, the administration of the Plan, or the property to be distributed under the Plan arising out of such Person's gross negligence or willful misconduct. The Related Parties shall release and discharge any and all claims against the Debtors, the Reorganized Entities, the Committee and all of their respective counsel, advisors and agents, other than the Debtors' obligation to indemnify or such other obligation related to the employment between such party and the Debtors.

Notwithstanding any other provision in the Disclosure Statement, the Plan or the Confirmation Order, nothing in the Disclosure Statement, the Plan or the Confirmation Order shall release, discharge or exculpate any non-debtor party from any debt owed to the United States of America and/or its agencies, including the Pension Benefit Guaranty Corporation, for any liability arising under the Internal Revenue Code, Employee Retirement Income Security Act, any federal or state environmental laws, or any criminal laws of the United States of America. In addition, notwithstanding any other provision in the Disclosure Statement, the Plan, the Plan Supplement or the Confirmation Order, nothing in the Disclosure Statement, the Plan, the Plan Supplement or the Confirmation Order shall enjoin or prevent the United States of America from collecting any such liability from any such non-debtor party.

H. Termination Of Committee

Except as otherwise provided in this Article, effective 20 days after the Distribution Date, the Committee shall cease to exist, and its members and employees or agents (including, without limitation, attorneys, investment bankers, financial advisors, accountants and other professionals) shall be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with their service on the Committee. The Committee will continue to exist after such date solely with respect to (i) applications filed pursuant to Section 330 and 331 of the Bankruptcy Code seeking payment of fees and expenses incurred by any professional, including objections and appeals therefrom, (ii) any post-confirmation modifications to, or motions seeking the enforcement of, the Plan or the Confirmation Order, and (iii) any matters pending as of the Effective Date in the Chapter 11 Cases, until such matters are finally resolved.

I. Binding Effect

The Plan shall be binding upon and inure to the benefit of the Debtors, all present and former holders of Claims against and Equity Interests in the Debtors, and their respective successors and assigns, including, but not limited to, Reorganized OpTel, other Reorganized Entities and all other parties in interest in these Chapter 11 Cases.

J. Revocation, Withdrawal Or Non-Occurrence Of Effective Date

The Debtors and the Committee each reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date and to file other plans of reorganization. If the Debtors or the Committee revoke or withdraw the Plan or if Confirmation or the Effective Date of the Plan does not occur, then (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain for any Claim or Class of Claims), assumption or rejection of Executory Contracts or leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (iii) nothing contained in the Plan, and no acts taken in preparation for confirmation of the Plan, shall (a) constitute or be deemed to constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors or any other Person, (b) prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or (c) constitute an admission of any sort by the Debtors or any other Person.

K. Plan Supplement

Any and all exhibits, lists or schedules not filed with the Plan shall be contained in the Plan Supplement or Plan Supplements, as the case may be, and filed with the Clerk of the Court seven days prior to the date set for the Confirmation Hearing. Upon its filing with the Court, the Plan Supplement may be inspected in the office of the Clerk of the Court during normal court hours or may be viewed on the Court's website at www.deb.uscourts.gov. Holders of Claims may obtain a copy of the Plan Supplement upon written request to the Debtors in accordance with Article XIV.L hereof.

L. Notices

Any notice, request, or demand required or permitted to be made or provided to or upon the Debtors, Reorganized OpTel, the other Reorganized Entities or the Committee hereunder shall be (i) in writing, (ii) served by (a) certified mail, return receipt requested, (b) hand delivery, (c) overnight delivery service, (d) first class mail, or (e) facsimile transmission, however, if said notice, request or demand is made by facsimile transmission then in that event the written notice, request or demand must also be served by first class mail, and (iii) deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

OPTEL, INC.
1111 W. Mockingbird Lane
10th Floor
Dallas, TX 75247
Attn: Office of the General Counsel
Telephone: (214) 634-3800
Facsimile: (214) 634-3889

with a copy to:

KRONISH LIEB WEINER & HELLMAN LLP

1114 Avenue of the Americas
New York, New York 10036
Attn: James A. Beldner, Esq.
Attn: Chet F. Lipton, Esq.
Telephone: (212) 479-6000
Facsimile: (212) 479-6257

**YOUNG CONAWAY STARGATT
& TAYLOR LLP**

11th Floor, Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899-0391
Attn: Brendan Linehan Shannon, Esq.
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

Co-Counsel to the Debtors and
Debtors in Possession

and

**AKIN, GUMP, STRAUSS, HAUER
& FELD, L.L.P.**

590 Madison Avenue
New York, NY 10022
Attn: Daniel H. Golden, Esq.
Attn: Ira S. Dizengoff, Esq.
Telephone: (212) 872-1000
Facsimile: (212) 872-1002

Counsel to the Committee

M. Indemnification Obligations

Except as otherwise specifically limited in this Plan, any obligations or rights of the Debtors, or the Reorganized Entities to defend, indemnify, reimburse or limit the liability of the Debtors' Related Parties, pursuant to the Debtors or the Reorganized Entities' respective certificates of incorporation, by-laws or policies of providing employee indemnification, applicable state law or specific agreement in respect of any claims, demands, suits, causes of action or proceedings against such Related Parties based upon any act or omission related to such Related Parties' service with, for, or on behalf of the Debtors prior to the Effective Date, shall survive confirmation of this Plan and remain unaffected thereby, and shall not be discharged, irrespective of whether such defense, indemnification, reimbursement, or limitation of liability is owed in connection with an occurrence before or after the Petition Date. Notwithstanding the foregoing, the Reorganized Entities shall not indemnify or reimburse the Debtors Related Parties for any indemnification obligations referenced above prior to the receipt by the Reorganized Entities of a general release from a

director or officer, at such time of seeking indemnification, referenced in the definition of Related Parties, other than the obligation to indemnify or such other obligation related to the employment between such party and the Debtors.

N. Prepayment

Except as otherwise provided in this Plan or the Confirmation Order, the Debtors shall have the right to prepay, without penalty, all or any portion of any Allowed Claim at any time; *provided, however*, that any such prepayment shall not be violative to or otherwise prejudice, the relative priorities and parities among the Classes of Claims.

O. Term Of Injunctions Or Stays

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Cases under Sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date (excluding any injunctions or stays contained in this Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date.

P. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of (i) the State of Delaware shall govern the construction and implementation of the Plan and any agreements, documents, and instruments executed in connection with this Plan and (ii) the laws of the State of Delaware shall govern corporate governance matters with respect to the Debtors, in either case without giving effect to the principles of conflicts of law thereof.

Dated: Dallas, Texas
September 25, 2001

OPTEL, INC., et al.

By: S/Michael E. Katzenstein
Name: Michael E. Katzenstein
Title: President and Chief Executive Officer

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Counsel for the Committee

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RESTATED
CERTIFICATE OF INCORPORATION

OF

TVMAX HOLDINGS, INC.
(FORMERLY OPTEL, INC.)
a Delaware corporation

(Under Sections 242 and 245 of the Delaware General Corporation Law)

Pursuant to the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware, TVMAX HOLDINGS, INC., a Delaware corporation (the "Corporation" or "this corporation"), does hereby certify:

FIRST: TVMAX Holdings, Inc. was originally incorporated in the State of Delaware and filed its original Certificate of Incorporation with the Office of the Secretary of State of the State of Delaware on July 1, 1994 under the name OpTel, Inc.

SECOND: The Restated Certificate of Incorporation of TVMAX Holdings, Inc. attached hereto as Appendix A is made and filed pursuant to an order of the United States Bankruptcy Court, District of Delaware, dated _____, 20__ in *In re OpTel Inc., et al.*, Index No. 99-3951 (SLR) under title 11 of the United States Code, a copy of which is attached hereto.

THIRD: Among the changes from the previous Restated Certificate of Incorporation are the following: (1) an amendment to Article FOUR to (i) change the total authorized capital of the Corporation to fifteen million (15,000,000) shares, consisting of (a) fourteen million (14,000,000) shares of Common Stock and (b) one million (1,000,000) shares of Preferred Stock, and (ii) change the par value of the Common Stock and the Preferred Stock to \$0.001 per share; (2) a revision to paragraph B of Article FOUR to give the holders of the shares of Preferred Stock at least one vote per share; (3) a revision to paragraph A of Article FIVE to prevent the Board of Directors of the Corporation from exercising powers that are directed or required by statute or this Restated Certificate of Incorporation to be exercised or done by the stockholders; (4) additional provisions to paragraph A of Article EIGHT to (i) include within the indemnification protection of the Corporation services rendered by directors or officers of the Corporation, on behalf of the Corporation, related to employee benefit plans, (ii) limit the impact of amendments of law applicable to indemnification so that the Corporation will only be required to indemnify

persons to the extent that such amendments permit the Corporation to provide broader indemnification rights than were permitted by the law applicable prior to such amendments, (iii) require the indemnification of a director or officer to continue with respect to a person who has ceased to be a director or officer and to require indemnification of a director or officer to continue for the benefit of the heirs, executors and administrators of such director or officer, and (iv) subject to paragraph B of Article EIGHT of this Restated Certificate of Incorporation, limit indemnification by the Corporation with respect to proceedings initiated by a director or officer to those proceedings authorized by the Board of Directors; (5) additional words to paragraph D of Article EIGHT to (i) permit the Corporation to purchase insurance on behalf of itself, and (ii) clarify that the Corporation may purchase insurance on behalf of directors, officers, employees or agents; and (7) an additional sentence to paragraph E of Article EIGHT to include in the indemnification protection of the Corporation persons serving as employees or agents of another corporation on behalf of the Corporation.

IN WITNESS WHEREOF, TVMAX Holdings, Inc. has caused this Restated Certificate of Incorporation to be signed by _____, its _____, and attested by _____, its _____, this ____ day of _____, 2001.

TVMAX HOLDINGS, INC.

By: _____

Name:

Title:

ATTEST:

Name:

Title:

RESTATED
CERTIFICATE OF INCORPORATION
OF
TVMAX HOLDINGS, INC.

ONE: The name of the Corporation is TVMAX Holdings, Inc.

TWO: The address of the Corporation's registered office in the State of Delaware is 1050 S. State Street in the City of Dover, County of Kent. The name of its registered agent at such address is CorpAmerica, Inc.

THREE: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law (the "DGCL").

FOUR: A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is fifteen million (15,000,000), divided into the following classes:

(i) fourteen million (14,000,000) shares of Common Stock, par value \$0.001 per share (hereinafter referred to as "Common Stock"); and

(ii) one million (1,000,000) shares of Preferred Stock, par value \$0.001 per share (hereinafter referred to as "Preferred Stock").

B. Preferred Stock. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof; provided that each share of Preferred Stock shall be entitled to at least one vote. The number of authorized shares of Preferred Stock may be

increased or decreased (but not below the number of shares thereof then outstanding) by the approval of a majority of the votes entitled to be cast by the holders of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

FIVE: The following provisions are inserted for the management of the business and the conduct of the affairs of this corporation, and for further definition, limitation and regulation of the powers of this corporation and of its directors and stockholders:

A. The business and affairs of this corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by the DGCL, or by this Restated Certificate of Incorporation or the Bylaws of this corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by this corporation and are not by statute or this Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

B. The Board of Directors may adopt, amend or repeal the Bylaws of this corporation.

C. Election of directors need not be by written ballot.

SIX: The officers of this corporation shall be chosen in such a manner, shall hold their offices for such terms and shall carry out such duties as are determined solely by the Board of Directors, subject to the right of the Board of Directors to remove any officer or officers at any time with or without cause.

SEVEN: No director of this corporation shall be personally liable to this corporation or its stockholders for monetary damages for any breach of fiduciary duty by such a director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to this corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL or (iv) for any transactions from which such director derived an improper personal benefit. No amendment to or repeal of this Article SEVEN shall apply to or have any effect on the liability or alleged liability of any director of this corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. If the DGCL is amended hereafter to further eliminate or limit the personal liability of directors, the liability of a director of this corporation shall be limited or eliminated to the fullest extent permitted by the DGCL, as amended.

EIGHT: A. Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is involuntarily involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she is or was a director or officer of this corporation, or is or was serving (during his or her tenure as director and/or officer) at the request of this corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by this corporation to the fullest extent authorized by the DGCL (or other applicable law), as the same exists or may hereafter be amended (but, in the case of any such amendment to the fullest extent permitted by law; only to the extent that such amendment permits this corporation to provide broader indemnification rights than such law permitted this corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such Proceeding and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors or administrators; provided, however, that, except as provided in paragraph B of this Article EIGHT, this corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the Board of Directors. Such director or officer shall have the right to be paid by this corporation for expenses incurred in defending or prosecuting any such Proceeding in advance of its final disposition; provided, however, that, if the DGCL (or other applicable law) requires, the payment of such expenses in advance of the final disposition of any such Proceeding shall be made only upon receipt by this corporation of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it should be determined ultimately that he or she is not entitled to be indemnified under this Article EIGHT or otherwise.

 B. Right of Claimant to Bring Suit. If a claim under paragraph A of this Article EIGHT is not paid in full by this corporation within ninety (90) days after a written claim has been received by this corporation, the claimant may at any time thereafter bring suit against this corporation to recover the unpaid amount of the claim, together with interest thereon, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to this corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for this corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on this corporation. Neither the failure of this corporation (or of its full Board of Directors, its directors who are not parties to the Proceeding with respect to which indemnification is claimed, its stockholders, or independent legal counsel)

to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL (or other applicable law), nor an actual determination by any such person or persons that such claimant has not met such applicable standard of conduct, shall be a defense to such action or create a presumption that the claimant has not met the applicable standard of conduct.

C. Non-Exclusivity of Rights. The rights conferred by this Article EIGHT shall not be exclusive of any other right which any director, officer, representative, employee or other agent may have or hereafter acquire under the DGCL or any other statute, or any provision contained in this corporation's Restated Certificate of Incorporation or Bylaws, or any agreement, or pursuant to a vote of stockholders or disinterested directors, or otherwise.

D. Insurance and Trust Fund. In furtherance and not in limitation of the powers conferred by statute:

(1) this corporation may purchase and maintain insurance on behalf of itself or any person who is or was a director, officer, employee or agent of this corporation, or is serving at the request of this corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not this corporation would have the power to indemnify him or her against such liability under the provisions of law; and

(2) this corporation may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or other similar arrangements), as well as enter into contracts providing indemnification to the fullest extent permitted by law and including as part thereof provisions with respect to any or all of the foregoing, to ensure the payment of such amount as may become necessary to effect indemnification as provided therein, or elsewhere.

E. Indemnification of Employees and Agents of this Corporation. This corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, including the right to be paid by this corporation the expenses incurred in defending any Proceeding in advance of its final disposition, to any employee or agent of this corporation and persons serving at the request of this corporation as an employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, in each case, to the fullest extent of the provisions of this Article EIGHT or otherwise with respect to the indemnification and advance of expenses of directors and officers of this corporation.

F. Amendment. Any repeal or modification of this Article EIGHT shall not change the rights of any officer or director to indemnification with respect to any action

or omission occurring prior to such repeal or modification.

NINE: This corporation reserves the right to alter, amend, rescind or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

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AMENDED AND RESTATED BYLAWS

OF

TVMAX HOLDINGS, INC.

a Delaware corporation

(the "*Company*")

(Adopted as of _____, 2001)

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AMENDED AND RESTATED BYLAWS
OF
TVMAX HOLDINGS, INC.

ARTICLE I.
OFFICES

Section 1.1 Registered Office. The registered office of the Company within the State of Delaware shall be located at either (i) the principal place of business of the Company in the State of Delaware or (ii) the office of the corporation or individual acting as the Company's registered agent in Delaware.

Section 1.2 Additional Offices. The Company may, in addition to its registered office in the State of Delaware, have such other offices and places of business, both within and without the State of Delaware, as the Board of Directors of the Company (the "**Board**") may from time to time determine or as the business and affairs of the Company may require.

ARTICLE II.
STOCKHOLDERS MEETINGS

Section 2.1 Annual Meetings. Annual meetings of stockholders shall be held at a place and time on any weekday which is not a holiday and which is not more than 120 days after the end of the fiscal year of the Company as shall be designated by the Board and stated in the notice of the meeting, at which the stockholders shall elect the directors of the Company and transact such other business as may properly be brought before the meeting.

Section 2.2 Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by law or by the certificate of incorporation, (i) may be called by the chairman of the board or the president and (ii) shall be called by the president or secretary at the request in writing of a majority of the Board or stockholders owning capital stock of the Company representing a majority of the votes of all capital stock of the Company entitled to vote thereat. Such request of the Board or the stockholders shall state the purpose or purposes of the proposed meeting.

Section 2.3 Notices. Written notice of each stockholders' meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote thereat by or at the direction of the officer calling such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. If said notice is for a stockholders meeting other than an annual meeting, it shall in addition state the purpose or purposes for which said meeting is called, and the business transacted at such meeting shall be limited to the matters so stated in said notice and any matters reasonably related thereto.

Section 2.4 Quorum. The presence at a stockholders' meeting of the holders, present in person or represented by proxy, of capital stock of the Company representing a majority of the votes of all capital stock of the Company entitled to vote thereat shall constitute a quorum at such meeting for the transaction of business except as otherwise provided by law, the certificate

of incorporation or these Bylaws. If a quorum shall not be present or represented at any meeting of the stockholders, a majority of the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such reconvened meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the reconvened meeting, a notice of said meeting shall be given to each stockholder entitled to vote at said meeting. The stockholders present at a duly convened meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.5 Voting of Shares.

Section 2.5.1. Voting Lists. The officer or agent who has charge of the stock ledger of the Company shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote thereat arranged in alphabetical order and showing the address and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The original stock transfer books shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer books or to vote at any meeting of stockholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at said meeting.

Section 2.5.2. Votes Per Share. Unless otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote in person or by proxy at every stockholders meeting for each share of capital stock held by such stockholder.

Section 2.5.3. Proxies. Every stockholder entitled to vote at a meeting or to express consent or dissent without a meeting or a stockholder's duly authorized attorney-in-fact may authorize another person or persons to act for him by proxy. Each proxy shall be in writing, executed by the stockholder giving the proxy or by his duly authorized attorney. No proxy shall be voted on or after three (3) years from its date, unless the proxy provides for a longer period. Unless and until voted, every proxy shall be revocable at the pleasure of the person who executed it, or his legal representatives or assigns, except in those cases where an irrevocable proxy permitted by statute has been given.

Section 2.5.4. Required Vote. When a quorum is present at any meeting, the vote of the holders, present in person or represented by proxy, of capital stock of the Company representing a majority of the votes of all capital stock of the Company entitled to vote thereat shall decide any question brought before such meeting, unless the question is one upon which, by express provision of law or the certificate of incorporation or these Bylaws, a different vote is

required, in which case such express provision shall govern and control the decision of such question.

Section 2.5.5. Consents in Lieu of Meeting. Any action required to be or which may be taken at any meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt, written notice of the action taken by means of any such consent which is other than unanimous shall be given to those stockholders who have not consented in writing.

ARTICLE III. DIRECTORS

Section 3.1 Purpose. The business of the Company shall be managed by or under the direction of the Board, which may exercise all such powers of the Company and do all such lawful acts and things as are not by law, the certificate of incorporation or these Bylaws directed or required to be exercised or done by the stockholders. Directors need not be stockholders or residents of the State of Delaware.

Section 3.2 Number. As of the Effective Date of that certain Joint Reorganization Plan of OpTel, Inc. and the Official Committee of Unsecured Creditors of OpTel, Inc., filed under title 11 of the United States Code in the United States Bankruptcy Court, District of Delaware, Index No. 99-3951 (SLR), the number of directors constituting the Board shall be three (3). Thereafter, the number of directors constituting the Board may be changed from time to time by resolution of the Board; provided, however, that the number of directors constituting the Board shall never be less than three (3) nor greater than eleven (11).

Section 3.3 Election. Directors shall be elected by the stockholders by plurality vote at an annual stockholders meeting as provided in the certificate of incorporation, except as hereinafter provided, and each director shall hold office until his successor has been duly elected and qualified.

Section 3.4 Vacancies. Vacancies and newly-created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until their successors are duly elected and qualified. If there are no directors in office, then an election of directors may be held in the manner provided by law. If, at the time of filling any vacancy or any newly-created directorship, the directors then in office shall constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least twenty-five percent (25%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly-created directorships, or to replace the directors chosen by the directors then in office. No decrease in the size of the Board shall serve to shorten the term of an incumbent director.

Section 3.5 Removal. Unless otherwise restricted by law, the certificate of incorporation or these Bylaws, any director or the entire Board may be removed, with or without cause, by a majority vote of the shares entitled to vote at an election of directors, if notice of the intention to act upon such matter shall have been given in the notice calling such meeting.

Section 3.6 Compensation. Unless otherwise restricted by the certificate of incorporation or these Bylaws, the Board shall have the authority to fix the compensation of directors. The directors may be reimbursed their expenses, if any, of attendance at each meeting of the Board and may be paid either a fixed sum for attendance at each meeting of the Board or a stated salary as director. No such payment shall preclude any director from serving the Company in any other capacity and receiving compensation therefor. Members of committees of the Board may be allowed like compensation for attending committee meetings.

ARTICLE IV. BOARD MEETINGS

Section 4.1 Annual Meetings. The Board shall meet as soon as practicable after the adjournment of each annual stockholders' meeting at the place of the stockholders' meeting. No notice to the directors shall be necessary to legally convene this meeting, provided a quorum is present.

Section 4.2 Regular Meetings. Regularly scheduled, periodic meetings of the Board may be held without notice at such times and places as shall from time to time be determined by resolution of the Board and communicated to all directors.

Section 4.3 Special Meetings. Special meetings of the Board (i) may be called by the chairman of the board or president and (ii) shall be called by the president or secretary on the written request of the majority of directors then in office, as the case may be. Notice of each special meeting of the Board shall be given, either personally or as hereinafter provided, to each director at least 24 hours before the meeting if such notice is delivered personally or by means of telephone, telegram, telex, facsimile or electronic mail transmission and delivery; two days before the meeting if such notice is delivered by a recognized express delivery service; and three days before the meeting if such notice is delivered through the United States mail. Any and all business may be transacted at a special meeting which may be transacted at a regular meeting of the Board. Except as may be otherwise expressly provided by law, the certificate of incorporation or these Bylaws, neither the business to be transacted at, nor the purpose of, any special meeting need be specified in the notice or waiver of notice of such meeting.

Section 4.4 Quorum, Required Vote. A majority of the directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by law, the certificate of incorporation or these Bylaws. If a quorum shall not be present at any meeting, a majority of the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 4.5 Consent In Lieu of Meeting. Unless otherwise restricted by the certificate of incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

ARTICLE V. COMMITTEES OF DIRECTORS

Section 5.1 Establishment; Standing Committees. The Board may by resolution establish, name or dissolve one or more committees, each committee to consist of one or more of the directors. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

Section 5.2 Available Powers. Any committee established pursuant to Section 5.1 hereof, but only to the extent provided in the resolution of the Board establishing such committee or otherwise delegating specific power and authority to such committee and as limited by law, the certificate of incorporation and these Bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it.

Section 5.3 Unavailable Powers. No committee of the Board shall have the power or authority to amend the certificate of incorporation; adopt an agreement of merger or consolidation; recommend to the stockholders the sale, lease or exchange of all or substantially all of the Company's property and assets, a dissolution of the Company or a revocation of such a dissolution; amend the Bylaws of the Company; or, unless the resolution establishing such committee or the certificate of incorporation expressly so provides, declare a dividend, authorize the issuance of stock or adopt a certificate of ownership and merger.

Section 5.4 Alternate Members. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

Section 5.5 Procedures. Time, place and notice, if any, of meetings of a committee shall be determined by such committee. At meetings of a committee, a majority of the number of members designated by the Board shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee, except as otherwise specifically provided by law, the certificate of incorporation or these Bylaws. If a quorum is not present at a meeting of a committee, the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present.

ARTICLE VI. OFFICERS

Section 6.1 Elected Officers. The Board shall elect a chairman of the board, a president, a treasurer and a secretary (collectively, the "*Required Officers*") having the respective duties enumerated below and may elect such other officers having the titles and duties set forth below which are not reserved for the Required Officers or such other titles and duties as the Board may by resolution from time to time establish:

Section 6.1.1. Chairman of the Board. The chairman of the board, or in his absence, the president, shall preside when present at all meetings of the stockholders and the Board. The chairman of the board shall advise and counsel the president and other officers and shall exercise such powers and perform such duties as shall be assigned to or required of him from time to time by the Board or these Bylaws. The chairman of the board may execute bonds, mortgages and other contracts requiring a seal under the seal of the Company, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Company. The chairman of the board may delegate all or any of his powers or duties to the president, if and to the extent deemed by the chairman of the board to be desirable or appropriate.

Section 6.1.2. President. The president shall be the chief executive officer of the Company, shall have general and active management of the business of the Company and shall see that all orders and resolutions of the Board are carried into effect. In the absence of the chairman of the board or in the event of his inability or refusal to act, the president shall perform the duties and exercise the powers of the chairman of the board.

Section 6.1.3. Vice Presidents. In the absence of the president or in the event of his inability or refusal to act, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated by the Board, or in the absence of any designation, then in the order of their election or appointment) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice presidents shall perform such other duties and have such other powers as the Board or the president may from time to time prescribe.

Section 6.1.4. Secretary. The secretary shall attend all meetings of the stockholders, the Board and (as required) committees of the Board and shall record all the proceedings of such meetings in books to be kept for that purpose. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board and shall perform such other duties as may be prescribed by the Board or the president. He shall have custody of the corporate seal of the Company and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board may give general authority to any other officer to affix the seal of the Company and to attest the affixing thereof by his signature.

Section 6.1.5. Assistant Secretaries. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board (or if there be no such determination, then in the order of their election or appointment) shall, in the absence of the

secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board, the president or the secretary may from time to time prescribe.

Section 6.1.6. Treasurer. Unless the Board by resolution otherwise provides, the treasurer shall be the chief accounting and financial officer of the Company. The Treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board. He shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the president and the Board, at its regular meetings, or when the Board so requires, an account of all his transactions as treasurer and of the financial condition of the Company. The treasurer shall perform such other duties and have such other powers as the Board or the president may from time to time prescribe.

Section 6.1.7. Assistant Treasurers. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election or appointment) shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the Board, the president or the treasurer may from time to time prescribe.

Section 6.1.8. Divisional Officers. Each division of the Company, if any, may have a president, secretary, treasurer or controller and one or more vice presidents, assistant secretaries, assistant treasurers and other assistant officers. Any number of such offices may be held by the same person. Such divisional officers will be appointed by, report to and serve at the pleasure of the Board and such other officers that the Board may place in authority over them. The officers of each division shall have such authority with respect to the business and affairs of that division as may be granted from time to time by the Board, and in the regular course of business of such division may sign contracts and other documents in the name of the division where so authorized; provided that in no case and under no circumstances shall an officer of one division have authority to bind any other division of the Company except as necessary in the pursuit of the normal and usual business of the division of which he is an officer.

Section 6.2 Election. All elected officers shall serve until their successors are duly elected and qualified or until their earlier death, disqualification, retirement, resignation or removal from office.

Section 6.3 Appointed Officers. The Board may also appoint or delegate the power to appoint such other officers, assistant officers and agents, and may also remove such officers and agents or delegate the power to remove same, as it shall from time to time deem necessary, and the titles and duties of such appointed officers may be as described in Section 6.1 hereof for elected officers; provided that the officers and any officer possessing authority over or responsibility for any functions of the Board shall be elected officers.

Section 6.4 Multiple Officeholders, Stockholder and Director Officers. Any number of offices may be held by the same person, unless the certificate of incorporation or these Bylaws otherwise provide. Officers need not be stockholders or residents of the State of Delaware. Officers, such as the chairman of the board, possessing authority over or responsibility for any function of the Board must be directors.

Section 6.5 Compensation, Vacancies. The compensation of elected officers shall be set by the Board. The Board shall also fill any vacancy in an elected office. The compensation of appointed officers and the filling of vacancies in appointed offices may be delegated by the Board to the same extent as permitted by these Bylaws for the initial filling of such offices.

Section 6.6 Additional Powers and Duties. In addition to the foregoing especially enumerated powers and duties, the several elected and appointed officers of the Company shall perform such other duties and exercise such further powers as may be provided by law, the certificate of incorporation or these Bylaws or as the Board may from time to time determine or as may be assigned to them by any competent committee or superior officer.

Section 6.7 Removal. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any meeting of the Board.

ARTICLE VII. SHARE CERTIFICATES

Section 7.1 Entitlement to Certificates. Every holder of the capital stock of the Company, unless and to the extent the Board by resolution provides that any or all classes or series of stock shall be uncertificated, shall be entitled to have a certificate, in such form as is approved by the Board and conforms with applicable law, certifying the number of shares owned by him.

Section 7.2 Multiple Classes of Stock. If the Company shall be authorized to issue more than one class of capital stock or more than one series of any class, a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall, unless the Board shall by resolution provide that such class or series of stock shall be uncertificated, be set forth in full or summarized on the face or back of the certificate which the Company shall issue to represent such class or series of stock; provided that, to the extent allowed by law, in lieu of such statement, the face or back of such certificate may state that the Company will furnish a copy of such statement without charge to each requesting stockholder.

Section 7.3 Signatures. Each certificate representing capital stock of the Company shall be signed by or in the name of the Company by (1) the chairman of the board, the president or a vice president; and (2) the treasurer, an assistant treasurer, the secretary or an assistant secretary of the Company. The signatures of the officers of the Company may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office before such certificate is issued, it may be issued by the Company with the same effect as if he held such office on the date of issue.

Section 7.4 Issuance and Payment. Subject to the provisions of the law, the certificate of incorporation or these Bylaws, shares may be issued for such consideration and to such persons as the Board may determine from time to time. Shares may not be issued until the full amount of the consideration has been paid, unless upon the face or back of each certificate issued to represent any partly paid shares of capital stock there shall have been set forth the total amount of the consideration to be paid therefor and the amount paid thereon up to and including the time said certificate is issued.

Section 7.5 Lost Certificates. The Board may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 7.6 Transfer of Stock. Upon surrender to the Company or its transfer agent, if any, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer and of the payment of all taxes applicable to the transfer of said shares, the Company shall be obligated to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books; provided, however, that the Company shall not be so obligated unless such transfer was made in compliance with applicable state and federal securities laws.

Section 7.7 Registered Stockholders. The Company shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, vote and be held liable for calls and assessments and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any person other than such registered owner, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VIII. INDEMNIFICATION

Section 8.1 Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is involuntarily involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "*Proceeding*"), by reason of the fact that he or she is or was a director or officer of the Company, or is or was serving (during his or her tenure as director and/or officer) at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such Proceeding is an alleged action or inaction in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Company to the fullest extent authorized by the General Corporation Law of the State of Delaware (the "*DGCL*") (or other applicable law), as the same exists or may hereafter be

amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment), against all expense, liability and loss (including attorneys fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such Proceeding and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators provided, however, that, except as provided in Section 8.2, the Company shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the Board of Directors. Such director or officer shall have the right to be paid by the Company for expenses incurred in defending or prosecuting any such Proceeding in advance or its final disposition; provided, however, that, if the DGCL (or other applicable law) requires, the payment of such expenses in advance of the final disposition of any such Proceeding shall be made only upon receipt by the Company of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it should be determined ultimately that he or she is not entitled to be indemnified under this Article VIII or otherwise.

Section 8.2 Right of Claimant to Bring Suit. If a claim under Section 8.1 is not paid in full by the Company within ninety (90) days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim, together with interest thereon, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Company) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (or of its full Board of Directors, its directors who are not parties to the Proceeding with respect to which indemnification is claimed, its stockholders, or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL (or other applicable law), nor an actual determination by any such person or persons that such claimant has not met such applicable standard of conduct, shall be a defense to such action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 8.3 Non-Exclusivity of Rights. The rights conferred by this Article VIII shall not be exclusive of any other right which any director, officer, representative, employee or other agent may have or hereafter acquire under the DGCL or any other statute, or any provision contained in the certificate of incorporation or these Bylaws, or any agreement, or pursuant to a vote of stockholders or disinterested directors, or otherwise.

Section 8.4 Insurance and Trust Fund In furtherance and not in limitation of the powers conferred by statute:

Section 8.4.1. The Company may purchase and maintain insurance on behalf of itself or any person who is or was a director, officer, employee or agent of the Company, or is serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability under the provisions of law; and

Section 8.4.2. The Company may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters or credit, surety bonds and/or other similar arrangements), as well as enter into contracts providing indemnification to the fullest extent permitted by law and including as part thereof provisions with respect to any or all of the foregoing, to ensure the payment of such amount as may become necessary to effect indemnification as provided therein, or elsewhere.

Section 8.5 Indemnification of Employees and Agents. The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, including the right to be paid by the Company the expenses incurred in defending any Proceeding in advance of its final disposition, to any employee or agent of the Company and persons serving at the request of the Company as an employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, in each case, to the fullest extent of the provisions of this Article VIII or otherwise with respect to the indemnification and advancement of expenses of directors and officers of the Company.

Section 8.6 Amendment. Any repeal or modification of this Article VIII shall not change the rights of any officer or director to indemnification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE IX. DIRECTORS' LIABILITY

No director of this Company shall be personally liable to this Company or its stockholders for monetary damages for any breach of fiduciary duty by such a director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to this Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL or (iv) for any transaction from which such director derived an improper personal benefit. No amendment or repeal of this Article IX shall apply to or have any effect on the liability or alleged liability of any director of this Company for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. If the DGCL is amended hereafter to further eliminate or limit the personal liability of directors, the liability of a director of this Company shall be limited or eliminated to the fullest extent permitted by the DGCL, as amended.

ARTICLE X. INTERESTED DIRECTORS, OFFICERS AND STOCKHOLDERS

Section 10.1 Validity. Any contract or other transaction between the Company and any of its directors, officers or stockholders (or any corporation or firm in which any of them are directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such director, officer or stockholder at the meeting authorizing such contract or transaction, or his participation or vote in such meeting or authorization.

Section 10.2 Disclosure, Approval. The foregoing shall, however, apply only if the material facts of the relationship or the interest of each such director, officer or stockholder is known or disclosed:

(A) to the Board and it nevertheless in good faith authorizes or ratifies the contract or transaction by a majority of the directors present, each such interested director to be counted in determining whether a quorum is present but not in calculating the majority necessary to carry the vote; or

(B) to the stockholders and they nevertheless in good faith authorize or ratify the contract or transaction by a majority of the shares present, each such interested person to be counted for quorum and voting purposes.

Section 10.3 Nonexclusive. This provision shall not be construed to invalidate any contract or transaction which would be valid in the absence of this provision.

ARTICLE XI. MISCELLANEOUS

Section 11.1 Place of Meetings. All stockholders, directors and committee meetings shall be held at such place or places, within or without the State of Delaware, as shall be designated from time to time by the Board or such committee and stated in the notices thereof. If no such place is so designated, said meetings shall be held at the principal business office of the Company.

Section 11.2 Fixing Record Dates.

(a) In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty (60) nor less than ten (10) days prior to any such action. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Company may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is otherwise required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Company having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Company's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is required, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

(c) In order that the Company may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

Section 11.3 Means of Giving Notice. Whenever under law, the certificate of incorporation or these Bylaws, notice is required to be given to any director or stockholder, such notice may be given in writing and delivered personally, through the United States mail, by a recognized express delivery service (such as Federal Express) or by means of telegram, telex or facsimile transmission, addressed to such director or stockholder at his address or telex or facsimile transmission number, as the case may be, appearing on the records of the Company, with postage and fees thereon prepaid. Such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or with an express delivery service or when transmitted, as the case may be. Notice of any meeting of the Board may be given to a director by telephone or electronic mail and shall be deemed to be given when actually received by the director.

Section 11.4 Waiver of Notice. Whenever any notice is required to be given under law, the certificate of incorporation or these Bylaws, a written waiver of such notice, signed before or after the date of such meeting by the person or persons entitled to said notice, shall be deemed equivalent to such required notice. All such waivers shall be filed with the corporate records. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 11.5 Attendance via Communications Equipment. Unless otherwise restricted by law, the certificate of incorporation or these Bylaws, members of the Board, any committee

thereof or the stockholders may hold a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can effectively communicate with each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 11.6 Dividends. Dividends on the capital stock of the Company, paid in cash, property, or securities of the Company and as may be limited by applicable law and applicable provisions of the certificate of incorporation (if any), may be declared by the Board at any regular or special meeting.

Section 11.7 Reserves. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the Board from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, for equalizing dividends, for repairing or maintaining any property of the Company or for such other purpose as the Board shall determine to be in the best interest of the Company; and the Board may modify or abolish any such reserve in the manner in which it was created.

Section 11.8 Reports to Stockholders. The Board shall present at each annual meeting of stockholders, and at any special meeting of stockholders when called for by vote of the stockholders, a statement of the business and condition of the Company.

Section 11.9 Contracts and Negotiable Instruments. Except as otherwise provided by law or these Bylaws, any contract or other instrument relative to the business of the Company may be executed and delivered in the name of the Company and on its behalf by the chairman of the board or the president; and the Board may authorize any other officer or agent of the Company to enter into any contract or execute and deliver any contract in the name and on behalf of the Company, and such authority may be general or confined to specific instances as the Board may by resolution determine. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officer, officers, agent or agents and in such manner as are permitted by these Bylaws and/or as, from time to time, may be prescribed by resolution (whether general or special) of the Board. Unless authorized to do so by these Bylaws or by the Board, no officer, agent or employee shall have any power or authority to bind the Company by any contract or engagement, or to pledge its credit, or to render it liable pecuniarily for any purpose or to any amount.

Section 11.10 Fiscal Year. The fiscal year of the Company shall be fixed by resolution of the Board.

Section 11.11 Seal. The seal of the Company shall be in such form as shall from time to time be adopted by the Board. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 11.12 Books and Records. The Company shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its stockholders, Board and committees and shall keep at its registered office or principal place of business, or at the office of

its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each.

Section 11.13 Resignation. Any director, committee member, officer or agent may resign by giving written notice to the chairman of the board, the president or the secretary. The resignation shall take effect at the time specified therein, or immediately if no time is specified. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 11.14 Surety Bonds. Such officers and agents of the Company (if any) as the president or the Board may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Company, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Company, in such amounts and by such surety companies as the president or the Board may determine. The premiums on such bonds shall be paid by the Company and the bonds so furnished shall be in the custody of the Secretary.

Section 11.15 Proxies in Respect of Securities of Other Corporations. The chairman of the board, the president, any vice president or the secretary may from time to time appoint an attorney or attorneys or an agent or agents for the Company to exercise, in the name and on behalf of the Company, the powers and rights which the Company may have as the holder of stock or other securities in any other corporation to vote or consent in respect of such stock or other securities, and the chairman of the board, the president, any vice president or the secretary may instruct the person or persons so appointed as to the manner of exercising such powers and rights; and the chairman of the board, the president, any vice president or the secretary may execute or cause to be executed, in the name and on behalf of the Company and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in order that the Company may exercise such powers and rights.

Section 11.16 Amendments. These Bylaws may be altered, amended, repealed or replaced by the stockholders, or by the Board when such power is conferred upon the Board by the certificate of incorporation, at any annual stockholders meeting or annual or regular meeting of the Board, or at any special meeting of the stockholders or of the Board if notice of such alteration, amendment, repeal or replacement is contained in the notice of such special meeting. If the power to adopt, amend, repeal or replace these Bylaws is conferred upon the Board by the certificate of incorporation, the power of the stockholders to so adopt, amend, repeal or replace these Bylaws shall not be divested or limited thereby.

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LIQUIDATION ANALYSIS

Chapter 7 Liquidation Analysis As Of December 31, 2001

1. Introduction

The Debtors believe that the value of the property to be received under the Plan by each holder of an Impaired Claim is more than the value such holder would receive in a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. To arrive at that conclusion, the Debtors estimated and compared the likely returns to each holder of an Impaired Claim in a liquidation under Chapter 7 of the Bankruptcy Code and the Plan. The results of such analyses are set forth below.

The Liquidation Analysis was prepared using a valuation of the Debtors' assets as of December 31, 2001, and is based upon a number of estimates and assumptions which are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A CHAPTER 7 LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

A general summary of the assumptions used by management and Anchor Pacific in preparing the Liquidation Analysis follows. The more specific assumptions are discussed below.

2. Estimate Of Net Proceeds

Estimates were made of the cash proceeds that might be realized from the liquidation of the Debtors' assets. The Chapter 7 liquidation period is assumed to commence on or about December 31, 2001 and to average six months following the appointment of a chapter 7 trustee. The Debtors' primary assets are the cable subscribers associated with its rights of entry agreements and the underlying on-property and network assets employed in the delivery of its cable services. Estimates of liquidation values of the subscriber-related assets were made based upon valuations of recent private cable industry transactions. These multiples were adjusted for a liquidation discount given the forced nature of the sale. For other assets, such as other fixtures and equipment, liquidation values were assessed for general classes of assets by estimating the percentage recoveries which the Debtors might achieve through their disposition.

3. Estimate Of Costs

The Debtors' costs of liquidation under Chapter 7 would include the fees payable to a Chapter 7 trustee, as well as those which might be payable to attorneys and other professionals that such a trustee might engage. Further, costs of liquidation would include any obligations and unpaid expenses incurred by the Debtors during the Chapter 11 case and allowed in the Chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants, and other professionals, and costs and expenses of members of the Committee. Moreover, additional claims would arise by reason of the breach or rejection of obligations incurred and executory contracts or leases entered into by the Debtors both prior to, and during the pendency of, the Chapter 11 case.

4. Distribution Of Net Proceeds Under Absolute Priority Rule

The foregoing types of claims, costs, expenses, fees and such other claims that might arise in a Chapter 7 case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay Chapter 11 Administrative Priority and General Unsecured Claims. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors were paid in full, and no equity holder would receive any distribution until all creditors were paid in full. THE DEBTORS BELIEVE THAT IN A CHAPTER 7 LIQUIDATION, HOLDERS OF GENERAL UNSECURED CLAIMS WOULD RECEIVE LESS VALUE THAN UNDER THE COMPANY'S PLAN OF REORGANIZATION, WHILE PREFERRED STOCK EQUITY INTERESTS AND COMMON STOCK EQUITY INTERESTS WOULD RECEIVE NO DISTRIBUTION OF PROPERTY.

After consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to Creditors and Equity Interest holders in a Chapter 11 case, including (i) the increased costs and expenses of a liquidation under Chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a Chapter 7 case in the context of the expeditious liquidation required under Chapter 7 and the "forced sale" atmosphere that would prevail, (iii) substantial increases in Claims that would be satisfied on a priority basis, and (iv) the adverse tax consequences associated with the sale of the Debtors' assets. THE DEBTORS HAVE DETERMINED, AS SUMMARIZED ON THE FOLLOWING CHART, THAT CONFIRMATION OF THE PLAN WILL PROVIDE EACH CREDITOR WITH A RECOVERY THAT IS NOT LESS THAN IT WOULD RECEIVE PURSUANT TO A LIQUIDATION OF THE DEBTORS UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

<u>Description</u>	<u>Class No.</u>	<u>Summary of Recoveries</u>	
		<u>Under the Plan</u>	<u>Chapter 7 Liquidation</u>
CIT Secured Claims (DIP Financing)	Class 1	100%	100%
Ad Valorem Secured Tax Claims	Class 2	100%	100%
Other Secured Claims	Class 3	100%	100%
Other Priority Claims	Class 4	100%	100%
General Unsecured Claims	Class 5	61%	20%
Convenience Claims	Class 6	55%	20%
Preferred Stock Interests	Class 7	0%	0%
Common Stock Interests	Class 8	0%	0%

The foregoing chart does not consider that the value of any distributions from the liquidation proceeds to each class of Allowed Claims would be further reduced because such distributions in a Chapter 7 case may not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for a year or more after the completion of such liquidation to resolve the Claims and prepare for distributions. In the event litigation were necessary to resolve Claims asserted in the Chapter 7 case, the delay could be further prolonged and administrative expenses further increased. The effects of this delay on the value of distributions under the hypothetical liquidation has not been considered.

THE DEBTORS' LIQUIDATION ANALYSIS IS AN ESTIMATE OF THE PROCEEDS THAT MAY BE GENERATED AS A RESULT OF A HYPOTHETICAL CHAPTER 7 LIQUIDATION OF THE ASSETS OF THE DEBTORS. These values have not been subject to any review, compilation or audit by any independent accounting firm. Underlying the Liquidation Analysis are a number of estimates and assumptions that are inherently subject to significant economic, competitive and operational uncertainties and contingencies beyond the control of the Debtors or a Chapter 7 trustee. Additionally, various liquidation decisions upon which certain assumptions are based are subject to change. Therefore, there can be no assurance that the assumptions and estimates employed in determining the liquidation values of the Debtors' assets will result in an accurate estimate of the proceeds which would be realized were the Debtors to undergo an actual liquidation. The actual amounts of Claims against the estate could vary significantly from the Debtors' estimate, depending on the Claims asserted during the pendency of the Chapter 7 case. This liquidation analysis does not include liabilities that may arise as a result of litigation, certain new tax assessments or other potential claims. This analysis also does not include potential recoveries from avoidance actions. No value was assigned to additional proceeds that might result from the sale of certain items with intangible value. Therefore, the actual liquidation value of the Debtors could vary materially from the estimates provided herein.

5. Footnotes To Liquidation Analysis

5.1 Cash

Cash consists of all cash in banks or operating accounts and liquid investments with maturities of three months or less and is assumed to be fully recoverable.

5.2 Accounts Receivable, Net

Accounts receivable consists of existing trade accounts receivable from cable subscribers and other miscellaneous receivables, less appropriate valuation allowances. These assets were assumed to have a 75% recovery through normal collection efforts or through sale to purchaser of the related cable subscribers. Telephone-related and other receivables were estimated to be fully reserved at December 31, 2001 and were assigned no book value and no recovery value.

5.3 Prepaid Expenses And Other Current Assets

Prepaid expenses and other current assets include prepaid rents, rent deposits, prepaid revenue-sharing (recoupable key money), prepaid insurance, and other miscellaneous assets.

5.4 Inventories

Inventories consist of various construction, repair and maintenance materials associated with the ongoing maintenance of the cable television infrastructure. Minimal incremental recovery is assumed for

these assets as these assets would likely revert to the purchaser of the related subscribers or be sold via wholesale liquidators. Telephone-related materials in inventory were estimated to be fully reserved at December 31, 2001 and were assigned no book value and no recovery value.

5.5 Property, Plant And Equipment

Property, Plant and Equipment includes fleet vehicles, office furniture & equipment and leasehold improvements.

- Cable related assets: The value of on-property and network assets associated with the delivery of cable television services, intangible assets associated with the Company's cable rights of entry agreements were valued on a "per subscriber" valuation basis, adjusted for a liquidation discount due to assumed quick sale.
- Telephone related assets: Telephone assets collateralizing "Other Secured Claims" were valued at estimated recovery from third party purchasers. Other telephone assets were estimated to be fully reserved at December 31, 2001 and were assigned no book value and no recovery value.
- Fleet vehicles: These assets are held under capital lease arrangements and were valued at amounts equal to the underlying obligation.
- Office Fixtures & Equipment: Minimal value has been ascribed in liquidation to these assets as these assets would likely revert to the purchaser or be sold via wholesale liquidators.
- Leasehold Improvements: No separate value has been ascribed in liquidation to these assets as the value of these improvements will either revert to the purchaser or lessor upon the sale or rejection of the leases.

5.6 Secured Claims

Secured claims represent the amounts attributable to the Class 1 CIT Secured Claims.(DIP Financing) and the Class 2 Other Secured Claims. The Class 1 Claims are estimated to be paid in cash through proceeds from asset sales or through other financing. The Class 2 Claims are estimated to be satisfied through return of the underlying collateral.

5.7 Trustee And Professional Fees

Total trustee and professional fees are estimated at \$500 thousand per month of the six-month liquidation process and 1.5% of the estimated gross liquidation value of the cable-related assets. Professional fees represent the costs in a Chapter 7 case of attorneys, accountants, appraisers, investment bankers and other professionals retained by the trustee, as well as professional costs related to the divestment of operating subsidiaries.

5.8 Wind Down Costs

Wind down costs consist of region operating costs, corporate overhead, occupancy and employee costs to be incurred during the Chapter 7 liquidation period. Management assumes that the liquidation would occur over a six-month period and that such expenses, costs and overhead would decrease over time. Wind down costs include employee severance payments which are designed to retain employees during the liquidation process. It is estimated that a majority of the employees in the

Company's regions would be employed by a purchaser of the underlying cable-related assets, so the no severance costs would be incurred for these employees.

5.9 Chapter 11 Administrative And Priority Claims

Chapter 11 Administrative and Priority Claims include costs incurred during the Chapter 11 case, including unpaid professional fees, that are assumed allowed in the Chapter 7 case. At any one time there is outstanding approximately \$24,000,000 in Chapter 11 ordinary course Administrative Claim obligations that would be a charge against the proceeds upon a conversion to a Chapter 7 liquidation. However, included in such amount are various items that may not actually require a cash payment depending upon the date a liquidation would occur such as deferred revenues where customer payments had not yet been received and certain accounting accruals.

5.10 General Unsecured Claims

General Unsecured Claims include Class 5 and Class 6 pre-petition trade and other payables, noteholder obligations and accrued expenses and professional fees, accrued employee compensation, deficiency claims, lease rejection claims and other pre-petition liabilities subject to compromise.

Lease rejection claims resulting from the Debtors' rejection of unexpired leases of real property were estimated at \$2.5 million, under a liquidation scenario. In accordance with section 502(b)(6) of the Bankruptcy Code, each lease rejection claim is calculated as the greater of one year, or 15%, not to exceed three years, of the remaining term of each lease.

An estimate of claims resulting from the Debtors' rejection of other executory contracts would be highly speculative and is not included in the liquidation analysis, however, such claims, if upheld, would reduce the amount of recoveries available to other General Unsecured Claims and Convenience Claims at the applicable recovery percentage.

LIQUIDATION ANALYSIS

(dollar amounts in thousands)

	Estimated Balance Sheet December 31, 2001 <small>(pre-effective)</small>	Estimated Liquidation Proceeds	Estimated Recovery
Assets			
Cash	\$ 1,000	\$ 1,000	100%
Accounts receivable, net	\$ 3,107	2,330	75%
Prepaid expenses and other	\$ 1,671	418	25%
Inventories	\$ 4,954	495	10%
Property, plant and equipment, net	\$ 172,267	160,600	58%
Intangible assets, net	\$ 104,680		
Total Assets	\$ 287,679	\$ 164,843	57%
Secured Claims			
CIT Secured Claim		20,944	100%
Other Secured Claims		2,400	100%
Total Secured Claims		23,344	100%
Proceeds available for payment of administrative and priority claims		141,499	
Chapter 7 Liquidation Costs			
Trustee and professional fees		5,409	100%
Wind down costs		8,980	100%
Total Chapter 7 Liquidation Costs		14,389	100%
Chapter 11 Administrative and Priority Claims			
Administrative Claims		5,480	100%
Priority Claims		3,622	100%
Chapter 11 accrued professional fees		1,000	100%
Accounts Payable and accrued expenses		24,418	100%
Total Chapter 11 Administrative and Priority Claims		34,520	100%
Proceeds available for payment of unsecured Claims and Interests		92,590	
Unsecured Claims			
General Unsecured Claims (Class 5 and Class 6)	462,772	92,093	20%
Lease rejection claims	2,500	498	20%
Total Unsecured Claims	465,272	92,590	20%
Proceeds available for distribution to:			
Preferred Stock Interests		-	0%
Common Stock Interests		-	0%

OpTel, Inc. / Reorganized OpTel, Inc.
Consolidated Balance Sheet
Unaudited
(dollar amounts in thousands)

	Historical	Projected Activity August 1 to December 31, 2001	Pre-effective Date	Adjustments to Record the Effective Date of the Plan			Reorganized
	July 31 2001		Estimated December 31, 2001	Debt Discharge	Exchange of Stock	Fresh Start	December 31, 2001
Assets							
Cash	\$ 780	\$ 220	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Accounts receivable, net	3,107		3,107	-	-	-	3,107
Prepaid expenses and other	1,891	(220)	1,671	-	-	-	1,671
Property, plant and equipment, net	199,721	(22,500)	177,221	(2,400) (a)	-	-	174,821
Intangible assets, net	110,180	(5,500)	104,680	750	-	(6,767) (i)	98,663
Reorganization value in excess of identifiable assets	-		-	-	-	55,857 (j)	55,857
Total Assets	\$ 315,679	\$ (28,000)	\$ 287,679	\$ (1,650)	\$ -	\$ 49,090	\$ 335,119
Liabilities							
Accounts payable, accrued expenses and other liabilities	\$ 68,218		\$ 68,218	\$ (52,683) (b)	\$ -	\$ -	\$ 15,535
Deferred revenue and customer deposits	4,958		4,958	-	-	-	4,958
Priority tax claims payable	-		-	1,922 (b)	-	-	1,922
Obligations under capital leases	2,003		2,003	-	-	-	2,003
Notes payable and long-term obligations	14,580	6,364	20,944	(20,944) (c)	-	-	-
Exit financing facility	-		-	30,260 (d)	-	-	30,260
Liabilities subject to compromise	477,997		477,997	(477,997) (e)	-	-	-
Total liabilities	567,756	6,364	574,120	(519,442)	-	-	54,678
Stockholders' Equity (Deficit)							
Dividends payable	23,765		23,765	-	(23,765) (h)	-	-
Common and preferred stock receivable	(5,652)		(5,652)	-	5,652 (h)	-	-
Preferred stock	211,116		211,116	-	(211,116) (h)	-	-
Common stock - old	27		27	-	(27) (h)	-	-
Common stock - new	-		-	46 (f)	-	-	46
Additional paid-in capital	113,780		113,780	280,394 (f)	229,256 (h)	(343,036) (k)	280,394
Accumulated deficit	(595,113)	(34,364)	(629,477)	237,351 (g)	-	392,126 (l)	-
Total stockholders' equity (deficit)	(252,077)	(34,364)	(286,441)	517,792	-	49,090	280,440
Total Liabilities and Stockholders' Equity (Deficit)	\$ 315,679	\$ (28,000)	\$ 287,679	\$ (1,650)	\$ -	\$ 49,090	\$ 335,119

OpTel, Inc. / Reorganized OpTel, Inc.

Notes to Consolidated Balance Sheet (as of December 31, 2001)

Unaudited

(dollar amounts in thousands)

- (a) Reflects the fair value of collateral returned to Class 3 creditors.
- (b) To record the reversal of post-petition interest on unsecured interest bearing notes included in Class 5 - General Unsecured Claims.
- (c) Reflects the repayment of DIP Credit Facility.

- (d) Consists of borrowings under the Exit Financing Facility for payments as follows:

DIP Credit Facility	\$ 20,944
Administrative Claims	5,480
Professional Fee Claims	1,000
Priority Tax Claims & Ad Valorem Tax Claims	1,591
Class 4 - Other Priority Claims	109
Class 6 - Convenience Claims	386
Commitment fee for Exit Financing Facility	750
	<u>\$ 30,260</u>

- (e) To record settlement of Liabilities Subject to Compromise pursuant to terms of the Plan.
- (f) To record settlement of Liabilities Subject to Compromise pursuant to terms of the Plan. The amount shown for Common Stock - new assumes 4,621,000 shares are issued and outstanding at the Effective Date with a par value of \$.01 per share.
- (g) Reflects the estimated extraordinary gain on discharge of pre-petition liabilities and the reversal of interest expense as described in (b) above.

OpTel, Inc. / Reorganized OpTel, Inc.

Notes to Consolidated Balance Sheet (as of December 31, 2001)

Unaudited

(dollar amounts in thousands)

- (h) To record the cancellation of the Common Stock Equity Interests, the Preferred Stock Equity Interests, and all accrued but unpaid Preferred Stock dividends.
- (i) To record the adjustments necessary to reflect the estimated fair market value of these assets as of the Effective Date in accordance with fresh-start reporting.
- (j) To record the estimated reorganization value in excess of amounts allocable to identifiable assets in accordance with fresh-start reporting.
- (k) To record the elimination of the excess balance in Additional Paid-in Capital immediately prior to the Effective Date in accordance with fresh-start reporting.
- (l) To record the elimination of the balance in Accumulated Deficit immediately prior to the Effective Date in accordance with fresh start reporting. Reflects the following Accumulated Deficit adjustments:

Pre-Confirmation Accumulated Deficit	\$ 629,477
Adjustments to Accumulated Deficit to record Confirmation of the Plan (item (g) above)	(237,351)
	<u>\$ 392,126</u>

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EXHIBIT D

OpTel, Inc.
Consolidated Statement of Operations
Unaudited
(dollar amounts in thousands)

	Twenty-One Months Ended July 31, 2001
Revenues	
Cable television	\$ 130,202
Telecommunications	21,994
Internet and other revenue	1,983
Total Revenues	<u>154,179</u>
Operating Expenses	
Programming, access fees and revenue sharing	74,378
Customer support, general & administrative	128,465
	<u>202,843</u>
Earnings before Interest, Taxes, Depreciation & Amortization and Reorganization Costs	(48,664)
Depreciation, Amortization and Reorganization Costs	
Depreciation and amortization	78,157
Nonrecurring reorganization costs	26,105
Total Operating Expenses	<u>104,262</u>
Loss from Operations	(152,926)
Other Income (Expense)	
Interest expense and other, net	(132,452)
Net Loss	<u><u>\$ (285,378)</u></u>

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Projected Financial Information**A. Introduction**

THE DEBTORS CAUTION THAT NO REPRESENTATION CAN BE MADE AS TO THE ACCURACY OF THE PROJECTED FINANCIAL INFORMATION OR THE ABILITY TO ACHIEVE THE PROJECTED RESULTS. MANY OF THE ASSUMPTIONS UPON WHICH THESE PROJECTIONS ARE BASED ARE NOT DIRECTLY DERIVED FROM HISTORICAL RESULTS AND ARE SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTIES. IT IS LIKELY THAT SOME

ASSUMPTIONS WILL NOT MATERIALIZE BECAUSE OF UNANTICIPATED EVENTS AND CIRCUMSTANCES. ACCORDINGLY, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PROJECTION PERIOD ARE LIKELY TO VARY FROM THE PROJECTED RESULTS. THE VARIATIONS MAY BE MATERIAL AND ADVERSE.

The Projections were prepared by the Debtors' management and are based on the accompanying assumptions and should be read in conjunction with such assumptions. The Projections present, to the best of the Debtors' knowledge and belief, the expected financial position, results of operations and cash flows of the Debtors for the periods shown, assuming the realization of the underlying assumptions. Accordingly, these projections reflect the Debtors' judgment, as of the date of this Disclosure Statement, of expected future operating conditions and future business decisions, which are subject to change. The assumptions disclosed herein are those that the Debtors believe are significant to the Projections.

The Debtors do not intend to revise the projections to reflect circumstances existing after the date of this Disclosure Statement or to reflect the occurrence of unanticipated events. The Debtors assume no responsibility to advise users of the projections about any subsequent changes.

ALTHOUGH THE DEBTORS BELIEVE THAT THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES, NO ASSURANCE CAN BE GIVEN THAT THE ASSUMPTIONS WILL PROVE TO BE ACCURATE OR THAT THE PROJECTIONS WILL BE REALIZED. THE DEBTORS URGE HOLDERS OF CLAIMS AND INTERESTS TO CONSIDER CAREFULLY THE UNDERLYING ASSUMPTIONS IN EVALUATING THE PLAN.

B. Summary Of Significant Assumptions

The Debtors have developed the Projections (summarized below) to assist both Creditors and Equity Interest holders in their evaluation of the Plan and to analyze its feasibility. The financial statements have been shown on a fully consolidated basis. THE PROJECTIONS ARE BASED UPON A NUMBER OF SIGNIFICANT ASSUMPTIONS DESCRIBED BELOW. ACTUAL OPERATING RESULTS AND VALUES MAY AND LIKELY WILL VARY FROM THOSE PROJECTED.

1. Fiscal Years.

The Debtors' fiscal year ends on August 31 of each year. The financial projections present the expected financial position, results of operations and cash flows of the Debtors for the twelve month periods following the date of confirmation, which for purposes of these projections, was assumed to occur on or about December 31, 2001.

2. Plan Terms And Confirmation.

The Projections assume a Confirmation Date on or around December 31, 2001. The projections also assume that Allowed Claims and Equity Interests will be treated in accordance with the treatment provided in the Plan. If Confirmation of the Plan does not occur on or around December 31, 2001, there is no guarantee that, among other things, the Debtors will be able to continue to fund its operations or continue to maintain its expiring ROEs and cable subscribers at the levels contemplated in the projections. Further, if the Confirmation of the Plan does not occur by December 31, 2001, additional bankruptcy expenses will be incurred until such time as the Plan is confirmed. These expenses could significantly affect the Debtors' results of operations and cash flows.

3. Assumptions Preceding The Confirmation Date.

As a basis for the projections, management has estimated the operating results for the period of time leading up to the Confirmation Date. Specifically, it has been assumed that for the duration of the Chapter 11 Cases, the Debtors' results of operations and other funding requirements will remain consistent with recent performance, except for the impact of certain restructuring activities which may be realized prior to confirmation.

4. General Economic Conditions.

The Projections were prepared assuming that economic conditions during the projection period in the markets served by the Debtors do not differ significantly or deteriorate from current economic conditions.

5. Assets Held for Sale

The Debtors anticipate that they may identify and divest "non-core" markets during the periods following the Confirmation Date. The Projections do not include the impact of a sale of any of these markets. The results of operations and asset valuations for these markets have not been segregated from otherwise ongoing operations.

6. Revenues.

Revenues for the five-year period are projected to increase as a result of annual rate increases for cable television services, the expanded deployment of the Debtors' digital video and high-speed Internet products, and increases in subscriber counts through increased penetration on currently-served properties and acquisition of new ROEs, where economically attractive. Annual rate increases for cable television services will be affected by increases in the cost of video programming, the competitive environment in each of the Debtors' markets, and, in some cases, ROE contractual limitations, among other factors.

The Debtors have historically implemented annual rate increases for cable television services generally in the first quarter of the calendar year, in connection with the timing of annual programming cost increases. The annual rate increases included in the five-year projections are also projected to be implemented in the first calendar quarter of each year.

7. Programming, Internet and Revenue Sharing.

Programming, Internet and revenue sharing as a percentage of revenues are projected to be lower than historical amounts principally due to the Debtors' exit from the telephone business and the effect of the video programming consolidation initiative. Annual video programming cost increases generally take effect at the beginning of the calendar year and are reflected in the Projections accordingly. Other costs include transport and other costs associated with the Debtors' high speed Internet product and the revenue participation from cable television services which are paid to property owners in accordance with ROE requirements.

8. Customer Support, General and Administrative Expenses.

Customer support, general and administrative expenses are expected to decrease significantly as a percentage of revenues from 83% for the twenty-one months ended July 31, 2001 to 54% for the year ending December 31, 2002 due to the impact of business restructuring initiatives: primarily the telephone exit, call center outsourcing, corporate and field organization "right-sizing", and facility-related savings. The Debtors anticipate that customer support, general and administrative expenses will continue to decrease as a percentage of revenues each year of the Projections to 38% for the year ending December 31, 2006.

9. Depreciation and Amortization.

Depreciation and amortization as a percentage of revenues is expected to increase from 51% for the twenty-one months ended July 31, 2001 to 66% for the year ending December 31, 2002, reflecting the write-off of telephone assets, the current valuation of the cable assets and the goodwill created from applying fresh-start accounting. For the years ending after December 31, 2002, depreciation and amortization as a percentage of revenues is projected to decrease reflecting the Debtors' expectation that revenues will be increased without substantial capital expenditures.

10. Restructuring Costs

Restructuring costs are comprised of severance and other costs incurred in connection with the implementation of the Debtors' planned business restructuring initiatives, including the Debtors' exit from their telephone business markets, corporate and field staff reductions and executive severance arrangements. The Projections assume that all such costs will be incurred prior to the Confirmation Date.

11. Interest Expense.

Interest expense reflects interest on the Debtors' projected borrowings at rates generally consistent with the existing DIP Credit Facility.

12. Income Taxes.

Income tax expense/benefit is not provided for in the Debtors' Projections. The Projections assume that, upon the Confirmation Date, the Reorganized Entities will be able to utilize net operating loss carryforwards on a limited basis in accordance with Section 382 of the Internal Revenue Code. Because of the uncertainties regarding ultimate realization of the tax benefits associated with the net operating loss carryforwards, the deferred tax assets created by the existence of the loss carryforwards have been fully reserved.

13. EBITDA.

EBITDA is defined for purposes of the Projections as earnings before interest expense, income tax provisions, depreciation and amortization, unusual items, reorganization items, and extraordinary items.

14. Working Capital.

Working capital is projected primarily on the basis of historic patterns applied to projected levels of operations.

15. Capital Expenditures.

Capital expenditures are primarily for the deployment of the Debtors' digital video product, the renewal of ROEs with scheduled expiration dates and various network and on-property cable system improvements.

16. Dividends / Distributions.

The Debtors project that Reorganized OpTel will pay dividends or make other distributions according to policies adopted by the Board of Directors of Reorganized OpTel. No dividends or other distributions have been assumed in the Projections.

17. Fresh Start Accounting.

The Projections have been prepared using the basic principles of "fresh start" accounting for periods after December 31, 2001. These principles are contained in the American Institute of Certified Public Accountants Statement of Position 90-7, entitled "Financial Reporting By Entities In Reorganization Under the Bankruptcy Code." Under "fresh start" accounting principles, the Debtors will determine the reorganization value of the reorganized company on the Confirmation Date. This value will be allocated, based on estimated fair market values, to specific tangible or identifiable intangible assets, and the Debtors will record an intangible asset equal to the reorganization value in excess of amounts allocable to identifiable assets. The Projections assume that the reorganization value in excess of amounts allocable to identifiable assets will be amortized over the 7 ½ years (\$7.4 million per year) following the Confirmation Date. The Debtors are currently evaluating further the manner in which the reorganization value will be allocated to its various assets. It is likely that the final allocation, and therefore the amount of reorganization value in excess of book value, as well as depreciation and amortization expense, will differ from the amounts presented herein.

18. Reorganization Value.

For purposes of this Disclosure Statement and the Projections, the Debtors have estimated the reorganization value of the Reorganized Entities as of July 31, 2001 to be approximately \$329 million.

19. Special Note Regarding Forward-Looking Statements

Except for historical information, statements contained in this Disclosure Statement and incorporated by reference, including the Projections, may be considered "forward-looking statements" within the meaning of federal securities laws. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, general economic and business conditions, the competitive environment in which the Debtors operate and will operate, the success or failure of the Debtors in implementing its current business and operational strategies, the ability of the Debtors to maintain and improve its revenues and margins, and the liquidity of the Debtors on a cash flow basis (including the ability to comply with the financial covenants of its credit arrangements and to fund capital expenditures). For additional information about certain relevant risk factors, see "Certain Risk Factors To Be Considered."

20. Financial Projections

The Projections prepared by the Debtors are summarized in the following tables. Specifically, the attached tables include:

- a. Pro forma consolidated balance sheet at December 31, 2001, including all reorganization and fresh-start adjustments.
- b. Projected consolidated balance sheets for the five years ending December 31, 2006.
- c. Projected consolidated statements of operations for the five years ending December 31, 2006.
- d. Projected consolidated statements of cash flows for the five years ending December 31, 2006.

All captions in the Projections do not correspond exactly to the Debtors' historical external reporting. Some captions have been combined for presentation purposes.

OpTel, Inc. / Reorganized OpTel, Inc
 Projected Consolidated Statements of Operations
 Unaudited
 (dollar amounts in thousands)

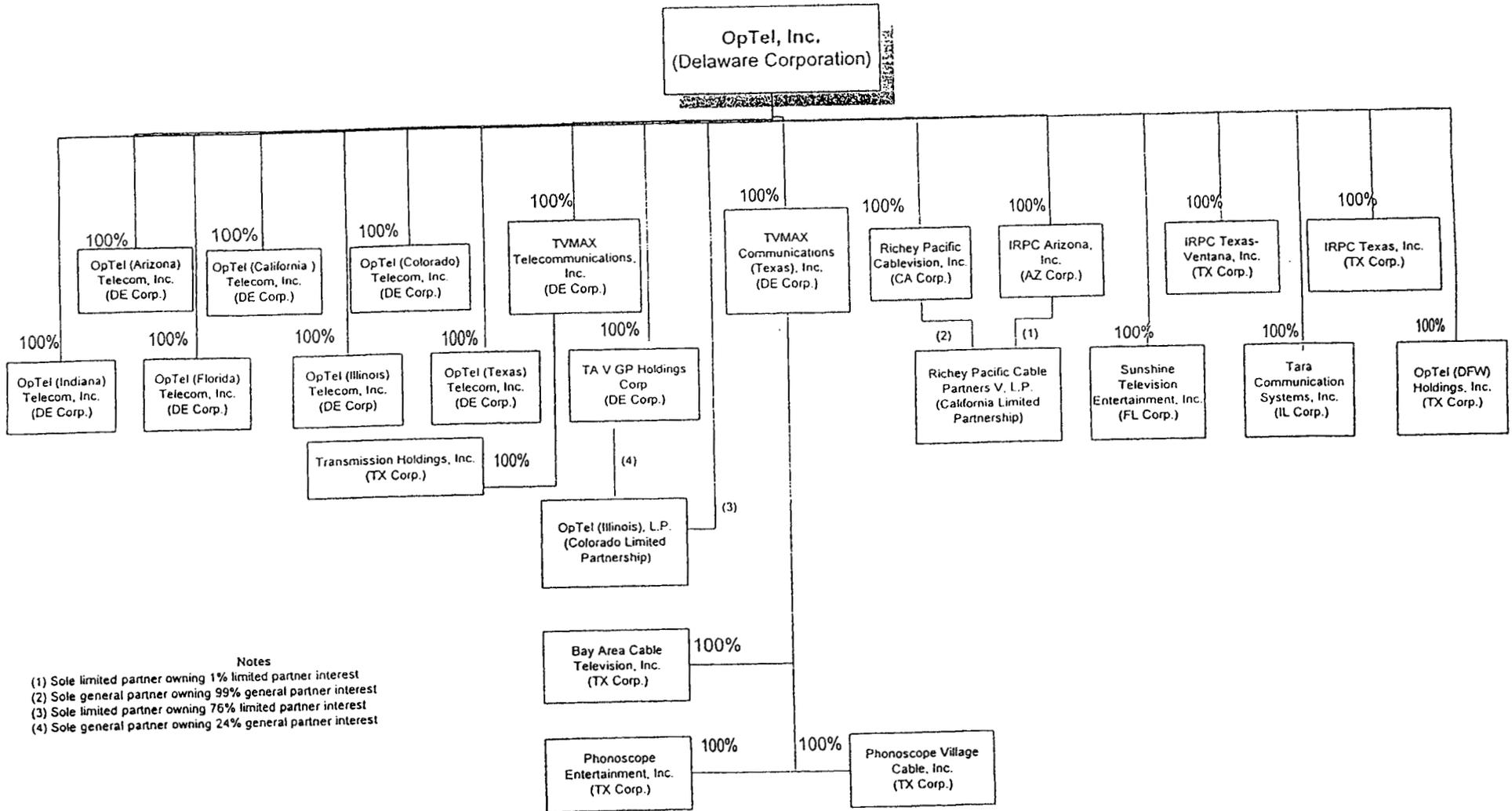
	Years Ended December 31,				
	2002	2003	2004	2005	2006
Revenues					
Cable television	\$ 71,602	\$ 80,106	\$ 88,850	\$ 96,860	\$ 107,660
Internet and other revenue	1,405	2,774	4,144	5,286	6,880
Total Revenues	<u>73,007</u>	<u>82,880</u>	<u>92,994</u>	<u>102,146</u>	<u>114,540</u>
Operating Expenses					
Programming, internet and revenue sharing	32,632	36,079	39,644	42,765	47,610
Customer support, general & administrative	39,492	40,693	41,907	42,958	44,430
	<u>72,124</u>	<u>76,772</u>	<u>81,551</u>	<u>85,723</u>	<u>92,050</u>
Earnings before Interest, Taxes, Depreciation & Amortization and Reorganization Costs	883	6,108	11,443	16,423	22,490
Depreciation, Amortization and Reorganization Costs					
Depreciation and amortization	48,000	48,000	48,000	48,000	48,000
Nonrecurring reorganization costs	-	-	-	-	-
Total Operating Expenses	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>
Loss from Operations	(47,117)	(41,892)	(36,557)	(31,577)	(25,500)
Other Income (Expense)					
Interest expense and other, net	(3,469)	(4,467)	(5,056)	(5,223)	(4,810)
Net Loss	<u>\$ (50,586)</u>	<u>\$ (46,359)</u>	<u>\$ (41,613)</u>	<u>\$ (36,800)</u>	<u>\$ (30,320)</u>

OpTel, Inc. / Reorganized OpTel, Inc.
Projected Consolidated Statements of Cash Flows
Unaudited
(dollar amounts in thousands)

	Years Ended December 31,				
	2002	2003	2004	2005	2006
Cash Flows from Operating Activities:					
Net loss	\$ (50,586)	\$ (46,359)	\$ (41,613)	\$ (36,800)	\$ (30,320)
Adjustments to reconcile net loss to net cash flow used in operating activities:					
Depreciation and amortization	48,000	48,000	48,000	48,000	48,000
Changes in operating assets and liabilities:					
Accounts receivable	(533)	(429)	(440)	(463)	(486)
Prepaid expenses, deposits and other assets	-	-	-	-	-
Accounts payable and accrued expenses	65	26	590	468	499
Deferred revenue and other liabilities	503	33	143	579	608
Net cash flows used in operating activities	(2,552)	1,271	6,680	11,783	18,300
Cash Flows from Investing Activities:					
Purchases and construction of property	(8,910)	(9,374)	(10,298)	(10,224)	(10,299)
Net cash flows used in investing activities	(8,910)	(9,374)	(10,298)	(10,224)	(10,299)
Cash Flows from Financing Activities:					
Proceeds from exit financing, net	13,172	9,347	4,202	(1,176)	(8,000)
Payments on obligations under capital leases	(1,199)	(732)	(72)	-	-
Payments on priority tax claims payable	(512)	(512)	(512)	(384)	-
Net cash flows provided by financing activities	11,461	8,103	3,618	(1,560)	(8,000)
Net Increase (decrease) in Cash	-	-	-	-	-
Cash at Beginning of Period	1,000	1,000	1,000	1,000	1,000
Cash at End of Period	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000

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OpTel Corporate Structure - Prior to Reorganization



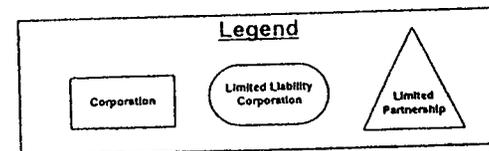
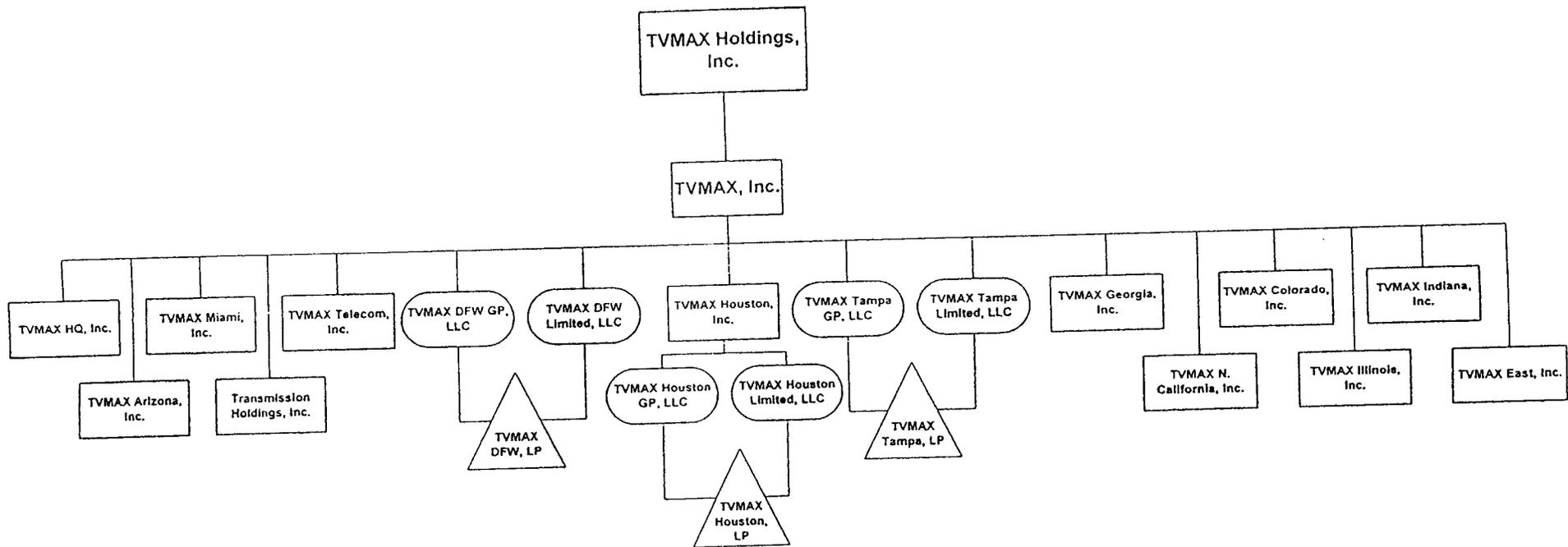
Notes

- (1) Sole limited partner owning 1% limited partner interest
- (2) Sole general partner owning 99% general partner interest
- (3) Sole limited partner owning 76% limited partner interest
- (4) Sole general partner owning 24% general partner interest

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Reorganization of OpTel and Subsidiaries

September 15, 2001



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**OPTEL, INC.
DESCRIPTION OF NEW COMMON STOCK**

The principal terms of the New Common Stock to be issued by Reorganized OpTel under the Plan shall be as follows:

Authorization:	14,000,000
Estimated Initial Issuance:	4,620,000
Par Value:	\$.001
Voting Rights:	One vote per share
Preemptive Rights:	None
Dividends:	Payable at the discretion of the board of directors of Reorganized OpTel

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BALLOT

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

-----X
 :
In re : **Chapter 11**
 :
 : **Case Nos. 99-3951 through**
OpTel, Inc., et al., : **99-3974**
 :
 :
Debtors. : **Case No. 99-3951 (SLR)**
 : **(Jointly Administered)**
 :
 -----X

**BALLOT FOR ACCEPTING OR REJECTING
 THE DEBTORS' JOINT PLAN OF REORGANIZATION FOR
 OPTEL, INC., ET AL. CLASS 5 (GENERAL UNSECURED
 CLAIMS) AND CLASS 6 (CONVENIENCE CLAIMS)**

On _____, 2001, OpTel, Inc. for itself and on behalf of its subsidiaries and affiliates,⁽¹⁾ as debtors and debtors in possession (collectively, the 'Debtors'), filed a Disclosure Statement with Respect to the Joint Plan of Reorganization of Debtors Under Chapter 11 of the Bankruptcy Code (the "Disclosure Statement") and, attached thereto, a Joint Plan of Reorganization of Debtors Under Chapter 11 of the Bankruptcy Code (the "Plan"). On _____, 2001, the Bankruptcy Court entered an order approving the Disclosure Statement with respect to the Plan. Copies of the Plan and Disclosure Statement are enclosed.

This Ballot has been sent to you to solicit your vote regarding the acceptance or rejection of the Plan. The Plan provides different treatment for different classes of claims or interests. Any claim asserted against the Debtors as a general unsecured claim in an amount greater than \$6,000 is included in Class 5 (General Unsecured Claims). Any claim asserted against the Debtors as a general unsecured claim in an amount equal to or less than \$6,000 is included in Class 6 (Convenience Claims). **Class 5 (GENERAL UNSECURED CLAIMS) INCLUDES ALL PUBLICLY HELD DEBT OF OPTEL, INC. NOTES SHOULD NOT BE SURRENDERED WITH THIS BALLOT.**

- | | |
|--|--|
| <p>1 Bay Area Cable Television, Inc.
 IRPC - Arizona, Inc.
 IRPC Texas - Ventana, Inc.
 IRPC Texas, Inc.
 OpTel (Arizona) Telecom, Inc.
 OpTel (California) Telecom, Inc.
 OpTel (Colorado) Telecom, Inc.
 OpTel (Florida) Telecom, Inc.
 OpTel (Illinois) Telecom, Inc.
 OpTel (Indiana) Telecom, Inc.
 OpTel (Texas) Telecom, Inc.
 Phonoscope Entertainment, Inc.</p> | <p>Phonoscope Village Cable, Inc.
 Richey Pacific Cablevision, Inc.
 Sunshine Television Entertainment, Inc.
 TA V GP Holdings Corp.
 Tara Communications Systems, Inc.
 TVMAX Communications (Texas), Inc.
 TVMAX Telecommunications, Inc.
 Transmission Holdings, Inc.
 OpTel (Illinois), L.P.
 Richey Pacific Cable Partners V., L.P.
 OpTel (DFW) Holdings, Inc.</p> |
|--|--|

This Ballot is only to be used for voting by holders of claims in Class 5 (General Unsecured Claims) or Class 6 (Convenience Claims) (collectively, the "Voting Classes"). Holders of Claims in the Voting Classes may vote on the Plan only if they are holders of Claims against the Debtors as of _____, 2000 (the "Voting Record Date"). If you have any questions on how to properly complete this Ballot, please refer to the attached instruction page or call Laura Campbell at Bankruptcy Services, L.L.C. (the "Ballot Agent") at (212) 376-8494.

In order for your vote to be counted, this Ballot must be properly completed, signed and returned so that it is received by the Ballot Agent before 5:00 p.m., Eastern Standard Time, on _____, 2001 (the "Voting Deadline") at the following address:

By U.S. Mail, Hand Delivery or Courier:

Bankruptcy Services, LLC
70 East 55th Street, 6th Floor
New York, New York 10022-3222
Attn: Laura Campbell

BALLOTS WILL NOT BE ACCEPTED BY TELECOPY OR FACSIMILE TRANSMISSION.

PLEASE COMPLETE ONLY THE SECTION THAT APPLIES TO YOUR CLAIM:

Class 5 (General Unsecured Claims)

General unsecured claims against the Debtors in an amount greater than \$6,000.00

ITEM 1. Amount of Claim. For purposes of voting to accept or reject the Plan, the undersigned holds, as of the Voting Record Date, a general unsecured claim in an amount greater than \$6,000.00, against the Debtors in the principal amount of \$ _____.*

ITEM 2. Vote on the Plan. The undersigned holder of the claim set forth in Item 1 above hereby votes to:

- Check only one box:: Accept the Plan.
 Reject the Plan.

Class 6 (Convenience Claims)

General unsecured claims against the Debtors in an amount equal to or less than \$6,000.00

ITEM 1. Amount of Claim. For purposes of voting to accept or reject the Plan, the undersigned holds, as of the Voting Record Date, a general unsecured claim in an amount equal to or less than \$6,000.00 against the Debtors in the principal amount of \$ _____.*

ITEM 2. Vote on the Plan. The undersigned holder of the claim set forth in Item 1 above hereby votes to:

- Check only one box:: Accept the Plan.
 Reject the Plan.

*NOTE: For voting purposes, the amount of a claim used to tabulate acceptance, or rejection of the Plan will be the amount set forth on the Debtors' schedules of assets and liabilities (the "Schedules") or Allowed Claim if said amount or claim is not contingent, unliquidated or disputed (excluding scheduled claims that have been disallowed or expunged) for that particular creditor; provided, however, that if an amount has been estimated and temporarily allowed with respect to a claim pursuant to an order of the Bankruptcy Court, then the amount of the claim used to tabulate acceptances or rejection of the Plan will be the amount set forth in that order.

Acknowledgments and Certification. By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a copy of the Plan and Disclosure Statement and all exhibits and supplements thereto. The undersigned certifies that (i) it is the holder, as of the Voting Record Date, of a claim against and/or interest in the Debtors that falls into each Class for which the undersigned has indicated a vote, and (ii) the undersigned has full power and authority to vote to accept or reject the Plan for each such claim or interest. The undersigned understands that (i) if this Ballot is not signed, then this Ballot will not be counted and (ii) the solicitation of votes is subject to all terms and conditions set forth in the Plan and Disclosure Statement and all exhibits and supplements thereto.

Print or type the following information:

Name of Claimant: _____

Claimant's Federal Tax I.D. No.: _____

If by Authorized Agent, Name and Title of Agent: _____

Name of Institution: _____

Street Address: _____

City, State and Zip Code: _____

Telephone Number: _____

Sign and date below:

Print Name

Signature

Dated: _____, 2001

To the extent that you are entitled to a distribution under the Plan, you must complete the Substitute Form W-9 below. Failure to complete and return this form may result in backup withholding of 31% of any payments made to you pursuant to the Plan.

SUBSTITUTE Form W-9 Department of Treasury Internal Revenue Service Payer's Request for Taxpayer Identification Number (TIN)	PART 1 - Please provide your TIN in the box at right and certify by signing and dating below.	Social Security Number: OR Employer Identification Number:	
	PART 2 - If you are awaiting your TIN, please check the box below and certify by signing and dating below. Please complete the Certificate of Awaiting Taxpayer Identification Number below. Awaiting TIN: <input type="checkbox"/>		
	PART 3 - Certification – Under Penalty of Perjury, I certify that: (1) the number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me). (2) I am not subject to backup withholding either because (a) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of failure to report all interest and/or dividends, or (b) the IRS has notified me that I am no longer subject to backup withholding.		
	Certificate Instructions - You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).		
Signature: _____ Date: _____, 2001			
CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER I certify under penalty of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.			
SIGNATURE: _____ DATE: _____, 2001			

IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
 OPTEL, INC., et al.¹) Case No. 99-3951 (SLR)
)
) (Jointly Administered)
 Debtors.)

ORDER (i) APPROVING DEBTORS' AMENDED DISCLOSURE STATEMENT (ii) APPROVING SOLICITATION PACKAGE; (iii) APPROVING FORM AND MANNER OF NOTICE OF THE CONFIRMATION HEARING AND OF RELATED ISSUES; (iv) ESTABLISHING RECORD DATES AND APPROVING PROCEDURES FOR DISTRIBUTION OF SOLICITATION PACKAGES; (v) APPROVING FORMS OF BALLOTS; (vi) ESTABLISHING LAST DATE FOR RECEIPT OF BALLOTS; (vii) APPROVING PROCEDURES FOR VOTE TABULATION; (viii) ESTABLISHING DEADLINE AND PROCEDURES FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN AND (ix) FIXING DATE, TIME AND PLACE FOR HEARING ON CONFIRMATION

OpTel, Inc. ("OpTel") for itself and on behalf of those subsidiaries and affiliates (such subsidiaries and affiliates together with OpTel are collectively referred to herein as the "Debtors" and/or "Debtors-in-Possession") having on September 28, 2001, filed (a) the Debtors' Joint Reorganization Plan of OpTel and the Official Committee of Unsecured Creditors (the "Plan") under Chapter 11 of title 11 of the

¹ In addition too OpTel, Inc. the other Debtors herein are Bay Area Cable Television, Inc., Phonoscope Village Cable, Inc., IRPC - Arizona, Inc., Richey Pacific Cablevision, Inc., IRPC Texas - Ventana, Inc., Sunshine Television Entertainment, Inc., IRPC Texas, Inc., TA V GP Holdings Corp., OpTel (Arizona) Telecom, Inc., Tara Communications Systems, Inc., OpTel (California) Telecom, Inc., TVMAX Communications (Texas), Inc., OpTel (Colorado) Telecom, Inc., TVMAX Telecommunications, Inc., OpTel (Florida) Telecom, Inc., Transmission Holdings, Inc., OpTel (Illinois) Telecom, Inc., OpTel (Illinois), L.P., OpTel (Indiana) Telecom, Inc., Richey Pacific Cable Partners V., L.P., OpTel (Texas) Telecom, Inc., OpTel (DFW) Holdings, Inc., Phonoscope Entertainment, Inc.

United States Code (the "Bankruptcy Code"), and (b) their Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code With Respect to the Debtors' Plan (the "Disclosure Statement")² and (c) a motion (the "Motion")³ (i) approving solicitation package (ii) approving form and manner of notice of the confirmation hearing and of related issues; (iii) establishing record dates and approving procedures for distribution of solicitation packages; (iv) approving forms of ballots; (v) establishing last date for receipt of ballots; (vi) approving procedures for vote tabulation; and (vii) establishing deadline and procedures for filing objections to confirmation of the Plan; and based upon the affidavits of service heretofore filed with the Court; and the Court finding that proper and adequate notice of the hearing on approval of the Disclosure Statement (the "Hearing") has been given to all parties in interest; and the Hearing having been held on October 25, 2001; and all parties in interest having been given an opportunity to be heard at the Hearing;

IT IS HEREBY ORDERED, and notice is hereby given that:

Approval of Disclosure Statement

1. The Debtors' Disclosure Statement (and all exhibits and schedules thereto), as the same may be amended and modified from time to time to incorporate modifications which do not materially change the Debtors' Disclosure Statement or materially affect any rights of a party in interest, is hereby approved as containing

² The Disclosure Statement filed on September 28, 2001 has been amended and contains certain changes which were announced on the record at the October 25, 2001 hearing to consider approval of the Disclosure Statement.

³ Defined terms used but not defined herein shall have the meanings ascribed to them in the Motion on the Plan.

adequate information within the meaning of 11 U.S.C. § 1125.

Last Date for Receipt of Ballots

2. Ballots accepting or rejecting the Plan must be received by 4:00 p.m. Eastern Standard Time on November 29, 2001 (the "Voting Deadline"), at the following address:

Bankruptcy Services, LLC
70 E. 55th Street, 6th Floor
New York, New York 10022
Attn: OpTel Balloting Center

Ballots received after that time will not be counted. Ballots transmitted by facsimile will not be accepted.

Designation of Balloting Agents

3. Bankruptcy Services, LLC, the Debtors' court-appointed claims administrator, is hereby appointed as the Debtors' ballot agent (the "Ballot Agent") and shall serve as tabulator of the ballots and certify to the Court the results of the balloting.

Transmittal and Form of Notice to Non-Voting and Voting Parties

4. The Debtors are authorized and directed to transmit on or before November 7, 2001, by first class, United States mail (or by international courier if the addresses are not located in the United States), to all known holders of Unclassified Administrative Claims, Unclassified Priority Tax Claims, Class 1 CIT Secured Claims, Class 2 Ad Valorem Secured Tax Claims, Class 3 Other Secured Claims and Class 4 Other Priority Claims (collectively, the "Unimpaired Creditors"), a copy of a notice

substantially in the form attached to the Motion as Exhibit "C" (the "Exhibit "C" Notice"), the form of which is hereby approved. Service of the Exhibit "C" Notice shall be deemed adequate and sufficient notice of the approval of the Disclosure Statement, the Confirmation Hearing, and the Objection Deadline to all known Unimpaired Creditors as of the Record Date, and the Debtors shall not be required to provide any further notice or a copy of the Disclosure Statement to holders of such Claims unless a written request for a copy of the Disclosure Statement is made as provided for in the Exhibit "C" Notice. The Exhibit "C" Notice shall be deemed a summary of the Plan for purposes of compliance with Bankruptcy Rule 3017(d).

5. The Debtors are authorized and directed to transmit on or before November 7, 2001, by first class, United States mail (or by international courier if the addressees are not located in the United States), to all known holders of Impaired Claims or Interests in Classes 7 and 8 as of the Record Date, which Classes are deemed to reject the Plan, a copy of a Notice substantially in the form attached to the Motion as Exhibit "D" (the "Exhibit "D" Notice"), the form of which is hereby approved. Service of the Exhibit "D" Notice shall be deemed adequate and sufficient notice of the approval of the Disclosure Statement, the Confirmation Hearing and the Objection Deadline to all known holders of Impaired Interests in Classes 7 and 8 as of the Record Date, and the Debtors shall not be required to provide any further notice or copy of the Disclosure Statement to holders of such interests unless a request for a copy of the Disclosure Statement is made as provided for in the Exhibit "D" Notice.

The Exhibit "D" Notice shall be deemed a summary of the Plan for purposes of compliance with Bankruptcy Rule 3017(d).

6. The Debtors are authorized and directed to transmit on or before November 7, 2001, by first class, United States mail (or by international courier if the addressees are not located in the United States), to all known holders of Impaired Claims in Classes 5 and 6 as of the Record Date a copy of the approved Disclosure Statement; a copy of the Plan; a copy of the notice substantially in the form attached to the Motion as Exhibit "B" (the "Exhibit "B" Notice"); the form of which is hereby approved; the Ballot applicable to Classes 5 and 6, substantially in the form attached to the Disclosure Statement as Exhibit I and a return envelope; and such other information as the Court may direct or approve (collectively, the "Solicitation Package").

7. The form of Ballot applicable to Classes 5 and 6 attached to the Disclosure Statement as Exhibit "I", is hereby approved.

8. The correspondence of the Official Committee of Unsecured Creditors supporting and recommending the acceptance of the Plan, a copy of which is attached to this Order as **Exhibit "F"**, is hereby approved.

9. The Debtors shall not be required to send notice to (i) any party whose proof of claim has been disallowed or expunged in its entirety by order of the Court entered prior to the date on which such notices are mailed, (ii) any party whose entry on the Debtors' Schedules has been amended to reflect no amount owing, or (iii)

any taxing authorities, or other claimants, whose claims have been paid pursuant to previous order of this Court.

10. Upon the return of a notice of the Disclosure Statement hearing as undeliverable and after confirmation that such notice address matches the address set forth on such entity's last filed proof of claim or any change of address form filed prior to the Disclosure Statement hearing, the Debtors shall be relieved of the obligation to mail the Solicitation Package, the Exhibit "B" or Notice, as applicable, to such entity at the undeliverable address, unless such entity provides the Debtors with an accurate address prior to the Disclosure Statement hearing. The Debtors are further relieved of any obligation to attempt to locate the correct address and resend prior to the Voting Deadline Solicitation Packages, the Exhibit "B" or Notices that are returned as undeliverable.

11. Notice given as provided herein shall be deemed adequate and sufficient and the Debtors shall be deemed to have complied with Rule 3017(a) of the Federal Rules of Bankruptcy Procedure.

Publication Notice

12. The Debtors are authorized and directed to publish notice of the approval of the Disclosure Statement, the Confirmation Hearing, and the Objection Deadline, in substantially the form attached to the Motion as Exhibit "E", in the National Edition of The Wall Street Journal no later than 15 days after the entry of this Order.

Record Date and Procedures for Distribution of Solicitation Packages

13. October 31, 2001 shall be the record date (the "Record Date") for purposes of (a) determining those creditors, including equity security holders entitled to receive a Solicitation Package to vote to accept or to reject the Plan and (b) determining those creditors and equity security holders entitled to receive only the Exhibit "C" Notice or the Exhibit "D" Notice respectively as provided for above.

Tabulation of Ballots

14. The following voting procedures and standard assumptions shall be used in tabulating ballots:

a. For purposes of the numerosity requirement of section 1126(c) of the Bankruptcy Code, separate claims held by a single creditor in a particular class will be aggregated as if such creditor held one claim against the Debtors in such class, and the votes related to such claims will be treated as a single vote to accept or reject the Plan.

b. Creditors must vote all of their claims within a particular class either to accept or reject the Plan and may not split their vote. Accordingly, a ballot (or multiple ballots with respect to multiple claims within a single class) that partially rejects and partially accepts the Plan will be counted as a single affirmative vote to accept the Plan.

c. Ballots that fail to indicate an acceptance or rejection of the Plan, but which are otherwise properly executed will not be counted.

d. Only ballots that are timely received with original authorized signatures will be counted. Unsigned ballots will not be counted. Facsimile ballots will not be counted unless the claimant receives the written consent of the Debtors.

e. Whenever a creditor casts more than one ballot voting the same claim prior to the Voting Deadline, the last ballot received prior to the Voting Deadline shall be deemed to reflect the voter's intent and to supersede any prior ballots.

15. Ballots must be properly executed to be counted. Any Ballot that is illegible or contains insufficient information to permit the identification of the claimant will not be counted. Ballots shall be counted as to amount of claim only on the following basis:

- (a) If a proof of claim has been filed, and has been Allowed or has not been objected to prior to November 7, 2001, the fixed and liquidated amount set forth in the proof of claim, if any, shall be used.
- (b) If no proof of claim has been filed, the amount that appears in the Debtors' Schedules of Assets and Liabilities (the "Schedules"), that is scheduled as undisputed, non-contingent and liquidated, if any, shall be used.
- (c) If a proof of claim has been filed and has been objected to prior to November 7, 2001, the amount that is approved by the Court in an order resolving the objection shall be used, or, if no such order has been approved on or before November 29, 2001, then the amount that is approved by the Court, upon motion of the holder of any such claim, as an estimated amount for voting purposes shall be used, or, if no estimated amount is approved by order of the Court, then the amount (and the category) to which the Debtors seek to reduce (or reclassify) the claim shall be used.

- (d) If a proof of claim has been filed that asserts a claim or a portion of a claim that is contingent and/or unliquidated, such proof of claim or portion thereof that is contingent and/or unliquidated shall only be counted towards satisfying the numerosity requirement of section 1126(a) of the Bankruptcy Code and shall not be counted toward satisfying the aggregate claim requirements of that section unless the Court has entered an order fixing the allowed amount of such claim or established an estimated amount for such claim for voting purposes.
- (e) If more than one Ballot is received from the same creditor with respect to the same class, the last properly completed and executed Ballot received before the Voting Deadline will be counted.
- (f) Any Ballot cast by a creditor that (i) has not timely filed a proof of claim or (ii) is not listed in the Schedules as a holder of an undisputed, non-contingent and liquidated claim in an amount greater than zero shall not be counted.

16. Votes may not be changed after the Voting Deadline unless the Court, for cause, after notice and hearing pursuant to Bankruptcy Rule 3018(a), permits such change.

Date for Hearing to Consider Confirmation of the Plan

17. A hearing to consider confirmation of the Plan will be held on December 4, 2001 at 8:30 a.m. Eastern Standard Time before this Court (the "Confirmation Hearing"), or such later date as may be scheduled therefor by this Court, located at 844 King Street, 6th Floor, Wilmington, Delaware 19801, Wilmington, Delaware 19801.

18. The Debtors shall not be required to give any further notice of any adjournment of the Confirmation Hearing announced in open Court at the Confirmation Hearing or at any continuation thereof.

Last Date for Filing Objections to Confirmation of the Plan

19. All objections to confirmation of the Plan, including any supporting memoranda, must be in writing, be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 5th Floor, 824 Market Street, Wilmington, Delaware 19801 together with proof of service, and shall (a) state the name and address of the objecting party and the amount of its Claim or the nature of its interest in the Debtors' Chapter 11 Cases, (b) state with particularity the provision or provisions of the Plan objected to and, for any objection asserted, the legal and factual basis for such objection and (c) be served upon, so as to be received on or before November 27, 2001 at 4:00 p.m. Eastern Standard Time (the "Objection Deadline"), (i) the Debtors, OpTel, Inc., Office of General Counsel, 1111 W. Mockingbird Lane, Dallas, Texas 75247, Attn: Carol Grissom, Esq.; (ii) co-counsel to the Debtors, Kronish Lieb Weiner & Hellman LLP, 1114 Avenue of the Americas, New York, New York 10036, Attn: James A. Beldner, Esq. and Young Conaway Stargatt & Taylor, LLP, 11th Floor, Wilmington Trust Center, P.O. Box 391, Wilmington, Delaware 19899, Attn: Brendan L. Shannon, Esq.; (iii) Counsel to the Official Committee of Unsecured Creditors, Akin, Gump, Strauss, Hauer and Feld, L.L.P., 590 Madison Avenue, New York, New York 10022, Attn: Ira S. Dizengoff, Esq. and Blank, Rome, Comisky & McCauley, 1201 Market Street, Suite 2100, Wilmington, Delaware 19801, Attn: Bonnie Fratell, Esq., and (iv) Office of the United States Trustee, 844 King Street, Suite 2313 (Lock Box 35), Wilmington, Delaware 19801, Attn: Don

Beskroner, Esq. by hand or in a manner as will cause such objection to be received by all such parties on or before 4:00 p.m. Eastern Standard Time, on November 27, 2001. Any objection not filed and served as set forth above will be deemed waived and will not be considered by the Court. Unless an objection to the Plan is timely served and filed in accordance with this Order, it will not be considered by the Court.

Last Date for Filing Responses to Objections to Confirmation of the Plan

20. All responses to any objections to confirmation of the Plan, including any supporting memoranda, must be in writing, be filed with the Bankruptcy Court and served on the Notice Parties and counsel for any objectors on or before December 3, 2001 at 12:00 noon Eastern Standard Time.

Dated: Wilmington, Delaware
October 24, 2001

S/Sue L. Robinson
Chief District Court Judge
United States Bankruptcy Judge

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BALLOT

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

DISTRIBUTION CENTER
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-----X		
	:	Chapter 11
In re	:	
	:	Case Nos. 99-3951 through
OpTel, Inc., et al.,	:	99-3974
	:	
	:	Case No. 99-3951 (SLR)
Debtors.	:	(Jointly Administered)
	:	
-----X		

**BALLOT FOR ACCEPTING OR REJECTING
THE DEBTORS JOINT PLAN OF REORGANIZATION FOR
OPTEL, INC., ET AL. CLASS 5 (GENERAL UNSECURED
CLAIMS) AND CLASS 6 (CONVENIENCE CLAIMS)**

On September 28, 2001, OpTel, Inc. for itself and on behalf of its subsidiaries and affiliates,⁽¹⁾ as debtors and debtors in possession (collectively, the "Debtors"), filed a Disclosure Statement with Respect to the Joint Plan of Reorganization of Debtors Under Chapter 11 of the Bankruptcy Code and, attached thereto, a Joint Plan of Reorganization of Debtors Under Chapter 11 of the Bankruptcy Code (the "Plan"). On October 25, 2001, the Bankruptcy Court approved an Amended Disclosure Statement (the "Disclosure Statement") with respect to the Plan. Copies of the Plan and Disclosure Statement are enclosed.

This Ballot has been sent to you to solicit your vote regarding the acceptance or rejection of the Plan. The Plan provides different treatment for different classes of claims or interests. Any claim asserted against the Debtors as a general unsecured claim in an amount greater than \$6,000 is included in Class 5 (General Unsecured Claims). Any claim asserted against the Debtors as a general unsecured claim in an amount equal to or less than \$6,000, other than a Noteholder Claim, is included in Class 6 (Convenience Claims). **CLASS 5 (GENERAL UNSECURED CLAIMS) INCLUDES ALL PUBLICLY HELD DEBT OF OPTEL, INC. NOTES SHOULD NOT BE SURRENDERED WITH THIS BALLOT.**

- | | | | |
|-----------|---|----------------------------------|---|
| APP _____ | 1 | Bay Area Cable Television, Inc. | Phonoscope Village Cable, Inc. |
| CAF _____ | | IRPC - Arizona, Inc. | Richey Pacific Cablevision, Inc. |
| CMP _____ | | IRPC Texas - Ventana, Inc. | Sunshine Television Entertainment, Inc. |
| COM _____ | | IRPC Texas, Inc. | TA V GP Holdings Corp. |
| CTR _____ | | OpTel (Arizona) Telecom, Inc. | Tara Communications Systems, Inc. |
| ECR _____ | | OpTel (California) Telecom, Inc. | TVMAX Communications (Texas), Inc. |
| LEG _____ | | OpTel (Colorado) Telecom, Inc. | TVMAX Telecommunications, Inc. |
| OPC _____ | | OpTel (Florida) Telecom, Inc. | Transmission Holdings, Inc. |
| PAI _____ | | OpTel (Illinois) Telecom, Inc. | OpTel (Illinois), L.P. |
| RGO _____ | | OpTel (Indiana) Telecom, Inc. | Richey Pacific Cable Partners V., L.P. |
| SEC _____ | | OpTel (Texas) Telecom, Inc. | OpTel (DFW) Holdings, Inc. |
| SER _____ | | Phonoscope Entertainment, Inc. | |
| OTH _____ | | | |

*NOTE: For voting purposes, the amount of a claim used to tabulate acceptance, or rejection of the Plan will be the amount set forth on the Debtors schedules of assets and liabilities (the "Schedules") or Allowed Claim if said amount or claim is not contingent, unliquidated or disputed (excluding scheduled claims that have been disallowed or expunged) for that particular creditor; provided, however, that if an amount has been estimated and temporarily allowed with respect to a claim pursuant to an order of the Bankruptcy Court, then the amount of the claim used to tabulate acceptances or rejection of the Plan will be the amount set forth in that order.

Acknowledgments and Certification. By signing this Ballot, the undersigned acknowledges that the undersigned has been provided with a copy of the Plan and Disclosure Statement and all exhibits and supplements thereto. The undersigned certifies that (i) it is the holder, as of the Voting Record Date, of a claim against and/or interest in the Debtors that falls into each Class for which the undersigned has indicated a vote, and (ii) the undersigned has full power and authority to vote to accept or reject the Plan for each such claim or interest. The undersigned understands that (i) if this Ballot is not signed, then this Ballot will not be counted and (ii) the solicitation of votes is subject to all terms and conditions set forth in the Plan and Disclosure Statement and all exhibits and supplements thereto.

Print or type the following information:

Name of Claimant: _____

Claimant's Federal Tax I.D. No.: _____

If by Authorized Agent, Name and Title of Agent: _____

Name of Institution: _____

Street Address: _____

City, State and Zip Code: _____

Telephone Number: _____

Sign and date below:

Print Name

Signature

Dated: _____, 2001

To the extent that you are entitled to a distribution under the Plan, you must complete the Substitute Form W-9 below. Failure to complete and return this form may result in backup withholding of 31% of any payments made to you pursuant to the Plan.

SUBSTITUTE Form W-9 Department of Treasury Internal Revenue Service Payer's Request for Taxpayer Identification Number (TIN)	PART 1 - Please provide your TIN in the box at right and certify by signing and dating below.	Social Security Number: OR Employer Identification Number:
	PART 2 - If you are awaiting your TIN, please check the box below and certify by signing and dating below. Please complete the Certificate of Awaiting Taxpayer Identification Number below. Awaiting TIN: <input type="checkbox"/>	
	PART 3 - Certification -- Under Penalty of Perjury, I certify that: (1) the number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me). (2) I am not subject to backup withholding either because (a) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of failure to report all interest and/or dividends, or (b) the IRS has notified me that I am no longer subject to backup withholding.	
	Certificate Instructions - You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).	
Signature: _____		Date: _____, 2001
<p align="center">CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER</p> I certify under penalty of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.		
SIGNATURE: _____		DATE: _____, 2001