

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13D/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities [amend]

Filing Date: **1998-06-10**
SEC Accession No. **0000902561-98-000195**

(HTML Version on secdatabase.com)

SUBJECT COMPANY

AVTEL COMMUNICATIONS INC/UT

CIK: **1005974** | IRS No.: **870378021** | State of Incorporation: **DE** | Fiscal Year End: **0930**
Type: **SC 13D/A** | Act: **34** | File No.: **005-51649** | Film No.: **98645448**
SIC: **7385** Telephone interconnect systems

Mailing Address	Business Address
501 BATH STREET SANTA BARABARA CA 93101	501 BATH STREET SANTA BARBARA CA 93101 (805) 884-6300

FILED BY

JENSEN RONALD L

CIK: **1032009**
Type: **SC 13D/A**

Mailing Address	Business Address
5215 NORTH O'CONNOR BOULEVARD SUITE 300 IRVING TX 75039	5215 NORTH O'CONNOR BOULEVARD SUITE 300 IRVING TX 75039

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934
(Amendment No. 1)*

AvTel Communications, Inc.

(Name of Issuer)

Common Stock, Par Value \$.01 Per Share

(Title of Class of Securities)

054529 20 1

(CUSIP Number)

Gary Friedman
United Group Association, Inc.
4001 McEwen Drive, Suite 200
Dallas, Texas 75244
(972) 393-8703

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

June 1, 1998

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Amended Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [].

Check the following box if a fee is being paid with the statement [X]. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 2 of 13

1 NAME OF REPORTING PERSON
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Ronald L. Jensen
###-##-####

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS

00 --1,463,693 shares of Common Stock of Issuer acquired by Ronald L. Jensen from the distribution of Common Stock of the Issuer by United Group Association, Inc. described in Item 3. 731,847 shares of Common Stock disposed of by Ronald L. Jensen to Gladys Jensen as described in Item 3. 402,064 shares of Common Stock of the Issuer disposed of through Ronald L. Jensen's donation of shares of UA Plus, Inc. as described in Item 3.

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2 (D) OR 2 (E) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

7 SOLE VOTING POWER

NUMBER OF SHARES 954,321

BENEFICIALLY OWNED BY EACH REPORTING PERSON 8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

954,321

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

954,321

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

8.3%

14 TYPE OF REPORTING PERSON

IN

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 3 of 10

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

United Group Association, Inc.

Taxpayer ID No.: 75-2001810

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS

00, Share distribution as described in Item 3.

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(D) OR 2(E)

[]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

7 SOLE VOTING POWER

NUMBER OF
SHARES

0

BENEFICIALLY

8 SHARED VOTING POWER

OWNED BY

0

EACH

REPORTING

PERSON

9 SOLE DISPOSITIVE POWER

WITH

0

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

0

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0

14 TYPE OF REPORTING PERSON

CO

ITEM 1. Security and Issuer

Security: Common Stock, \$.01 par value per share (the "Common Stock")
of AvTel Communications, Inc. (the "Issuer")

Issuer: AvTel Communications, Inc.
130 Cremona Drive
Suite C
Santa Barbara, CA 93117

ITEM 2. Identity and Background

Appendix A contains the information called for by Items 2-6 of
this Amended Schedule 13D for the executive officers and directors
of United Group Association, Inc.

Ronald L. Jensen

- a. Ronald L. Jensen.
- b. Mr. Ronald L. Jensen's business address is c/o United
Group Association, Inc., 4001 McEwen Drive, Suite 200,
Dallas, Texas 75244.
- c. The principal occupation of Mr. Ronald L. Jensen is as
Chairman of the Board of Directors of UICI, and as
Director and President of United Group Association, Inc.
- d. During the last five years, Mr. Ronald L. Jensen has not
been convicted in any criminal proceeding.
- e. During the last five years, Mr. Ronald L. Jensen has not
been a party to a civil proceeding of a judicial or
administrative body of competent jurisdiction as a result
of which Mr. Ronald L. Jensen was or is subject to a
judgment, decree or final order enjoining future
violations of, or prohibiting or mandating activities
subject to, federal or state securities laws or finding
any violation with respect to such laws.
- f. Mr. Ronald L. Jensen is a citizen of the United States.

United Group Association, Inc.

- a. United Group Association, Inc. is a Texas corporation.
- b. The business address of United Group Association, Inc. is 4001 McEwen Drive, Suite 200, Dallas, Texas 75244.
- c. The principal business of United Group Association, Inc. is as a licensed insurance agency.

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 4 of 10
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- d. During the last five years, United Group Association, Inc. has not been convicted in any criminal proceeding.
- e. During the last five years, United Group Association, Inc. has not been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which United Group Association, Inc. was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal, state securities laws or finding any violations with respect to such laws.

ITEM 3. Source and Amount of Funds or Other Consideration

Ronald L. Jensen

Ronald L. Jensen acquired direct beneficial ownership of 222,475 shares of Common Stock of the Issuer in exchange for 89,640 shares of common stock, par value \$.01 per share ("Matrix Common Stock") of Matrix Telecom, Inc. ("Matrix") pursuant to the Stock Exchange Agreement, dated April 29, 1997, as amended August 25, 1997 (the "Stock Exchange Agreement") described in further detail under Item 4 of this Amended Schedule 13D.

Ronald L. Jensen acquired direct beneficial ownership of 1,463,693 shares of Common Stock of the Issuer from United Group Association, Inc. as a part of a distribution of shares. Ronald L. Jensen decided to transfer 731,847 of these shares to his wife, Gladys Jensen, at the time of the distribution. Pursuant to that decision, United Group Association, Inc. transferred those shares directly to Gladys Jensen. In addition, Ronald L. Jensen donated all of his shares of UA Plus, Inc. to the RJ and GJ Jensen Foundation. UA Plus, Inc. owns 402,064 shares of Common Stock of the Issuer. These distributions are described in further detail under Item 4 of the Amended Schedule 13D.

United Group Association, Inc

United Group Association, Inc. acquired direct beneficial ownership of 1,463,693 shares of Common Stock of the Issuer in exchange for 589,752 shares of Matrix Common Stock pursuant to the Stock Exchange Agreement described in further detail under Item 4 of this Amended Schedule 13D.

On June 1, 1998, United Group Association, Inc. distributed 731,846 shares of Common Stock of the Issuer to Ronald L. Jensen and 731,847 shares of Common Stock of the Issuer to Gladys Jensen.

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 5 of 10
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ITEM 4. Purpose of Transaction

On December 1, 1997, the Issuer acquired all of the outstanding shares of Matrix Telecom, Inc. pursuant to the Stock Exchange Agreement dated April 29, 1997, as amended on August 25, 1997. As a result of this transaction, each of the former stockholders of Matrix were issued 2.482 shares of Common Stock of the Issuer for each share of Matrix Common Stock held by such stockholder.

Each of the reporting persons covered by this Amended Schedule 13D acquired their shares of Common Stock of the Issuer pursuant to the Stock Exchange Agreement. Subject to the restrictions on transfers described in Item 6 hereof, such persons may acquire additional Common Stock of the Issuer and dispose of their Common Stock of the Issuer in the future if they determine such acquisitions or dispositions to be economically advantageous.

Ronald L. Jensen is the President of United Group Association, Inc. and owns 100% of its Common Stock. As described in Item 3, prior to June 1, 1998, United Group Association, Inc. owned certain shares of the Common Stock of the Issuer. On June 1, 1998, United Group Association, Inc. made a distribution of all its shares of Common Stock of the Issuer to Ronald L. Jensen. Ronald L. Jensen decided to give some of those shares to his wife, Gladys Jensen. Pursuant to that decision, United Group Association, Inc. distributed 731,846 shares of Common Stock of the Issuer to Ronald L. Jensen while Gladys Jensen received 731,847 shares of Common Stock of the Issuer.

In addition, Ronald L. Jensen is the President and Director of UA Plus, Inc. and owns 70% of its common stock. On June 1, 1998, Ronald L. Jensen donated all of his shares of UA Plus, Inc., which owns 402,064 shares of Common Stock of the Issuer, to the RJ and

GJ Jensen Foundation, a 501(c)(3) entity. Thus, Ronald L. Jensen has no beneficial ownership and no dispositive power over these shares of Common Stock of the Issuer.

Other than as described above, or as is otherwise contemplated by the Stock Exchange Agreement, no reporting person covered by this Amended Schedule 13D has any plans or proposals that would result in:

- (a) the acquisition by any person of additional securities of the Issuer, or the disposition of securities of the Issuer;
- (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries;
- (c) a sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries;

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 6 of 10
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- (d) any change in the present board of directors or management of the Issuer, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board;
- (e) any material change in the present capitalization or dividend policy of the Issuer;
- (f) any other material change in the Issuer's business or corporate structure;
- (g) changes in the Issuer's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person;
- (h) causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association;
- (i) a class of equity securities of the Issuer

becoming eligible for termination of registration pursuant to Section 12(g) (4) of the Act; or

(j) any action similar to any of those enumerated above.

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 7 of 10

ITEM 5. Interest in Securities of Issuer

Ronald L. Jensen

- a. Mr. Ronald L. Jensen beneficially owns 954,321 shares of Common Stock of the Issuer. The 954,321 shares of Common Stock of the Issuer beneficially owned by Mr. Ronald L. Jensen constitute 8.3% of the outstanding Common Stock of the Issuer.
- b. Mr. Ronald L. Jensen has the sole power to vote or to direct the vote of the 954,321 shares of Common Stock of the Issuer held directly by Mr. Ronald L. Jensen.
- c. Other than the transactions described in Item 4 of this Amended Schedule 13D, no transactions in the Common Stock of the Issuer were effected in the past 60 days by Mr. Ronald L. Jensen.
- d. No other person has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the securities beneficially owned by Mr. Ronald L. Jensen.
- e. Not applicable.

United Group Association, Inc.

- a. United Group Association, Inc. does not beneficially own any shares of Common Stock of the Issuer.
- b. Not applicable.
- c. Other than the distribution to Ronald L. Jensen and Gladys Jensen described in Item 4 of this Amended Schedule 13D, no transactions in the Common Stock of the Issuer were effected in the past 60 days by United Group Association, Inc.
- d. Not applicable.

- e. On June 1, 1998, United Group Association, Inc. ceased to be a beneficial owner of more than five percent of the Common Stock of the Issuer.

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 8 of 10

ITEM 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

(a) Stock Exchange Agreement

The Stock Exchange Agreement sets forth the terms pursuant to which each of the reporting persons covered by this Amended Schedule 13D acquired their shares of Common Stock of the Issuer. A copy of the Stock Exchange Agreement is attached to this Amended Schedule 13D and incorporated herein by reference.

(b) Registration Rights Agreement

The Issuer has entered into a Registration Rights and Lock-up Agreement, dated December 1, 1997 (the "Registration Rights Agreement"), with Matrix on behalf of the former stockholders of Matrix. The following discussion provides only a summary of certain provisions of the Registration Rights Agreement. A copy of the Registration Right Agreement is attached to this Amended Schedule 13D and incorporated herein by reference.

The Registration Rights Agreement requires that the Issuer use its best efforts (i) to become listed on the Smallcap Market or National Market of the NASDAQ Stock Market, Inc., (ii) to file a shelf Registration Statement providing for the sale by the former stockholders of Matrix of all securities issued to them pursuant to the Stock Exchange Agreement and (iii) to cause such Registration Statement to become effective as soon as practical thereafter. The Registration Rights Agreement also grants the former Matrix stockholders the right on

two separate occasions to demand that the Issuer file a Registration Statement on their behalf covering the resale of their Common Stock of the Issuer if the Issuer is unable to qualify for listing on the Smallcap Market or National Market or is otherwise unable to qualify for use of a Shelf Registration Statement within six months of December 1, 1997.

- (c) Each of the reporting persons covered by this Amended Schedule 13D are parties to the Registration Rights Agreement.

As such, each of the reporting persons covered by this Amended Schedule 13D has agreed for a period of two years from December 1, 1997 not to offer, pledge, sell, or otherwise dispose of any of the shares of Common Stock of the Issuer issued to such persons pursuant to the Stock Exchange Agreement.

- (d) Other than the contracts described herein, none of the reporting persons covered by this Amended Schedule 13D have entered into any contracts, arrangements, understandings or relationships with any person pertaining to Common Stock of the Issuer.

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 9 of 10
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ITEM 7. Material to be Filed as Exhibits

- 99.A -- Registration Rights and Lock-Up Agreement, dated as of December 1, 1997 by and between the Issuer and Matrix Telecom, Inc.
- 99.B -- Agreement relating to filing joint Amended Schedule 13D.
- 99.C -- Stock Exchange Agreement, dated April 29, 1997, between the Issuer and Matrix Telecom, Inc.
- 99.D -- Amendment to the Stock Exchange Agreement, dated August 25, 1997 between the Issuer and Matrix Telecom, Inc.

Amended Schedule 13D

CUSIP NO. 054529 20 1

Page 10 of 10

DISCLAIMER PURSUANT TO RULE 13d-4

Because, pursuant to the Registration Rights Agreement, each of the reporting persons covered by this Amended Schedule 13D agreed to certain restrictions on transfer of the shares issued to such persons pursuant to the Stock Exchange Agreement, such persons may be deemed to constitute a "group" for purposes of Section 13 of the Securities Exchange Act of 1934 (the "Exchange Act"). Nothing in this statement shall be construed as an admission that any reporting person identified herein is, for purposes of Section 13(d) or 13(g) of the Exchange Act, or otherwise, the beneficial owner of any securities of the Issuer covered by this Amended Schedule 13D, except for those securities identified as being beneficially owned by such reporting person herein.

Amended Schedule 13D

CUSIP NO 054529 20 1

Page 11 of 10

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify as of this 8th day of June, 1998 that the information set forth in this statement is true, complete and correct. This statement may be executed in multiple counterparts, each of which shall constitute an original.

United Group Association, Inc.

By: /s/ Ronald L. Jensen

Name: Ronald L. Jensen

Title: President

/s/ Ronald L. Jensen

Ronald L. Jensen

APPENDIX A

Capitalized terms used but not defined herein shall have the respective meanings assigned such terms in the Amended Schedule 13D of AvTel Communications, Inc. to which this is attached as Appendix A.

- (a) Executive Officers and Directors Of United Group Association, Inc. Set forth below are the name and positions held of each director and executive officer of United Group Association, Inc. ("UGA"). References to persons listed below include persons sharing beneficial ownership of Common Stock of the Issuer with a director or executive officer. Unless otherwise noted, the principal occupation or employment of each person listed below is his or her position with UGA. The address of each person for purposes of this Amended Schedule 13D is c/o United Group Association, Inc., 4001 McEwen Drive, Suite 200, Dallas, Texas 75244.

All persons listed below are U.S. citizens. During the last five years, to the best knowledge of UGA, none of the persons listed below has been convicted in any criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Ronald L. Jensen
Director and President

Mr. Ronald L. Jensen is one of the reporting persons filing the joint Amended Schedule 13D to which this Appendix A is attached. Information regarding Mr. Ronald L. Jensen is presented in such Amended Schedule 13D.

Gary L. Friedman
Director and Treasurer

Mr. Gary L. Friedman's address for purposes of this Amended Schedule 13D is c/o United Group Association, 4001 McEwen Drive, Suite 200, Dallas, Texas 75244. Mr. Gary L. Friedman owns 144,173 shares of Common Stock of the Issuer constituting 1.5% of the Issuer's issued and outstanding Common Stock. Mr. Gary L. Friedman has the sole power to vote or to direct the vote and the sole power to dispose or to direct the disposition of all of such Common Stock.

A-1

Jeffrey J. Jensen
Director and Vice-President

Mr. Jeffrey J. Jensen's address for purposes of this Amended Schedule 13D is c/o United Group Association, 4001 McEwen Drive, Suite 200, Dallas, Texas 75244.

Cymun Horner
Secretary

Mr. Cymun Horner's address for purposes of this Amended Schedule 13D is c/o United Group Association, 4001 McEwen Drive, Suite 200, Dallas, Texas 75244.

To the best knowledge of the reporting persons, none of the persons listed above has any further information to report in response to Items 2-6 of Amended Schedule 13D.

A-2

EXHIBIT INDEX

Exhibit Number -----		Description -----
99.A	--	Registration Rights and Lock-Up Agreement, dated as of February 15, 1994, by and among Amlı Residential Properties Trust and the Persons listed on Schedule A thereof (previously filed).
99.B	--	Agreement relating to filing joint Amended Schedule 13D.
99.C	--	Stock Exchange Agreement, dated April 29, 1997 between the Issuer and Matrix Telecom, Inc.
99.D	--	Amendment to Stock Exchange Agreement, dated August 25, 1997 between the Issuer and Matrix Telecom, Inc.

REGISTRATION RIGHTS AND LOCK-UP AGREEMENT

THIS REGISTRATION RIGHTS AND LOCK-UP AGREEMENT (this "Agreement") is made and entered into as of November __, 1997, by and between Avtel Communications, Inc. (the "Company") and Matrix Telecom, Inc. ("Matrix") on behalf of the Persons listed on Schedule A attached hereto, including their successors, assigns and transferees (herein referred to collectively as the "Holders" and individually as a "Holder").

WHEREAS, on the date hereof each Holder is or will become the owner of Common Stock (as defined below) of the Company in connection with that certain Stock Exchange Agreement, dated April 29, 1997, as amended, (the "Stock Exchange Agreement") between the Company and Matrix; and

WHEREAS, in connection with the Stock Exchange Agreement, the Holders have agreed to enter into the Lock-Ups (as defined below) as provided in Section 2 below; and

WHEREAS, as a condition to the closing of the Stock Exchange Agreement, the Company has agreed to grant the Holders the registration rights provided for in Sections 3 and 4 below;

NOW, THEREFORE, the parties hereto, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. Definitions.

As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Closing Price" of the Common Stock for any given day shall mean (i) if the Common Stock is listed or admitted to trading on a national securities exchange, the reported last sale price of the Common Stock, regular way, on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, on such national securities exchange on such day or (ii) if the Common Stock is not listed or admitted to trading on any national securities exchange but is quoted by the Nasdaq SmallCap Market or the Nasdaq National Market of the Nasdaq Stock Market, Inc. ("NASDAQ"), the last reported sales price per share, regular way, on such day or, in case no such sale takes place on such day, or the last reported sales price is not quoted by NASDAQ, the average of the reported closing bid and asked prices, regular way, on such day.

"Common Stock" shall mean the Common Stock, par value \$.01, per share, of the Company.

"Company" shall mean Avtel Communications, Inc., a Delaware Corporation, and its successors.

"Dispose of" shall have the meaning provided in Section 2(a).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Holder" or "Holders" shall mean the persons listed on Schedule A attached hereto, including their successors, assigns and transferees.

"Lock-ups" shall mean the restrictions on transfer to which the Holders are subject pursuant to Section 2(a).

"Lock-up Period" shall mean the applicable time periods to which the Holders have agreed to the Lock-ups.

"Person" shall mean an individual, partnership, corporation, trust, unincorporated organization or other legal entity or a government or agency or political subdivision thereof.

"Registrable Securities" shall mean the Shares, excluding (i) Shares that have been disposed of under the Shelf Registration Statement or any other effective registration statement, (ii) Shares sold or otherwise transferred pursuant to Rule 144 under the Securities Act, (iii) Shares that are held by Holders who are not affiliates of the Company that are or become eligible for sale pursuant to Rule 144(k) under the Securities Act, and (iv) Shares held by each Holder who is an affiliate of the Company if all of such Shares are or become eligible for sale pursuant to Rule 144 under the Securities Act and could be sold in one transaction in accordance with the volume limitations contained in Rule 144(e)(1)(i) under the Securities Act.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance with this Agreement, including, without limitation: (i) all applicable registration and filing fees imposed by the SEC, or the National Association of Securities Dealers, Inc. ("NASD"), (ii) all fees and expenses incurred in connection with compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with qualification of any of the Registrable Securities under any state securities or blue sky laws and the preparation of a blue sky memorandum) and compliance with the rules of the NASD, (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing the Shelf Registration Statement, any

Prospectus, certificates and other documents relating to the performance of and compliance with this Agreement, (iv) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges pursuant to Section 4(l) hereof, and (v) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance. Registration Expenses shall specifically exclude underwriting discounts and commissions, the fees and disbursements of counsel representing a selling Holder or any underwriter or agent acting on behalf of a Holder, and transfer taxes, if any, relating to the sale or disposition of Registrable Securities by a selling Holder, all of which shall be borne by such Holder in all cases.

"Registration Notice" shall have the meaning set forth in Section 4(b) hereof.

"Registration Statement" shall mean a registration statement, including a Shelf Registration Statement, of the Company that covers all of the Registrable Securities and all amendments (including post-effective amendments) to such registration statement, and all exhibits thereto and materials incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

"Shares" shall mean the Common Stock issued to the Holders pursuant to the Stock Exchange Agreement.

"Shelf Registration Statement" shall mean a Registration Statement covering the Registrable Securities filed pursuant to Rule 415 under the Securities Act, or any similar rule established by the SEC.

"Stock Exchange Agreement" shall have the meaning set forth in the recitals.

2. Lock-up Agreement. Each of the Holders identified in Schedule B hereby agrees that, from the date hereof until two years following the closing of the sale of Common Stock to the Holder pursuant to the Stock Exchange Agreement, without the prior written consent of the Company, such Holder will not offer, pledge, sell, contract to sell, grant any options for the sale of or otherwise dispose of, directly or indirectly

(collectively, "Dispose of"), any Shares.

-3-

3. Shelf Registration Under the Securities Act.

(a) Filing of Shelf Registration Statement. Following the date hereof, the Company shall use its best efforts to become listed on the Nasdaq SmallCap Market or the Nasdaq National Market of NASDAQ whereupon it shall file, a Shelf Registration Statement providing for the sale by the Holders of all of the Registrable Securities in accordance with the terms hereof and will use its reasonable efforts to cause such Shelf Registration Statement to be declared effective by the SEC as soon thereafter as is practicable. The Company agrees to use its reasonable efforts to keep the Shelf Registration Statement with respect to the Registrable Securities continuously effective for a period expiring on the earlier of (i) the date on which all of the Registrable Securities covered by the Shelf Registration Statement have been sold pursuant thereto and (ii) the date on which (A) all Shares held by Holders who are not affiliates of the Company, in the opinion of counsel for the Company are eligible for sale pursuant to Rule 144(k) under the Securities Act and (B) all Shares held by each Holder who is an affiliate of the Company, in the opinion of counsel for the Company are eligible for sale pursuant to Rule 144 under the Securities Act and could be sold in one transaction in accordance with the volume limitations contained in Rule 144(e)(1)(i) under the Securities Act.

(b) Demand Rights. Notwithstanding clause (a) above and subject to the restrictions on disposition included in Section 2, if the Company is unable to become listed on the Nasdaq SmallCap Market or the Nasdaq National Market within six months of the date hereof, or is otherwise unable to qualify for use of a Shelf Registration Statement, on the date which is six months from the date hereof, the Company shall, upon receipt of a notice (a "Registration Notice") given at least 14 days prior to the six-month anniversary hereof, file on behalf of all Holders from whom it shall have received a Registration Notice, and use its best efforts to cause to become effective as soon as practical thereafter, a Registration Statement registering the offering and sale of the Registrable Securities which the Company has been requested to register by such Holders. In addition, subject to the restrictions on disposition included in Section 2 and on a maximum of two separate occasions (and if the Company at such time does not have an effective Shelf Registration Statement covering the Registrable Securities), at any time after the six month anniversary of the date hereof that the Company shall receive a Registration Notice from Holders holding Shares representing in excess of 25% of the Shares, it shall file, and use its best efforts to cause to become effective as soon

as practical thereafter, a Registration Statement registering the offering and sale of the Registrable Securities held by such Holder (and those of any other Holder, subject to Section 2, who requests to have its Shares included in such Registration Statement). The Company shall promptly following receipt of a Registration Notice pursuant to the last sentence hereof notify the Holders of all other Registrable Securities and, upon request of such Holders, allow such Holders to include their Registrable Securities in the aforementioned Registration Statement. Notwithstanding the above, (i) if a request

-4-

for registration pursuant to this Section 2(b) is made within 30 days prior to the conclusion of the Company's fiscal year, or within 40 days after the end of the Company's fiscal year, the Company shall not be required to file a registration statement until such time as the Company receives its audited financial statements for such fiscal year, and (ii) the Company shall be entitled to postpone for a reasonable period of time (not to exceed 90 days, which may not thereafter be extended) the filing of any registration statement otherwise required to be prepared and filed by it pursuant to this Section 2(b) if (x) the Company is in possession of material information that has not been disclosed to the public and the Company deems it advisable not to disclose such information in the registration statement or (y) the board of directors of the Company shall determine in good faith that such offering will interfere with a pending or contemplated financing, merger, acquisition, sale of assets, recapitalization or other similar corporate action of the Company, and in the case of clause (x) or (y) above, the Company shall have furnished to the Holder or Holders of Registrable Securities requesting such registration an officers' certificate to that effect.

(c) Expenses. The Company shall pay all Registration Expenses in connection with the registration pursuant to Sections 3(a) or 3(b). The Company shall not be liable for any underwriting discounts and commissions, the fees and disbursements of counsel representing such Holder or any underwriter or agent acting on behalf of a Holder, and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Registration Statement or Rule 144 under the Securities Act.

(d) Inclusion in Registration Statement. Any Holder who does not provide the information reasonably requested by the Company in connection with any Registration Statement filed hereunder by the Company as promptly as practicable after receipt of such request, but in no event later than ten (10) days thereafter, shall not be entitled to have its Registrable

Securities included in any Registration Statement filed by the Company pursuant to this Agreement.

4. Registration Procedures.

In connection with the obligations of the Company with respect to the Registration Statements contemplated by Section 3 hereof, the Company shall:

(a) prepare and file with the SEC, within the time period set forth in Section 3 hereof, the Registration Statements, which Registration Statements shall (i) be available for the sale of the Registrable Securities in accordance with the intended method or methods of distribution by the selling Holders thereof and (ii) comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith;

-5-

(b) furnish to each Holder of Registrable Securities that has delivered a Registration Notice to the Company or otherwise is entitled to have its Registrable Securities included in a Registration Statement, without charge, as many copies of each Prospectus and any amendment or supplement thereto in order to facilitate the public sale or other disposition of the Registrable Securities; the Company consents to the use of the Prospectus and any amendment or supplement thereto by each such Holder of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by the Prospectus or amendment or supplement thereto;

(c) use its reasonable efforts to register or qualify the Registrable Securities by the time any Registration Statement is declared effective by the SEC under all applicable state securities or blue sky laws of such jurisdictions in the United States and its territories and possessions as any Holder of Registrable Securities covered by the Registration Statement shall reasonably request in writing, keep each such registration or qualification effective during the period such Registration Statement is required to be kept effective or during the period offers or sales are being made by a Holder that has delivered a Registration Notice to the Company, whichever is shorter; provided, however, that in connection therewith, the Company shall not be required to (i) qualify as a foreign corporation to do business or to register as a broker or dealer in any such jurisdiction where it would not otherwise be required to qualify or register but for this Section 4(c), (ii) subject itself to taxation in any such jurisdiction, or (iii) file a general consent to service of process in

any such jurisdiction;

(d) furnish to each Holder of Registrable Securities that has delivered a Registration Notice to the Company or is otherwise entitled to have its Registrable Securities included in a Registration Statement, without charge, at least one conformed copy of the Registration Statement and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(e) cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend; and enable certificates for such Registrable Securities to be issued for such numbers of shares and registered in such names as the selling Holders may reasonably request at least two business days prior to any sale of Registrable Securities;

(f) make available for inspection by the Holders of Registrable Securities that have provided a Registration Notice to the Company and any counsel, accountants or other representatives retained by such Holders all financial and other records, pertinent corporate documents and properties of the Company and cause the officers, directors and employees of the Company to supply all such records, documents or information reasonably requested by such Holders, counsel,

-6-

accountants or representatives in connection with the Registration Statement; provided, however, that such records, documents or information which the Company determines in good faith to be confidential and notifies such Holders, counsel, accountants or representatives in writing that such records, documents or information are confidential shall not be disclosed by such Holders, counsel, accountants or representatives unless (i) such disclosure is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, or (ii) such records, documents or information become generally available to the public other than through a breach of this Agreement;

(g) use its reasonable efforts to cause all Registrable Securities to be listed on any securities exchange or automated quotation or other trading system on which similar securities issued by the Company are then listed or traded;

The Company may require each Holder of Registrable Securities to furnish to the Company in writing such information regarding the proposed distribution by such Holder of such Registrable Securities as the Company

may from time to time reasonably request in writing.

5. Repurchase by Company of Shares Subject to Registration Notice. Upon receipt by the Company of a Registration Notice, the Company may, but shall not be obligated to, purchase from such Holder all, but not less than all, of the Shares which are the subject of such Registration Notice at a price per share equal to the average of the Closing Prices of the Common Stock for the twenty trading days immediately preceding the date of the Registration Notice. In the event the Company elects to purchase the Shares which are the subject of a Registration Notice, the Company shall notify the Holder of such Shares within five business days of the date of receipt of the Registration Notice by the Company, which notice shall indicate: (i) that the Company will purchase the Shares which are the subject of the Registration Notice, (ii) the price per share, calculated in accordance with the preceding sentence, which the Company will pay to such Holder and (iii) the date upon which the Company shall repurchase such Shares, which date shall not be later than the tenth business day after receipt of the Registration Notice relating to such Shares.

6. Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless each Holder and its officers and directors and each Person, if any, who controls any Holder within the meaning of Section 15 of the Securities Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to which such Holder, officer, director or controlling Person may become subject under the Securities Act or otherwise (A) that arise out of or are based upon any untrue statement or alleged untrue

-7-

statement of a material fact contained in any Registration Statement or any amendment thereto, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (B) that arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Prospectus or any amendment or supplement thereto, or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage

and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or alleged untrue statement or any omission or alleged omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including reasonable fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, in each case whether or not a party, or any claim whatsoever based upon any such untrue statement or alleged untrue statement or omission or alleged omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that the indemnity provided pursuant to this Section 6(a) shall not apply to any Holder with respect to any loss, liability, claim, damage or expense that arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in a Registration Statement or any amendment thereto or the Prospectus or any amendment or supplement thereto.

(b) Indemnification by Holders. Each Holder severally agrees to indemnify and hold harmless the Company and the other selling Holders, and each of their respective directors and officers (including each director and officer of the Company who signed the Registration Statement), and each Person, if any, who controls the Company or any other selling Holder within the meaning of Section 15 of the Securities Act, to the same extent as the indemnity contained in Section 6(a) hereof, but only insofar as such loss, liability, claim, damage or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in the Shelf Registration Statement or any amendment thereto or the

Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such selling Holder expressly for use therein.

(c) Indemnification Proceedings. Any Person entitled to indemnification hereunder will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any Person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person and not of the indemnifying party unless (x) the indemnifying party has agreed to pay such fees or expenses, or (y) the indemnifying party shall have failed to assume the defense of such claim or employ counsel reasonably satisfactory to such Person, or (z) in the reasonable judgment of the Person to be indemnified, a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld). No indemnified party will be required to consent to entry of any judgement or enter into any settlement which does not include as an unconditional term thereof the giving by all claimants or plaintiffs to such indemnified party of a release from all liability in respect to such claim.

7. Rule 144 Sales.

(a) Compliance. The Company covenants that, so long as it is subject to the reporting requirements of the Exchange Act, it will file the reports required to be filed by it under the Exchange Act so as to enable any Holder to sell Registrable Securities pursuant to Rule 144 under the Securities Act.

(b) Cooperation with Holders. In connection with any sale, transfer or other disposition by any Holder of any Registrable Securities pursuant to Rule 144 under the Securities Act, the Company shall cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend, and enable certificates for such Registrable Securities to be for such number of shares and registered in such names as the selling Holders may reasonably request at least two business days prior to any sale of Registrable Securities. The Company's obligation set forth in the previous sentence shall be subject to the delivery, if reasonably requested by the Company or its transfer agent, by counsel to such Holder, in form and substance reasonably

satisfactory to the Company and its transfer agent, of an opinion that such Securities Act legend need not appear on such certificate.

8. Miscellaneous.

(a) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified, supplemented or waived, nor may consent to departures therefrom be given, without the written consent of the Company and the Holders of a majority of the outstanding Registrable Securities. Notice of any such amendment, modification, supplement, waiver or consent adopted in accordance with this Section 8(a) shall be provided by the Company to each Holder of Registrable Securities at least thirty (30) days prior to the effective date of such amendment, modification, supplement, waiver or consent.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery, (i) if to a Holder, at such Holder's registered address appearing on the share register of the Company or (ii) if to the Company, at its corporate headquarters, Attention: President.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; or at the time delivered if delivered by an air courier guaranteeing overnight delivery.

(c) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the conflicts of law provisions thereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above

AVTEL COMMUNICATIONS, INC.

By: _____
Name: _____
Title: _____

MATRIX TELECOM, INC.
On behalf of all Holders

By: _____
Name: _____
Title: _____

Schedule A

HOLDERS

- BestConnections
- UGA
- James Jensen
- Jami Jensen
- Jeff Jensen
- Janet Jensen
- Julie Jensen
- UA Plus
- Howard Neckowitz
- Ron Jensen
- Ray Waters
- Gary Friedman
- E. Scott Crist

Gail Granton
Chuck Taylor
Ron Anderson
Joe Renteria
Virginia Baker
Tom Cargal
Greg Reid
Greg Reid (in Trust)
Cole Dawson
Vernon Woelke

-12-

Schedule B

Holders Subject to a Two Year Lock-up

UGA
Ronald L. Jensen
James Jensen
Jami Jensen
Jeff Jensen
Janet Jensen
Julie Jensen
UA Plus

-13-

EXHIBIT B
AGREEMENT OF JOINT FILING

Ronald L. Jensen, United Group Association, Inc., and UA Plus, Inc. hereby agree that this Statement on Amended Schedule 13D as well as all future amendments to such Statement, shall be filed jointly on behalf of each of them. This agreement is intended to satisfy the requirements of Rule 13d-1(f)(1)(iii) under the Securities Exchange Act of 1934, as amended and may be signed in multiple counterparts, each of which shall constitute an original.

Date: June 8, 1998

/s/ Ronald L. Jensen

Ronald L. Jensen

Date: June 8, 1998

United Group Association, Inc.

/s/ Ronald L. Jensen

Ronald L. Jensen
President

STOCK EXCHANGE AGREEMENT

THIS STOCK EXCHANGE AGREEMENT (this "Agreement") made this 29th day of April, 1997, is by and between Matrix Telecom, Inc. ("Matrix") and AvTel Communications, Inc. ("Avtel").

1. STOCK EXCHANGE

At Closing (as hereinafter defined), the stockholders of Matrix listed on Schedule I (the "Stockholders") will deliver to Avtel 3,484,260 properly endorsed, unencumbered Matrix common shares (the "Stock"), representing 100% of the outstanding Matrix common stock, in exchange for 34,590,049 shares of common stock of Avtel (such numbers to be adjusted to give effect to the Merger and Reverse Stock Split (defined below)), which will not be registered under the Securities Act of 1933, as amended.

2. EXCHANGE STATEMENT

Prior to the Closing, Matrix shall deliver to Avtel a duly executed EXCHANGE STATEMENT from each Stockholder in the form attached hereto as Exhibit A (each, an "Exchange Statement").

3. MATRIX NON-QUALIFIED STOCK OPTIONS

At Closing, Matrix will cancel all non-qualified stock options (covering 9,000 Matrix shares) that it has granted and that remain outstanding as of the date hereof, and Avtel will issue to the beneficiaries thereof, 89,348 Avtel non-qualified stock options (such numbers to be adjusted to give effect to the Merger and Reverse Stock Split (defined below)) having the same exercise period and exercise prices as currently apply to such Matrix options all as set forth on Schedule II.

4. REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

At Closing, Avtel and Matrix, on behalf of the Stockholders, shall enter into a REGISTRATION RIGHTS AND LOCK-UP AGREEMENT in the form set forth on Exhibit B.

5. MATRIX OPERATIONS; INVESTMENT PURPOSES

Avtel will own Matrix and operate its business in the ordinary course and has no intention of disposing of significant assets.

6. POOLING OF INTERESTS

The parties intend that the transaction contemplated hereby will be treated as a pooling of interests and agree to abide by the restrictions contained in Accounting Series Release 135 ("ASR 135"). In this connection, no Stockholder will be allowed to sell any Avtel shares prior to release of Avtel and Matrix combined earnings covering a period of combined earnings of not less than 30 days in accordance with ASR 135.

7. INCOME TAX TREATMENT

The parties intend that the transaction will be treated as a tax-free reorganization under IRC Section 368(a)(1)(B) and will take no actions that will violate applicable requirements.

8. AVTEL SHAREHOLDERS' MEETING

Avtel shall, in accordance with applicable law, as soon as practicable:

- (a) duly call, give notice of, convene and hold a special meeting of its stockholders (the "Stockholders' Meeting") for the purpose of considering and taking action upon this Agreement;
- (b) subject to the fiduciary duties of the Board of Directors of Avtel under applicable law, include in a proxy statement (the "Proxy Statement") to be distributed to its stockholders the recommendation of the Board of Directors of Avtel that the stockholders of Avtel vote in favor of the approval and adoption of this Agreement and the transactions contemplated hereby;
- (c) provide Matrix with copies of the proposed Proxy Statement and a reasonable opportunity to review and comment upon such Proxy Statement before it is mailed to Avtel's shareholders; and
- (d) use its best efforts to (i) obtain and furnish the information required to be included by it in

the Proxy Statement and respond promptly to any comments made by the Securities and Exchange Commission with respect to the Proxy Statement and any preliminary version thereof and cause the Proxy Statement to be mailed to its stockholders at the earliest practicable time and (ii) obtain the necessary approvals by its stockholders of this Agreement and the transactions contemplated hereby.

9. AVTEL MERGER; REVERSE STOCK SPLIT

- (a) Prior to the Closing hereunder, Avtel shall merge (the "Merger") with and into a Delaware corporation, whereupon the separate corporate existence of Avtel shall cease and such Delaware corporation (hereinafter, "Newco") shall continue as the surviving corporation. The Merger shall have the effects set forth under the laws of the State of Delaware. Without limiting the generality of the foregoing, and subject thereto, all the properties, rights, privileges, powers and franchises of Avtel shall vest in Newco, and all debts, liabilities and duties of Avtel shall become the debts, liabilities and duties of Newco. The certificate of incorporation and bylaws of Newco shall be the certificate of incorporation and bylaws of the pre-existing Delaware corporation, substantially in the form agreed to prior to the Merger by Matrix and Avtel and approved by the shareholders of Avtel at the Stockholder's Meeting. Subject to clause (b) below, at the effective time of the Merger, by virtue of the Merger and without any action on the part of Avtel or Newco or the stockholders of Avtel, each share of common stock and preferred stock and each option of Avtel issued and outstanding immediately prior to the effective time of the Merger shall by virtue of the Merger be canceled and extinguished and be converted into the right to receive one share of the common stock or preferred stock or an option to acquire one share of common stock of Avtel, as applicable, of Newco.
- (b) Subject to the approval of Avtel's stockholders at the

Stockholders' Meeting, prior to the Closing, Avtel shall either (i) effect a reverse stock split pursuant to which each share of Avtel common stock and preferred stock and each option granted by Avtel to acquire Avtel common stock shall be converted into the right to receive such lesser amount of Avtel common stock, preferred stock or an option to acquire a lesser amount of Avtel common stock, as applicable, as Avtel and Matrix shall agree or, (ii) reduce the number of common stock, preferred stock or options to acquire Newco common stock that will be issued to Avtel stockholders in the Merger to such lesser number of shares of common stock, preferred stock or options to acquire Newco common stock as Avtel and Matrix shall agree (the adjustment contemplated by clauses (i) or (ii) being referred to herein as the "Reverse Stock Split"). At such time as Avtel and Matrix shall agree upon the details of the Reverse Stock Split, Avtel and Matrix shall amend this Agreement to adjust the number of shares of Avtel common stock issuable to the stockholders of Matrix pursuant to this Section 1 and the number of shares of Avtel common stock for which Avtel is required to grant options to holders of Matrix options pursuant to Section 3, in each case, in a manner which is directly proportional to the adjustments made to the Avtel common stock and options to acquire Avtel common stock pursuant to the Reserve Stock Split.

10. AVTEL TO SUPPLY INFORMATION

3

Until the Closing Date (as hereinafter defined), Avtel shall give Matrix full access during normal business hours, without unreasonable interference with business operations, to all of its the facilities, properties, books, contracts, commitments and records and shall make its officers and employees available to Matrix, as Matrix shall from time to time reasonably request. Matrix and its representatives will be furnished all information concerning Avtel that Matrix reasonably requests.

11. MATRIX TO SUPPLY INFORMATION

Until the Closing Date, Matrix shall give Avtel full access during normal business hours, without unreasonable interference with business operations, to all of its the facilities, properties, books, contracts, commitments and records and shall make its officers and employees available to Avtel, as Avtel shall from time to time reasonably request. Avtel and its representatives will be furnished all information concerning Matrix that Avtel reasonably requests. Matrix shall provide to Avtel such information as may be required by the Proxy Statement which information shall be true and accurate in all material respects.

12. BRIDGE LOAN

Matrix agrees that following the execution of this Agreement, Matrix will make a bridge loan available to Avtel in the maximum principal amount of \$500,000 on the following terms:

- (a) Up to \$250,000 may be drawn by Avtel any time after the execution of this Agreement and prior to the earlier to occur of (i) August 31, 1997 or (ii) the termination of this Agreement.
- (b) Up to an additional \$250,000 may be drawn by Avtel at any time on or after July 1, 1997 and prior to the earlier to occur of (i) August 31, 1997 or (ii) the termination of this Agreement.
- (c) Disbursements shall be made on five days' written notice to Matrix. No disbursements shall be made after the termination of this Agreement.
- (d) The loan shall be recourse and shall bear interest at the rate of 8% per annum through August 31, 1997, and thereafter at a rate of 12% until maturity and, after maturity at a rate of 15%, in all cases subject to reduction to comply with applicable usury laws. Interest shall be payable monthly in arrears, based on a 360-day year, and all principal and accrued interest shall be due and payable on or before the earlier of (i) 180 days after the termination of this Agreement or (ii) December 1, 1997.

- (e) Avtel shall pay all expenses of documenting the loan, including any necessary California usury permit, if any.

13. MATRIX REPRESENTATIONS

Matrix represents to Avtel as follows:

- (a) Schedule I is a complete and accurate list of all of the shares of Matrix common stock owned by each of the Stockholders. Schedule II is a complete and accurate list of all Matrix options issued and outstanding.
- (b) Matrix is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas with all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.
- (c) Matrix has full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and this Agreement has been duly and validly executed and delivered by Matrix and constitutes the legal, valid and binding obligation of Matrix, enforceable in accordance with its terms. The execution, delivery and performance of this Agreement and all other transactions contemplated hereby will not cause any material default or breach in any contract, loan agreement or other instrument to which Matrix is a party or violate any law or decree or judgment of any government or governmental agency having jurisdiction over Matrix.
- (d) Matrix's authorized capital stock consists of 10,000,000 shares of common stock, no par value, of which 3,484,260 shares are issued and outstanding. Schedule II is a list of all Matrix stock options existing as of the date hereof together with a list of all stock options that Matrix has agreed to issue but has not yet issued.
- (e) The financial statements of Matrix listed on Schedule III fairly present in all material respects Matrix's financial position and assets and its results of operation and changes in financial position with respect to the respective dates thereof and the periods covered thereby, in conformity with the United States generally accepted accounting principles at the time in effect ("GAAP"), and Matrix's past ---- accounting practices, consistently applied during such periods, and such financial statements, including the notes thereto, make

full and adequate disclosure of, and provision for, all of Matrix's material obligations and liabilities as of the date thereof, whether accrued, absolute, contingent or otherwise, to the extent required by GAAP. Since the date of the last of such financial statements, there have been no material adverse changes to the business or condition of Matrix that have not been disclosed to Avtel.

5

- (f) Schedule IV contains a list of all material contracts between Matrix and any of its officers, directors or shareholders, true, correct and complete copies of which have been furnished to Avtel.
- (g) Schedule V contains a true, correct and complete list of all of Matrix's employee benefit plans and a list of each employee of Matrix as of the date hereof, his/her current position, annual salary and current bonus entitlement.
- (h) Except as set forth in Schedule VI, Matrix is not a party to and has not been threatened with any legal action, governmental investigation or proceeding or any other material claim or proceeding, including, without limitation, any tax audit.
- (i) Matrix has provided Avtel copies of the prior three year's federal and state income tax returns and represents that it believes such returns fairly reflect Matrix's tax obligations for such periods and that no adjustments for such periods have been proposed. All federal, state, local and foreign tax returns required to be filed by or with respect to Matrix through the Closing Date have been or will be accurately prepared, and have been or will be duly and timely filed, and all taxes, interest, penalties, assessments and/or deficiencies due with respect to any taxable period ending on or before the Closing Date have been or will be timely paid, or adequate provision for the payment thereof has been or will be made on Matrix's financial statements or books of account.
- (j) Except as disclosed on Schedule VII, no notice to, filing

with, authorization of, exemption by, or consent of any person, entity or public or governmental authority is required in order for Matrix to consummate the transactions contemplated hereby.

14. AVTEL REPRESENTATIONS

Avtel represents to Matrix as follows:

- (a) Avtel is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah with all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.
- (b) Avtel has full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and this Agreement has been duly and validly executed and delivered by Avtel, and constitutes the legal, valid and binding obligation of Avtel, enforceable in accordance with its terms. The execution, delivery and performance of this Agreement and all other transactions contemplated hereby will not cause any material default or breach in any contract, loan agreement or other instrument to which Avtel is a party or violate any law or

6

decree or judgement of any government or governmental agency having jurisdiction over Avtel.

- (c) Avtel's authorized capital stock consists of 50,000,000 shares of common stock, \$.001 par value, per share, of which 7,135,807 shares are issued and outstanding and 5,000,000 shares of preferred stock of which 1,000,000 shares designated, \$1.00 par value Series A Convertible Preferred Stock are issued and outstanding. All such shares were held as of April 9, 1997 as set forth on Schedule VIII. All of the issued shares of the capital stock of Avtel have been duly and validly authorized and issued, are fully paid and non-assessable. The shares of common stock to be delivered by Avtel to the Stockholders pursuant to this Agreement have been duly and validly authorized and, when issued and delivered as provided herein, will be

duly and validly issued and fully paid and non-assessable. Schedule IX is a list of all Avtel stock options existing as of the date hereof, together with a list of all stock options Avtel has agreed to issue but has not yet issued, and Avtel has not entered into any agreement to issue additional stock options except as disclosed on Schedule IX.

- (d) The financial statements of Avtel listed on Schedule X fairly present in all material respects Avtel's financial position and assets and its results of operation and changes in financial position with respect to the respective dates thereof and the periods covered thereby, in conformity with GAAP and Avtel's past accounting practices, consistently applied during such periods, and such financial statements, including the notes thereto, make full and adequate disclosure of, and provision for, all of Avtel's material obligations and liabilities as of the date thereof, whether accrued, absolute, contingent or otherwise, to the extent required by GAAP. Since the date of the last of such financial statements, there have been no material adverse changes to the business or condition of Avtel that have not been disclosed to Matrix.
- (e) Schedule XI contains a list of all material contracts between Avtel and any of its officers, directors or shareholders, true, correct and complete copies of which have been furnished to Matrix.
- (f) Schedule XII contains a true, correct and complete list of all of Avtel's employee benefit plans and a list of each employee of Avtel and its subsidiaries as of the date hereof, his/her current position, annual salary (and proposed adjustments thereto for the next 6 months) and current bonus entitlement.
- (g) Except as set forth in Schedule XIII, Avtel is not a party to and has not been threatened with any legal action, governmental investigation or proceeding or any other material claim or proceeding, including, without limitation, any tax audit.

- (h) Avtel has provided Matrix copies of the prior three year's federal and state income tax returns and represents that it believes such returns fairly reflect Avtel's tax obligations for such periods and that no adjustments for such periods have been proposed. All federal, state, local and foreign tax returns required to be filed by or with respect to Avtel from January 1, 1993 through the Closing Date have been or will be accurately prepared, and have been or will be duly and timely filed, and all taxes, interest, penalties, assessments and/or deficiencies due with respect to any taxable period ending on or before the Closing Date have been or will be timely paid, or adequate provision for the payment thereof has been or will be made on Avtel's financial statements or books of account.
- (i) Except as disclosed on Schedule XIV, no notice to, filing with, authorization of, exemption by, or consent of any person, entity or public or governmental authority is required in order for Avtel to consummate the transactions contemplated hereby.

15. CONDITIONS PRECEDENT TO OBLIGATIONS OF MATRIX

- (a) Avtel's representations and warranties contained herein shall be true in all material respects on and as of the date of this Agreement and shall also be true in all material respects (except for such changes as are contemplated by the terms of this Agreement) on and as of the Closing Date with the same force and effect as though made by Avtel on and as of the Closing Date.
- (b) Avtel shall, in all material respects, have performed all obligations and agreements and complied with all covenants contained in this Agreement, to be performed and complied with by it on or prior to the Closing Date; and Avtel shall have delivered to Matrix a certificate, dated as of the Closing Date, certifying as to its compliance with Section 15(a) and Section 15(b).
- (c) The Registration Rights Agreement shall have been executed by the Avtel and delivered to Matrix.
- (d) The shareholders of Avtel shall have approved this Agreement and the transactions contemplated hereby.
- (e) Any and all governmental and other consents required in connection with this Agreement shall have been obtained.
- (f) Each Stockholder shall have executed an Exchange Statement.

16. CONDITIONS PRECEDENT TO OBLIGATIONS OF AVTEL

- (a) Matrix's representations and warranties contained herein shall be true in all material respects on and as of the date of this Agreement and shall also be true in all material respects (except for such changes as are contemplated by the terms of this Agreement) on and as of the Closing Date with the same force and effect as though made by Matrix on and as of the Closing Date.
- (b) Matrix shall, in all material respects, have performed all obligations and agreements and complied with all covenants contained in this Agreement to be performed and complied with by it on or prior to the Closing Date and Matrix shall have delivered to Avtel a certificate, dated as of the Closing Date, certifying as to its compliance with Section 16(a) and Section 16(b).
- (c) The Registration Rights Agreement shall have been executed by Matrix and the Exchange Statements shall have been executed by the Stockholders and such documents shall have been delivered to Avtel.
- (d) The shareholders of Avtel shall have approved this Agreement and the transactions contemplated hereby.
- (e) Any and all governmental consents required in connection with this Agreement shall have been obtained.

17. CLOSING

The Closing (the "Closing") shall take place at such place as Matrix and Avtel shall agree on the date that is three business days after the conditions referred to in clauses (d) and (e) of paragraphs 15 and 16 shall have been obtained or on such later date to which the parties hereto otherwise shall agree (such date being the "Closing Date").

18. SURVIVAL

The covenants, agreements, representations or warranties of the parties hereto contained in this Agreement or in any certificate

or other writing delivered pursuant to, or in connection with, this Agreement shall survive one year from the Closing Date.

19. TERMINATION

This Agreement may be terminated at any time on or prior to the Closing Date: (i) with the mutual consent of Avtel and Matrix or (ii) by Avtel or Matrix, if the Closing shall not have taken place on or before July 1, 1997, or such later date as may be mutually approved in writing by Avtel or Matrix. This Agreement shall terminate automatically if

9

the shareholders of Avtel do not approve this Agreement or any of the transactions contemplated hereby.

20. MISCELLANEOUS

- (a) This Agreement shall be governed by the laws of the State of Texas, without regard to the conflict of law rules of such state.
- (b) This Agreement may be amended, modified or supplemented but only in writing signed by all of the parties hereto.
- (c) All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand, or by confirmed facsimile transmission, or on two business days following delivery to a commercial overnight air courier service, or five days after being mailed, first class postage prepaid, return receipt requested.

If to Matrix, addressed as follows:

5215 North O'Connor Blvd.
Suite 300
Irving, Texas 75039
Attention: Ronald W. Howard
Facsimile: (972) 506-3266

with a copy to:

Mayer, Brown & Platt
190 South LaSalle Street
Chicago, Illinois 60603
Attention: David A. Carpenter
Facsimile: (312) 701-7711

10

If to Avtel, addressed as follows:

130 Cremona Drive, Suite C
Santa Barbara, California 93117
Attention: Anthony Papa
Facsimile: (805) 685-9685

with a copy to:

Price, Postel & Parma LLP
200 E. Carrillo Street, Suite 400
Santa Barbara, California 93101
Attention: Raymond LeBlanc
Facsimile: (805) 882-9869

or to such other individual or address as a party hereto may designate for itself by notice given as herein provided.

- (d) The failure of a party hereto at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by a party of any condition or of any breach of any term, covenant, representation or warranty contained in this Agreement shall be effective unless in writing, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach in other instances or a waiver of any other condition or breach of any other term, covenant, representation or warranty.
- (e) This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the

same instrument.

- (f) The Stockholders shall be deemed to be third party beneficiaries of the rights of Matrix hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written by their duly authorized representatives.

MATRIX TELECOM, INC.

AVTEL COMMUNICATIONS, INC.

By: _____

By: _____

(Print Name)

(Print Name)

Its: _____
(duly authorized)

Its: _____
(duly authorized)

AMENDMENT TO STOCK EXCHANGE AGREEMENT

This Amendment to Stock Exchange Agreement, dated August 25, 1997 is by and between Matrix Telecom, Inc. ("Matrix") and AvTel Communications, Inc. ("AvTel").

W I T N E S S E T H

WHEREAS, Matrix and AvTel have entered into that certain Stock Exchange Agreement, dated April 29, 1997 (the "Stock Exchange Agreement") which provided for, among other things, the exchange by the stockholders of Matrix of all of the issued and outstanding capital stock and options of Matrix for capital stock and options of AvTel;

WHEREAS, by letter agreement, dated July 28, 1997 (the "Letter Agreement") the date by which completion of the transactions by the Stock Exchange Agreement is required to be completed was extended through November 30, 1997; and

WHEREAS, as contemplated by Paragraph 9(b) of the Stock Exchange Agreement, AvTel and Matrix have agreed to effect the Reverse Stock Split (as defined in the Stock Exchange Agreement) by the conversion of each share of AvTel common stock into the right to receive 1/4 of a share of common stock of Newco (thereby effecting a four to one reverse stock split) pursuant to the terms of the Merger (as defined in the Stock Exchange Agreement);

WHEREAS, since the date of the Stock Exchange Agreement, Matrix has acquired all of the issued and outstanding capital stock of Best Connections, Inc. in exchange for 376,727 shares of Matrix common stock;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Capitalized terms used herein, unless otherwise defined or the context requires otherwise, are used herein as defined in the Stock Exchange Agreement.

2. Amendment to Paragraph 1. Paragraph 1 of the Stock Exchange Agreement is hereby amended to read in its entirety as follows:

"At Closing (as hereinafter defined), the stockholders of Matrix listed on Schedule I (the "Stockholders") will deliver to AvTel 3,860,987 properly endorsed, unencumbered shares of Matrix common stock, representing 100% of the outstanding Matrix common stock, in exchange for 9,582,514 shares of common stock of AvTel, after

giving effect to the Merger and Reverse Stock Split (defined below), which will not be registered under the Securities Act of 1933, as amended."

1

3. Amendment to Paragraph 2. Paragraph 2 of the Stock Exchange Agreement is hereby amended by adding the following sentence at the end of the paragraph:

"Prior to the Closing, Matrix shall deliver to AvTel a duly executed Exchange Statement from each holder of a non-qualified stock option of Matrix in the form attached as Exhibit B."

4. Amendment to Paragraph 3. Paragraph 3 of the Stock Exchange Agreement is hereby amended to read in its entirety as follows:

"At Closing, Matrix will cancel all non-qualified stock options (covering 9,000 Matrix shares) that it has granted and that remain outstanding as of the date hereof, and AvTel will issue to the beneficiaries thereof, 22, 338 AvTel non-qualified stock options, after giving effect to the Merger and Reverse Stock Split, having the exercise period and exercise price set forth in Exhibit B hereto."

5. Amendment to Paragraph 6. Paragraph 6 of the Stock Exchange Agreement, including the heading thereto, is hereby deleted and replaced entirely by the following:

"[Intentionally Omitted.]"

6. Amendment to Paragraph 9(a). The last sentence of Paragraph 9(a) of the Stock Exchange Agreement is hereby amended to read in its entirety as follows:

"At the effective time of the Merger, by virtue of the Merger, and without any action on the part of AvTel or Newco or the stockholders of Newco, each share of common stock and preferred stock, and each option of AvTel issued and outstanding immediately prior to the effective time of the Merger shall by virtue of the Merger be canceled and extinguished and be converted into the right to receive one quarter of a share of common stock or preferred stock or an option to acquire one quarter of a share of common stock, as applicable, of Newco; provided,

however, that Newco shall not be required to issue any fractional shares of common stock or preferred stock but instead shall be entitled to purchase any fractional shares resulting from the Merger at the fair market value thereof. This 1/4 to 1 conversion of shares is referred to herein as the "Reverse Stock Split."

7. Amendment to Paragraph 9(b). Paragraph 9(b) of the Stock Exchange Agreement shall be deleted in its entirety.

8. Amendments to Paragraph 12.

(a) The \$500,000 amount set forth in the first sentence of Paragraph 12 is hereby deleted and replaced with \$750,000.

2

(b) The following clause is hereby inserted after clause (b) of Paragraph 12 and clauses (c), (d) and (e) of Paragraph 12 are hereby renumbered to be clauses (d), (e) and (f), respectively:

"(c) up to an additional \$250,000 may be drawn by AvTel at any time on or after July 1, 1997 and prior to the earlier of (i) September 30, 1997, or (ii) the termination of this Agreement."

(c) The date "August 31, 1997" set forth in the first sentence of clause (d) of Paragraph 12 of the Stock Exchange Agreement (which after giving effect to this Amendment will become clause (e)) is hereby deleted and replaced with the date "October 31, 1997."

9. Amendment to Paragraph 15. Clause (f) of Paragraph 15 of the Stock Exchange Agreement is hereby amended to read in its entirety as follows:

"Stockholders holding at least 90% of the issued and outstanding common stock of Matrix shall have executed and delivered to Matrix an Exchange Statement."

10. Amendment to Paragraph 19. The date "July 1, 1997" set forth in the first sentence of Paragraph 19 is hereby deleted and replaced with the date "November 30, 1997", consistent with the terms of the Letter Agreement.

11. Amendment to Schedules. Schedules I, II, and VII of the Stock Exchange Agreement are hereby deleted and replaced with Schedules I, II, and VII attached hereto.

12. Amendment to Registration Rights Agreement. The Registration Rights Agreement included as Exhibit B to the Stock Exchange Agreement (Exhibit C after giving effect to this Agreement) is hereby amended by deleting Section 2(b) thereof.

13. Amendment to Exhibits. Any references in the Stock Exchange Agreement to Exhibit B are hereby amended to refer to Exhibit C to the Stock Exchange Agreement and the Registration Rights Agreement previously included as Exhibit B to the Stock Exchange Agreement is hereby amended to become Exhibit C thereto. Exhibit B to the Stock Exchange Agreement shall read entirely as set forth in Exhibit B attached hereto.

14. Effectiveness of Amendment. This Amendment shall become effective upon the execution hereof by each of the parties hereto. Except as amended hereby, the Stock Exchange Agreement shall remain in full force and effect.

15. Counterparts. This Amendment may be executed simultaneously in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed on the dated first above written by their duly authorized representatives.

MATRIX TELECOM, INC.

AVTEL COMMUNICATIONS, INC.

By: _____

Title: _____

By: _____

Title: _____

