

UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON

CV 01-1283-PA

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IN RE ALPHA TELCOM, INC., et al. )  
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ORDER

**PANNER, J.**

The Receiver reports a total of \$1,827,082.00 in net receipts. The Receiver, and his attorneys and accountants (the "Receiver"), seek court approval of \$1,309,991.12 in final fees<sup>1</sup> and expenses for their work in connection with the receivership. If approved by the court, the payment of fees and expenses to the Receiver would be paid from the \$1,827,082.00 in net receipts.

The Receiver also seeks approval of his plan of distribution of approximately \$517,091.00 that would remain if the court approves the Receiver's full request for fees and costs. The Receiver acknowledges that notice of this request must be sent to the thousands of investors and creditors, so their views may be heard. The court has prepared a form of notice that is attached to this order. The Receiver shall promptly post, on the Alpha Telcom website

<sup>1</sup> On October 24, 2005, the Receiver and his Professionals submitted a First Interim Application for fees and expenses to the court. On October 27, 2006, the Court approved fees in the total amount of \$838,366.70 and expenses in the amount of \$72,075.29.

that he controls and operates, copies of the fee request, plan of distribution, and supporting documentation, i.e. docket #714 through #724, in a format suitable for on-line viewing or downloading such as PDF or HTML. Upon request from any person, and prepayment of a nominal five dollar charge, the Receiver shall also mail (or otherwise deliver) a copy of these documents in paper format.

IT IS SO ORDERED.

DATED this 3 day of November, 2008.

A handwritten signature in black ink, appearing to read "Owen M. Panner", written in a cursive style.

Owen M. Panner  
Senior United States District Judge

**UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON**

CV 01-1283-PA

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**IN RE ALPHA TELCOM, INC., et al.**  
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**NOTICE BY RECEIVER**

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**OPPORTUNITY TO COMMENT**

**NOTICE TO INVESTORS IN AND CREDITORS OF ALPHA TELCOM, INC., FLORIDA PAY PHONE SYSTEMS, Inc., PACIFIC TELECOM, Inc., NEW YORK PAY PHONE SYSTEMS, Inc., AND THE OTHER COMPANIES LISTED BELOW<sup>1</sup> (Collectively referred to herein as "Alpha Telcom"):**

Thomas F. Lennon, the Receiver appointed by the Court to manage the affairs of Alpha Telcom, Inc., and its sister companies, has advised the court that further efforts to pursue claims against the sales agents are unlikely to generate sufficient revenue to justify the expense. The Receiver recommends abandoning those efforts. The Receiver further concludes that he "has recovered all available assets and recommends that the case be closed following final distribution to investors, the Receiver, and his Professionals." The court accepts these recommendations.<sup>2</sup>

Further activity by the Receiver and his attorneys would merely risk squandering, on legal fees and other expenses, what little money remains. Winding up the Receivership is the best option, compared to the alternatives. The Receiver estimates, if the court approves the full request for fees and expenses, that only about five-hundred seventeen thousand ninety-one dollars (\$517,091.00) will be available to distribute out of the one million, eight hundred twenty seven thousand and eighty-two dollars (\$1,827,082.00) in net receipts, including approximately \$538,492.00 recovered from settlements with and disgorgement of assets from Alpha Telcom agents.<sup>3</sup> The Receiver recommends that no payments be made to trade creditors in

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<sup>1</sup> American Telecommunications Co., Inc.; Strategic Partnership Alliance, LLC; SPA Marketing, LLC; and all subsidiaries, affiliates, and entities controlled by the listed companies.

<sup>2</sup> The Securities and Exchange Commission is not thereby precluded from pursuing claims against certain agents independently of this Receivership, if the SEC determines that such action is lawful and proper.

<sup>3</sup> The Receiver reported on October 24, 2005 that he had collected a total of \$1,637,675.00. This means that only an additional \$189,407.00 was collected during the period 1/1/05 through 5/15/08.

the case, most of whose claims are unsubstantiated, based on alleged oral lease agreements relating to Alpha Telcom's payphone business.

The Receiver outlines two potential plans for distributing the remaining assets to the investors. Option One would distribute these limited funds based on the number of pay phones purchased by each investor. The Receiver estimates that would yield approximately sixteen dollars and sixty cents (\$16.60) per pay phone. Option Two would pay a fixed sum (estimated at \$68.10) to each investor identification number.<sup>4</sup> In the Receiver's opinion, the second option is preferable both for administrative and equitable reasons.

The Receiver, and the attorneys and accountants assisting him, are seeking approval from the Court for an additional payment in the amount of \$604,547.11 in fees<sup>5</sup> and \$31,453.05 in expenses<sup>6</sup> (Table 3) and are also requesting the fees and expenses previously disallowed by the Court. The Receiver recommends that his Professional fees and expenses in connection with the Receivership case be paid first, before any funds are paid to the investors.

**Reason for Request:** Since September 2001, the Receiver has been responsible for locating and managing assets of Alpha Telcom; liquidating unneeded property; halting the illegal solicitations; and recovering funds to pay receivership costs and to benefit investors and creditors. The Receiver has employed legal and accounting professionals to assist him. The following, Table 1, is a break down of the fees and expenses that were previously requested by the Receiver and his legal and accounting professionals submitted to the court on October 24, 2005.

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<sup>4</sup> Claim held by the United States Internal Revenue Service (the "IRS") against the Companies in the amount of \$10,225,973.39, inclusive of interest. The Receiver proposes that the IRS Claim will be treated as an Investor Claim, and paid on a "same dollar per claimant" basis under the Plan.

<sup>5</sup> This amount includes the \$50,000.00 reserve requested by the Receiver for winding down the receivership and properly disposing of receivership records. This amount also includes a \$2,000.00 reserve for Foster Pepper for winding down the receivership.

<sup>6</sup> This amount includes the approximately \$10,000.00 in fees for LECG in connection with completing its final responsibilities in closing the Receivership Case.

**Table 1<sup>7</sup>**

<b>APPLICANT</b>	<b>FEES PREVIOUSLY REQUESTED BY APPLICANTS</b>	<b>EXPENSES PREVIOUSLY REQUESTED BY APPLICANTS</b>	<b>TOTAL FEES AND EXPENSES PREVIOUSLY REQUESTED</b>
<b>RECEIVER</b>	<b>\$459,775.00</b>	<b>\$5,931.16</b>	<b>\$465,166.16</b>
<b>ALLEN MATKINS</b>	<b>\$794,408.50</b>	<b>\$60,984.51</b>	<b>\$855,393.01</b>
<b>FOSTER PEPPER</b>	<b>\$ 48,866.53</b>	<b>\$4,714.53</b>	<b>\$53,580.86</b>
<b>BARCLAY</b>	<b>\$315,626.50</b>	<b>\$13,973.28</b>	<b>\$329,599.78</b>
<b>TOTAL</b>	<b>\$1,618,676.53</b>	<b>\$85,063.48</b>	<b>\$1,703,739.81</b>

On October 27, 2006, the court allowed the following fees and expenses previously requested by the Receiver and his legal and accounting professionals to be paid, except for those fees and expenses disallowed in the last two columns. See Table 2.

**Table 2**

<b>APPLICANT</b>	<b>FEES PREVIOUSLY ALLOWED BY COURT</b>	<b>% OF PREVIOUS REQUEST FOR FEES ALLOWED BY COURT</b>	<b>EXPENSES PREVIOUSLY ALLOWED BY COURT</b>	<b>% OF PREVIOUS REQUEST FOR EXPENSES ALLOWED</b>	<b>FEES DISALLOWED BY COURT FROM PREVIOUS REQUEST</b>	<b>EXPENSES DISALLOWED BY COURT FROM PREVIOUS REQUEST</b>
<b>RECEIVER</b>	<b>\$229,887.50</b>	<b>50%</b>	<b>\$5,391.16</b>	<b>100%</b>	<b>\$206,898.75</b>	<b>\$0.00</b>
<b>ALLEN MATKINS</b>	<b>\$317,763.40</b>	<b>40%</b>	<b>\$47,995.61</b>	<b>80%</b>	<b>\$381,316.08</b>	<b>\$11,998.90</b>
<b>FOSTER PEPPER</b>	<b>\$22,433.27</b>	<b>50%</b>	<b>\$4,714.53</b>	<b>100%</b>	<b>\$26,433.26</b>	<b>\$0.00</b>
<b>BARCLAY</b>	<b>\$268,282.53</b>	<b>85%</b>	<b>\$13,973.28</b>	<b>100%</b>	<b>\$47,343.97</b>	<b>\$0.00</b>
<b>TOTAL</b>	<b>\$838,366.70</b>	<b>51.80%</b>	<b>\$72,075.29</b>	<b>85.70%</b>	<b>\$661,992.06</b>	<b>\$11,998.90</b>

The final applications for payment of fees and expenses for the Receiver and his legal and accounting Professionals seeks payment of their fees and expenses for the period from January 1, 2005 through May 15, 2008, in addition to fees and expenses that were previously disallowed by the Court. Their current request is as follows: See Table 3.

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<sup>7</sup> The previously requested fees and expenses were for work performed by the Receiver and his legal and accounting professionals for the period August 31, 2001 through December 31, 2004.

Table 3

APPLICANT	CURRENT FEES REQUESTED BY APPLICANTS	CURRENT EXPENSES REQUESTED BY APPLICANTS	TOTAL AMOUNT CURRENTLY SOUGHT BY APPLICANTS <sup>8</sup>
RECEIVER	\$232,993.91	\$1,428.81	\$441,321.47
ALLEN MATKINS	\$297,935.20	\$26,771.33	\$718,021.51
FOSTER PEPPER	\$21,369.50	\$2,814.79	\$50,617.55
BARCLAY	\$17,706.00	\$202.56	\$65,252.53
LECG	\$34,542.50	\$235.56	\$34,778.06
TOTAL	\$604,547.11	\$31,453.05	\$1,309,991.12

The Receiver and his Professionals seek the above requested fees and expenses to be paid from the assets recovered by the Receiver in this case. Net proceeds for the receivership total approximately \$1,827,082.00.

Opportunity to Comment: The court must decide whether to approve Option One or Option Two of the distribution plan and decide whether to approve the fees and costs requested. The court will consider comments by interested parties, including Investors and Alpha Telcom creditors.

**PLEASE USE THE ENCLOSED FORM** entitled "Comments from Investors and Creditors."

Mail the completed form to:

Clerk, United States District Court  
1000 SW Third Avenue, Room 740  
Portland, Oregon 97204

**ALL RESPONSES MUST BE POSTMARKED  
BY DECEMBER 24, 2008**

For more information: Contact

Thomas F. Lennon, Receiver  
7777 Alvarado Road, Suite 712  
La Mesa, CA 91941

DATED *11/3* *[Signature]*  
October 29, 2008

*[Signature]*

Owen M. Panner  
United States District Judge

<sup>8</sup> The total amount in this column reflect the current fees and expenses requested by the applicants plus the amount previously disallowed by the Court.

**UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON**

\_\_\_\_\_ )  
**IN RE ALPHA TELCOM, INC., et al.** )  
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COMMENTS FROM  
INVESTORS AND  
CREDITORS**

**Your name(s)** \_\_\_\_\_

**Your mailing address** \_\_\_\_\_

**Check one of the following:**

- \_\_\_\_\_ **I (or we) support Option One** (pay \$16.60 per phone purchased by each investor)  
\_\_\_\_\_ **I (or we) support Option Two** (pay fixed sum (est. \$68.10) to each investor identification number)

**Check all that apply:**

- \_\_\_\_\_ **I (or we) support the request for fees and expenses in its entirety.**  
\_\_\_\_\_ **I (or we) believe they are entitled to some compensation, but not the full amount requested.**  
\_\_\_\_\_ **I (or we) believe they are entitled to the previously disallowed fees and expenses.**  
\_\_\_\_\_ **I (or we) oppose the request for fees and expenses in its entirety.**

**Status:** \_\_\_\_\_ **Investor**      \_\_\_\_\_ **Creditor**      \_\_\_\_\_ **other**  
( \_\_\_\_\_ )

**Additional Comments:**

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\_\_\_\_\_  
\_\_\_\_\_  
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**Mail by December 24, 2008, to:**                      **Clerk, United States District Court, 1000 SW  
Third Avenue, Room 740,  
Portland, Oregon 97204**

**(Do NOT mention social security numbers, account numbers, or other confidential information.)**