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6 Attorneys for THE BILLING RESOURCE, dba  
7 INTEGRETTEL

8 UNITED STATES BANKRUPTCY COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN JOSE DIVISION

11 In re  
12 THE BILLING RESOURCE, dba Integretel, a  
13 California corporation,  
14 Debtor.

Case No. 07-52890 ASW  
Chapter 11

**\*Being Heard on Shortened Time**

15 Tax ID: 33-0289863

Date: May 29, 2008  
Time: 10:00 a.m.  
Place: United States Bankruptcy Court  
280 South First Street  
San Jose, California  
Judge: Hon. Arthur S. Weissbrodt  
18 Ctrm: 3020

19 **NOTICE OF HEARING ON MOTION OF THE DEBTOR FOR ORDER (I) PURSUANT  
20 TO SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE AUTHORIZING AND  
21 APPROVING THE SALE OF CERTAIN ASSETS OF THE BANKRUPTCY ESTATE  
22 FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES AND (II)  
23 AUTHORIZING THE SALE, AND ASSUMPTION AND ASSIGNMENT OF CERTAIN  
24 EXECUTORY CONTRACTS AND UNEXPIRED LEASES UNDER BANKRUPTCY  
25 CODE SECTION 365**

**Proposed Purchaser: Public Communication Services, Inc. ("PCS") Or Its Nominee**

**Potentially Affected Lienholders:**

- 25 POL, Inc.
- 26 PaymentOne Corporation (disputed)      Personal Voice, Inc. (disputed)
- Thermo Credit, LLC (disputed)      Pennsylvania Dept. of Revenue (disputed)
- 27 Network Telephone Services (disputed)      MYTELEBILL LLC (disputed)
- Enhanced Long Distance et al. (disputed)
- 28 Public Communications Services, Inc. (disputed)

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1 **Parties to Executory Contracts and Unexpired Leases to be Assumed and Assigned:**  
2 **See Exhibit "A" attached hereto for list of all contracts subject to assumption and**  
3 **assignment to the successful bidder in connection with the sale of the Debtor's assets.**

4 **PLEASE TAKE NOTICE that a hearing to consider the "Debtor's Motion For Order**  
5 **(I) Pursuant To Sections 105 And 363 Of The Bankruptcy Code Authorizing And Approving**  
6 **The Sale Of Certain Assets Of The Bankruptcy Estate Free And Clear Of All Liens, Claims**  
7 **And Encumbrances And (II) Authorizing The Sale, And Assumption And Assignment Of**  
8 **Certain Executory Contracts And Unexpired Leases Under Bankruptcy Code Section 365"**  
9 **(the "Motion") filed by the Debtor And Debtor-In-Possession The Billing Resource, dba**  
10 **Integretel (the "Debtor") in the above-captioned bankruptcy case will be held at 10:00 a.m.**  
11 **on May 29, 2008, in the courtroom of the Honorable Arthur S. Weissbrodt, Courtroom 3020,**  
12 **at the United States Bankruptcy Court, located at 280 South First Street, San Jose,**  
13 **California.**

14 The following is a general summary of the relief sought by the Debtor in the  
15 Motion. The Debtor moves the Court, pursuant to Sections 363 and 365 of Title 11 of the  
16 United States Code (the "Bankruptcy Code") to approve the sale of certain assets of the  
17 bankruptcy estate pursuant to an asset purchase agreement (the "APA") that the Debtor has  
18 negotiated with a stalking horse bidder, Public Communication Services, Inc.  
19 ("Purchaser") and for the assumption and assignment of certain executory contracts  
20 contained on Exhibit A hereto. The APA provides for Purchaser to acquire the Operating  
21 Assets and, possibly, Debtor's 60 percent equity interest in its affiliate Inmate Calling  
22 Solutions, LLC (the "ICS Interest" and, together, the "Acquired Assets"). The Operating  
23 Assets consist generally of the Debtor's LEC Billing and Collection Agreements ("LEC  
24 Agreements") and certain other agreements to be assumed and assigned; the LEC reserves  
25 in the approximate amount of \$8.4 million; Debtor's Billing Carrier Identification Code;  
26 Debtor's trade name; and certain personal property of Debtor.<sup>1</sup>

27 **PLEASE FURTHER TAKE NOTICE THAT:**

28 1. On May 12, 2008, the Court entered the Order Granting Motion to Establish  
Bid Procedures and Providing for Break-Up Fee as Part of Sale of Certain Assets of  
Bankruptcy Estate (the "Bid Procedures Order"), attached hereto as Exhibit B, setting forth  
the procedures to be followed in connection with the Sale (the "Bidding Procedures"). The  
bidding procedures allow a bidder to submit bids for both assets or for one or the other.  
Following the submission of these bids, qualified bidders will be able to participate in an  
auction in Court to allow the submission of higher and better bids. The Debtor seeks  
approval of its sale of the Acquired Assets to Purchaser, subject to overbid, pursuant to the  
terms and conditions set forth in the APA, following the procedures set forth in the Bid  
Procedures Order.

2. All Alternative Bids for the Acquired Assets must be submitted to Debtor's  
counsel by hand delivery or electronic mail not later than 11:00 a.m. PDT by May 27,  
2008.

<sup>1</sup> The foregoing is only a general summary of the relief sought in the Motion, and all  
parties are strongly advised to review the Motion itself. To the extent that the foregoing  
summary is inconsistent in any way with the relief sought in the Motion, the Motion shall  
control.

1           3. Under the Bid Procedures Order, the hearing on the Motion (the "Sale  
2 Hearing") is scheduled for May 29, 2008 at 10:00 a.m. If Debtor receives at least one  
3 Qualified Alternative Bid, the Court shall conduct an auction (the "Auction") at the Sale  
Hearing. In addition, the Court has set a hearing on any Adequate Assurance Objections  
for May 27, 2008 at 2:00 p.m.

4           4. The Sale is conditioned upon the assumption and assignment of certain  
5 executory contracts and Debtor therefore seeks an order approving the Debtor's  
6 assumption and assignment of the LEC Agreements and other contracts that are part of the  
Operating Assets (the "Assumed Contracts"). The Assumed Contracts are set out in  
Exhibit A attached hereto.

7           5. The Debtor's decision to assume and assign the Assumed Contracts is  
8 subject to Court approval and the occurrence of the Closing. Absent such approval and  
9 Closing, each of the Assumed Contracts shall neither be deemed assumed nor assigned and  
shall remain in the same status as each was immediately prior to the filing of this Motion,  
subject to further order of the Court.

10          6. The Debtor requests that the Sale be free and clear of liens, claims,  
11 encumbrances and other interests, as provided in the APA, with any such liens, claims,  
encumbrances or interests to attach to the proceeds of the Sale.

12          7. The Debtor also requests that the provisions of Fed.R.Bankr.P. 6004(h) and  
13 6006(d) which would otherwise stay any order approving the Sale and allowing  
14 assumption and assignment of executory contracts as requested herein, be waived under  
the circumstances.

15           **PLEASE TAKE FURTHER NOTICE** that the Motion is being filed concurrently  
16 with this Notice. If you would like to receive a copy of the Motion and supporting  
pleadings, please contact counsel for the Debtor by email or telephone to request a copy.

17           **PLEASE TAKE FURTHER NOTICE** that at a hearing held on May 8, 2008  
18 the court orally granted the debtor's request for an order shortening time for a  
hearing on the motion to set the Sale Hearing as noted above and to require that any  
objections to the relief requested in the motion must be made as follows:

19           1. Any objection to the Sale Motion must be filed with the Clerk of the Bankruptcy  
20 Court for the Northern District of California, San Jose, on or before May 20, 2008, and (d) be  
served no later than **May 20, 2008 at 5:00 p.m. by email or hand delivery on the Service  
21 Parties listed below;**

22           2. Any objection on grounds other than lack of adequate assurance of future  
23 performance (a) to the assumption and assignment of any of the Assumed Contracts, or (b) that the  
24 Debtor is required to cure a default as provided under Bankruptcy Code section 365(b)(1)(A) (a  
25 "Cure Amount"), or (c) to assert that non-monetary defaults, conditions or pecuniary losses or  
26 other amounts must be cured or satisfied (including all compensation for any pecuniary loss  
27 resulting from a default in respect of the Assumed Contracts) under any of the Assumed Contracts  
in order for such Assumed Contracts to be assumed and assigned (the "Assumption and/or Cure  
28 Objection") must be filed and served on the Service Parties no later than **May 20, 2008 at 5:00  
p.m. by email or hand delivery.** The Assumption and/or Cure Objection shall set forth (i) the  
basis for the objection (non-monetary or otherwise), and, if applicable, (ii) the amount the party  
asserts as the proper Cure Amount and/or the amount of all compensation for any actual pecuniary

1 loss resulting from a default in respect of the Assumed Contracts (with appropriate documentation  
in support thereof);

2 3. Any bidder other than Purchaser who wishes to become a Qualified Bidder as to  
3 the Operating Assets shall give notice by electronic mail of such desire to the Service Parties at  
4 their email addresses no later than **12:00 noon on Tuesday, May 20, 2008**. The failure to give  
5 such notice by such date shall mean that the bidder cannot be a Qualified Bidder as to the  
6 Operating Assets. Any such bidder shall accompany such notice with all information in .pdf  
7 format (the "Adequate Assurance Package") that the bidder deems appropriate to establish that it  
8 can provide adequate assurance of future performance, as that term is used in Bankruptcy Code  
9 Section 365. The Debtor shall, on or before **noon on May 21, 2008**, provide by electronic mail to  
10 each of the parties to the Assumed Contracts the names of these bidders together with their  
11 Adequate Assurance Package. The parties to the Assumed Contracts shall have to and including  
12 **4:00 PM on Friday, May 23, 2008** to file with the court and serve on the Service Parties by email  
13 or hand delivery any objection to any served Adequate Assurance Package with respect to PCS or  
14 any of these bidders ("Adequate Assurance Objection"). The Court has set a hearing on any  
15 Adequate Assurance Objections for **May 27, 2008 at 2:00 p.m.**;

16 4. **On May 23, 2008, at or before 4:30 p.m.**, any party wishing to file a  
17 memorandum in response to objections filed pursuant to the above schedule (a "Reply") shall file  
18 the Reply with the court (including faxing a copy to the Court's chambers) and serve it on the  
19 Notice Parties (as set forth in the Bid Procedures Order) by email or hand delivery. The Debtor  
20 (and any other party in interest wishing to address the issue) shall include as part of its Reply  
21 authority concerning the effect of an alleged secured creditor's objection to the consideration  
22 offered in connection with the Sale.

23 5. The Sale Hearing will take place on **May 29, 2008 at 10:00 a.m.**

24 **SUCH DOCUMENTS SHALL BE FILED WITH THE COURT AND SERVED ON  
25 THE FOLLOWING SERVICE PARTIES:**

26 Counsel to Debtor:

27 Sheppard, Mullin, Richter & Hampton LLP  
28 Four Embarcadero Center, Suite 1700  
San Francisco, CA 94111  
Attn: Michael H. Ahrens, Esq.  
Steven B. Sacks, Esq.  
Timothy Perry, Esq.  
Email: mahrens@sheppardmullin.com  
ssacks@sheppardmullin.com  
tperry@sheppardmullin.com

Counsel to Committee:

Pachulski Stang Ziehl & Jones LLP  
150 California Street, 15<sup>th</sup> Floor  
San Francisco, CA 94111-4500  
Attn: John D. Fiero, Esq.  
Maxim B. Litvak, Esq.  
Email: jfiero@pszjlaw.com  
mlitvak@pszjlaw.com

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Office of the United States Trustee:

Office of the United States Trustee  
280 S. First Street, Suite 268  
San Jose, CA 94113-0002  
Attn: John Wesolowski, Esq.  
Email: john.wesolowski@usdoj.gov

Counsel to Purchaser

Liner Yankelovitz Sunshine & Regenstreif LLP  
1100 Glendon Avenue, 14th Floor  
Los Angeles, CA 90024.3503  
Attn: Leslie A. Cohen, Esq.  
Facsimile: 310.500.3501  
Email: lcohen@linerlaw.com

Dated: May 12, 2008

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By \_\_\_\_\_ /s/ Steven B. Sacks \_\_\_\_\_

STEVEN B. SACKS  
Attorneys for The Billing Resource, dba Integretel

***In re The Billing Resource, dba Integretel***  
 Bankruptcy Case No. 07-52890 ASW  
 Chapter 11

**SCHEDULE OF ASSUMED CONTRACTS**

To

**MOTION OF THE DEBTOR FOR ORDER (I) PURSUANT TO SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE AUTHORIZING AND APPROVING THE SALE OF CERTAIN ASSETS OF THE BANKRUPTCY ESTATE FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES AND (II) AUTHORIZING THE SALE, AND ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES UNDER BANKRUPTCY CODE SECTION 365**

The Debtor intends to seek authority to assume and assign to the successful purchaser the following contracts and unexpired leases, including any and all amendments, addendums, supplements, statements of work, and maintenance and support agreements or related agreements, with the below listed parties

<b>NAME OF NON-DEBTOR PARTY TO CONTRACTS TO BE ASSUMED</b>	<b>NAME OR DESCRIPTION OF CONTRACT</b>	<b>CURE AMOUNTS</b>
AT&T Billing & Collection Services (including Southwestern Bell Telephone, L.P., AT&T Missouri, Pacific Bell Telephone Co., Nevada Bell Telephone Co., Illinois Bell Telephone Co., Indiana Bell Telephone Co., Michigan Bell Telephone Co., The Ohio Bell Telephone co., Wisconsin Bell, Inc., The Southern New England Telephone Co., The Woodbury Telephone Co.)	Agreement for Billing and Collection Services dated April 5, 2006	\$0.00*
Cincinnati Bell Telephone Company	Billing and Collection Services Agreement dated December 5, 2001	\$17,296.16
Solix Technologies, Inc as successor to Independent NECA Services, Inc.	Agreement for the Provision of Billing and Collection Services	\$0.00
Embarq, fka as Sprint Operating Companies	Billing and Collection Services Operating Agreement effective August 1, 2004	\$0.00

**EXHIBIT A**

**SCHEDULE OF ASSUMED CONTRACTS**

Qwest Corporation	Agreement for the Provision of Billing and Collection Services for MTS and 900 Service dated April 1, 2006	\$0.00
Qwest Corporation	Agreement for the Provision of Billing and Collection Services for ETS Services dated May 1, 2005	\$0.00
Windstream Incumbent Local Exchange Carriers	Agreement for the Provision of Billing and Collection Services dated January 1, 2007	\$0.00
PaymentOne Corporation	Agreement for Data Processing Services dated March 1, 2006	\$0.00
Verizon Services Corp., obo Verizon Telephone Operating Companies	Billing Services Agreement dated July 1, 2005	\$0.00
BSG Clearing Solutions, successor to Verisign, Illuminet and U.S. Intelco Networks, Inc.	Billing and Collection Services Agreement	\$0.00
Bellsouth Telecommunications, Incorporated	The Bill Processing Service Clearinghouse Operating Agreement dated September 1, 2005	\$0.00*
Citizens Telecom Services Company LLC, obo enumerated subsidiaries of Citizens Communications Company dba Frontier Communications	Billing and Collection Services Agreement dated August 10, 2004	\$0.00
Globalive, fka Canopco, fka International Calling Services, Inc.	Billing and Collection Agreement for Canadian-billed Calls, dated August 1, 2001	\$0.00

\* No Cure Amount for AT&T Companies (including BellSouth) is the result of netting the amount withheld by AT&T from October 2007 PAR payments of \$246,770.30 from the amount of BellSouth's filed claim against the Debtor of \$232,948.14.



1 SHEPPARD, MULLIN, RICHTER  
 & HAMPTON LLP  
 2 A Limited Liability Partnership  
 Including Professional Corporations  
 3 MICHAEL H. AHRENS,  
 Cal. Bar No. 44766  
 4 STEVEN B. SACKS,  
 Cal. Bar No. 98875  
 5 Four Embarcadero Center, 17th Floor  
 San Francisco, California 94111-4106  
 6 Telephone: 415-434-9100  
 Facsimile: 415-434-3947

IT IS SO ORDERED.  
 Signed May 12, 2008

*Arthur S. Weissbrodt*  
 Arthur S. Weissbrodt  
 U.S. Bankruptcy Judge

7 Attorneys for The Billing Resource,  
 8 dba Integretel

9 UNITED STATES BANKRUPTCY  
 COURT  
 10 NORTHERN DISTRICT OF CALIFORNIA  
 11 SAN JOSE DIVISION

12 In re  
 13 The Billing Resource, dba Integretel,  
 14 Debtor.  
 15 Tax ID: 33-0289863

Case No. 07-52890 ASW  
 Chapter 11

**ORDER GRANTING MOTION TO  
 ESTABLISH BID PROCEDURES AND  
 PROVIDING FOR BREAK-UP FEE AS  
 PART OF SALE OF CERTAIN ASSETS  
 OF BANKRUPTCY ESTATE**

Date: May 8, 2008  
 Time: 2:15 p.m.  
 Place: United States Bankruptcy Court  
 280 South First Street  
 San Jose, California  
 Judge: The Honorable Arthur S. Weissbrodt  
 Courtroom: 3020

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1 The Motion To Establish Bid Procedures And Allow Break-Up Fee In Connection  
2 With The Sale Of Certain Assets Of The Bankruptcy Estate (the "Motion") filed by the  
3 above-captioned debtor and debtor-in-possession The Billing Resource, dba Integretel, a  
4 California corporation (the "Debtor") having come on for hearing on May 8, 2008 and the  
5 Court having considered the pleadings filed in support of the Motion and the argument of  
6 the parties at the hearing, finding that notice of the Motion was sufficient under the  
7 circumstances, and good cause appearing therefor,

8 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED** that for the reasons  
9 stated on the record at the hearing on the Motion, the Motion is granted as provided herein,  
10 and all objections to the Motion have been withdrawn or are overruled:<sup>1</sup>

11 1. Scheduling of Sale Hearing. A hearing on the motion to approve the sale of  
12 the Operating Assets and the Debtor's equity interest in Inmate Calling Solutions, LLC  
13 (the "ICS Interest," and together the "Acquired Assets") to Public Communication  
14 Services, Inc. (or its nominee) ("Purchaser") under the Asset Purchase Agreement  
15 ("APA") between Debtor and Purchaser, with such sale to be free and clear of liens and  
16 with any liens to attach to the sale proceeds, and to approve the assumption and assignment  
17 of executory contracts and unexpired leases in connection therewith (the "Sale Motion"),  
18 will be held at 2:00 p.m. on May 29, 2008 (the "Sale Hearing"). At the Sale Hearing, the  
19 Court will consider other offers for the Acquired Assets as set forth herein.

20 2. Service of Sale-Related Pleadings.

21 a. Notice of Sale Hearing. The Debtor shall cause, on or before May 12,  
22 2008, service by first class mail of the notice of the hearing on the Sale Motion (including  
23 the Bidding Procedures approved by the Court) and a notice describing the Debtor's  
24 intention to assume and assign certain executory contracts and unexpired leases on all  
25 known creditors, all persons on the special notice list, and all parties to equipment leases  
26 and executory contracts proposed to be assumed and assigned under the Purchase

27 \_\_\_\_\_  
28 <sup>1</sup> Terms not defined herein shall have the meaning set forth in the Motion.

1 Agreement (collectively, the "Assumed Contracts") (the foregoing service list collectively  
2 referred to herein as the "Global Service List").

3           b.     Moving Papers. The Debtor shall cause, on or before May 12, 2008,  
4 service by first class mail of the Sale and Assumption Motion (which shall include as  
5 exhibits, the APA and the order on this bidding procedures motion entered by the Court),  
6 and all declarations in support thereof, by first class mail upon (a) the Office of the United  
7 States Trustee for the Northern District of California, San Jose Division; (b) counsel for  
8 Purchaser; (c) counsel to the Official Committee of Unsecured Creditors (the "Creditors'  
9 Committee"); (d) counsel for all entities known to have asserted any lien, claim,  
10 encumbrance, right of refusal, or other property interest in or upon the Debtor or the  
11 Acquired Assets; (e) all parties that have expressed a bona fide interest in acquiring the  
12 Acquired Assets or that the Debtor believes may be interested in proposing a competing  
13 bid upon assets of the Debtor; (f) all entities on the special notice list; and (g) all non-  
14 debtor parties to the Assumed Contracts and their counsel, if known (collectively, the  
15 "Notice Parties").

16           3.     Objection Bar Dates

17           a.     To Asset Sale. Any objection to the Sale Motion must: (a) be in  
18 writing; (b) comply with the Federal Rules of Bankruptcy Procedure and the Local  
19 Bankruptcy Rules; (c) be filed with the Clerk of the Bankruptcy Court for the Northern  
20 District of California, San Jose, on or before May 20, 2008, and (d) be served no later than  
21 May 20, 2008 at 5:00 p.m. by email or hand delivery upon (1) Debtor's counsel; (2)  
22 counsel for the Creditors' Committee; (3) counsel for Purchaser; and (4) the Office of the  
23 United States Trustee (the foregoing are collectively referred to as the "Service Parties").

24           b.     To Assumption and Cure Amounts. Any person wishing to object on  
25 grounds other than lack of adequate assurance of future performance (a) to the assumption  
26 and assignment of any of the Assumed Contracts, or (b) that the Debtor is required to cure  
27 a default as provided under Bankruptcy Code section 365(b)(1)(A) (a "Cure Amount"), or  
28 (c) to assert that non-monetary defaults, conditions or pecuniary losses or other amounts

1 must be cured or satisfied (including all compensation for any pecuniary loss resulting  
2 from a default in respect of the Assumed Contracts) under any of the Assumed Contracts  
3 in order for such Assumed Contracts to be assumed and assigned must file and serve such  
4 objection (the "Assumption and/or Cure Objection") on the Service Parties no later than  
5 May 20, 2008 at 5:00 p.m. by email or hand delivery (the "Cure Bar Date"). The  
6 Assumption and/or Cure Objection shall set forth (i) the basis for the objection (non-  
7 monetary or otherwise), and, if applicable, (ii) the amount the party asserts as the proper  
8 Cure Amount and/or the amount of all compensation for any actual pecuniary loss  
9 resulting from a default in respect of the Assumed Contracts (with appropriate  
10 documentation in support thereof). If no objection is received by the Cure Bar Date, then  
11 the Debtor shall be determined not to owe any Cure Amounts notwithstanding anything to  
12 the contrary in any Assumed Contract or other document, and the non-debtor party to the  
13 Assumed Contract shall be forever barred from asserting any claims for the Cure Amount,  
14 including any other defaults, but not limited to pecuniary losses, that otherwise might or  
15 could have been asserted by the non-debtor party to the Assumed Contracts against the  
16 Debtor, PCS or such other purchaser of the Acquired Assets through the effective date of  
17 the assumption and assignment in respect of such Assumed Contract.

18 c. To Lack of Adequate Assurance of Future Performance (Notice by  
19 Bidders). Any bidder other than Purchaser who wishes to become a Qualified Bidder as to  
20 the Operating Assets shall give notice by electronic mail of such desire to the Service  
21 Parties at their email addresses no later than 12:00 noon on Tuesday, May 20, 2008. The  
22 failure to give such notice by such date shall mean that the bidder cannot be a Qualified  
23 Bidder as to the Operating Assets. Any such bidder shall accompany such notice with all  
24 information in .pdf format (the "Adequate Assurance Package") that the bidder deems  
25 appropriate to establish that it can provide adequate assurance of future performance, as  
26 that term is used in Bankruptcy Code Section 365. The Debtor shall, on or before noon on  
27 May 21, 2008, provide by electronic mail to each of the parties to the Assumed Contracts  
28 the names of these bidders together with their Adequate Assurance Package. The parties

1 to the Assumed Contracts shall have to and including 4:00 PM on Friday, May 23, 2008 to  
2 file with the court and serve on the Notice Parties by email or hand delivery any objection  
3 to any served Adequate Assurance Package with respect to PCS or any of these bidders  
4 ("Adequate Assurance Objection"). If any party to an Assumed Contract does not so  
5 timely file an Adequate Assurance Objection as to Purchaser or any bidder that has  
6 complied with these requirements, such party to the Assumed Contract shall be deemed to  
7 have consented to the showing of adequate assurance of future performance with respect to  
8 such party or parties as to whom no objection is timely filed. If an Adequate Assurance  
9 Objection is timely filed as to PCS or any of the Prospective Bidders, such objection shall  
10 be heard and resolved on May 27, 2008, at a hearing in the above court to be commenced  
11 at 2:00 p.m. If the Court finds that any party has not provided adequate assurances of  
12 future performance, such party shall not be deemed a Qualified Bidder as to the Operating  
13 Assets, and will not be qualified to bid on the Operating Assets.

14           d.     Effect of Failure to Object. The failure of any person to file its  
15 objection timely and in accordance with the requirements of this Order shall bar the  
16 assertion at the Sale Hearing or thereafter of any objection to the Sale Motion and the  
17 Debtor's consummation and performance of the APA, provided however, that a party in  
18 interest may nonetheless assert objections with regard to events or filings occurring after  
19 the dates set for objections herein.

20           e.     Reply Papers. On May 23, 2008, at or before 4:30 p.m., any party  
21 wishing to file a memorandum in response to objections filed pursuant to the above  
22 schedule (a "Reply") shall file the Reply with the court (including faxing a copy to the  
23 Court's chambers) and serve it on the Notice Parties by email or hand delivery. The  
24 Debtor (and any other party in interest wishing to address the issue) shall include as part of  
25 its Reply authority concerning the effect of an alleged secured creditor's objection to the  
26 consideration offered in connection with the Sale.

27           4.     Alternative Bid Deadline. All bids for the Acquired Assets ("Alternative  
28 Bids") by persons other than Purchaser ("Prospective Bidders") must be submitted to

1 Debtor's counsel by hand delivery or electronic mail not later than 11:00 a.m. prevailing  
2 Pacific Time by the second day prior to the Sale Hearing, i.e., on May 27, 2008 (the  
3 "Alternative Bid Deadline"). Debtor shall immediately distribute a copy of each such  
4 Alternative Bid received to Purchaser, Purchaser's counsel, and the Committee.

5       5.     Qualified Alternative Bid. An Alternative Bid will only be considered if the  
6 Alternative Bid is a "Qualified Alternative Bid". To be a Qualified Alternative Bid, the  
7 Alternative Bid must:

8             a.     identify the proponent of the Alternative Bid and such proponent must  
9 be a Qualified Bidder, meaning Purchaser and any other person that Seller has determined  
10 in the exercise of its reasonable business judgment is financially able to consummate the  
11 purchase of the Operating Assets and/or the ICS Interest if the Bankruptcy Court enters an  
12 order approving such purchase and, in the case of a person desiring to bid on the Operating  
13 Assets, who can give adequate assurance of future performance of the Assumed Contracts  
14 through the procedure set out above;

15             b.     propose in writing a transaction that Debtor after (consultation with  
16 the Committee) determines, in good faith, is not materially more burdensome or  
17 conditional than the terms of this Agreement and has a value that exceeds the Operating  
18 Assets Purchase Price (as set in the APA) by \$200,000, or, if the Alternative Bid includes a  
19 bid for the Operating Assets and the ICS Interest then it shall have a value that exceeds the  
20 sum of the Operating Assets Purchase Price and the ICS Interest Purchase Price (as set in  
21 the APA) by \$250,000, or if the Alternative Bid is only for the ICS Interest, then it shall  
22 have a value that exceeds the ICS Interest Purchase Price by \$100,000. In determining the  
23 value of bid, the break-up fee that may be paid by the estate if the bid is accepted will not  
24 be considered;

25             c.     consist of an agreement in the form of the APA, marked to show  
26 changes thereto, that is when taken as a whole on terms and conditions no less favorable to  
27 Debtor and its creditors than the terms and conditions contained in this Agreement,  
28 including but not limited to price and time of closing;

1 d. not be subject to termination by such Prospective Bidder except on the  
2 same terms as the APA;

3 e. demonstrate through the submission of relevant financial information  
4 that such Prospective Bidder is creditworthy or has liquid assets or unconditional access to  
5 funds sufficient to close a sale of the Operating Assets and/or the ICS Interest under the  
6 terms of the Alternative Bid and, if relevant, provide reasonable evidence of its ability to  
7 carry out the Assumed Liabilities under the APA;

8 f. not be conditional on the outcome of any unperformed due diligence  
9 by the Prospective Bidder, the receipt of equity or debt financing, or the approval of any  
10 Board of Directors, shareholder, or other corporate approval; and

11 g. be accompanied by an initial deposit in the amount of \$200,000, in the  
12 form of a cashier's check or wire transfer payable to the Trust Account of Debtor's  
13 counsel, which deposit shall be refunded within five business days in the event that the  
14 Prospective Bidder is not selected to purchase the Acquired Assets or does not consent to  
15 leave its bid open as a backup bid if asked to do so.

16 6. Auction, Bidding Increments, and Bids Remaining Open.

17 a. If Debtor receives at least one Qualified Alternative Bid, the Court  
18 shall conduct an auction (the "Auction") at the Sale Hearing. Only Purchaser and  
19 Qualified Bidders shall be entitled to make any additional bids ("Subsequent Bids") at the  
20 Auction. All Qualified Bidders and the Committee shall be entitled to be present for all  
21 bidding with the understanding that the true identity of each bidder shall be fully disclosed  
22 to all other bidders and that all material terms of each bid will be fully disclosed to all  
23 other bidders throughout the entire Auction. Debtor (after consultation with the  
24 Committee) may announce at the Auction additional procedural rules that are reasonable  
25 under the circumstances (e.g., the amount of time allotted to make any Subsequent Bids,  
26 the right of the Debtor to meet with any Prospective Bidder to discuss the terms of any bid,  
27 etc.) for conducting the Auction so long as such rules are not inconsistent with these  
28 Bidding Procedures.

1           b.     At the Auction, bidding shall begin with the highest Qualified  
2 Alternative Bid and continue in minimum increments of at least \$200,000 higher than the  
3 previous bid (in the case of the Operating Assets) and/or \$100,000 higher than the previous  
4 bid (in the case of the Equity Interest). Purchaser shall have the right but not the obligation  
5 to participate in the Auction. The Auction shall continue in one or more rounds of bidding  
6 and shall conclude after each participating bidder has had the opportunity to submit an  
7 additional Subsequent Bid with full knowledge of the then existing highest bid and the  
8 identity of the party making the then highest bid.

9           c.     For the purpose of evaluating the value of the consideration provided  
10 by each Subsequent Bid (including any Subsequent Bid by Purchaser), the value shall be  
11 the total consideration to Debtor's estate under the terms of the Subsequent Bid. Debtor  
12 shall have the right to recommend to the Court that a Subsequent Bid be disregarded based  
13 on its analysis of the total consideration to Debtor's estate (including the likely dividend to  
14 unsecured creditors supported by such transaction) and the Committee shall have the right  
15 to object to any such recommendation.

16           d.     At the conclusion of the bidding, Debtor (after consultation with the  
17 Committee) shall be entitled to recommend to the Court that the sale of the Operating  
18 Assets and/or the ICS Interest be confirmed to the highest bidder(s), to request that the  
19 Court defer such a determination to a later time or date, or that the Court decline to  
20 approve a sale. Debtor (after consultation with the Committee) may at its option include a  
21 backup bid in its recommendation to the Court. If Purchaser is not the winning bidder,  
22 Purchaser shall have the right but not the obligation to hold any of its lower bids open as a  
23 backup bid.

24           e.     If Debtor does not receive any Qualified Alternative Bids, Debtor will  
25 report the same to the Bankruptcy Court and will proceed with the sale to the Purchaser on  
26 the terms set forth in the APA, unless Debtor terminates the APA pursuant to the terms  
27 thereof.

28           f.     At least one business day prior to the Auction, Debtor will give

1 Purchaser, all other Qualified Bidders, and the Committee a copy of the highest and best  
2 Qualified Alternative Bid received and copies of all other Qualified Alternative Bids. In  
3 addition, Debtor will inform Purchaser, the Committee, and each Qualified Bidder who has  
4 expressed its intent to participate in the Auction of the identity of all Qualified Bidders that  
5 may participate in the Auction.

6       7.     Break-up Fee. If the APA is terminated either (a) by Debtor, if Debtor's  
7 Chief Restructuring Officer determines in good faith, after consultation with outside  
8 counsel and the Committee, and evidenced by a writing sent to Purchaser, that, in order to  
9 comply with its fiduciary duties under applicable law, it is required to enter into a  
10 definitive agreement as to the ICS Interest with a third party and Seller executes and  
11 delivers such a definitive agreement to the third party; or (b) automatically, if the  
12 Bankruptcy Court enters an order approving a sale of the Operating Assets and/or the ICS  
13 Interest to a party other than Purchaser, then Debtor shall pay, or cause to be paid to  
14 Purchaser, upon consummation of a sale of the Operating Assets to a third party, a single  
15 "break-up" fee either (a) from the proceeds of a sale of the Operating Assets only of up to  
16 One Hundred Fifty Thousand Dollars (\$150,000), or, (b) upon a sale of the ICS Interest to  
17 a third party, a "break-up" fee of up to Seventy-five Thousand Dollars (\$75,000) from the  
18 proceeds of a sale of the ICS Interest only, on the following terms and conditions:

19           a.     Purchaser shall file a declaration in the Bankruptcy Case in which a  
20 knowledgeable person attests that Purchaser incurred expenses in connection with the  
21 Transactions that equal or exceed the amount of the break-up fee being paid;

22           b.     no party in interest has filed an objection and a request for hearing  
23 within five days thereafter;

24           c.     if a hearing is requested then no break-up fee shall be paid until and  
25 unless the Bankruptcy Court issues an order ruling on the objection that approves the  
26 requested fee, or approves a lower fee; and

27           d.     Any payments required to be made shall be made by wire transfer of  
28 immediately available funds to an account designated by Purchaser. Any payment to



1 Purchaser of a break-up fee shall constitute Purchaser's sole and exclusive remedy against  
2 Debtor on account of such termination.

3 8. Employee Matters. No entity, or a representative thereof, that intends to  
4 participate in the Auction shall negotiate future employment with or make offers of  
5 employment to the employees of the Debtor or its affiliate, Inmate Calling Solutions, LLC,  
6 prior to the conclusion of the Sale Hearing.

7 9. Notice Information. Service of documents on the Service Parties shall be  
8 sufficient if delivered as follows:

9 Counsel to Debtor:

10 Sheppard, Mullin, Richter & Hampton LLP  
11 Four Embarcadero Center, Suite 1700  
12 San Francisco, CA 94111  
13 Attn: Michael H. Ahrens, Esq.  
14 Steven B. Sacks, Esq.  
15 Timothy Perry, Esq.  
16 Email: mahrens@sheppardmullin.com  
17 ssacks@sheppardmullin.com  
18 tperry@sheppardmullin.com

16 Counsel to Committee:

17 Pachulski Stang Ziehl & Jones LLP  
18 150 California Street, 15<sup>th</sup> Floor  
19 San Francisco, CA 94111-4500  
20 Attn: John D. Fiero, Esq.  
21 Maxim B. Litvak, Esq.  
22 Email: jfiero@pszjlaw.com  
23 mlitvak@pszjlaw.com

22 Office of the United States Trustee:

23 Office of the United States Trustee  
24 280 S. First Street, Suite 268  
25 San Jose, CA 94113-0002  
26 Attn: John Wesolowski, Esq.  
27 Email: john.wesolowski@usdoj.gov

27 Counsel to Purchaser

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Liner Yankelevitz Sunshine & Regenstreif LLP  
1100 Glendon Avenue, 14th Floor  
Los Angeles, CA 90024.3503  
Attn: Leslie A. Cohen, Esq.  
Facsimile: 310.500.3501  
Email: lcohen@linerlaw.com

**\*\* END OF ORDER \*\***

COURT SERVICE LIST

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Office of the U.S. Trustee  
Office of the U.S. Trustee  
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280 South First Street, Room 268  
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Counsel for Enhanced Long Distance, et al.  
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