

ORIGINAL

Hearing Date: February 22, 2002
Time: 9:45 a.m.

Lawrence P. Gottesman, Esq. (LG 7061)
BROWN RAYSMAN MILLSTEIN FELDER & STEINER LLP
900 Third Avenue
New York, New York 10022
(212) 895-2000
Attorneys for the Debtors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	X	
	:	
	:	
In re	:	Chapter 11
	:	
TELECOM CONSULTANTS, INC., <i>et al</i> ,	:	Case No. 01-10907 (RLB)
	:	
Debtors.	:	Jointly Administered
	:	
-----	X	

**NOTICE OF DEBTORS' MOTION FOR APPROVAL OF
STIPULATION AND ORDER PROVIDING
FOR CONVERSION OF CASES TO CHAPTER 7 CASES
AND RELATED MATTERS**

PLEASE TAKE NOTICE that on February 22, 2002 at 9:45 a.m. (the "Hearing Date"), or as soon thereafter as counsel may be heard, a hearing (the "Hearing") will be held before the Honorable Richard L. Bohanon, United States Bankruptcy Judge, Room 610 at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004 to consider the motion (the "Motion") of North American Telecommunications Corporation, Long Island Telephone Company, Mid-Atlantic Telephone Company, Global Multimedia Services, Inc. and Telecom Consultants, Inc., the above-captioned debtors and debtors-in-possession (the "Debtors")

AUS _____
CAF _____
CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
MMS _____
SEC _____
OTH Hong
g Nonnyo

BRMFS1 293316v1

DOCUMENT NUMBER-DATE

01361 FEB-58

FPSC-COMMISSION CLERK

for Approval of Stipulation and Order Providing for Conversion of Cases to Chapter 7 Cases and Related Matters, and pursuant to 11 U.S.C. § 1112(a).

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Motion and the relief requested therein must be in writing, specify the legal and factual grounds for the objection, and otherwise conform to the Bankruptcy Code, Bankruptcy Rules and the Local Rules of the Court, and must be filed with the Clerk of the Court with a courtesy copy to Judge Bohanon's Chambers and served upon the undersigned so as to be received no later than three (3) business days prior to the date of the Hearing.

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned without further notice other than by announcement on the Court's calendar or in open Court.

Dated: New York, New York
February 1, 2002

s/Lawrence P. Gottesman
Lawrence P. Gottesman, Esq. (LG 7061)
BROWN RAYSMAN MILLSTEIN
FELDER & STEINER LLP
900 Third Avenue
New York, New York 10022
(212) 895-2000
Attorneys for the Debtors

Hearing Date: February 22, 2002
Time: 9:45 a.m.

Lawrence P. Gottesman, Esq. (LG 7061)
BROWN RAYSMAN MILLSTEIN FELDER & STEINER LLP
900 Third Avenue
New York, New York 10022
(212) 895-2000
Attorneys for the Debtors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----		x
	:	
	:	
In re	:	Chapter 11
	:	
TELECOM CONSULTANTS, INC., <i>et al</i> ,	:	Case No. 01-10907 (RLB)
	:	
Debtors.	:	Jointly Administered
	:	
-----		x

**DEBTORS' MOTION FOR APPROVAL OF
STIPULATION AND ORDER PROVIDING
FOR CONVERSION OF CASES TO CHAPTER 7 CASES
AND RELATED MATTERS**

**TO THE HONORABLE RICHARD L. BOHANON,
UNITED STATES BANKRUPTCY JUDGE:**

North American Telecommunications Corporation, Long Island Telephone Company, Mid-Atlantic Telephone Company, Global Multimedia Services, Inc. and Telecom Consultants, Inc., the above-captioned debtors and debtors-in-possession (the "Debtors"), as and for their Motion for Approval of Stipulation and Order Providing for Conversion of Cases to Chapter 7 Cases and Related Matters (the "Motion"), respectfully represent as follows:

Jurisdiction, Venue and Statutory Bases

1. This Court has jurisdiction to consider this motion pursuant to 28 U.S.C. § 157 and § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of these proceedings and this Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory basis for the relief sought herein is Bankruptcy Code § 1112(a).

Background

2. On February 23, 2001 (the "Petition Date"), the Debtors commenced these cases for relief under chapter 11 the Bankruptcy Code. The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to Bankruptcy Code §§ 1107(a) and 1108. No trustee or examiner has been appointed in these cases. On March 5, 2001, the Official Committee of Unsecured Creditors of the Debtors (the "Committee") was appointed in these cases.

3. Pursuant to orders of the Court, the law firms of Brown Raysman Millstein Felder & Steiner LLP ("BRMFS") and Herrick Feinstein LLP ("HF") were retained as counsel to the Debtors and the Committee, respectively.

4. Pursuant to an order of the Court, Executive Sounding Board Associates ("ESBA"; collectively with BRMFS and HF, the "Professionals") was retained as the Debtors' crisis manager.

5. The Order Pursuant to 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals (the "Administrative Fee Order") was signed by the Court on May 24, 2001. In accordance with the Administrative Fee Order, the Professionals served monthly fee statements on the Debtors, the Committee and on MCG Finance Corporation, now known as MCG Finance I, LLC ("MCG"), the Debtor's debtor-in-possession lender. In

accordance with the Administrative Fee Order, in view of the lack of objection from any party, the Debtors paid eighty percent of the fees and one hundred percent of the disbursements set forth in the Professionals' monthly fee statements.

6. Pursuant to the sale of the Debtors' payphone business to Manhattan Telecommunications Corporation (the "MetTel Sale"), so ordered by the Court on May 16, 2001, two-million five-hundred fifty thousand dollars (\$2,550,000.00) was placed in escrow (the "Escrow Account"), which BRMFS Funds held as escrow agent. The funds in the Escrow Account constituted the proceeds of the sale of MCG's collateral and were to be used for the purpose of (a) funding the Debtors' obligations to pay wages, (b) paying ongoing expenses incurred during the administration of the cases, (c) paying the allowed fees and disbursements of the professionals retained by the Debtors and the Committee, and (d) establishing a fund (the "Unsecured Creditor Fund") in the amount of \$90,000 for the benefit of the general unsecured creditors of the Debtors.

7. Pursuant to a sale (the "Credit Bid Sale") to MCG, so ordered by the Court on May 17, 2001, MCG acquired, *inter alia*, all property of the Debtors' estates that was not subject to a valid duly perfected senior lien or had not been previously sold by the Debtors to a third party. The Debtors have continued to operate in reduced fashion to consummate Credit Bid Sale.

8. Pursuant to the Administrative Fee Order, the Order Granting the First Interim Fee Applications of Brown Raysman Millstein Felder & Steiner LLP, Herrick Feinstein LLP, and Executive Sounding Board Associates, Inc. (the "First Fee Order"), signed by the Court on October 1, 2001, and the Order Granting the Second Interim Fee Applications of Brown Raysman Millstein Felder & Steiner LLP, Herrick Feinstein LLP,

and Executive Sounding Board Associates, Inc. (the "Second Fee Order"), the Debtors will have, as of the beginning of February, 2002, with the consent of MCG, paid the aggregate sum of \$1,270,209.71 of fees and disbursements to the Professionals, the entirety of which sum having been funded from the Escrow Account, or, in the case of ESBA, in part from the ESBA Retainer (as hereinafter defined). Pursuant to the Administrative Fee Order, the First Fee Order and the Second Fee Order the Debtors are or will be obligated to pay the approximate aggregate sum of \$73,000.00 of fees and disbursements, through and including February 28, 2002 (such amount including a good faith estimate for the months of January and February, 2002).

9. Brown Raysman Millstein Felder & Steiner LLP, counsel to the Debtors, is holding a prepetition retainer in the amount of \$89,180.30 (the "BRMFS Retainer"). In connection with its retention by the Debtors, ESBA received a retainer in the amount of \$100,000.00 (the "ESBA Retainer"; collectively with the BRMFS Retainer, the "Retainers"), and pursuant to the Second Fee Order, has remitted the excess retainer of approximately \$29,865.16 to BRMFS, as Escrow Agent, and retained \$5,000.00 to be applied to future fees and disbursements incurred by ESBA on proper order of the Court, through the conclusion of the Debtors' Cases.

10. The Debtors lack the funds to continue operating or to confirm a plan pursuant to Bankruptcy Code §§ 1121-29. In recognition of this, the Debtors and MCG have entered into a Stipulation and Order Providing for Conversion of Cases to Chapter 7 Cases and Related matters (the "Stipulation") attached hereto as Exhibit A. The terms of the Stipulation are as follows:¹

¹ All defined terms not defined herein shall have the meanings provided for in the Stipulation. In the event of a conflict between the terms in this Motion and the terms in the Stipulation, the Stipulation shall control.

a. Conversion of Cases. The parties thereto stipulate and agree to the conversion of the Cases to cases under chapter 7 of the Bankruptcy Code, effective upon the Court "so ordering" the Stipulation.

b. Turnover of Unsecured Creditor Fund. BRMFS, as escrow agent, shall turnover and deliver the Unsecured Creditor Fund to the individual appointed or elected as chapter 7 trustee for the Debtors' estates following such conversion.

c. Payment of Professional Fees. MCG acknowledges and consents to the payment of allowed fees and disbursements to the Professionals from its cash or cash collateral; provided however, that such payments shall be made solely from the Escrow Account or with respect to BRMFS, the BRMFS Retainer, and with respect to ESBA, the ESBA Retainer (the "Carveout").

d. Acknowledgement of MCG Residual Interest in Retainers and Escrow Account. In view of the terms and provisions of the Credit Bid Sale, the parties hereto acknowledge that MCG has full right, title and interest to the (a) funds in the Escrow Account, subject only to the Carveout, (b) in the Retainers, subject only to the prior liens of BRMFS and ESBA in such funds and (c) the remaining funds in the Debtor's checking account, net of any payroll for current employees of the Debtors and trust fund taxes (the "Net Checking Account Balance"). Upon the conclusion of the cases and the payment of all allowed fees and disbursements to the Professionals, any remaining funds representing the Retainers, the Escrow Funds (other than the Unsecured Creditor Fund) and the Net Checking Account Balance, if any, shall be turned over and delivered to MCG.

e. Acknowledgement of Prior Assignment of Claims for Relief. In furtherance of the Credit Bid Sale, the Debtors hereby confirm and acknowledge that they have previously assigned any and all claims for relief and causes of action against any third party possessed by the Debtors, other than claims for relief arising under sections 547, 548 and, to the extent applicable, 550 of the Bankruptcy Code, to MCG, to the extent permitted by applicable law.

Bases for Relief Requested

11. Pursuant to Bankruptcy Code § 1112(a),

(a) [t]he debtor may convert a case under [chapter 11] to a case under chapter 7 of this title unless--

(1) the debtor is not a debtor in possession;

(2) the case originally was commenced as an involuntary case under this chapter; or

(3) the case was converted to a case under this chapter other than on the debtor's request.

Bankruptcy Code § 1112(a).

12. None of the factors which would preclude the Debtors from converting their chapter 11 cases to chapter 7 cases exist here. The Debtors remain debtors-in-possession, the Cases were commenced by voluntary petitions for relief and the Cases were not previously converted to cases under chapter 11 of the Bankruptcy Code.

13. While cause is not required for conversion on a debtor's motion, cause nonetheless exists. The Debtors do not have the financial ability to operate or confirm a chapter 11 plan.

14. The Stipulation would effectuate such conversion, and would provide for a smooth transition by implementing the parties' prior agreements regarding the establishment of the Unsecured Creditor Fund, the payment of professionals and the purchase of the Debtors' assets by MCG.

15. Accordingly, the Debtors respectfully request that the Court so order the Stipulation.

Waiver

16. Because this Motion does not present any novel issues of law, the Debtors request that the Court waive and dispense with the requirement set forth in Local Bankruptcy Rule 9013-1(b) that a separate memorandum of law be filed in support of this Motion. The Debtors reserve the right, however, to submit a reply memorandum of law in the event objections to the Motion are filed.

Conclusion

17. For all of the foregoing reasons, the Debtors respectfully request that the Court so order the Stipulation.

Dated: New York, New York
February 1, 2002

s/Lawrence P. Gottesman
Lawrence P. Gottesman, Esq. (LG 7061)
BROWN RAYSMAN MILLSTEIN
FELDER & STEINER LLP
900 Third Avenue
New York, New York 10022
(212) 895-2000
Attorneys for the Debtors

EXHIBIT A

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

----- X
:
:
In re : Chapter 11
:
TELECOM CONSULTANTS, INC., *et al*, : Case No. 01-10907 (RLB)
:
Debtors. : Jointly Administered
:
----- X

**STIPULATION AND ORDER PROVIDING
FOR CONVERSION OF CASES TO CHAPTER 7 CASES
AND RELATED MATTERS**

WHEREAS, North American Telecommunications Corporation, Long Island Telephone Company, Mid-Atlantic Telephone Company, Global Multimedia Services, Inc. and Telecom Consultants, Inc. (collectively, the "Debtors") filed voluntary petitions for relief on February 23, 2001 (the "Petition Date") commencing these chapter 11 cases (the "Cases");

WHEREAS, pursuant to orders of the Court, the law firms of Brown Raysman Millstein Felder & Steiner LLP ("BRMFS") and Herrick Feinstein LLP ("HF") were retained as counsel to the Debtors and the Official Committee of Unsecured Creditors (the "Committee"), respectively;

WHEREAS, pursuant to order of the Court, Executive Sound Board Associates ("ESBA"; collectively with BRMFS and HF, the "Professionals") was retained as the Debtors' crisis manager;

WHEREAS, the Order Pursuant to 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of

Professionals (the "Administrative Fee Order") was signed by the Court on May 24, 2001;

WHEREAS, in accordance with the Administrative Fee Order, the Professionals served monthly fee statements on the Debtors, the Committee and on MCG Finance Corporation, now known as MCG Finance I, LLC ("MCG"), the Debtor's debtor-in-possession lender;

WHEREAS, in accordance with the Administrative Fee Order, in view of the lack of objection from any party, the Debtors paid eighty percent of the fees and one hundred percent of the disbursements set forth in the Professionals' monthly fee statements;

WHEREAS, pursuant to the sale of the Debtors' payphone business to Manhattan Telecommunications Corporation (the "MetTel Sale"), so ordered by the Court on May 16, 2001, two-million five-hundred fifty thousand dollars (\$2,550,000.00) was placed in escrow (the "Escrow Account"), which BRMFS Funds held as escrow agent;

WHEREAS, the funds in the Escrow Account constituted the proceeds of the sale of MCG's collateral and were to be used for the purpose of (a) funding the Debtors' obligations to pay wages, (b) paying ongoing expenses incurred during the administration of the cases, (c) paying the allowed fees and disbursements of the professionals retained by the Debtors and the Committee, and (d) establishing a fund (the "Unsecured Creditor Fund") in the amount of \$90,000 for the benefit of the general unsecured creditors of the Debtors;

WHEREAS, pursuant to a sale (the “Credit Bid Sale”) to MCG, so ordered by the Court on May 17, 2001, MCG acquired, *inter alia*, all property of the Debtors’ estates that was not subject to a valid duly perfected senior lien or had not been previously sold by the Debtors to a third party;

WHEREAS, Debtors’ have continued to operate in reduced fashion to consummate Credit Bid Sale;

WHEREAS, pursuant to the Administrative Fee Order, the Order Granting the First Interim Fee Applications of Brown Raysman Millstein Felder & Steiner LLP, Herrick Feinstein LLP, and Executive Sounding Board Associates, Inc. (the “First Fee Order”), signed by the Court on October 1, 2001, and the Order Granting the Second Interim Fee Applications of Brown Raysman Millstein Felder & Steiner LLP, Herrick Feinstein LLP, and Executive Sounding Board Associates, Inc. (the “Second Fee Order”), the Debtors will have, as of the beginning of February, 2002, with the consent of MCG, paid the aggregate sum of \$1,270,209.71 of fees and disbursements to the Professionals, all of which sum having been funded from the Escrow Account, or, in the case of ESBA, in part from the ESBA Retainer (as hereinafter defined);

WHEREAS, pursuant to the Administrative Fee Order, the First Fee Order and the Second Fee Order the Debtors are or will be obligated to pay the approximate aggregate sum of \$73,000.00 of fees and disbursements, through and including February 28, 2002 (such amount including a good faith estimate for the months of January and February, 2002);

WHEREAS, Brown Raysman Millstein Felder & Steiner LLP is holding a prepetition retainer in the amount of \$89,180.30 (the “BRMFS Retainer”);

WHEREAS, in connection with its retention by the Debtors, ESBA received a retainer in the amount of \$100,000.00 (the "ESBA Retainer"; collectively with the BRMFS Retainer, the "Retainers"), and pursuant to the Second Fee Order, has remitted the excess retainer of approximately \$29,865.16 to BRMFS, as Escrow Agent, and retain \$5,000.00 to be applied to future fees and disbursements incurred by ESBA on proper order of the Court, through the conclusion of the Debtors' Cases;

WHEREAS, the Debtors lack the funds to continue operating or to confirm a plan pursuant to Bankruptcy Code §§ 1121-29; and

WHEREAS, (a) the Debtors remain debtors-in-possession, (b) the Cases were commenced by voluntary petitions for relief and (c) the Cases were not previously converted to cases under chapter 11 of the Bankruptcy Code,

NOW, THEREFORE, intending to be bound, the parties hereto stipulate and agree as follows:

1. Incorporation of Recitals. The foregoing recitals are hereby incorporated by reference in their entirety.
2. Conversion of Cases. The parties hereto stipulate and agree to the conversion of the Cases to cases under chapter 7 of the Bankruptcy Code, effective upon the Court "so ordering" this Stipulation.
3. Turnover of Unsecured Creditor Fund. BRMFS, as escrow agent, shall turnover and deliver the Unsecured Creditor Fund to the individual appointed or elected as chapter 7 trustee for the Debtors' estates following such conversion.
4. Payment of Professional Fees. MCG acknowledges and consents to the payment of allowed fees and disbursements to the Professionals from its cash or cash

collateral; provided however, that such payments shall be made solely from the Escrow Account or with respect to BRMFS, the BRMFS Retainer, and with respect to ESBA, the ESBA Retainer (the "Carveout").

5. Acknowledgement of MCG Residual Interest in Retainers and Escrow Account. In view of the terms and provisions of the Credit Bid Sale, the parties hereto acknowledge that MCG has full right, title and interest to the (a) funds in the Escrow Account, subject only to the Carveout, (b) in the Retainers, subject only to the prior liens of BRMFS and ESBA in such funds and (c) the remaining funds in the Debtor's checking account, net of any payroll for current employees of the Debtors and trust fund taxes (the "Net Checking Account Balance"). Upon the conclusion of the cases and the payment of all allowed fees and disbursements to the Professionals, any remaining funds representing the Retainers, the Escrow Funds (other than the Unsecured Creditor Fund) and the Net Checking Account Balance, if any, shall be turned over and delivered to MCG.

6. Acknowledgement of Prior Assignment of Claims for Relief. In furtherance of the Credit Bid Sale, the Debtors hereby confirm and acknowledge that they have previously assigned any and all claims for relief and causes of action against any

/

/

/

/

/

/

/

third party possessed by the Debtors, other than claims for relief arising under sections 547, 548 and, to the extent applicable, 550 of the Bankruptcy Code, to MCG, to the extent permitted by applicable law.

DATED: New York, New York
February 1, 2002

TELECOM CONSULTANTS, INC., et al.,
By its attorneys,
BROWN RAYSMAN MILLSTEIN
FELDER & STEINER LLP

By:
s/Lawrence P. Gottesman
Lawrence P. Gottesman, Esq. (LPG 7061)
900 Third Avenue
New York, New York 10022
(212) 895-2000

DATED: New York, New York
February 1, 2002

MCG Finance I, LLC
By its attorneys,
BRYAN CAVE LLP

By:
s/Heidi J. Sorvino
Heidi J. Sorvino, Esq. (HJS 6111)
245 Park Avenue
New York, NY 10167
(212) 692-1803

SO ORDERED this _____ day of February, 2002

UNITED STATES BANKRUPTCY JUDGE

* 1410 U.S. POSTAGE PB 2233568
8612 \$00.34 FEB 01 02
3004 10022

BROWN RAYSMAN

BROWN RAYSMAN MILLSTEIN FELDER & STEINER

State of Florida
Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-085