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www.graycary.com  
O] 650-320-7482  
F] 650-320-7401

MARCH 3, 2003

OUR FILE NO. 2501257-1

To: The Unsecured Creditors of Advanced TelCom Group, Inc., Advanced TelCom, Inc., and Shared Communications Services, Inc.

Re: Debtors' First Amended Plan of Reorganization

This letter is to inform you that the Official Unsecured Creditors' Committee for the bankruptcy cases of Advanced TelCom Group, Inc., Advanced TelCom, Inc., and Shared Communications Services, Inc. (the "Committee") fully supports the confirmation of the Debtors' First Amended Plan of Reorganization ("Plan"), and recommends that you vote in favor of the Plan.

On May 2, 2002, Advanced TelCom Group, Inc., Advanced TelCom, Inc., and Shared Communications Services, Inc. (the "Debtors") filed Chapter 11 bankruptcy cases. On May 8, 2002, the United States Trustee appointed the following creditors to the Committee: Step 9 Software Corporation, SN Holdings, UFO Communications, and Verizon Communications. On May 9, the United States Trustee added Qwest Communications Corporation to the Committee.

The Committee members are unsecured creditors of the Debtors who volunteered to serve on the Committee without compensation. The Committee was appointed by the United States Trustee to represent the interests of the general unsecured creditors in these bankruptcy cases.

Shortly after its formation, the Committee retained Gray Cary Ware & Freidenrich LLP as bankruptcy counsel and, with the assistance of counsel, the Committee closely monitored the progress of the Debtors' bankruptcy cases, and actively participated in the major events and transactions that are described in the Debtors' First Amended Disclosure Statement to First Amended Joint Plan of Reorganization ("Disclosure Statement").

The Committee used its best efforts to negotiate a return for the general unsecured creditors when it appeared at the outset of these cases that there would be little or no return, given the Debtors' financial condition, the Debtors' proposed liquidation of the assets, and the extent of the liens against the Debtors' assets asserted by the Senior Secured Creditors (as defined in the Disclosure Statement and Plan). The Committee also negotiated the terms and conditions of the Plan that affect the general unsecured creditors. The return that is provided in the Plan for general unsecured creditors is the result of these efforts and the Committee's extensive negotiations with the Debtors, GE Business Productivity Solutions, Inc., GECC, and the Senior Secured Creditors.

The Committee encourages you to read the Disclosure Statement and the Plan carefully before voting on the Plan. The views expressed herein are solely of the Committee, not of any single member of the Committee, and they are without prejudice to any member's rights as an individual creditor of the Debtors.

Very truly yours,

Gray Cary Ware & Freidenrich LLP

Robert S. Gebhard  
rgebhard@graycary.com

RSG:cel  
Gray Cary\EM\7135680.1  
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SHEPPARD, MULLIN, RICHTER & HAMPTON LLP  
AHRENS, Cal. Bar No. 44766  
CRAIG STUPPI, Cal. Bar No. 51663  
SARAH M. STUPPI, Cal. Bar No. 103041  
ORI KATZ, Cal. Bar No. 209561  
Four Embarcadero Center, 17th Floor  
San Francisco, California 94111  
Telephone: (415) 434-9100  
Facsimile: (415) 434-3947

**FILED**  
March 6, 2003  
U.S. Bankruptcy Court  
Santa Rosa, CA

Attorneys for Debtors in Possession

**UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**[SANTA ROSA DIVISION]**

In re:  
ADVANCED TELCOM GROUP, INC.,  
a Delaware Corporation,  
Debtor.

Jointly Administered for Procedural  
Purposes Under:  
Case No. 02-11073  
Chapter 11

**ORDER:**

In re:  
ADVANCED TELCOM, INC.  
a Delaware Corporation,  
Debtor.

**(1) APPROVING ADEQUACY OF FIRST  
AMENDED DISCLOSURE STATEMENT;**  
**(2) FIXING TIME FOR FILING  
ACCEPTANCES OR REJECTIONS OF  
FIRST AMENDED PLAN OF  
REORGANIZATION AND APPROVING  
FORM OF BALLOT; AND**

In re:  
SHARED COMMUNICATIONS  
SERVICES, INC., an Oregon  
Corporation,  
Debtor.

**(3) FIXING ADMINISTRATIVE BAR  
DATE**

Date: February 24, 2003  
Time: 10:00 a.m.  
Place: U.S. Bankruptcy Court  
99 South "E" Street  
Santa Rosa, CA 95404

1 A First Amended Disclosure Statement under chapter 11 of the Bankruptcy  
2 Code having been filed by the Debtors and Debtors-in-Possession ("Debtors") referring to  
3 the Debtor's First Amended Plan of Reorganization (the "Plan") dated as of February 24,  
4 2003, under chapter 11 of the Code; and a Notice of Hearing on Approval of Adequacy of  
5 Disclosure Statement to Plan of Reorganization ("Notice of Hearing on Disclosure  
6 Statement"), having been filed by the Debtors on or about January 21, 2003; the Court  
7 finding that the Notice of Hearing on Disclosure Statement provided sufficient notice of  
8 the relief requested; and the Court having determined after the hearing that the First  
9 Amended Disclosure Statement contains adequate information,

10 IT IS ORDERED, and notice is hereby given, that:

11 A. The Debtors' First Amended Disclosure Statement is hereby  
12 approved.

13 B. April 9, 2003 at 5:00 p.m. PST, is fixed as the last day for submitting  
14 written acceptances or rejections of the Plan, so as to be received by Debtors' counsel.

15 C. On or before March 10, 2003, the Plan, this Order, the First Amended  
16 Disclosure Statement, and the Ballot in substantially the form filed with the Court on  
17 January 21, 2003 shall be mailed to creditors and other parties in interest, and shall be  
18 transmitted to the United States Trustee as provided in Fed.R.Bankr.P. 3017(d).

19 D. April 18, 2003, at 10:00 a.m. is fixed for the hearing on confirmation  
20 of the Plan.

21 E. April 9, 2003, is fixed as the last day for filing and serving written  
22 objections to confirmation of the Plan pursuant to Fed.R.Bankr.P. 3020(b)(1).

23 F. The Debtors are authorized to reproduce the Disclosure Statement and  
24 Plan in a legible manner and to print the Disclosure Statement and the Plan single-spaced  
25 on both sides of the pages.

26 G. The last day for filing and serving motions for allowance of  
27 Administrative Expense Claims shall be forty-five (45) days after the Effective Date of the  
28 Plan, if the Plan is confirmed by the Court.

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March 6, 2003

HONORABLE ALAN JAROSLOVSKY  
United States Bankruptcy Judge

Approved as to form:

SHEARMAN & STERLING

By:         /s/  

Steven E. Sherman  
Attorney for Wachovia Bank, National  
Association, As Administrative Agent

GRAY, CARY, WARE & FRIEDENRICH

By:         /s/  

Robert Gebhard  
Attorney for the Creditors' Committee

KELLEY DRYE & WARREN

By:         /s/  

Mark R. Somerstein  
Attorney for GEBPS, GECC and  
VFS Financing, Inc.

**UNITED STATES BANKRUPTCY COURT**  
**Northern District of California**

<p>In re:  ADVANCED TELCOM GROUP, INC., a Delaware Corporation, <span style="float:right">Debtor.</span></p> <hr/> <p>In re:  ADVANCED TELCOM, INC., a Delaware Corporation, <span style="float:right">Debtor.</span></p> <hr/> <p>In re:  SHARED COMMUNICATIONS SERVICES, INC., an Oregon Corporation, <span style="float:right">Debtor.</span></p>	<p>Jointly Administered for Procedural Purposes Under:  Case No. 02-11073 (Chapter 11)</p> <p><b>BALLOT FOR ACCEPTING OR REJECTING JOINT PLAN OF REORGANIZATION</b></p> <p><b><u>IMPORTANT: BALLOTS MUST BE RECEIVED ON OR BEFORE 5:00 P.M. PST ON APRIL 9, 2003</u></b></p>
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On February 26, 2003, Advanced TelCom Group, Inc., Advanced TelCom, Inc. and Shared Communications Services, Inc. (collectively, "Debtors") filed their First Amended Joint Plan of Reorganization, dated February 25, 2003 (the "Plan") in their Chapter 11 bankruptcy cases. The United States Bankruptcy Court for the Northern District of California has approved the Disclosure Statement with respect to the Plan (the "Disclosure Statement"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. The Court's approval of the Disclosure Statement does not indicate the Court's approval of the Plan.

**If you do not have a copy of the Disclosure Statement or the Plan, you may obtain a copy from:**

**SHEPPARD MULLIN RICHTER & HAMPTON, LLP; ATTN: PETER STONE;**  
**FOUR EMBARCADERO CENTER, 17TH FLOOR, SAN FRANCISCO, CA 94111;**  
**TEL: (415) 434-9100; FAX: (415) 434-3947; EMAIL: pstone@sheppardmullin.com**

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan.

If your Ballot is not signed and received by SHEPPARD, MULLIN, RICHTER & HAMPTON LLP, ATTN: PETER STONE; 4 EMBARCADERO CENTER, 17<sup>TH</sup> FLOOR, SAN FRANCISCO, CA 94111; TEL: (415) 434-9100; FAX: (415) 434-3947, on or before April 9, 2003 AT 5:00 P.M. PST, YOUR VOTE WILL NOT COUNT as either an acceptance or rejection of the Plan. Unsigned Ballots will not be counted. Ballots that are signed but DO NOT designate ACCEPTANCE or REJECTION of the Plan WILL BE DEEMED ACCEPTANCES of the Plan. If the Plan is confirmed by the Bankruptcy Court, IT WILL BE BINDING ON YOU WHETHER OR NOT YOU VOTE.

---

**ACCEPTANCE OR REJECTION OF THE DEBTORS' PLAN**

Please place a check (✓) in the box to elect the appropriate Classification of your claim, and if a vote is required of you, state the amount of your Claim as you filed it with the Court or as Scheduled by the Debtors:

---

**UNCLASSIFIED CLAIMS:**

**ADMINISTRATIVE EXPENSES** Claim (a) for costs and expenses of administration of the Reorganization Cases incurred prior to the Effective Date and allowed under Sections 503(b) or 507(b) of the Code, including all fees accrued or payable through the Effective Date under 28 U.S.C. Section 1930 and allowed by Final Order, and (b) the fees and costs of Professional Persons incurred after the Effective Date in connection with the preparation and approval of their final applications for compensation and reimbursement of expenses through the Effective Date.

**PRIORITY CLAIMS** Claims of taxing authorities entitled to priority under 11 U.S.C. Section 507(a)(8).

[THESE UNCLASSIFIED CLAIMS ARE UNIMPAIRED AND ARE DEEMED TO HAVE ACCEPTED THE PLAN – NO VOTE REQUIRED.]

**CLASS 1 – PRIORITY CLAIMS (NON-TAX)**

Priority Claims Under Section 507 (a) of the Bankruptcy Code.

[THIS CLASS IS UNIMPAIRED AND IS DEEMED TO HAVE ACCEPTED THE PLAN – NO VOTE REQUIRED.]

**CLASS 2 – SENIOR SECURED CREDITORS' CLAIMS**

- (1) **CLASS 2A** All Senior Secured Creditors' Claims other than those classified in Class 2B.  
(2) **CLASS 2B** The Senior Secured Creditors' Claim of GECC.

ACCEPTS PLAN  REJECTS PLAN YOUR CLAIM AMOUNT \$ \_\_\_\_\_

**CLASS 3 – ALL OTHER SECURED CLAIMS**

Secured Claims other than those included in Class 2.

[THIS CLASS IS UNIMPAIRED AND IS DEEMED TO HAVE ACCEPTED THE PLAN – NO VOTE REQUIRED.]

**CLASS 4 – GENERAL UNSECURED CLAIMS**

Claims other than an Administrative Expense, a Priority Claim, a Priority Tax Claim, or a Secured Claim.

ACCEPTS PLAN  REJECTS PLAN YOUR CLAIM AMOUNT \$ \_\_\_\_\_

**CLASS 5 – EQUITY INTERESTS**

Equity security, as defined in 11 U.S.C. Section 101(16).

[CLASS 5 – EQUITY INTERESTS ARE IMPAIRED AND ARE DEEMED TO HAVE REJECTED THE PLAN – NO VOTE REQUIRED.]

Dated: \_\_\_\_\_, 2003

\_\_\_\_\_  
(Print name of Claimant company or individual)

\_\_\_\_\_  
(Signature of individual signing on behalf of Claimant & Title)

Address: \_\_\_\_\_  
\_\_\_\_\_

**IMPORTANT NOTE: If your Ballot is not signed and received by SHEPPARD, MULLIN, RICHTER & HAMPTON LLP, ATTN: PETER STONE; FOUR EMBARCADERO CENTER, 17<sup>TH</sup> FLOOR, SAN FRANCISCO, CA 94111; TEL: (415) 434-9100; FAX: (415) 434-3947, on or before April 9, 2003 AT 5:00 P.M. PST, YOUR VOTE WILL NOT COUNT as either an acceptance or rejection of the Plan.**

ORIGINAL FILED  
ORDER FOR RELIEF  
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U.S. BANKRUPTCY COURT  
NORTHERN DIST. OF CA.  
SANTA ROSA, CA

1 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP  
2 A Limited Liability Partnership  
3 Including Professional Corporations  
4 MICHAEL H. AHRENS, Cal. Bar No. 44766  
5 CRAIG STUPPI, Cal. Bar No. 51663  
6 SARAH M. STUPPI, Cal. Bar No. 103041  
7 ORI KATZ, Cal. Bar No. 209561  
8 Four Embarcadero Center, 17th Floor  
9 San Francisco, California 94111

10 Telephone: (415) 434-9100  
11 Facsimile: (415) 434-3947

12 Reorganization Counsel for  
13 Debtors and Debtors-in-Possession

14 UNITED STATES BANKRUPTCY COURT  
15 NORTHERN DISTRICT OF CALIFORNIA  
16 SANTA ROSA DIVISION

17 In re:  
18 ADVANCED TELCOM GROUP, INC.,  
19 a Delaware Corporation,  
20 Debtor.  
21 Federal Tax ID: 94-3344665

Jointly Administered for Procedural  
Purposes Under:

Case No. 02-11073

Chapter 11

**FIRST AMENDED DISCLOSURE  
STATEMENT TO FIRST AMENDED  
JOINT PLAN OF REORGANIZATION**

22 In re:  
23 ADVANCED TELCOM, INC.,  
24 a Delaware Corporation,  
25 Debtor.  
26 Federal Tax ID: 77-0489158

27 In re:  
28 SHARED COMMUNICATIONS  
SERVICES, INC., an Oregon Corporation,  
Debtor.  
Federal Tax ID: 93-0914013  
Debtor.

1 THIS FIRST AMENDED DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT  
2 PLAN OF REORGANIZATION ("DISCLOSURE STATEMENT") HAS BEEN  
3 APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE  
4 NORTHERN DISTRICT OF CALIFORNIA AS CONTAINING ADEQUATE  
5 INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE FOR SOLICITATION  
6 OF ACCEPTANCES OF THE FIRST AMENDED PLAN OF REORGANIZATION  
7 DATED FEBRUARY 25, 2003. DISTRIBUTION OF THIS DISCLOSURE STATEMENT  
8 TO CREDITORS, SHAREHOLDERS AND OTHER PARTIES IN INTEREST WAS  
9 AUTHORIZED BY UNITED STATES BANKRUPTCY COURT ON FEBRUARY 25,  
10 2003. THE COURT HAS MADE NO INDEPENDENT INVESTIGATION OR  
11 DETERMINATION OF ANY FACTUAL STATEMENT OR DOLLAR VALUE SET  
12 FORTH IN THE PLAN OR THE DISCLOSURE STATEMENT.

8 I.

9 INTRODUCTION

10 This Disclosure Statement has been prepared by Advanced TelCom Group, Inc.,  
11 Advanced TelCom, Inc., and Shared Communications Services, Inc., and is being  
12 distributed to creditors, shareholders and other parties in interest for the purpose of soliciting  
13 acceptances of the Plan. The purpose of the Disclosure Statement is to provide holders of  
14 claims against and interests in Debtors with adequate information to enable them to make  
15 informed judgments about the Plan before exercising their right to vote to accept or reject it.  
16 Acceptance or rejection of the Plan must be in writing, and may only be made by  
17 completing the Ballot that accompanies the Plan and mailing it to Sheppard, Mullin, Richter  
18 & Hampton LLP, 4 Embarcadero Center, 17th Floor, San Francisco, California 94111  
19 Attention: Ori Katz, in the enclosed envelope. For your vote to be counted, your completed  
20 Ballot must be received no later than April 9, 2003, at 5:00 p.m. Pacific Time..

21 The Disclosure Statement describes the business background and operating history of  
22 Debtors before filing of the Chapter 11 Cases. It also summarizes certain significant events  
23 that have taken place during the Chapter 11 Cases and describes the terms of the Plan, which  
24 divides creditor claims and the interests of shareholders into classes and provides for the  
25 satisfaction of allowed claims and interests.

26 The Plan calls for the cancellation of all existing equity interests in Debtors and the  
27 issuance of new stock in Reorganized ATG to secured creditor GECC or its assigns. The Plan  
28 further provides for the establishment of a Liquidation Trust, under which avoidance power



1 claims and other assigned rights will be administered for the benefit of creditors. A detailed  
2 description of the Plan is set forth in Article V of the Disclosure Statement.

3 On approval of the Plan by the Bankruptcy Court, it will be binding on all creditors  
4 and shareholders, regardless of whether an individual creditor or shareholder has voted in  
5 favor of it. DEBTORS THEREFORE URGE YOU TO READ THE DISCLOSURE  
6 STATEMENT AND THE PLAN CAREFULLY.

7  
8 **II.**

9 **DEFINITIONS AND RULES OF CONSTRUCTION**

10  
11 **A. Definitions.**

12 Attached as Exhibit 1 are the definitions for certain terms that are capitalized in the  
13 Plan and the Disclosure Statement. If a capitalized term is used, but has not been defined in  
14 Exhibit 1, it will have the meaning attributed to it in the Code and the Rules.

15 **B. Generally.**

16 The rules of construction in the Code and in the Rules will apply unless superseded  
17 by the Plan or the Confirmation Order.

18 **C. Exhibits.**

19 Unless otherwise noted, all Exhibits are incorporated into and are a part of the  
20 Disclosure Statement as if set forth in full. To the extent not annexed hereto, Exhibits will  
21 be filed with the Court on or before the Exhibit Filing Date. Copies can be obtained on  
22 written request to Sheppard, Mullin, Richter & Hampton, LLP, Four Embarcadero Center,  
23 17<sup>th</sup> Floor, San Francisco, CA 94111, attention: Ori Katz, Esq., 415-434-9100.

24 **D. Time Periods.**

25 In computing any period of time described in the Disclosure Statement, Rule 9006(a)  
26 will apply.

27 **E. Miscellaneous.**

28 (a) Unless the context requires otherwise, the words "herein," "hereof," "hereunder,"

1 and other words of similar import refer to the Disclosure Statement as a whole, (b) whenever  
2 it appears appropriate from the context, terms stated in the singular or the plural include the  
3 singular and the plural, and pronouns include the masculine, feminine and the neuter, (c) the  
4 words "include" or "including" will not be words of limitation, but will be deemed to be  
5 followed by the phrase "without limitation," and (d) captions and headings to Articles and  
6 Sections of the Disclosure Statement are inserted for reference only and are not intended to  
7 be a part of or to affect its interpretation.

8  
9 **III.**

10 **DEBTOR'S BUSINESS AND OPERATIONS PRIOR TO MAY 2, 2002**

11 **A. History of Debtors.**

12 Debtor Advanced TelCom Group, Inc. ("ATG") is a public utility regulated by the  
13 Federal Communications Commission and the public utility commissions of the states in  
14 which it operates. ATG is a Delaware corporation that was founded in 1998, and is  
15 headquartered in Santa Rosa, California. ATG was originally incorporated under the name  
16 ATG Group, Inc., but was later renamed Advanced TelCom Group, Inc. ATG is the parent  
17 company of Advanced TelCom, Inc. ("ATI"), a Delaware corporation, also headquartered in  
18 Santa Rosa, California. In turn, ATI is the parent company of Shared Communications  
19 Services, Inc. ("SCS"), a firm incorporated in Oregon and headquartered in Salem, Oregon.  
20 As Debtors' operating entities, ATI and SCS historically provided facilities-based local  
21 telephone service, domestic and international long distance service, and Internet and data  
22 services to small- and medium-sized business customers, primarily in medium-sized U.S.  
23 cities.

24 ATG's business plan provided for the implementation of facilities-based operations  
25 in portions of Northern California, Nevada, Oregon, Washington, Colorado, Connecticut,  
26 New Jersey, New York, Maryland, and Virginia. To execute its business plan, ATG  
27 required funding in the form of both debt and equity. Proceeds from equity investment and  
28

1 debt were used for working capital, for funding market construction and operating losses,  
2 for the expansion of the business through acquisition, and for general corporate purposes.

3 Equity investment totaled \$310.8 million, and included \$2.2 million for Series A  
4 preferred and founders' common shares issued July 1998; \$100 million for Series B  
5 preferred shares issued in November 1998; \$2.8 million for Series C preferred shares issued  
6 in August 1999; \$175 million for Series D shares issued in December 1999; \$30 million for  
7 Series E preferred shares and Series D-1 preferred shares and warrants issued in May 2001;  
8 and \$761,000 for common shares issued pursuant to options exercised at various dates  
9 during this period.

10 In May 1999, ATG secured an initial \$100 million line of credit from a consortium of  
11 banks led by Wachovia Bank, N.A. ATG's lenders agreed to amend and increase its credit  
12 facility to \$160 million on July 30, 1999. In July 2000, ATG sought and secured a second  
13 amendment to extend its credit facility to \$260 million. By March 2002, ATG had  
14 borrowed \$203 million against this credit facility. By the time of the filing of the  
15 Chapter 11 Cases, Debtors had incurred consolidated net operating losses of approximately  
16 \$150 million.

17 In January 1999, ATG began construction of markets in Santa Rosa, California,  
18 Olympia/Tacoma, Washington, and Salem/Eugene, Oregon. In June 1999, ATG purchased  
19 SCS for approximately \$85 million in cash, thereby assuming SCS's revenue generating  
20 operations in Oregon and Washington. ATG also began construction of its Reno, Nevada,  
21 market in June of that year. By July 1999, ATG completed construction and/or had operable  
22 switching facilities in Santa Rosa, Olympia/Tacoma, and Salem/Eugene, and was generating  
23 revenue from these operations by July and August of 1999.

24 ATG began market construction in Rockville, Maryland, in August 1999 and merged  
25 with NewComm Net, Inc. in a stock transaction in September 1999 to "jump start" revenue  
26 in the Maryland and Virginia markets. The operations of NewComm Net were later  
27 combined with those of ATI.  
28

1 In January 2000, ATG began market construction in Portland, Oregon, and Everett/  
2 Bellingham, Washington, to increase revenue already being generated by its subsidiary,  
3 SCS. At this time, construction was also initiated in Stamford, Connecticut, San Rafael,  
4 California, Towson, Maryland, and Nassau County, New York. By February 2000, ATG  
5 had completed construction of its Reno, Nevada, market and began generating revenue from  
6 that operation. In April 2000, ATG acquired Olympia Networking Services, Inc. to expand  
7 its presence in Washington and completed construction of its Rockville, Maryland, facility.  
8 This immediately increased revenue in Maryland and allowed for expansion of revenue  
9 generating service to Virginia in November 2000.

10 In May 2000, ATG began construction in Northern Colorado. July 2000 marked  
11 construction starts in Mercer County, New Jersey, Westchester County, New York, and  
12 Walnut Creek/Pleasanton, California. ATG initiated no additional construction starts after  
13 July 2000.

14 In September 2000, market builds were completed in Everett/Bellingham, Stamford,  
15 San Rafael, and Nassau County. In October 2000, ATI acquired Sourcenet, Inc. to expand  
16 revenue in Reno. Northern Colorado's build was completed in November 2000, and in  
17 February 2001 the builds for Mercer County and Walnut Creek/Pleasanton were finished.  
18 Construction in Towson, Maryland, and Westchester County, New York, was never  
19 completed.

20 ATI used funds to purchase specific telecommunications assets from FairPoint  
21 Communications Solutions Corporation and Avista Communications, Inc. in December  
22 2001, for approximately \$3.9 million and \$750,000, respectively, in an attempt to increase  
23 revenue and market share quickly in the State of Washington.

24 **B. Events Leading to the Filing of the Chapter 11 Cases.**

25 As a facilities-based telecommunications service provider, the business plans for each  
26 of Debtors' markets called for sizable capital investment in infrastructure, with return on  
27 investment planned to occur within 12-18 months after the start of service. These business  
28 plans proved overly optimistic.

1 Performance in Debtors' first market closely tracked expectations, but Debtors could  
2 not replicate this performance when they expanded rapidly into multiple markets. In  
3 addition, Debtors encountered extensive delays and cost overruns during network  
4 construction. Completed new markets began to generate revenue far later than planned and  
5 operated at a loss far longer, requiring unplanned infusions of cash to remain operable. As  
6 this pattern continued, construction in several markets was abandoned to eliminate  
7 additional long-term operational losses. As of the Petition Date, none of Debtors' markets  
8 was profitable and only one was near break-even.

9 Debtors attempted to "jump start" profitability by investing heavily in the acquisition  
10 of operating telecommunications service providers in the key markets of Oregon,  
11 Washington, and Maryland. The acquired organizations had been primarily focused on  
12 reselling phone service, and were not facilities-based operations. Transition from resale to  
13 wholesale operations took longer than anticipated. It was also hampered by a lack of  
14 operational experience at the market level and soft central management. At the Petition  
15 Date, operations in Maryland had been closed down and, although revenue increased in  
16 Oregon and Washington, those markets remained unprofitable.

17 A decentralized management structure, combined with weak reporting and control at  
18 the executive level, resulted in overstaffing and unregulated spending across the  
19 organization. As cash reserves declined, Debtors strengthened senior management. They  
20 also initiated layoffs and stringent cost controls. Debtors further sought additional working  
21 capital from their investor and lender groups, but were unsuccessful based on both their lack  
22 of performance and the declining state of the financial markets.

23 In April 2002, Debtors defaulted under the terms of their credit facility by failing to  
24 pay interest due. The Chapter 11 Cases were filed on May 2, 2002, so that Debtors could  
25 conduct an orderly liquidation of their assets and maximize the recovery for their creditors.  
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IV.

CHAPTER 11 EVENTS

A. Administrative Orders.

On May 2, 2002, the Court entered its orders jointly administering Debtors' bankruptcy cases and limiting notice in those cases. On May 6, 2002, the Court entered its order designating Gary Cuccio as the designated responsible individual of Debtors. On May 7, 2002, the Court entered its orders authorizing Debtors to maintain their existing bank accounts and cash management system, and to honor certain pre-petition priority obligations to employees.

B. Appointment of Committee of Unsecured Creditors.

On May 8, 2002, the United States Trustee filed its notice of appointment of a Creditors' Committee. This notice set forth the initial composition of the Creditors' Committee as follows: Lee McElrath for Step 9 Software Corp., Antonia Atwater for Antonio Atwater SN Holdings, Brian Buchanan for UFO Communications (Unlimited FiberOptics), and Kenneth Nguyen for Verizon Communications. On May 9, 2002, the United States Trustee filed its first and second amended notices of appointment, which were amended to include Jane Frey for Qwest Communications Corp. and Carolyn W. Keith for Verizon Communications.

C. Debtors' Use of Cash Collateral.

On May 6, 2002, the Court entered its interim order authorizing Debtors' use of cash collateral and granting adequate protection pursuant to Code Sections 105, 361, 362(d) and 363. Debtors operated under that interim order, as subsequently supplemented, through mid-July 2002. On July 17, 2002, the Court entered its final order approving Debtors' use of cash collateral and granting adequate protection. The final cash collateral order provided for Debtors' use of cash collateral pursuant to a budget (attached as an exhibit to the order) running through mid-September 2002. In addition, the final order contemplated future budgets and required Debtors to serve those future budgets on certain parties and utilities,

1 including those utilities that had objected to Debtors' motion to deem utilities adequately  
2 assured of future performance.

3 Finally, the cash collateral order provided for a carve-out in the sum of \$200,000 to  
4 be paid to general unsecured creditors exclusive of the Class 2A Deficiency Claim. This  
5 sum is to be paid out of the proceeds of the sale of Debtors' assets, which were otherwise  
6 subject to the Senior Secured Creditors' Liens, and has been provided for in the Plan as part  
7 of the Unsecured Distribution Reserve.

8 Debtors are currently operating under a cash collateral budget that extends through  
9 the end of February 2003. That budget has been served on the required parties. It is  
10 anticipated that further budgets will be approved that will allow Debtors the use of cash  
11 collateral through the Confirmation Date.

12 **D. Claims Bar Dates.**

13 **1. Pre-Petition Claims.**

14 The deadline for filing claims arising before the Petition Date was (a) September 5,  
15 2002, for all claims other than the claims of governmental units or claims arising from the  
16 rejection of an executory contract, and (b) October 29, 2002, for claims of governmental  
17 units.

18 **2. Other Claims.**

19 Claims arising after the Petition Date are entitled to full payment and are treated as  
20 Administrative Claims under the Plan. The Plan provides for an additional deadline for  
21 filing Administrative Claims incurred after the Petition Date. That deadline is expected to  
22 be 45 days after the Effective Date.

23 **3. Professional Fees and Costs.**

24 Claims of attorneys, accountants and other professionals, including counsel for the  
25 Creditors' Committee, for fees and costs incurred after the Petition Date, but before the  
26 Effective Date, will be determined by order of the Court after the Confirmation Date.  
27 Debtors' professionals entitled to compensation from the Estates and the estimated amount  
28 of that compensation is set forth below.

1 **E. Professionals Engaged by Debtors.**

2 Debtors have retained the following professionals during the Chapter 11 Cases  
3 pursuant to the following Court orders: (1) Sheppard, Mullin, Richter & Hampton LLP, as  
4 Debtors' counsel, pursuant to the Court's order entered on May 13, 2002; (2) Merrill,  
5 Arnone & Jones, LLP, as Debtors' conflict counsel, pursuant to the Court's order entered on  
6 May 24, 2002, (3) Moss Adams, LLP, as Debtors' accountants, pursuant to the Court's order  
7 entered on May 24, 2002, (4) Richard H. Levin, as Debtors' regulatory counsel, pursuant to  
8 the Court's order entered on May 24, 2002, and (5) Crossroads LLC, as Debtors' financial  
9 advisors, pursuant to the Court's order entered on May 24, 2002.

10 By orders dated September 20, 2002, the Court approved interim compensation to the  
11 above professionals as follows: (1) Sheppard, Mullin, Richter & Hampton LLP in the  
12 amount of \$773,615.00 in fees and \$59,721.50 in expenses; (2) Merrill, Arnone &  
13 Jones LLP in the amount of \$8,557.00 in fees and \$345.03 in expenses; (3) Moss Adams in  
14 the amount of \$53,747.90 in fees and \$109.43 in expenses; (4) Richard H. Levin in the  
15 amount of \$66,450.00 in fees and \$751.38 in expenses; and (5) Crossroads, LLC in the  
16 amount of \$280,222.00 in fees and \$25,724.67 in expenses.

17 The above professionals filed their second interim applications for fees and expenses  
18 and a hearing on those fees and expenses was held on January 31, 2003. By orders dated  
19 January 31, 2003, the Court approved interim compensation as follows:

20 (1) Sheppard, Mullin, Richter & Hampton LLP – fees \$379,208.00 and expenses  
21 of \$31,014.18.

22 (2) Merrill, Arnone & Jones LLP – fees \$9,826.00 and expenses of \$19.65.

23 (3) Moss Adams – fees \$53,747.90 and expenses of \$109.43.

24 (4) Richard H. Levin – fees \$64,825.00 and expenses of \$898.18.

25 (5) Crossroads LLC – fees \$507,822.50 and expenses of \$61,008.44.



1 **F. Statements of Financial Affairs and Schedules of Assets and Liabilities.**

2 On May 13, 2002, Debtors filed their respective Statements of Financial Affairs and  
3 Schedules of Assets and Liabilities. Those documents are on file with the clerk of the Court  
4 and are available for review during normal business hours.

5 **G. Orders Authorizing Asset Sales.**

6 On May 2, 2002, Debtors filed their motion to sell substantially all of their assets  
7 through an auction and to assume and assign certain executory contracts and unexpired  
8 leases in connection with that sale. The Court approved that motion and authorized Debtors  
9 to proceed with an auction in accordance with the Court-approved procedures. Although it  
10 did not produce a single asset purchase agreement for the majority of Debtors' assets, the  
11 auction did produce a sale of Debtors' San Rafael and Concord assets to U.S. TelePacific  
12 Corporation ("TelePacific") for the purchase price of \$500,000, subject to adjustment.  
13 Further, as a result of negotiations with a bidder at the auction, Debtors presented to the  
14 Court a "stalking horse" proposal for substantially all of Debtors' assets in the western  
15 states. The Court approved the proposed overbid procedures and a second auction was  
16 authorized.

17 GE Business Productivity Solutions, Inc. ("GEBPS") emerged as the successful  
18 bidder at the second auction. On June 25, 2002, the Court entered its order approving the  
19 sale of substantially all of Debtors' western assets to GEBPS. That order authorized  
20 Debtors to sell their principal assets, including their central operations, real estate and  
21 certain networks to GEBPS pursuant to the terms of an Asset Purchase Agreement (the  
22 "APA") between GEBPS and Debtors.

23 In addition to the sales to GEBPS and TelePacific, Debtors filed motions to sell  
24 assets in Maryland and Virginia to Cavalier Telephone, LLC ("Cavalier"). The Court  
25 entered its order authorizing the Cavalier transaction on June 24, 2002. That sale brought  
26 \$1.45 million into the estate in markets that Debtors were forced to shut down shortly after  
27 the Petition Date, and included the assignment of two executory contracts to Cavalier.  
28 Debtors also filed a motion for authority to sell their laboratory in Santa Rosa for

1 \$1.0 million to Network Art & Interoperability Laboratory ("NAIL"). The Court entered its  
2 order approving the sale to NAIL on June 11, 2002.

3 Debtors' asset sales to TelePacific, Cavalier and NAIL have closed. The GEBPS  
4 transaction was scheduled to close in late October or early November 2002. However,  
5 before the transaction contemplated by the APA was closed, GEBPS, with the subsequent  
6 concurrence of Debtors and the Senior Secured Creditors acting through Wachovia Bank,  
7 N.A., proposed a restructuring of the sale transactions contemplated by the APA into a  
8 reorganization plan under the Code.

9 The proposed restructuring under the Plan will enable GECC or its affiliates, to  
10 obtain the benefits of certain of Debtors' regulatory licenses and other intangible assets that  
11 would not have been available under the APA. In addition, GECC may realize certain tax  
12 and financial efficiencies under the proposed restructuring that would not have been  
13 available under the APA. In connection with the confirmation of the Plan, GEBPS has  
14 agreed to pay or cause its assigns to pay to Debtors all of the consideration that would be  
15 paid under the APA, plus additional consideration in the amount of \$6.3 million. In  
16 addition, GECC (one of the Senior Secured Creditors) has agreed to forego the amount that  
17 otherwise would have been distributed to it or its assigns in its capacity as a Senior Secured  
18 Creditor in the Chapter 11 Cases.

19 In connection with the GEBPS transaction, Debtors sought and obtained orders  
20 (which were entered on December 19, 2002) extending the time within which they might  
21 assume certain nonresidential real property leases to June 15, 2003, and extending the period  
22 within which they would have an exclusive right to file and solicit acceptances of their plan.  
23 If either GEBPS or Debtors terminate the Investment Agreement or GEBPS abandons the  
24 Plan, GEBPS and Debtors are obligated to close the APA in accordance with its terms. If  
25 GEBPS terminates the Investment Agreement (as described in greater detail below) and, as a  
26 result, closes the APA, Debtors will not be able to consummate the Plan. If that occurs,  
27 Debtors will exercise their rights to modify the Plan in compliance with Code Sections 1127  
28 and 1125.

1 In December 2002, GEBPS, Debtors and Senior Secured Creditors also entered into a  
2 Lock-Up, Voting and Consent Agreement. Under that Agreement, the Senior Secured  
3 Creditors agreed, among other things, to support the Plan on the terms set forth in that  
4 Agreement.

5 On December 20, 2002, GEBPS and Debtors entered into an Investment Agreement  
6 that provided for the purchase by GEBPS of the New Debt under the Plan. The Investment  
7 Agreement also gives GEBPS the right to terminate the agreement, in its sole discretion, on  
8 written notice before the Confirmation Date.

9 The Investment Agreement can also be terminated by GEBPS or Debtors, on  
10 5 business days written notice, if the following milestones are not met, subject to an  
11 extension as a result of certain agreed upon delays:

12 (1) January 20, 2003 – Filing by Debtors of a plan and disclosure statement  
13 acceptable to GEBPS;

14 (2) February 28, 2003 – Entry of an order by the Court approving the disclosure  
15 statement;

16 (3) April 22, 2003 – Entry of the Confirmation Order;

17 (4) May 2, 2003 – The Effective Date.

18 These milestones may be extended as a result of certain delays, but in no event can  
19 the Effective Date be extended beyond May 30, 2003.

20 In addition to the assets sales discussed above, on May 24, 2002, the Court entered its  
21 order approving certain sales procedures for the sale of Debtors' assets with a value of less  
22 than \$50,000.

23 **H. Additional Unsecured Distribution.**

24 In connection with the purchase of the New Debt, \$300,000 of the purchase price for  
25 the New Debt will be paid into the Unsecured Distribution Reserve on the Effective Date.

26 **I. Real Estate Sales.**

27 Under the terms of the APA, GEBPS was authorized to list Debtors' real property in  
28 Salem, Oregon, and Bend, Oregon, for sale on Debtors' behalf. If GEBPS found a buyer for

1 these properties before the closing contemplated by the APA, Debtors were required to  
2 cooperate in the sale of the properties and GEBPS was required to reimburse Debtors for the  
3 costs of those sales. These properties were subsequently sold and generated a combined  
4 purchase price of approximately \$4.5 million.

5 **J. Compromises of Controversies with Lucent and Nortel.**

6 Lucent Technologies, Inc. ("Lucent") and Nortel Networks, Inc. ("Nortel") raised  
7 significant objections to Debtors' asset sales. Both Lucent and Nortel initially refused to  
8 consent to the transfer of custom software essential to running Debtors' switches. Debtors  
9 ultimately resolved Lucent and Nortel's respective objections, which allowed Debtors' asset  
10 sales to proceed as scheduled. On June 26, 2002, the Court entered its order approving  
11 Debtors' settlement with Lucent and, on October 17, 2002, the Court entered its order  
12 approving Debtors' settlement with Nortel.

13 **K. Commencement of Adversary Proceeding Against TelePacific.**

14 On October 29, 2002, Debtors filed an adversary proceeding against TelePacific for  
15 breach of contract and violation of the automatic stay. That action is pending before the  
16 Court and has been assigned adversary proceeding number 02-1226. As set forth in their  
17 complaint, Debtors seek redress for damages resulting from TelePacific's breach of  
18 contracts entered into between the parties in connection with the sale of certain of Debtors'  
19 assets to TelePacific. In addition, Debtors seek a finding of contempt and redress for  
20 damages resulting from TelePacific's intentional violation of the automatic stay of Code  
21 Section 362, in connection with TelePacific's filing of a motion before the California Public  
22 Utilities Commission for a temporary restraining order and order joining ATG as a party.

23 On November 27, 2002, TelePacific filed its answer to the complaint and a  
24 counterclaim against Debtors for (1) breach of contract, (2) breach of the implied covenant  
25 of good faith and fair dealing, (3) unfair business practices under the California Business  
26 and Professions Code, and (4) equitable estoppel. Debtors filed their answer to that  
27 counterclaim on December 23, 2002.

28

1 Trial in the TelePacific adversary proceeding is set for September 2003. Debtors  
2 intend to vigorously pursue this action.

3  
4 **V.**

5 **PLAN OF REORGANIZATION**

6 The Plan contemplates the cancellation of Debtors' existing stock and the issuance of  
7 new stock in Reorganized ATG to secured creditor GECC or its assigns, the issuance of new  
8 stock in Reorganized ATI to Reorganized ATG and the issuance of new stock in  
9 Reorganized SCS to Reorganized ATI. Reorganized Debtors will remain in operation.  
10 Creditors will receive payments from the liquidation of certain assets of Debtors, the  
11 Assigned Rights, Avoidance Claims and proceeds from the sale of New Debt as set forth  
12 below.

13 Senior Secured Creditors will receive in cash an amount estimated to be in excess of  
14 \$25 million on account of their Secured Claims (which amount includes the distributions  
15 received during the Chapter 11 Cases from the proceeds of their Collateral and the  
16 distributions to be received on and after the Effective Date). In addition, the Senior Secured  
17 Creditors will receive a Pro Rata share of the Assigned Rights and their Adjusted Pro Rata  
18 Share of the Avoidance Claims in respect of their Secured Claims. General unsecured  
19 creditors will receive their Adjusted Pro Rata Share of the Avoidance Claims. General  
20 unsecured creditors also will share on a Pro Rata basis the Unsecured Distribution Reserve  
21 of \$500,000, exclusive of the Class 2A Creditors' Deficiency Claim or any Deficiency  
22 Claim of Class 2B under the Plan.

23 **A. Specification and Treatment of Claims and Interests.**

24 The treatment of Claims described below applies only to Allowed Claims. Claims  
25 that are asserted but are subject to a pending objection, claims subject to an estimation order  
26 of the Court, or to a requirement of Court review or approval (such as requests for payment  
27 of Professional fees) will be paid only after they become Allowed Claims. Distributions to  
28 holders of Claims that are not Allowed Claims as of the Effective Date will be made in

1 accordance with the Plan provisions for the Class of Claim if and when the Claim becomes  
2 an Allowed Claim.

3 **1. Non-Classified Claims.**

4 Section 1123(a)(1) of the Code provides that certain Claims, including Professional  
5 fees, Claims for goods or services arising out of the ordinary course of Debtor's business  
6 after the Petition Date and Claims for taxes, will not be classified under the Plan. Debtors  
7 estimate their Non-Classified Claims to be \$1.4 million at Confirmation.

8 **2. Classified Claims.**

9 The Plan divides Claims of creditors and holders of interests in the Debtors  
10 into classes, all of which are designated as impaired (meaning that creditors' and  
11 shareholders' rights are changed by the Plan). The classes, and their treatment, are as  
12 described below:

13 **a. Priority Claims.** Unless the holder agrees to receive other, less  
14 favorable treatment, each holder of an Allowed Priority Claim will be paid 100% of the  
15 unpaid amount of the Allowed Priority Claim by Reorganized ATG, in cash. Payment will  
16 be made on or as soon as reasonably practicable after the later of (1) the Effective Date, and  
17 (2) the date the Priority Claim becomes an Allowed Priority Claim. Reorganized ATG will  
18 assume primary responsibility for objecting to Priority Claims and resolving all objections.

19 **b. Senior Secured Creditors' Claims (Class 2A).**

20 (1) Subject to Section 6.2(b) and Section 9.2 of the Plan, each holder of  
21 a Class 2A Claim will receive from the Liquidation Trust its (A) Pro Rata share of the  
22 Distributable Cash and the New Senior Investment Cash Consideration (except for \$300,000  
23 of the New Senior Investment Cash Consideration, which will be paid into the Unsecured  
24 Liquidation Reserve, and subject to the escrow established by the Holdback Escrow  
25 Agreement), (B) its Adjusted Pro Rata share of any proceeds arising from the Avoidance  
26 Claims, and (C) its Pro Rata share of any proceeds arising from the Assigned Rights; or (2)  
27 such other treatment as is agreed between the holder and Debtors. The cash portion of the  
28 distribution will be made on the Effective Date (except for the proceeds of the Holdback

1 Escrow Agreement, which will subsequently be paid to the Liquidation Trustee pursuant to  
2 the Holdback Escrow Agreement and distributed under the Liquidation Trust) and the  
3 remainder of the distribution will be made by the Liquidation Trustee as soon as reasonably  
4 practicable thereafter. The Senior Secured Creditors' Claims will be deemed Allowed on  
5 the Confirmation Date in the amounts set forth in the respective proofs of Claim filed in the  
6 Chapter 11 Cases.

7 (2) On the Effective Date, the Liquidation Trust will be established. All  
8 of the Assigned Rights and Avoidance Claims (and all liabilities and claims related thereto  
9 or associated therewith) and all Distributable Cash (plus items (d) and (f) referred to in the  
10 definition of Distributable Cash) held by Debtors at the close of business on the day before  
11 the Effective Date will be transferred to and vest in the Liquidation Trust. In addition, the  
12 New Senior Investment Cash Consideration will be paid to Reorganized ATG, which will  
13 immediately distribute the funds to the Liquidation Trustee. The Liquidation Trustee will  
14 transfer \$300,000 to the Unsecured Distribution Reserve and, subject to Section 9.1(c) of the  
15 Plan, will distribute the remainder to the Administrative Agent. In addition, \$500,000 (plus  
16 any earnings thereon) paid by Buyer under the APA into a trust account of Sheppard,  
17 Mullin, Richter & Hampton LLP will be transferred on the Effective Date to the Liquidation  
18 Trustee to be distributed to the Administrative Agent. Pursuant to the Liquidation Trust  
19 Agreement, a copy of which is annexed as Exhibit 2 to the Plan, the Liquidation Trustee will  
20 prosecute and administer the Avoidance Claims for the benefit of the holders of Class 2A  
21 Claims and Class 4 Claims as set forth in the Plan. Except for distributions to holders of  
22 Class 4 Claims from the Unsecured Distribution Reserve and their Adjusted Pro Rata share  
23 of any proceeds of the Avoidance Claims, all other distributions from the Liquidation Trust,  
24 less expenses, will be paid to the Administrative Agent for the benefit of the holders of  
25 Class 2A Claims. Debtors, Reorganized Debtors, GEBPS, Buyer, GECC and their  
26 respective assigns will not have any obligations to the holders of Class 2A Claims or Class 4  
27 Claims except as otherwise provided in the Plan.

28

1 (3) On receipt of the distributions provided for in Sections 6.2(a), 6.2(b)  
2 or 6.3 of the Plan, as the case may be, the respective Creditor's Liens or other security  
3 interest in the Senior Secured Collateral held by the Creditor receiving the distributions will  
4 be deemed released irrevocably and unconditionally without further action.

5 c. Senior Secured Creditors' Claim of GECC (Class 2B).

6 In lieu of its Ratable Class 2A distribution, GECC or its assigns will  
7 receive the Class 2B distributions entitling it to obtain New ATG Common Stock. GECC or  
8 its assigns will not receive any distributions under the Plan that are provided to members of  
9 Class 2A or Class 4.

10 d. Other Secured Claims (Class 3).

11 Unless it agrees to receive other, less favorable treatment, each holder  
12 of an Allowed Other Secured Claim will receive one of the following treatments as soon as  
13 reasonably practical on or after the Effective Date:

14 (1) Reorganized Debtors will leave unaltered all of that holder's other  
15 legal, equitable, or contractual rights with respect to its Class 3 Claim, including the  
16 retention of the liens securing the Claim;

17 (2) Reorganized Debtors will convey the Collateral that is subject to the  
18 holder's Class 3 Claim; or

19 (3) Reorganized Debtors will pay to the holder of a Class 3 Claim cash  
20 in the amount of its Allowed Class 3 Claim.

21 Reorganized Debtors, in their sole discretion, will select which of these treatments  
22 each holder of an Allowed Class 3 Claim will receive.

23 e. Unsecured Claims (Class 4).

24 Each holder of an Allowed Unsecured Claim will receive its Pro Rata  
25 share of the Unsecured Distribution Reserve and its Adjusted Pro Rata share of the proceeds  
26 of any Avoidance Actions. The Liquidation Trustee will distribute any funds in the  
27 Unsecured Distribution Reserve as soon as is reasonably practical, based on his review and  
28 determination of the Unsecured Claims and any necessary reserve for Disputed Claims. All



1 costs, fees and expenses, including reasonable attorneys' fees and expenses, that are  
2 incurred after the Confirmation Date in connection with (a) the administration of the  
3 Unsecured Distribution Reserve, and (b) the allowance and determination of Class 4 Claims,  
4 will be funded as provided in Section 9.1(c) of the Plan. Subordination rights, if any, arising  
5 out of contractual subordination provisions under Section 510(a) of the Code will be  
6 enforced. Notwithstanding the foregoing, no portion of the Unsecured Distribution Reserve  
7 will be used to pay any Administrative Claim of the Senior Secured Creditors or the fees and  
8 costs associated with the Liquidation Trust, the administration of the Unsecured Distribution  
9 Reserve, the Liquidation Trustee's allowance or determination of Class 4 Claims or the  
10 Liquidation Trustee's other administrative costs.

11 **3. Equity Interests (Classes 5A, 5B and 5C).**

- 12 a. Class 5A. Holders of Equity Interests in ATG will receive no  
13 distribution of any kind under the Plan on account of their Equity  
14 Interests. On the Effective Date, all Equity Interests in ATG will be  
15 deemed cancelled and the New ATG Common Stock will be issued to  
16 the holders of Class 2B Claims.
- 17 b. Class 5B. Holders of Equity Interests in ATI will receive no  
18 distribution of any kind under the Plan on account of their Equity  
19 Interests. On the Effective Date, all Equity Interests in ATI will be  
20 deemed cancelled and the New ATI Common Stock will be issued to  
21 the holders of Class 2B Claims.
- 22 c. Class 5C. Holders of Equity Interests in SCS will receive no  
23 distribution of any kind on account of their Equity Interests. On the  
24 Effective Date, all Equity Interests in SCS will be deemed cancelled  
25 and the New SCS Common Stock will be issued to the holders of Class  
26 2B Claims.

1           **4.     Estimated Creditor Payments.**

2           Payments to creditors under the Plan will depend, in part, upon the success of  
3 the Avoidance Claims and the recoveries of the Assigned Rights. Included in the attached  
4 Exhibit 2 is a summary of the estimated creditor payments.

5           **B.     Sources of Creditor Payments Under the Plan.**

6           **1.     Unsecured Distribution Reserve.**

7           General unsecured creditors in Class 4 holding Allowed Claims will receive a  
8 Pro Rata Share of \$500,000 and an Adjusted Pro Rata share (with holders of Class 2A  
9 Claims) of the proceeds of the Avoidance Claims.

10          **2.     Assigned Rights.**

11          Under the Plan, all Assigned Rights will be administered for the benefit of  
12 Class 2A Claims only. In accordance with the Senior Secured Documents and prior Orders  
13 of the Court, the Senior Secured Creditors have a senior security interest and/or Priority  
14 Claim against the Assigned Rights. Under the Senior Secured Documents, the Senior  
15 Secured Creditors have a perfected security interest in substantially all of Debtors' real and  
16 personal property including all property to be sold under the APA and all investments,  
17 general intangibles, receivables, and equipment. In addition, pursuant to the Order  
18 Authorizing Use of Cash Collateral and Granting Adequate Protection dated July 17, 2002,  
19 the Senior Secured Creditors were granted a super priority claim as set forth in paragraph 13  
20 of that order. The Assigned Rights include certain litigation claims against third parties, as  
21 follows:

22           **a.     Pending Litigation.**

23           (1)     Advanced Telecom Group, Inc. v. Alcatel USA Sourcing L.P.

24           (2)     Advanced Telecom Group, Inc. v. Michels Pipeline  
25 Construction, Inc.

26           (3)     Advanced Telecom Group, Inc. v. TelePacific, as detailed in  
27 Article IV(H) of this Disclosure Statement.

28

1           **b.    Value of Assigned Rights.** Debtors believe that the value of the  
2 Assigned Rights, exclusive of the Claims listed in V.B.2.a. above and the Avoidance  
3 Claims, is less than \$150,000.

4           **3.    Avoidance Claims.**

5           Under the Plan, all Avoidance Claims will be administered for the benefit of  
6 Class 2A and Class 4 Claims.

7           Debtors' statements and schedules reflect payments made to creditors, including  
8 insiders and professionals, during the applicable preference periods. After an extensive  
9 analysis of these payments, Debtors determined that with the exception of the following  
10 insiders and professionals, the payments made were made in the ordinary course of Debtors'  
11 business. The Avoidance Claims identified by Debtors include the contemplated actions  
12 against the following defendants:

- 13           **a.**    Thomas Grina – The former Chief Financial Officer of Debtors,  
14                    Mr. Grina received approximately \$275,000 in severance payments  
15                    within one year before the Petition Date. Debtors believe that these  
16                    payments are recoverable.
- 17           **b.**    Clifford Rudolph – The former Chief Executive Officer of Debtors.  
18                    Mr. Rudolph received the sum of \$750,000 in loan proceeds and in  
19                    excess of \$100,000 in insurance benefits. Debtors believe that these  
20                    payments and benefits are recoverable.
- 21           **c.**    Kathryn Thomas – The former vice-president of Debtors. Ms. Thomas  
22                    received approximately \$39,000 in loans and severance payments.  
23                    Debtors believe that these loans and payments are recoverable.
- 24           **d.**    Robert Warstler – The former President and Chief Operating Officer of  
25                    Debtors. Mr. Warstler received in excess of \$250,000 in severance  
26                    payments. Debtors believe that these payments are recoverable.
- 27  
28

1           **4.     Issuance of New Common Stock.**

2           In consideration for the cancellation of the indebtedness owed to GECC,  
3 Reorganized ATG will issue New ATG Common Stock to the holder of the Class 2B  
4 Claims.

5           **5.     Objections to Claim.**

6           Debtors have identified claims that are subject to possible objection and will  
7 consult with the Creditors' Committee before filing objections.

8           **C.     Means for Implementing the Plan.**

9           The following will occur on the Effective Date:

10          **1.     Liquidation Trust.**

11           **a.     Establishment of Liquidation Trust.** To facilitate implementation of  
12           the Plan, a Liquidation Trust will be established for the purposes of:  
13           (1) holding, prosecuting, administering, liquidating and distributing the  
14           Assigned Rights and Avoidance Claims for the benefit of Class 2A and  
15           Class 4 Allowed Claims, respectively; (2) reserving for Disputed  
16           Claims; (3) prosecuting objections to Fee Claims and Class 4 Claims;  
17           (4) making distributions to holders of Allowed Fee Claims,  
18           (5) preparing periodic reports to be distributed to the Office of the  
19           United States Trustee, the Administrative Agent and any other party in  
20           interest; (6) performing administrative services related to the  
21           implementation of the Plan; (7) employing professionals, including  
22           counsel and accountants, for assistance in fulfilling its obligations  
23           under the Liquidation Trust Agreement; (8) receiving payments under  
24           the Holdback Escrow Agreement and the Expense Disbursement Letter  
25           and making the respective distributions of those amounts as provided in  
26           the Liquidation Trust Agreement; and (9) otherwise acting in  
27           accordance with the Liquidation Trust Agreement, the Plan and orders  
28           of the Court.

- 1           **b. Appointment of Liquidation Trustee.** On or before the Confirmation  
2           Date, Debtors will appoint one or more Persons to act as the  
3           Liquidation Trustee.
- 4           **c. Fees and Costs of the Liquidation Trustee and Professionals.** The  
5           Liquidation Trustee will retain from any proceeds received under the  
6           Plan an amount estimated to be more than sufficient to fund the fees  
7           and costs of administering the Liquidation Trust, making the required  
8           distributions as provided in the Plan, and satisfying the fees and costs of  
9           their professionals in accordance with a budget agreed by Debtors, the  
10          Creditors' Committee and the Administrative Agent. The Liquidation  
11          Trustee will distribute to the Administrative Agent any excess  
12          remaining after all distributions have been made.
- 13          **d. Provision of Office Space, Equipment, Etc. for the Liquidation**  
14          **Trustee.** For a period of one year from and after the Effective Date,  
15          Reorganized ATG will permit the Liquidation Trustee, at no additional  
16          cost or liability to Reorganized ATG, and subject to Reorganized  
17          ATG's (1) reasonable security and operations policies and instructions  
18          and (2) reasonable satisfaction that the Liquidation Trustee's insurance  
19          is sufficient and available to cover Reorganized ATG against any cost  
20          or liability to Reorganized ATG potentially arising from any such  
21          access or use, the Liquidation Trustee's reasonable rent-free access to  
22          and use of office space at 19-23 Old Courthouse Square, Santa Rosa,  
23          California, and to office equipment and furniture and office supplies as  
24          and to the extent the same are reasonably necessary to enable the  
25          Liquidation Trustee to fulfill their duties under the Liquidation Trust.  
26          At its discretion, Reorganized ATG may provide to the Liquidation  
27          Trustee comparable office space at another location in Santa Rosa,  
28          California, or at another location agreed to by the Liquidation Trustee

1 and Reorganized ATG. Reorganized ATG will also provide the  
2 Liquidation Trustee with reasonable access to any of the books and  
3 records of Debtors necessary for fulfilling the purposes of the  
4 Liquidation Trust.

5 **2. New Stock Issuance.**

- 6 a. **Issuance of New ATG Common Stock.** In consideration of GECC's  
7 Class 2B Claim, GECC or its assigns will receive on the Effective Date  
8 and in lieu of any other distribution in respect thereof, New ATG  
9 Common Stock, which will constitute all of the authorized common  
10 stock of Reorganized ATG.
- 11 b. **Issuance of New Senior Investment.** Pursuant to the Investment  
12 Agreement, Buyer will purchase the New Debt (the "New Senior  
13 Investment"). Buyer will pay the purchase price for the New Senior  
14 Investment to Reorganized ATG on the Effective Date, in cash and in  
15 an amount equal to the New Senior Investment Cash Consideration.  
16 Reorganized ATG will immediately pay the New Senior Investment  
17 Cash Consideration to the Liquidation Trust. The New Debt will be  
18 evidenced by an unsecured five-year promissory note by Reorganized  
19 ATG, which will be payable to Buyer (or to any assignee or transferee  
20 holder of the New Debt) and will bear interest at a rate per annum equal  
21 to the applicable Federal Rate as defined by the Internal Revenue  
22 Service.
- 23 c. **Continued Liability of GEBPS.** An assignment by GEBPS of its  
24 rights and obligations as Buyer will not release it from liability for  
25 ensuring payment of the New Senior Investment Cash Consideration to  
26 the Estate.
- 27 d. **Revesting of Assets in the Reorganized Debtors.** The Assets of the  
28 Estate of each Debtor, respectively, will revest, as applicable, in each

1 Reorganized Debtor, respectively. From and after the Effective Date,  
2 each Reorganized Debtor may operate its business and use, acquire, and  
3 dispose of property free of any restrictions of the Code, the Rules and  
4 the Court. As of the Effective Date and except as provided in the Plan,  
5 (1) all property of Reorganized Debtors will be free and clear of all  
6 Liens, Claims, encumbrances, and interests, and (2) all Liens, Claims,  
7 encumbrances and interests, including Equity Interests, will be both  
8 discharged and released as to each Reorganized Debtor.

9 **3. Issuance of New ATI Common Stock.**

10 In consideration of Reorganized ATG's agreement in the Plan to contribute to  
11 the payment of Claims against ATI under the Plan, and in accordance with the terms of the  
12 Plan, Reorganized ATG will receive the New ATI Common Stock, which will constitute all  
13 of the authorized common stock of Reorganized ATI.

14 **4. Issuance of New SCS Common Stock.**

15 In consideration of Reorganized ATI's agreement in the Plan to contribute to  
16 the payment of Claims against SCS under the Plan, and in accordance with the terms of the  
17 Plan, Reorganized ATI will receive the New SCS Common Stock, which will constitute all  
18 of the authorized common stock of Reorganized SCS.

19 **5. Directors and Officers.**

- 20 a. The authority, power and incumbency of the persons then acting as  
21 directors and officers of each Debtor will be terminated, they will be  
22 deemed to have resigned and (except in respect of any claim arising or  
23 relating to the period before their termination) they will be released  
24 from and discharged of any further authority, duties, responsibilities  
25 and obligations relating to, arising from and in connection with  
26 Debtors, and
- 27 b. The New Directors and the New Officers will be deemed to have been  
28 elected to their respective positions with Reorganized ATG. In due

1 course, Reorganized ATG will appoint or cause to be appointed new  
2 directors of Reorganized ATI and of Reorganized SCS, who in turn will  
3 elect new officers of Reorganized ATI and Reorganized SCS.

4 **6. Payment of Fee Claims.**

- 5 a. On the Effective Date, GEBPS or its assignee will forward to the  
6 Liquidation Trust all amounts then owed to Debtors under the Expense  
7 Disbursement Letter, and thereafter make such further payments to the  
8 Liquidation Trust as required by the Expense Disbursement Letter.
- 9 b. The Liquidation Trustee will disburse funds from the Liquidation Trust  
10 to pay all Allowed Fee Claims and the fees of professionals for the  
11 Administrative Agent and counsel for the Creditors' Committee.
- 12 c. Final payment of Fee Claims will exclude the amount of any remaining  
13 unapplied retainers held by, for or on behalf of any Professional.  
14 Unapplied retainers held by a Professional after payment of that  
15 Professional in full for all services and expenses related to the Chapter  
16 11 Cases will be returned to the Liquidation Trustee for distribution to  
17 the Allowed Class 2A Claims.
- 18 d. On confirmation, Reorganized Debtors and GEBPS will assume all  
19 obligations set forth in the Expense Disbursement Letter.

20 **7. Exemption from Certain Securities Laws.**

21 Under Section 1145(a) of the Code, issuance of New ATG Common Stock,  
22 New Debt, New ATI Common Stock and New SCS Common Stock to be distributed under  
23 the Plan, and the subsequent resale of those securities by entities that are not "underwriters"  
24 (as per Section 1145(b) of the Code) are not subject to the registration requirements of  
25 Section 5 of the Securities Act of 1933, as amended, or any state or local law requiring  
26 registration for the offer or sale of a security.

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28



1           **8.    Creditors' Committee.**

2           The Creditors' Committee will remain in existence until the Class 4 Claims  
3 are Allowed or disallowed, the Avoidance Claims are concluded, and all Plan distributions  
4 are completed. Thereafter, it will be dissolved and released from all further authority,  
5 duties, responsibilities and obligations relating to, arising from or in connection with the  
6 Chapter 11 Cases.

7           **9.    Tax Attributes of the Plan.**

8           Debtors will not seek a ruling from the Internal Revenue Service prior to the  
9 Effective Date with respect to any of the tax aspects of the Plan. EACH HOLDER OF A  
10 CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS TAX  
11 ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX  
12 CONSEQUENCES OF THE PLAN.

13  
14   **VI.**

15   **LIQUIDATION ANALYSIS**

16           Section 1129(a)(7)(A)(ii) of the Code permits the Court to confirm the Plan only if  
17 each member of an impaired Class of Claims or interests who has voted to reject the Plan  
18 receives or retains at least the amount or value that he or she would receive if the Debtor  
19 were liquidated in a case under Chapter 7 of the Code.

20           The following liquidation analysis assumes a Chapter 7 in which an appointed trustee  
21 would liquidate the assets of the Debtors. The liquidation analysis is based on a number of  
22 estimates and assumptions that, although developed and considered reasonable by Debtors,  
23 are inherently subject to significant economic and competitive uncertainties and  
24 contingencies beyond the control of Debtors. The liquidation analysis is also based on  
25 assumptions with regard to liquidation decisions that are subject to change. Accordingly,  
26 there can be no assurance that the values reflected would be realized if Debtors were, in fact,  
27 to undergo such a liquidation.

1 Debtors believe that the vast majority of assets of the Chapter 11 Cases have been  
2 reduced to cash, and that only a handful of causes of action remain to be administered before  
3 a final distribution. Debtors believe that a Chapter 7 trustee does not possess the required  
4 knowledge to successfully and economically wind down the Chapter 11 Cases in an  
5 expeditious fashion, and that a significant delay in distributions would take place if the  
6 Chapter 11 Cases were converted to Chapter 7. The liquidation analysis estimates that,  
7 under Chapter 7 of the Code, as detailed in the attached Exhibit 2, the recovery to creditors  
8 would be significantly less than under the Plan. Specifically, in a Chapter 7 case secured  
9 creditors would receive less than the projected \$25 million in the Plan and unsecured  
10 creditors would receive substantially less than is set forth here.

11  
12 **VII.**

13 **CONFIRMATION**

14 **A. Voting.**

15 To confirm the Plan, two-thirds in monetary amount and a majority of the number of  
16 Allowed Claims of the creditors in each impaired Class of creditors who vote on the Plan must  
17 vote in favor of it. Class 2 and Class 4 are impaired under the Plan, and are therefore entitled to  
18 vote. Because all classes of creditors are impaired under the Plan, all classes of claims will be  
19 entitled to vote. Only Allowed Claims will be counted unless the Court orders otherwise. The  
20 holders of Interests in Classes 5A, 5B and 5C will receive and retain nothing under the Plan and,  
21 therefore, are deemed to have rejected it. Interest holders in these Classes will, therefore, not  
22 receive a Ballot.

23 If a Class that is impaired under the Plan does not vote in favor of it, Debtors must  
24 seek confirmation under Section 1129(b) of the Code. The requirements for confirmation  
25 under Code Section 1129(b) are discussed below.

26 Acceptance or rejection of the Plan may be voted by completing and signing the Ballot  
27 that accompanies the Plan and mailing it to Sheppard, Mullin, Richter & Hampton, LLP, Attn:  
28 Ori Katz, 4 Embarcadero, 17th Floor, San Francisco, California 94111 in an envelope

1 marked "BALLOT" in the lower left hand corner. Only the Ballot should be mailed and all  
2 Ballots must be received by April 9, 2003, at 5:00 p.m., Pacific Time.

3           BALLOTS RECEIVED THAT ARE SIGNED BUT DO NOT DESIGNATE  
4 ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED ACCEPTANCES.  
5 UNSIGNED BALLOTS WILL NOT BE COUNTED.

6 **B. Confirmation Standards.**

7           For the Plan to be confirmed and to be binding on all creditors and interest holders,  
8 the Court must determine that the requirements of Code Section 1129(a) have been satisfied,  
9 including that at least one Class of Claims that is impaired under the Plan has accepted it.

10 **C. Classification of Claims and Interests.**

11           The Code requires that a plan of reorganization place each Claim and interest in a  
12 Class with other Claims or interests that are "substantially similar." The dollar amount of a  
13 Claim is usually not a basis on which to distinguish it from other Claims. Debtors believe  
14 that the classification system in the Plan meets the Code standard.

15 **D. Modification of the Plan.**

16           Debtors may modify the Plan at any time before the Confirmation Date. If the Plan is  
17 modified, Debtors may be required to provide additional disclosure to Creditors and other  
18 parties in interest with respect to the Plan, as modified. Any holder of a Claim that has  
19 accepted or rejected the Plan will be deemed to have accepted or rejected, as the case may  
20 be, the Plan as modified, unless, within the time fixed by the Court, the holder changes his  
21 previous acceptance or rejection.

22 **E. Confirmation Without Acceptance by All Impaired Classes.**

23           Section 1129(b) of the Code enables Debtors to confirm the Plan without the  
24 acceptance of one or more classes of Claims. If any impaired Class fails to accept the Plan  
25 by the statutory majorities described above, Debtors will seek confirmation under Section  
26 1129(b) of the Code.

27           To be confirmed over the objection of a Class of unsecured Allowed Claims, the Plan  
28 must provide either that (1) each holder of an Allowed Claim in the Class receive property

1 of a value, on the Effective Date, equal to the Allowed Claim, or (2) no junior Claim or  
2 Equity Interest receive anything. The Court must also find that no senior Class will receive  
3 more than 100% on account of its Allowed Claims.

4 To be confirmed over the objection of a Class of interest holders, the Plan must  
5 provide either that (1) each holder of an interest in the Class receive or retain on account of  
6 his interest property of a value, as of the Effective Date, equal to the greatest of the allowed  
7 amount of any fixed liquidation preference to which the holder is entitled, any fixed  
8 redemption price to which the holder is entitled, or the value of the interest, or (2) no holder  
9 of any interest that is junior to the interests of the Class receive anything. The Court must  
10 also find that no senior Class will receive more than 100% on account of its Allowed  
11 Claims.

12 **F. Effect of Confirmation.**

13 If the Plan is confirmed, its terms will be binding on all creditors and interest holders.  
14 Debtors will be discharged from all liability for Claims arising before the Confirmation Date  
15 and the discharge will be effective as to each Claim regardless of whether the holder of a  
16 particular Claim filed a Proof of Claim, whether the Claim is allowed by the Court, or  
17 whether the holder of the Claim voted to accept the Plan.

18  
19 **VIII.**


20 **CONCLUSION**

21 The Disclosure Statement has been presented for the purpose of enabling creditors to  
22 make an informed judgment to accept or reject the Plan. Creditors are urged to read the Plan  
23 in full and consult with their counsel if questions arise. Debtors believe that acceptance of  
24 the Plan by creditors is in the best interests of all parties in interest and that Confirmation of  
25 the Plan will provide the best recovery for creditors.


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February 25, 2003


**ADVANCED TELCOM GROUP, INC**

By   
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Gary Cuccio

**ADVANCED TELCOM, INC.**

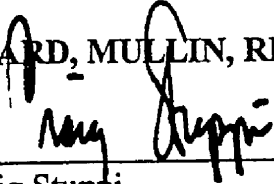
By   
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Gary Cuccio

**SHARED COMMUNICATIONS SERVICES, INC.**

By   
\_\_\_\_\_  
Gary Cuccio

February 25, 2003

**SHEPPARD, MULLIN, RICHTER & HAMPTON LLP**

By   
\_\_\_\_\_  
Craig Stuppi

Bankruptcy Reorganization Counsel  
for Debtors and Debtors-in-Possession

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**EXHIBIT "1"**  
**To The Disclosure Statement**

**DEFINITIONS**

1 **EXHIBIT 1**

2 **DEFINITIONS**

3 1. "Adjusted Pro Rata" is a number (expressed as a percentage) equal to  
4 the proportion that an allowed Class 2A Deficiency Claim or an Allowed Unsecured Claim,  
5 as the case may be, bears to the aggregate amount of (a) all Allowed Class 2A Deficiency  
6 Claims and Allowed Unsecured Claims, plus (b) disputed Claims of holders of Unsecured  
7 Claims (in their aggregate face amount) as of the date of determination.

8 2. "Administrative Agent" is Wachovia Bank, N.A.

9 3. "Administrative Claim" is a Claim, other than a Fee Claim, a Priority  
10 Tax Claim or a Priority Claim, for costs or expenses of administration allowed under  
11 Section 503(b) of the Code, including the actual, necessary costs and expenses incurred after  
12 the Petition Date to preserve the Estates and operate Debtors' businesses (such as wages,  
13 salaries, taxes or commissions for services rendered); and all fees and charges assessed  
14 against the Estates under to Section 1930 of Title 28 of the United States Code.

15 4. "Allowed" means, with respect to a Claim, the amount of such Claim:  
16 (a) that is scheduled by a Debtor pursuant to the Code and Rules in a liquidated amount and  
17 that is not listed as contingent, unliquidated or disputed; (b) proof of which has been timely  
18 filed, or deemed timely filed under applicable law or order of the Court, with the Court  
19 pursuant to the Code, the Rules and any applicable orders of the Court, or late filed with  
20 leave of the Court after notice and a hearing; or (c) if such Claim is an Administrative  
21 Claim, proof of which, or application for which, has been timely filed, or deemed timely  
22 filed under applicable law or order of the Court, with the Court pursuant to the Code, the  
23 Rules and any applicable orders of the Court, or late filed with leave of the Court after  
24 notice and a hearing, and which, with respect to each of the foregoing clauses (a), (b) and  
25 (c); (i) has not been objected to within the period fixed by the Plan, the Rules and applicable  
26 orders of the Court or (ii) has otherwise been Allowed by a Final Order or as set forth in this  
27 Plan.

28 5. "Allowed Claim" is a Claim that is Allowed, regardless of whether it  
became Allowed before or after the Effective Date. The amount of a Claim that is Allowed  
will be net of any valid setoff exercised with respect to it under the Code. Unless otherwise  
specified, in Section 506(b) of the Code or by order of the Court, an "Allowed Claim," will  
not, for purposes of distribution under the Plan, include (a) interest on any Claim accruing  
from or after the Petition Date, (b) punitive or exemplary damages, or (c) any fine, penalty  
or forfeiture.

6. "APA" is the Asset Purchase Agreement dated as of June 21, 2002  
entered into, with Court approval, by Debtors and GEBPS, including all schedules and  
exhibits to it, as the same may have been amended, modified or supplemented from time to  
time. A copy of the APA is on file with the Court.

7. "Assigned Rights" are all rights, Causes of Action, payments or other  
receipts in connection with the following that existed on, or had accrued (unless otherwise  
noted) as of the Effective Date, and all proceeds thereof received thereafter: (a) all loans or  
advances by Debtors to any of their officers or former officers, (b) all insurance proceeds  
other than those referred to in clause (a) of the definition of Distributable Cash, (c) up to  
\$305,000 of Debtors' accounts receivable from Fairpoint Communications Solutions  
Corporation existing on July 15, 2002, (d) Debtors' rights with respect to that certain aircraft  
hanger space located in Santa Rosa, California, together with any fixtures, facilities or  
equipment of Debtors owned or held for use at that location and any proceeds from the

1 disposition, (e) the performance bonds and cash collateral for letters of credit set forth on  
2 Schedule 2.02(j) to the APA, (f) all claims against third parties, other than Avoidance  
3 Claims and claims against third parties relating to the assets of Debtors that (1) were subject  
4 to transfer to GEBPS pursuant to the APA, or (2) related solely to the business of Debtors  
5 related to those assets, subject to transfer to GEBPS, and any set-offs or counterclaims  
6 relating to the Assumed Liabilities (as defined in the APA), whether choate or inchoate,  
7 known or unknown, contingent or noncontingent, (g) all claims of Debtors against U.S.  
8 TelePacific Corporation, whether arising pre- or post-petition, relating to the period prior to  
9 the Effective Date, (h) the properties, rights and assets used owned or held by any Debtor  
10 that relate solely to the assets described as Parcel B, Parcel E and Parcel H in Exhibit C to  
11 the APA, and (i) all right, title and interest of Debtors under the Holdback Escrow  
12 Agreement, the Expense Disbursement Letter and the Management Agreement; provided,  
13 that each of the foregoing will also be subject to all claims and offsets existing as of the  
14 Effective Date or relating to the period before the Effective Date.

8  
9 **8. "Avoidance Claims"** are all Claims, rights and Causes of Action  
10 assertable by Debtors, their successors or assignees, including an action brought under  
11 Sections 541, 542, 543, 544, 545, 547, 548, 549, 550 or 553 of the Code and applicable state  
12 law.

11 **9. "Bar Date"** is the last date for filing proofs of Claim against Debtors  
12 set by the Court.

12 **10. "Business Day"** is any day except a Saturday, Sunday, or "legal  
13 holiday" as that term is defined in Rule 9006(a).

14 **11. "Buyer"** is GEBPS or its designee (as provided in the Investment  
15 Agreement) in its capacity as the purchaser of the New Senior Investment.

15 **12. "Causes of Action"** are actions, claims, Liens, liabilities, obligations,  
16 rights, suits, debts, sums of money, damages, judgments and demands whatsoever, whether  
17 known or unknown, in law, equity or otherwise.

17 **13. "Chapter 11 Cases"** are the ATG, ATI and SCS Chapter 11 cases filed  
18 on May 2, 2002.

19 **14. "Claim"** is a claim as defined in Code Section 101(5) against a Debtor,  
20 including (a) any asserted right to payment from any of Debtors, whether or not that right is  
21 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,  
22 disputed, undisputed, legal, equitable, secured or unsecured, (b) any asserted right to an  
23 equitable remedy for breach of performance if the breach gives rise to a right of payment  
24 from any of Debtors, whether or not the right to an equitable remedy is reduced to a  
25 judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or  
26 unsecured, or (c) any asserted right under Section 502(h) of the Code.

24 **15. "Class"** is a category of holders of Claims or Equity Interests described  
25 in Article IV of the Plan.

25 **16. "Class 2A Deficiency Claim"** will be the amount of the Deficiency  
26 Claim of each holder of the Class 2A Claims determined by the Administrative Agent,  
27 Debtors and the Creditors' Committee on or before the Effective Date. If no determination  
28 is agreed upon, the Court will retain jurisdiction to make such determination.

27 **17. "Code"** is Title 11 of the United States Code, as now in effect or  
28 hereafter amended.



1           18.   “Collateral” is property of Debtors that secures a Claim, up to the  
2 amount of the Claim.

3           19.   “Confirmation Date” is the date on which the Court enters the  
4 Confirmation Order on its docket.

5           20.   “Confirmation Hearing” is the hearing pursuant to which the Court  
6 enters the Confirmation Order.

7           21.   “Confirmation Order” is the order of the Court confirming the Plan  
8 pursuant to Section 1129 of the Code.

9           22.   “Creditor” is any Person holding a Claim.

10          23.   “Court” is the United States Bankruptcy Court for the Northern  
11 District of California, Santa Rosa Division, or any other court exercising competent  
12 jurisdiction over the Chapter 11 Cases or any proceeding therein.

13          24.   “Creditors’ Committee” is the Official Committee of Unsecured  
14 Creditors in the Chapter 11 Cases, as appointed by the United States Trustee and  
15 reconstituted from time to time.

16          25.   “Deficiency Claim” is a claim by a Creditor arising out of the same  
17 transaction as a Secured Claim to the extent that the value, as determined by the Court under  
18 to Section 506(a) of the Code, of the Creditor’s interest in property of Debtors’ estates  
19 securing the Claim is less than the amount of the Claim which has the benefit of that  
20 security as provided by Section 506(a) of the Code.

21          26.   “Disputed Claim” is (a) if no proof of Claim has been timely filed or  
22 deemed timely filed under applicable law or order of the Court, a Claim that has been listed  
23 on a Debtor’s Schedules of Assets and Liabilities as disputed, contingent or unliquidated,  
24 but as to which no later than the Effective Date an objection has been filed, or (b) if a proof  
25 of Claim has been filed or deemed timely filed under applicable law or order of the Court, a  
26 proof of Claim as to which an objection has been timely filed and has not been withdrawn,  
27 overruled or denied by a Final Order, or granted in whole by a Final Order. For the  
28 purposes of the Plan a Claim is considered a Disputed Claim in its entirety before the time  
that an objection has been or may be filed if: (1) the amount or classification of the Claim  
specified in the relevant proof of Claim exceeds the amount or classification of any  
corresponding Claim scheduled by the appropriate Debtor in its Schedules of Assets and  
Liabilities, (2) any corresponding Claim scheduled by any of Debtors that has been  
scheduled as disputed, contingent or unliquidated, or (3) no corresponding Claim has been  
scheduled by the appropriate Debtor in its Schedules of Assets and Liabilities.

          27.   “Distributable Cash” is all Cash held by Debtors in all accounts at the  
close of business on the day immediately preceding the Effective Date except for:

          (a)   insurance proceeds paid after July 15, 2002, with respect to any  
damage, destruction or loss of any property of Debtors, or any right or interest therein, that  
was subject to transfer to GEBPS under the APA or otherwise relating to any of the  
liabilities to be assumed by GEBPS under the APA, including any assets, rights or interests  
that could reasonably be expected to have been included in the property transferred to  
GEBPS but for such damage, destruction or loss;

          (b)   all prepaid expenses, deposits, claims for refunds and rights of  
offset relating to the Business, as defined in the APA, on the Effective Date, except for up to

1 \$305,000 of Debtors' accounts receivable from Fairpoint Communications Solutions  
2 Corporation existing on July 15, 2002;

3 (c) all proceeds and products resulting from the sale or other  
4 disposition of any of Asset that was subject to transfer to GEBPS under the APA (other than  
5 the real property interests that were subject thereto) that would have been included in the  
6 Assets but for such sale or disposition, as well as any improvements, accessions or  
7 accretions to any of the foregoing at any time during the period from and after July 15, 2002  
8 up to and including the Effective Date;

9 (d) the Unsecured Distribution Reserve, as defined herein;

10 (e) any cash (1) payable to GEBPS under the Management  
11 Agreement as of the Effective Date, or (2) required to be deposited as of the Effective Date  
12 into the A/R Escrow (as defined in the APA) if and to the extent that amount would be  
13 distributed to GEBPS under the A/R Escrow Agreement (as defined in the APA); and

14 (f) all amounts set aside for the Liquidation Trust pursuant to the  
15 budget provided in Section 9.1(c) of the Plan.

16 **28. "Effective Date"** is the 10<sup>th</sup> day after the entry of the Confirmation  
17 Order unless a stay of the Confirmation Order is in effect in which case the "Effective Date"  
18 is the first business day after the date the stay is vacated.

19 **29. "Equity Interest"** is any ownership or equity interest in any of  
20 Debtors, including ATG's (a) common stock, (b) Series A Preferred Stock, (c) Series B  
21 Preferred Stock, (d) Series C Preferred Stock, (e) Series D Preferred Stock, (f) Series D-1  
22 Preferred Stock, (g) Series E Preferred Stock, and (h) non-voting and unissued Class A  
23 Stock; ATI's common stock; SCS's common stock; and all warrants, options or other rights  
24 to purchase any ownership or interest in any of Debtors, but expressly excluding the  
25 Reorganized Stock.

26 **30. "Estate"** is the relevant estate created in each of the Chapter 11 Cases  
27 under Section 541 of the Code and existing as of the Effective Date.

28 **31. "Executory Contract Schedule"** is the schedule captioned "Schedule  
29 of Assumed Executory Contracts and Unexpired Leases" annexed as Exhibit 3 to the Plan.

30 **32. "Exhibit Filing Date"** is the last date by which forms of the Exhibits to  
31 the Plan will be filed with the Court, which date will be as specified in the Plan for each  
32 Exhibit, but in any event, or when no date is specified, no later than 30 days before the  
33 Confirmation Hearing.

34 **33. "Expense Disbursement Letter"** is the Expense Disbursement Letter,  
35 as amended, entered into entered into by GEBPS and ATG dated November 15, 2002,  
36 pursuant to which among other things, a portion of the Fee Claims incurred by some of  
37 Debtors' Professionals on and after October 15, 2002, will be reimbursed directly by  
38 GEBPS to ATG.

39 **34. "Fee Claim"** is a Claim for compensation or reimbursement of  
40 expenses of a Professional under Sections 327, 328, 330, 331 or 503(b) of the Code in  
41 connection with the Chapter 11 Cases.

42 **35. "Final Order"** means an order or judgment of the Court, as entered on the  
43 docket of the Court, that has not been reversed, stayed, modified, or amended, and as to which:

1 (a) the time to appeal, seek review or rehearing or petition for certiorari has expired and no  
2 timely filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any  
3 appeal taken or petition for certiorari filed has been resolved by the highest court to which the  
4 order or judgment was appealed or from which certiorari was sought.

5 **36. "GEBPS"** means GE Business Productivity Solutions, Inc. and its  
6 successors and assigns.

7 **37. "GECC"** is General Electric Capital Corporation.

8 **38. "Holdback Escrow Agreement"** is the agreement entered into by  
9 GEBPS, Debtors and Deutsche Bank Trust Company Americas, as escrow agent, dated  
10 November 15, 2002 and pursuant to which GEBPS agreed to escrow the sum of \$2 million  
11 pending the satisfaction of certain terms and conditions, as amended.

12 **39. "Investment Agreement"** is the agreement dated as of December 20,  
13 2002, as amended, by and among GEBPS, ATG, ATI and SCS.

14 **40. "Liens"** are, collectively, all mortgages, liens (statutory or otherwise),  
15 interests, security interests, licenses, assessments, levies, pledges, charges, encumbrances,  
16 equities, Claims (including claims of lessors/sublessors and licensors/sublicensors),  
17 covenants, conditions, options or restrictions (including restrictions set forth in applicable  
18 leases/subleases and licenses/sublicenses), of any nature whatsoever.

19 **41. "Liquidation Trust"** is the trust created pursuant to the Liquidation  
20 Trust Agreement.

21 **42. "Liquidation Trust Agreement"** is the agreement entered into by and  
22 among Debtors and the Liquidation Trustee, a copy of which is annexed to the Plan as  
23 Exhibit 2.

24 **43. "Liquidation Trustee"** is the trustee under the Liquidation Trust  
25 Agreement.

26 **44. "Management Agreement"** is that certain Management Agreement  
27 entered into by and between GEBPS and Debtors dated as of June 21, 2002, as the same  
28 may have from time to time been amended, modified or supplemented.

**45. "New ATG Common Stock"** is all of the issued and outstanding  
common stock of Reorganized ATG.

**46. "New ATI Common Stock"** is all of the issued and outstanding  
common stock of Reorganized ATI.

**47. "New Debt"** is an unsecured promissory note by Reorganized ATG  
representing principal repayment obligations in an initial amount equal to the New Senior  
Investment Cash Consideration and having terms as generally described in Section 9.2(b) of  
this Plan.

**48. "New Directors"** are, collectively, David O'Neill and Victor A. Alums.

**49. "New Officers"** are, collectively, David O'Neill, President and  
Victor A. Alums, Secretary.

1           **50. "New SCS Common Stock"** is all of the issued and outstanding  
2 common stock of Reorganized SCS.

3           **51. "New Senior Investment Cash Consideration"** is an amount of cash  
4 equal to (a) \$2,021,773 (\$500,000 plus earnings, if any, of which will be paid from the trust  
5 account at Sheppard, Mullin, Richter & Hampton LLP on or before the Effective Date); (b) a  
6 cash escrow amount of \$2,000,000 to be distributed subject to the terms of the Holdback  
7 Escrow Agreement (as defined in the APA); (c) the proceeds of the A/R Escrow (as defined  
8 in the APA); plus (d) \$6,300,000.

9           **52. "Other Secured Claims"** are any Secured Claim not expressly  
10 classified in Class 2.

11           **53. "Person"** is any individual, corporation, partnership, limited liability  
12 company, association, indenture trustee, organization, joint stock company, joint venture,  
13 estate, trust, governmental unit or any political subdivision thereof, the Creditors'  
14 Committee, Equity Interest holders, holders of Claims, current or former employees of any  
15 Debtor, or any other entity.

16           **54. "Petition Date"** is May 2, 2002.

17           **55. "Plan"** is this Joint First Amended Plan of Reorganization, dated as of  
18 the date set forth on its signature page, for Debtors, together with any amendments or  
19 modifications as Debtors may file hereafter in accordance with the terms of the Plan (such  
20 amendments or modifications only being effective if approved by order of the Court).

21           **56. "Priority Claim"** is any Claim, if Allowed, which is entitled to priority  
22 under Section 507(a) of the Code, other than (a) an Administrative Claim; (b) a Priority Tax  
23 Claim; or (c) a Fee Claim.

24           **57. "Priority Tax Claim"** is any Claim, if Allowed, that is entitled to  
25 priority under Section 507(a)(8) of the Code.

26           **58. "Professional"** is a Person retained or to be compensated for services  
27 rendered or costs incurred on or after the Petition Date through and including and after the  
28 Effective Date under Section 327, 328, 330, 503(b) or 1103 of the Code.

**59. "Ratable," "Ratably," "Ratable Share" or "Pro Rata"** is a number  
(expressed as a percentage) equal to the proportion that an Allowed Claim in a particular  
Class bears to the aggregate amount of (a) Allowed Claims plus (b) disputed Claims (in their  
aggregate Face Amount) in such Class as of the date of determination.

**60. "Reorganized ATG"** is ATG from and after the Effective Date.

**61. "Reorganized ATI"** is ATI from and after the Effective Date.

**62. "Reorganized Debtors"** are, collectively, Reorganized ATI,  
Reorganized ATG and Reorganized SCS.

**63. "Reorganized SCS"** is SCS from and after the Effective Date.

**64. "Reorganized Stock"** is all of the voting common stock of each of  
Reorganized ATG, Reorganized ATI and Reorganized SCS from and after the Effective  
Date issued and outstanding as of the Effective Date.

1           **65. "Responsible Individual"** is Gary Cuccio, in his capacity as the duly  
2 appointed Responsible Individual of Debtors

3           **66. "Rules"** are the Federal Rules of Bankruptcy Procedure and the local  
4 rules of the Court (including any court rules of Bankruptcy Judge Jaroslovsky), as now in  
5 effect or hereafter amended to the extent such amendments are applied retroactively to the  
6 Chapter 11 Cases.

7           **67. "Secured Claim"** is, under Section 506 of the Code, that portion of a  
8 Claim that is secured by a valid, perfected and enforceable security interest, Lien, mortgage  
9 or other Encumbrance, that is not subject to avoidance under applicable bankruptcy or  
10 non-bankruptcy law, in or upon any right, title or interest of any of Debtors in and to  
11 property of the Estates, to the extent of the value of the holder's interest in the property as of  
12 the relevant determination date. The defined term Secured Claim includes any Claim that is  
13 (1) subject to an offset right under applicable law; and (2) a secured claim against any of  
14 Debtors under Sections 506(a) and 553 of the Code. "Secured Claim" does not include, for  
15 voting or distribution purposes, any Claim that would otherwise qualify as a Secured Claim,  
16 but that has been or will be paid in connection with the "cure" of defaults under an  
17 executory contract or unexpired lease assumed by a Debtor under Section 365 of the Code  
18 or pursuant to the Plan.

19           **68. "Senior Secured Collateral"** is any and all collateral pledges by ATG,  
20 ATI, SCS and/or ATI/Virginia under the Senior Secured Pledge Agreement and the Senior  
21 Secured Security Agreement.

22           **69. "Senior Secured Credit Agreement"** is that certain written agreement  
23 entered into by and among ATI, its subsidiaries and Wachovia Bank, N.A., as administrative  
24 agent, dated as of July 20, 2000, as the same may have from time to time been amended, and  
25 all related and ancillary agreements forming a part of that agreement.

26           **70. "Senior Secured Creditors"** are those creditors who are party to the  
27 Second Amended and Restated Credit Agreement dated as of July 20, 2000, as amended,  
28 among Debtors and the financial institutions party thereto as lenders: Wachovia Bank,  
National Association, GECC, Fortis Capital Corporation, Inc., JP Morgan Securities, Inc.,  
The CIT Group, Union Bank of California, Finova Capital Corporation, CitiCorp USA, Inc.,  
Key Corp., IBM Credit Corporation, US Bank, Credit Suisse First Boston, Lehman  
Commercial Paper, Inc., and Dresdner Bank AG New York and Grand Cayman Branches.

**71. "Senior Secured Documents"** are, collectively, the Senior Secured  
Credit Agreement, the Senior Secured Security Agreement and the Senior Secured Deeds of  
Trust (as defined in the Senior Secured Credit Agreement).

**72. "Unclaimed Property"** is any distribution or distributable property  
unclaimed on or after the Effective Date or the date on which an additional distribution  
would have been made to the holder of an Allowed Claim. Unclaimed Property will include  
(a) checks (and the funds represented thereby) returned as undeliverable without a proper  
forwarding address; (b) funds for uncashed checks; and (c) checks (and the funds  
represented thereby) not mailed or delivered because no address to mail or deliver the  
property was available, notwithstanding efforts by Debtors or the Liquidating Trustee to  
locate such address which were commercially reasonable under the circumstances.

**73. "United States Trustee"** is the Office of the United States Trustee for  
the Northern District of California.

1           74.    **“Unsecured Claim”** is any Claim that is not (a) an Administrative  
2 Claim; (b) a Priority Claim; (c) a Priority Tax Claim; (d) a Secured Claim; or (e) a Fee  
3 Claim, and includes any claim arising from the rejection by Debtors of any executory  
4 contract.

5           75.    **“Unsecured Distribution Reserve”** is the reserve in the sum of  
6 \$500,000 established under the Plan on the Effective Date to pay Allowed Unsecured  
7 Claims.  
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**EXHIBIT "2"**  
**To the Disclosure Statement**  
  
**LIQUIDATION ANALYSIS**

**Advanced Telcom Group, Inc.**  
Consolidated Liquidation Analysis

\$ in Thousands	notes	Chapter 7 Liquidation	Chapter 11 Plan
Estimated Cash & cash equivalents as of 2/15/03	(1)	10,703	10,703
Net proceeds expected from the sale to GEBPS	(2)	8,777	15,077
Net proceeds from sale to Telepacific		400	400
Net proceeds from sale of the Lab		812	812
Net proceeds from sale to Cavalier		1,083	1,083
Net proceeds from sale of Hangar	(3)	63	63
Net proceeds from small asset sales	(4)	40	40
Holdback Escrow	(5)	2,000	2,000
<b>Total assets</b>		<b>23,878</b>	<b>30,178</b>
Less: Estimated Chapter 7 fees and expenses	(6)	(1,297)	0
Less: Estimated Chapter 11 Administrative Expenses	(7)	(335)	(1,001)
<b>Estimated Administrative Costs</b>		<b>(1,632)</b>	<b>(1,001)</b>
<b>Estimated Proceeds for Distribution to Creditors</b>		<b>22,246</b>	<b>29,177</b>
Class 1 Claims - Priority Tax Claims	(8)	0	0
Class 2 Claims - Senior Secured Creditor Claims	(9)	(214,000)	(190,874)
Class 3 Claims - Other Secured Claims		0	0
Class 4 Claims - Unsecured Claims	(10)	0	(500)
<b>Estimated Priority Claims</b>		<b>(214,000)</b>	<b>(191,374)</b>
Percentage of recovery for secured creditor		10%	15%
<b>Estimated Proceeds Available for Distribution to General Unsecured Creditors</b>	(11)	<b>200</b>	<b>500</b>
Trade payables not subject to cure	(12)	8,892	8,892
Unsecured accrued compensation & benefits	(13)	200	200
Estimated claims resulting from rejection of unexpired leases	(14)	1,976	1,976
Other liabilities		0	0
<b>General Unsecured Claims</b>		<b>11,068</b>	<b>11,068</b>
Percentage of general unsecured claims that would be recovered in a Chapter 7 liquidation versus a Chapter 11 Plan		2%	5%

- (1) This is the cash held in the estate as of 2/15/03.
- (2) This is the estimated net proceeds from GEBPS assuming the stock deal is closed with the additional \$6 million for the Chapter 11 Plan estimate, and without the additional \$6 million for the Chapter 7 liquidation analysis.
- (3) The net hangar proceeds totaled \$763,482, from which \$400,000 was paid to Lucent and \$300,000 to Cybergate for the breakup fee.
- (4) This is the net proceeds from the small asset sales after payment of court-approved retention bonuses.
- (5) This \$2 million is subject to potential offsets pursuant to the APA.
- (6) An estimate of 4% of total estimated disbursements.
- (7) For the Chapter 11 scenario, this is the estimated cash outflow for the estate residual portion from 2/1/03 through 5/31/03. The Chapter 7 scenario only includes and estimate for post-petition administrative claims including accrued vacation, etc.
- (8) According to the Plan of Reorganization, in the Chapter 11 scenario the Allowed Priority Claims are to be paid by the Reorganized ATI in a Chapter 7 scenario, the Allowed Priority Claimants receive nothing, because the Class 2 Claimants are impaired.
- (9) This balance shown in the Chapter 7 scenario is the balance owed as of the petition date (including pre-petition interest). The balance shown in the Chapter 11 scenario nets out GECC's portion of the Class 2 Claims (see Class 2B).
- (10) Class 4 includes all unsecured claims other than the deficiency claims of Class 2.
- (11) This does not include pro-rata portion of preference recoveries, if any.
- (12) Estimate based on current claims analysis. This amount reflects the result of GE's obligation to pay \$5.7 million in pre-petition claims as part of the assumption of various carrier agreements.
- (13) Estimate based on current claims analysis.
- (14) Estimate based on current claims analysis.

*The materials in this presentation have been prepared for illustrative purposes only, and do not represent a prediction or or projection of actual results, which may vary materially from those presented. Crossroads does not make, and expressly disclaims, any warranty or guarantee of any particular results.*



ORIGINAL FILED  
ORDER FOR RELIEF

03 FEB 25 PM 2:20

U.S. BANKRUPTCY COURT  
NORTHERN DIST. OF CA.  
SANTA ROSA, CA

1 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP  
A Limited Liability Partnership  
2 Including Professional Corporations  
MICHAEL H. AHRENS, Cal. Bar No. 44766  
3 CRAIG STUPPI, Cal. Bar No. 51663  
SARAH M. STUPPI, Cal. Bar No. 103041  
4 ORI KATZ, Cal. Bar No. 209561  
Four Embarcadero Center, 17th Floor  
5 San Francisco, California 94111

6 Telephone: (415) 434-9100  
Facsimile: (415) 434-3947

7 Reorganization Counsel for  
8 Debtors and Debtors-in-Possession

9 UNITED STATES BANKRUPTCY COURT  
10 NORTHERN DISTRICT OF CALIFORNIA  
11 SANTA ROSA DIVISION

12 In re:  
13 ADVANCED TELCOM GROUP, INC.,  
14 a Delaware Corporation,  
15 Debtor.  
16 Federal Tax ID: 94-3344665

Jointly Administered for Procedural  
Purposes Under:  
Case No. 02-11073

Chapter 11

**FIRST AMENDED JOINT PLAN OF  
REORGANIZATION**

17 In re:  
18 ADVANCED TELCOM, INC.,  
19 a Delaware Corporation,  
20 Debtor.  
21 Federal Tax ID: 77-0489158

Date: April 18, 2003  
Time: 10:00 a.m.  
Place: United States Bankruptcy Court  
99 South "E" Street  
Santa Rosa, California

22 In re:  
23 SHARED COMMUNICATIONS  
SERVICES, INC.,  
24 an Oregon Corporation,  
25 Debtor.  
26 Federal Tax ID: 93-0914013

1 **INTRODUCTION**

2 Advanced TelCom Group, Inc. ("ATG"), Advance TelCom, Inc. ("ATI")  
3 and Shared Communications Services, Inc. ("SCS"), debtors and debtors in possession  
4 under Chapter 11 of the Code (each a "Debtor" and collectively, the "Debtors"),  
5 collectively and jointly propose the following first amended plan of reorganization:  
6

7 **ARTICLE I**  
8 **DEFINITIONS**

9 Attached as Exhibit 1 are the definitions for certain terms that are capitalized  
10 in the Plan and its accompanying Disclosure Statement. If a capitalized term is used, but  
11 has not been defined in Exhibit 1, it will have the meaning attributed to it in the Code and  
12 the Rules.  
13

14 **ARTICLE II**  
15 **RULES OF CONSTRUCTION**

16 **2.1 Generally.** The rules of construction in the Code and in the Rules  
17 will apply unless superseded by the Plan or the Confirmation Order.

18 **2.2 Exhibits.** Unless otherwise noted, all Exhibits are incorporated into  
19 and are a part of the Plan as if set forth in full. To the extent not annexed hereto, Exhibits  
20 will be filed with the Court on or before the Exhibit Filing Date. Copies can be obtained  
21 on written request to Sheppard, Mullin, Richter & Hampton, LLP, Four Embarcadero  
22 Center, 17<sup>th</sup> Floor, San Francisco, CA 94111, attention: Ori Katz, Esq., 415-434-9100.

23 **2.3 Time Periods.** In computing any period of time prescribed or  
24 allowed by the Plan, Rule 9006(a) will apply.

25 **2.4 Miscellaneous.** (a) Unless the context requires otherwise, the words  
26 "herein," "hereof," "hereunder," and other words of similar import refer to the Plan as a  
27 whole, (b) whenever it appears appropriate from the context, terms stated in the singular or  
28 the plural include the singular and the plural, and pronouns include the masculine,

1 feminine and the neuter, (c) the words "include" or "including" will not be words of  
2 limitation, but will be deemed to be followed by the phrase "without limitation," and  
3 (d) captions and headings to Articles and Sections of the Plan are inserted for reference  
4 only and are not intended to be a part of or to affect its interpretation.

### 5 6 **ARTICLE III**

#### 7 **BAR DATES AND METHOD OF CLASSIFYING**

#### 8 **CLAIMS AND EQUITY INTERESTS**

9 **3.1 Bar Date for Fee Claims.** All applications for the payment of Fee  
10 Claims must be filed with the Court on or before 45 days after the Effective Date (or, if  
11 that date is not a Business Day, by the next Business Day).

12 **3.2 Bar Date for Administrative Claims.** The deadline for filing claims  
13 entitled to treatment as Administrative Claims will be 45 days after the Effective Date,  
14 provided that holders of Administrative Claims that have already filed requests for  
15 payment or proofs of claim will not be required to file additional requests for payment or  
16 proofs of claim.

17 **3.3 Administrative Claims, Priority Tax Claims and Fee Claims.** In  
18 accordance with Section 1123(a)(1) of the Code, Administrative Claims, Priority Tax  
19 Claims and Fee Claims have not been classified and are excluded from the Classes in  
20 Article IV.

### 21 **ARTICLE IV**

#### 22 **CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS**

23 All Claims and Equity Interests, except Administrative Claims, Fee Claims  
24 and Priority Tax Claims are placed in Classes as described below.

#### 25 **4.1 Class 1 Claims (Priority Claims):**

26 **(a) Classification.** All Priority Claims against Debtors.  
27  
28

1                   (b) Impairment and Voting. Class 1 Claims are unimpaired.  
2 Holders of Class 1 Claims are not entitled to vote on the Plan and will not receive a Ballot.

3                   4.2 Class 2 Claims (Senior Secured Creditors' Claims):

4                   (a) Classification. All Claims of the Senior Secured Creditors as  
5 of the Petition Date.

6                               (1) Class 2A are all Senior Secured Creditors' Claims other  
7 than those classified in Class 2B.

8                               (2) Class 2B are the Senior Secured Creditors' Claim of  
9 GECC.

10                   (b) Impairment and Voting. Class 2 Claims are impaired.  
11 Holders of Class 2 Claims are entitled to vote on the Plan.

12                   4.3 Class 3 Claims (Other Secured Claims):

13                   (a) Classification. All Other Secured Claims.

14                   (b) Impairment and Voting. Class 3 Claims are unimpaired.

15 Holders of Class 3 Claims are not entitled to vote on the Plan and will not receive a Ballot.

16                   4.4 Class 4 Claims (Unsecured Claims):

17                   (a) Classification. All Unsecured Claims other than the  
18 Deficiency Claims of Class 2.

19                   (b) Impairment and Voting. Class 4 Claims are impaired.

20 Holders of Class 4 Claims are entitled to vote on the Plan.

21                   4.5 Class 5 Equity Interests (Equity Interests):

22                   (a) Classification.

23                               (1) Class 5A are all Equity Interests in ATG.

24                               (2) Class 5B are all Equity Interests in ATI.

25                               (3) Class 5C are all Equity Interests in SCS.

26                   (b) Impairment and Voting. Class 5A, 5B and 5C Equity  
27 Interests are impaired. Holders of Equity Interests in Class 5A, 5B and 5C are deemed to  
28

1 have rejected the Plan. As a result, they will not vote on the Plan and will not receive a  
2 Ballot.

### 3 4 **ARTICLE V**

#### 5 **ADMINISTRATIVE CLAIMS, FEE CLAIMS AND PRIORITY TAX CLAIMS**

6 **5.1 Administrative Claims.** Unless it agrees to receive other, less  
7 favorable treatment, each holder of an Allowed Administrative Claim will be paid 100% of  
8 the unpaid amount of its Allowed Administrative Claim by Reorganized Debtors, in cash.  
9 Payment will be made on or as soon as reasonably practicable after the later of (a) the  
10 Effective Date, (b) in the ordinary course of Debtors' business, not to exceed 25 Business  
11 Days after the Effective Date, or (c) 10 Business Days after the date the Administrative  
12 Claim becomes an Allowed Administrative Claim. Notwithstanding the foregoing,  
13 Allowed Administrative Claims of the United States Trustee for fees under 28 U.S.C.  
14 § 1930(a)(6) will be paid by Reorganized Debtors in accordance with the applicable  
15 schedule for payment of those fees.

16 **5.2 Fee Claims.** Subject to the terms of Section 5.3, and unless it agrees  
17 to receive other, less favorable treatment, each holder of an Allowed Fee Claim will be  
18 paid 100% of the unpaid Allowed Fee Claim, in cash, solely from funds held by the  
19 Liquidation Trustee as supplemented by funds provided under the Expense Disbursement  
20 Letter. Payment will be made on or as soon as reasonably practicable after the later of  
21 (a) the date the Fee Claim becomes an Allowed Claim, or (b) the date the Fee Claim  
22 becomes payable according to its terms for services rendered post-confirmation.

23 **5.3 Payment of a Portion of Fee Claims.** Pursuant to the Expense  
24 Disbursement Letter, a portion of the Fee Claims incurred by some of Debtors'  
25 Professionals and the Creditors' Committee's Professional on and after October 15, 2002,  
26 are reimbursed to Debtors by GEBPS or an affiliate or assignee of GEBPS. Professionals  
27 who receive a payment from GEBPS, or an affiliate or assignee of GEBPS, under the  
28 Expense Disbursement Letter will not be

1 permitted to seek recovery of that payment from Debtors or Reorganized Debtors. No  
2 "double recovery" of a Fee Claim will be allowed.

3 **5.4 Priority Tax Claims.** Unless (a) otherwise provided for in the Plan,  
4 or (b) it agrees to receive other, less favorable treatment, each holder of an Allowed  
5 Priority Tax Claim will receive from Reorganized Debtors, at Reorganized Debtors'  
6 option, either (1) cash, in the unpaid amount of its Allowed Priority Tax Claim, with  
7 payment being made on or as soon as reasonably practicable after the later of the Effective  
8 Date or the date the Priority Tax Claim becomes an Allowed Priority Tax Claim, or  
9 (2) deferred payments of cash, in the full unpaid amount of the Allowed Priority Tax  
10 Claim, payable in equal semi-annual cash payments in arrears over a period not exceeding  
11 six years from the date of assessment of the Claim, with simple interest at a rate to be  
12 determined by the Court. Claims or demands for penalties relating to a Priority Tax Claim  
13 will be disallowed. The holders of Allowed Priority Tax Claims will not assess or attempt  
14 to collect a penalty from Debtors, the Estates, GEBPS, Buyer, GECC or their respective  
15 assigns, or Reorganized Debtors.

## 16 **ARTICLE VI**

### 17 **TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS**

18 **6.1 Priority Claims.** Unless it agrees to receive other, less favorable  
19 treatment, each holder of an Allowed Priority Claim will be paid 100% of the unpaid  
20 amount of the Allowed Priority Claim by Reorganized Debtors, in cash. Payment will be  
21 made on or as soon as reasonably practicable after the later of (a) the Effective Date, and  
22 (b) the date the Priority Claim becomes an Allowed Priority Claim.

### 23 **6.2 Senior Secured Creditors' Claims (Class 2A).**

24 (a) Subject to Section 6.2(b) and Section 9.2, each holder of a  
25 Class 2A Claim will receive from Reorganized Debtors or the Liquidation Trust as  
26 provided in the Plan (1) its (A) Pro Rata share of the Distributable Cash and the New  
27 Senior Investment Cash Consideration except for \$300,000 thereof, (B) its Adjusted  
28

1 Pro Rata share of any proceeds realized from the Avoidance Claims, and (C) its Pro Rata  
2 share of any proceeds arising from the Assigned Rights; or (2) such other treatment as is  
3 agreed between the holder and Debtors. The portion of the distribution referred to in  
4 Clause 1(A) will be made by the Liquidation Trustee on the Effective Date (except for  
5 proceeds of the Holdback Escrow Agreement, which will subsequently be paid to the  
6 Liquidation Trust, pursuant to the Holdback Escrow Agreement, and distributed under the  
7 Liquidation Trust Agreement) and the remainder of the distribution will be made by the  
8 Liquidation Trustee as soon as reasonably practicable thereafter. The Senior Secured  
9 Creditors' Claims will be deemed Allowed on the Confirmation Date in the amounts set  
10 forth in the proofs of claim filed in the Chapter 11 Cases.

11 (b) On the Effective Date, the Liquidation Trust will be  
12 established. All of the Assigned Rights and Avoidance Claims (and all liabilities and  
13 claims related thereto or associated therewith) and all Distributable Cash (plus items (d)  
14 and (f) referred to in the definition of Distributable Cash) held by Debtors at the close of  
15 business on the day before the Effective Date will be transferred to and vest in the  
16 Liquidation Trust. In addition, the New Senior Investment Cash Consideration will be  
17 paid to Reorganized ATG, which will immediately distribute the funds to the Liquidation  
18 Trustee. The Liquidation Trustee will transfer \$300,000 to the Unsecured Distribution  
19 Reserve and will transfer the remainder, subject to Section 9(1)(c), to the Administrative  
20 Agent. In addition, \$500,000 (plus any earnings thereon) paid by Buyer under the APA  
21 into a trust account of Sheppard, Mullin, Richter & Hampton LLP will be transferred on  
22 the Effective Date to the Liquidation Trust to be distributed to the Administrative Agent.  
23 Pursuant to the Liquidation Trust Agreement, a copy of which is annexed as Exhibit 2, the  
24 Liquidation Trustee will prosecute and administer (1) the Assigned Rights for the benefit  
25 of the holders of Class 2A Claims, and (2) the Avoidance Claims for the benefit of the  
26 holders of Class 2A Claims and Class 4 Claims. Except for distributions to holders of  
27 Class 4 Claims from the Unsecured Distribution Reserve and their Adjusted Pro Rata share  
28

1 of any proceeds of the Avoidance Claims, all other distributions from the Liquidation  
2 Trust, less expenses, will be paid to the Administrative Agent for the benefit of the holders  
3 of Class 2A Claims. Debtors, Reorganized Debtors, GEBPS, Buyer, GECC or their  
4 respective assigns will not have any obligations to the holders of Class 2A Claims or Class  
5 4 Claims except as otherwise provided in the Plan.

6 (c) On receipt by the Liquidation Trustee of amounts required to  
7 be paid on the Effective Date as provided for in Sections 6.2(a), 6.2(b) and 6.3, as the case  
8 may be, Liens of Creditors in the Senior Secured Collateral will be deemed released  
9 irrevocably and unconditionally without further action.

10 **6.3 Senior Secured Creditors' Claim of GECC (Class 2B).**

11 In lieu of its Ratable Class 2A distribution, GECC or its assigns will receive  
12 its Class 2B distribution entitling it to obtain New ATG Common Stock. GECC or its  
13 assigns will not receive any distributions under the Plan that are provided to members of  
14 Class 2A or Class 4.

15 **6.4 Other Secured Claims (Class 3).**

16 Unless it agrees to receive other, less favorable treatment, each holder of an  
17 Allowed Other Secured Claim will receive one of the following treatments as soon as  
18 reasonably practical on or after the Effective Date:

19 (a) Reorganized Debtors will leave unaltered all of that holder's  
20 other legal, equitable, or contractual rights with respect to its Class 3 Claim, including the  
21 retention of the Liens securing the Claim;

22 (b) Reorganized Debtors will convey the Collateral that is subject  
23 to the holder's Class 3 Claim; or

24 (c) Reorganized Debtors will pay to the holder of a Class 3 Claim  
25 cash in the amount of its Allowed Class 3 Claim.

26 Reorganized Debtors, in their sole discretion, will select which of these  
27 treatments each holder of an Allowed Class 3 Claim will receive.  
28



1                   **6.5    Unsecured Claims (Class 4).**

2                   Each holder of an Allowed Unsecured Claim will receive its Pro Rata share  
3 of the Unsecured Distribution Reserve and its Adjusted Pro Rata share of the proceeds of  
4 any Avoidance Actions. The Liquidation Trustee will administer the Unsecured  
5 Distribution Reserve. The Liquidation Trustee will distribute any funds in the Unsecured  
6 Distribution Reserve as soon as is reasonably practical, based on his review and  
7 determination of the Unsecured Claims and any necessary reserve for Disputed Claims.  
8 All costs, fees and expenses, including reasonable attorneys' fees and expenses, that are  
9 incurred after the Confirmation Date in connection with (a) the administration of the  
10 Unsecured Distribution Reserve, and (b) the allowance and determination of Class 4  
11 Claims, will be funded as provided in Section 9.1(c). Subordination rights, if any, arising  
12 out of contractual subordination provisions under Section 510(a) of the Code will be  
13 enforced. Notwithstanding the foregoing, no portion of the Unsecured Distribution  
14 Reserve will be used to pay any Administrative Claim of the Senior Secured Creditors or  
15 the fees and costs associated with the Liquidation Trust, the administration of the  
16 Unsecured Distribution Reserve, the Liquidation Trustee's allowance or determination of  
17 Class 4 Claims or the Liquidation Trustee's other administrative costs.

18                   **6.6    Equity Interests (Classes 5A, 5B and 5C).**

19                   **(a)    Class 5A.** Holders of Class 5A Equity Interests will receive no  
20 distribution of any kind under the Plan on account of their Equity Interests. On the  
21 Effective Date, all Equity Interests in ATG will be deemed cancelled and New ATG  
22 Common Stock will be issued to the holders of Class 2B Claims.

23                   **(b)    Class 5B.** Holders of Class 5B Equity Interests will receive no  
24 distribution of any kind under the Plan on account of their Equity Interests. On the  
25 Effective Date, all Equity Interests in ATI will be deemed cancelled.

26                   **(c)    Class 5C.** Holders of Class 5C Equity Interests will receive no  
27 distribution of any kind under the Plan on account of their Equity Interests. On the  
28 Effective Date, all Equity Interests in SCS will be deemed cancelled.

1  
2 **ARTICLE VII**

3 **IMPAIRED CLASSES OF CLAIMS AND ENTITLEMENT TO VOTE**

4 **7.1 Impairment of Classes of Claims and Equity Interests.** Class 2  
5 (Secured Claims), Class 4 (Unsecured Claims) and Classes 5A, 5B and 5C (Equity  
6 Interests) are impaired by the Plan.

7 **7.2 Class 2 and Class 4 Are Entitled to Vote.** Class 2 and Class 4 are  
8 entitled to vote on acceptance or rejection of the Plan.

9 **7.3 Presumed Acceptances.** Class 1 and Class 3 are unimpaired by the  
10 Plan. Under Section 1126(f) of the Code, holders of Claims in these Classes are  
11 conclusively presumed to accept the Plan and their votes will not be solicited.

12 **7.4 Deemed Rejections.** Holders of Claims in Class 5A, 5B and 5C are  
13 not entitled to receive or retain any property under the Plan on account of their Equity  
14 Interests. Under Section 1126(g) of the Code, the holders of Equity Interests in Class 5A,  
15 5B and 5C are deemed to reject the Plan and their votes will not be solicited.

16 **7.5 Acceptance by an Individual Creditor.** A Creditor will have  
17 accepted the Plan if it votes to accept by (a) so marking the Ballot for the Class in which  
18 its Claim is placed, and (b) timely returning the Ballot as instructed on its face.

19 **7.6 Cramdown.** If a Class does not accept, or is deemed to reject, the  
20 Plan in accordance with Sections 1126 and 1129(a) of the Code, Debtors request that the  
21 Court confirm the Plan in accordance with Section 1129(b) of the Code as to any rejecting  
22 Class. Debtors reserve the right to modify the Plan to the extent, if any, that confirmation  
23 under Section 1129(b) of the Code requires modification.

24 **ARTICLE VIII**

25 **CANCELLATION OF EQUITY INTERESTS, SECURITIES AND LIENS**

26 **8.1 Cancellation of Equity Interests and Securities Generally.**

27 **(a) Cancellation of Equity Interests.** All Equity Interests in each  
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1 of Debtors will be deemed cancelled on the Effective Date.

2 (b) Cancellation of Securities Generally. On the Effective Date,  
3 (1) the existing securities and any other note, bond, indenture, or other instrument or  
4 document evidencing or creating any indebtedness or obligation of Debtors, will be  
5 cancelled, and (2) the obligations of, and Claims against, Debtors under or relating to any  
6 agreements, indentures or certificates of designations governing the existing securities and  
7 any other note, bond, indenture or other instrument or document evidencing or creating  
8 any indebtedness or obligation of Debtors, as the case may be, will be released and  
9 discharged.

10 8.2 Cancellation of Liens. Except as otherwise provided in Section 6.4,  
11 on the Effective Date, (a) all Liens on any of Debtors' Assets will be discharged and  
12 released, and (b) all right, title and interest of the holder of any Lien will revert to  
13 Reorganized ATG, its successors and assigns. The Liens of the Class 2A will attach to the  
14 funds held in the Liquidation Trust and the Holdback Escrow Agreement.

## 15 ARTICLE IX

### 16 IMPLEMENTATION OF THE PLAN

17 The following will occur on the Effective Date:

#### 18 9.1 Liquidation Trust.

19 (a) Establishment of Liquidation Trust. To facilitate  
20 implementation of the Plan, a Liquidation Trust will be established for the purposes of:  
21 (a) holding, prosecuting, administering, liquidating and distributing the Assigned Rights  
22 and Avoidance Claims for the benefit of Class 2A and Class 4 Allowed Claims,  
23 respectively; (b) reserving for Disputed Claims; (c) prosecuting objections to Fee Claims  
24 and to Class 4 Claims; (d) making distributions to holders of Class 2A, Allowed Class 4  
25 Allowed Fee Claims and certain other professionals, (e) preparing periodic reports to be  
26 distributed to the Office of the United States Trustee, the Administrative Agent and any  
27 other party in interest; (f) performing administrative services related to the implementation  
28

1 of the Plan; (g) employing professionals, including counsel and accountants, for assistance  
2 in fulfilling its obligations under the Liquidation Trust Agreement; (h) receiving payments  
3 under the Holdback Escrow Agreement and the Expense Disbursement Letter and making  
4 the respective distribution thereof as provided in the Liquidation Trust Agreement; and  
5 (i) otherwise acting in accordance with the Liquidation Trust Agreement, the Plan and  
6 orders of the Bankruptcy Court.

7 (b) Appointment of Liquidation Trustee. On or before the  
8 Confirmation Date, Debtors will appoint one or more Persons to act as the Liquidation  
9 Trustee.

10 (c) Fees and Costs of the Liquidation Trustee and  
11 Professionals. The Liquidation Trustee will retain from any proceeds he receives under  
12 the Plan an amount estimated to be more than sufficient to fund the fees and costs of  
13 administering the Liquidation Trust, making the required distributions as provided in the  
14 Plan, and satisfying the fees and costs of all its professionals in accordance with a budget  
15 agreed on by Debtors, the Creditors' Committee and the Administrative Agent, which  
16 budget will be filed with the Court before the Confirmation Hearing. If any dispute arises  
17 between the Administrative Agent, the Creditors' Committee and Debtors as to the  
18 appropriate budget, the Court will reserve jurisdiction to resolve the dispute. Neither the  
19 Administrative Agent nor any holder of a Class 2A Claim will have any liability or  
20 responsibility for any such fees or costs. The Liquidation Trustee will distribute to the  
21 Administrative Agent any excess remaining after all distributions have been made.

22 (d) Provision of Office Space, Equipment, Etc. for the  
23 Liquidation Trustee. For a period of one year from and after the Effective Date,  
24 Reorganized ATG will permit, at no additional cost or liability to Reorganized ATG, and  
25 subject to Reorganized ATG's (1) reasonable security and operations policies and  
26 instructions, and (2) reasonable satisfaction that the Liquidation Trustee's insurance is  
27 sufficient and available to cover Reorganized ATG against any cost or liability to  
28 Reorganized ATG potentially arising from any such access or use, the Liquidation Trustee

1 reasonable rent-free access to and use of office space at 19-23 Old Courthouse Square,  
2 Santa Rosa, California, and to office equipment and furniture and office supplies as and to  
3 the extent the same may be reasonably necessary to enable the Liquidation Trustee to  
4 fulfill his duties under the Liquidation Trust. At its discretion, Reorganized ATG may  
5 provide to the Liquidation Trustee comparable office space at another location in Santa  
6 Rosa, California, or another location agreed to by the Liquidation Trustee and Reorganized  
7 ATG. Reorganized ATG will also provide the Liquidation Trustee with reasonable access  
8 to any of the books and records of Debtors necessary for fulfilling the purposes of the  
9 Liquidation Trust.

10 **9.2 New Stock Issuance.**

11 **(a) Issuance of New ATG Common Stock.** In consideration of  
12 GECC's Class 2B Claim, GECC or its assigns will receive on the Effective Date and in  
13 lieu of any other distribution in respect thereof, New ATG Common Stock, which will  
14 constitute all of the authorized common stock of Reorganized ATG.

15 **(b) Issuance of New Senior Investment.** Pursuant to the  
16 Investment Agreement, Buyer will purchase the New Debt (the "New Senior Investment").  
17 Buyer will pay the purchase price for the New Senior Investment to Reorganized ATG, on  
18 the Effective Date, in cash and in the amount of the New Senior Investment Cash  
19 Consideration. Reorganized ATG will immediately pay the New Senior Investment Cash  
20 Consideration to the Liquidation Trust. The New Debt will be evidenced by an unsecured  
21 5 year promissory note of Reorganized ATG, which will be payable to Buyer (or to any  
22 assignee or transferee holder of such New Debt) and will bear interest at a rate per annum  
23 equal to the applicable Federal Rate as defined by the Internal Revenue Service.

24 **(c) Continued Liability of GEBPS.** An assignment by GEBPS of  
25 its rights and obligations as Buyer will not release it from liability for ensuring payment of  
26 the New Senior Investment Cash Consideration.

27 **(d) Revesting of Assets in Reorganized Debtors.** The Assets of  
28 the Estate of each Debtor, respectively, will revest, as applicable, in each Reorganized

1 Debtor, respectively. From and after the Effective Date, each Reorganized Debtor may  
2 operate its business and use, acquire, and dispose of property free of any restrictions of the  
3 Code, the Rules and the Court. As of the Effective Date, and except as provided in the  
4 Plan, (1) all property of Reorganized Debtors will be free and clear of all Liens, Claims,  
5 encumbrances, and interests, and (2) all Liens, Claims, encumbrances and interests,  
6 including Equity Interests, will be both discharged and released as to each Reorganized  
7 Debtor.

8           **9.3    Issuance of New ATI Common Stock.** In consideration of  
9 Reorganized ATG's agreement in the Plan to contribute to the payment of Claims against  
10 ATI under the Plan, and in accordance with the terms of the Plan, Reorganized ATG will  
11 receive the New ATI Common Stock, which will constitute all of the authorized common  
12 stock of Reorganized ATI.

13           **9.4    Issuance of New SCS Common Stock.** In consideration of  
14 Reorganized ATI's agreement in the Plan to contribute to the payment of Claims against  
15 SCS under the Plan, and in accordance with the terms of the Plan, Reorganized ATI will  
16 receive the New SCS Common Stock, which will constitute all of the authorized common  
17 stock of Reorganized SCS.

18           **9.5    Directors and Officers.**

19           (b) The authority, power and incumbency of the persons then  
20 acting as directors and officers of each Debtor will be terminated, they will be deemed to  
21 have resigned and (except in respect of any claim arising or relating to the period before  
22 their termination) they will be released from and discharged of any further authority,  
23 duties, responsibilities and obligations relating to, arising from and in connection with  
24 Debtors, and

25           (b) The New Directors and the New Officers will be deemed to  
26 have been elected to their respective positions with Reorganized ATG. In due course,  
27 Reorganized ATG will appoint or cause to be appointed new directors of Reorganized ATI  
28

1 and of Reorganized SCS, who in turn will elect new officers of Reorganized ATI and  
2 Reorganized SCS.

3 **9.6 Payment of Fee Claims.**

4 (a) On the Effective Date, GEBPS or its assignee will forward to  
5 the Liquidation Trust all amounts then owed to Debtors under the Expense Disbursement  
6 Letter, and thereafter make such further payments to the Liquidation Trust as required by  
7 the Expense Disbursement Letter.

8 (b) Subject to Article V, the Liquidation Trustee will disburse  
9 funds from the Liquidation Trust to pay all Allowed Fee Claims and the fees of  
10 professionals for the Administrative Agent.

11 (c) Final payment of Fee Claims will exclude the amount of any  
12 remaining unapplied retainers held by, for or on behalf of any Professional. Unapplied  
13 retainers held by a Professional after payment of that Professional in full for all services  
14 and expenses related to the Chapter 11 Cases will be returned to the Liquidation Trustee  
15 for distribution to the Allowed Class 2A Claims.

16 (d) On the Effective Date, all obligations of GEBPS under the  
17 Expense Disbursement Letter will continue in full force and effect, with the Liquidation  
18 Trust succeeding to the rights of ATG thereunder.

19 **9.7 Exemption from Certain Securities Laws.** Under Section 1145(a)  
20 of the Code, issuance of New ATG Common Stock, New Debt, New ATI Common Stock,  
21 and New SCS Common Stock to be distributed under the Plan, and the subsequent resale  
22 of those securities by entities that are not "underwriters" (as per Section 1145(b) of the  
23 Code) are not subject to the registration requirements of Section 5 of the Securities Act of  
24 1933, as amended, or any state or local law requiring registration for the offer or sale of a  
25 security.

26 **9.8 Creditors' Committee.** The Creditors' Committee will remain in  
27 existence until the Class 4 Claims are fully Allowed or disallowed and determined, the  
28 Avoidance Claims are concluded and all Plan distributions are completed. Thereafter, it

1 will be dissolved and released from all further authority, duties, responsibilities and  
2 obligations relating to, arising from or in connection with the Chapter 11 Cases. From and  
3 after the Effective Date, the Liquidation Trust will pay all Fee Claims of counsel for the  
4 Creditors' Committee . Reorganized Debtor will have no responsibility for those  
5 payments.

## 6 7 ARTICLE X

### 8 **PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS**

9 **10.1 Objection Deadline.** As soon as practicable, but in no event later  
10 than 90 days after the Effective Date (subject to extension by the Court on motion of  
11 Reorganized Debtors or the Liquidation Trustee, without notice or hearing), objections to  
12 Claims will be filed with the Court and served on holders of each Claim to which objection  
13 is made.

14 **10.2 Prosecution of Disputed Claims.** The Liquidation Trustee will have  
15 primary responsibility for objecting to the allowance of any Fee Claim or Class 4 Claim.  
16 Reorganized Debtors will have the sole responsibility to object to Administrative Claims,  
17 Priority Tax Claims or Priority Claims, and to determine those executory contracts of  
18 Class 4 creditors to be assumed and cured under Section 14.1(c). The Liquidation Trustee  
19 and Reorganized Debtors, as the case may be, are empowered, but not required, to  
20 consensually resolve disputes regarding the allowance, classification or amount of any  
21 Claim for which it has authority. Objections that are filed and prosecuted as provided in  
22 this Section will be litigated to Final Order or compromised and settled in accordance with  
23 Section 10.3.

24 **10.3 Claims Settlement Procedures.** Notwithstanding any requirement  
25 that may be imposed by Rule 9019, from and after the Effective Date, all Claims may be  
26 compromised and settled, with approval of the Court, by Reorganized Debtors or the  
27 Liquidation Trustee, as the case may be, pursuant to their authority under Section 10.2.



1 **ARTICLE XI**

2 **DISTRIBUTIONS**

3 **11.1 Distributions after Allowance.** Distributions to holders of a  
4 Disputed Claim, to the extent that the Claim ultimately becomes allowed, will be made by  
5 Reorganized Debtors or the Liquidation Trustee, as appropriate, according to the  
6 provisions of the Plan governing the Class of Claims to which the Creditor belongs.

7 **11.2 Transmittal of Distributions and Notices.**

8 (a) Any property or notice that a Person is or becomes entitled to  
9 receive under the Plan may be delivered by regular mail, postage prepaid, in an envelope  
10 addressed to that Person at the address indicated on any notice of appearance filed by the  
11 Person or its authorized agent before the Effective Date. If no notice of appearance has  
12 been filed, notice will be sent to the address indicated on a properly filed proof of claim or,  
13 absent a proof of claim, to the address in the relevant Schedule of Assets and Liabilities for  
14 the Person. Property distributed in accordance with this Section will be deemed delivered  
15 to a Person, regardless of whether it is actually received.

16 (b) Holders of a Claim or Equity Interest may designate a different  
17 address for notices and distributions by notifying Reorganized Debtors and the Liquidation  
18 Trustee, or with respect to a holder of a Class 2A Claim, the Administrative Agent, of that  
19 address in writing. To be effective, changes of address by a party entitled to receive  
20 distributions under the Plan will be by registered mail. Notification will be effective on  
21 receipt.

22 **11.3 Distributions to Holders of Class 2A Claims.**

23 (a) **The Administrative Agent as Creditor.** The Administrative  
24 Agent will be deemed to be the sole holder of all Allowed Class 2A Claims for the  
25 purposes of distributions under the Plan and the Liquidation Trust Agreement.

26 (b) **Obligation of Administrative Agent to Transmit**  
27 **Distributions.** The Administrative Agent will distribute all distributions that it receives to  
28 the members of Class 2A. The Administrative Agent will make these distributions as soon

1 after they are received as is reasonably practicable and in accordance with the Senior  
2 Secured Documents. Distributions will be without prejudice to the Administrative Agent's  
3 rights to reimbursement or payment of fees, expenses and other charges under the Senior  
4 Secured Documents.

5 **11.4 Disputed Payment.** If a dispute arises as to the identity of a holder of  
6 an Allowed Claim who is to receive a distribution, Reorganized Debtors and the  
7 Liquidation Trustee may, in lieu of making the distribution to that Person, make it into an  
8 escrow account until the proper disposition has been determined by Court order or by a  
9 written agreement among the interested parties to the dispute.

10 **11.5 Unclaimed Property.** If a distribution remains unclaimed for a  
11 period of six months after it has been delivered (or attempted to be delivered) to the holder  
12 entitled to receive it under the Plan, the holder will forfeit the Unclaimed Property.  
13 Thereupon, all right, title and interest in and to the Unclaimed Property will immediately  
14 and irrevocably vest in the Liquidation Trust. The holder of an Allowed Claim previously  
15 entitled to Unclaimed Property will thereafter cease to be entitled to it.

16 **11.6 Distributions on Non-Business Days.** Any payment or distribution  
17 due on a day other than a Business Day will be made, without interest, on the next  
18 Business Day.

19 **11.7 De-Minimis Distributions.** Neither Reorganized Debtors nor the  
20 Liquidation Trustee will make any distributions of less than \$50.00 to the holder of any  
21 Claim.

22 **ARTICLE XII**

23 **ALTERNATIVE PLAN**

24 GEBPS can terminate the Plan and the Investment Agreement, in its sole  
25 discretion, on written notice at any time before the Confirmation Date. Further, the  
26 Investment Agreement can be terminated by GEBPS or Debtors on 5 business days written  
27 notice, if the following milestones are not met, subject to an extension as a result of certain  
28

1 agreed upon delays:

- 2 (1) January 20, 2003 – Filing by Debtors of a plan and disclosure  
3 statement acceptable to GEBPS;  
4 (2) February 28, 2003 – Entry of an order by the Court approving the  
5 disclosure statement;  
6 (3) April 22, 2003 – Entry of the Confirmation Order;  
7 (4) May 2, 2003 – The Effective Date.

8 These milestones may be extended as a result of certain delays, but in no  
9 event may the Effective Date be extended beyond May 30, 2003.

10 If either GEBPS or Debtors terminate the Investment Agreement, or if  
11 GEBPS abandons the Plan, GEBPS and Debtors are obligated to close the APA in  
12 accordance with its terms. If GEBPS terminates the Investment Agreement and, as a  
13 result, closes the APA, Debtors will be not be able to consummate the Plan. If this occurs,  
14 Debtors will exercise their rights to modify the Plan in compliance with Code Sections  
15 1127 and 1125.

### 16 ARTICLE XIII

#### 17 SUBSTANTIVE CONSOLIDATION

18 13.1 Substantive Consolidation. The Plan contemplates and is predicated  
19 on, the substantive consolidation of the Chapter 11 Cases into a single Chapter 11 case,  
20 solely for the purposes of consummating the Plan as set forth in this Article. On the  
21 Confirmation Date, but subject to the occurrence of the Effective Date (a) all intercompany  
22 Claims by and among Debtors will be eliminated, (b) all assets and liabilities of Debtors  
23 will be merged or treated as though they were merged, except as set forth in the Plan with  
24 regard to the New ATG Common Stock, New ATI Common Stock and New SCS  
25 Common Stock, which interests will remain separate and distinct, (c) all prepetition cross-  
26 corporate guarantees of Debtors will be eliminated, (d) all Claims based on guarantees of  
27 collection, payment or performance made by one or more Debtors as to the obligations of  
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1 any other Person, including another Debtor, will be discharged, released and of no further  
2 force and effect, (e) any obligation of a Debtor and all guarantees of those obligations  
3 executed by one or more of the Debtors will be deemed to be one obligation of the  
4 consolidated Debtors, (f) any Claims filed or to be filed in connection with any obligation  
5 or guarantee will be deemed one Claim against the consolidated Debtors, and (g) every  
6 Claim filed in the individual Chapter 11 Case of a Debtor will be deemed filed against the  
7 consolidated Debtors in the consolidated Chapter 11 Cases and will be deemed a single  
8 obligation of all Debtors under the Plan on and after the Confirmation Date; provided,  
9 however, that nothing in this Section will affect the obligations of each Debtor under the  
10 Plan.

11 **13.2 Order Granting Substantive Consolidation.** The Plan will serve as  
12 a properly noticed motion seeking entry of an order substantively consolidating the  
13 Chapter 11 Cases as described in Section 13.1. Unless an objection to the consolidation is  
14 made, in writing, by a Creditor affected by the Plan on or before the date fixed by the  
15 Court as the last date on which acceptances to the Plan may be received, or such other date  
16 as may be fixed by the Court, an order consolidating the Chapter 11 Cases (which may be  
17 the Confirmation Order) will be entered by the Court. If any objections are timely filed, a  
18 hearing with respect to the objections will occur at the Confirmation Hearing.

## 19 **ARTICLE XIV**

### 20 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

#### 21 **14.1 Assumption or Rejection of Executory Contracts and Unexpired** 22 **Leases.**

23 (a) On the Effective Date, Debtors will reject all executory  
24 contracts and unexpired leases of the Estates under Sections 365 and 1123 of the Code,  
25 except:

26 (1) any that are the subject of an order authorizing Debtors  
27 to assume or assume and assign them pursuant to Section 365 of the Code, including that  
28

1 certain Final Order entered by the Court on June 21, 2002, entitled "Order Under  
2 Section 365 Approving Assumption and Assignment of Certain Executory Contracts and  
3 Unexpired Leases" (the "365 Order"), provided that (A) Reorganized Debtors and the non-  
4 Debtor party to the executory contract or unexpired lease have reached a separate, written  
5 agreement resolving all issues related to the assumption or the assumption and assignment  
6 (as the case may be) of the executory contract or unexpired lease, including issues  
7 resolving the proper "cure" amounts due and owing, or (B) Reorganized Debtors have  
8 determined that there is no dispute as to the amount necessary to "cure" the executory  
9 contract or unexpired lease and therefore a separate written agreement is not required;

10 (2) any listed in the Executory Contract Schedule which  
11 will be served and filed by Debtors at least 30 days before the Confirmation Hearing and  
12 which will provide, as of the Effective Date, for the assumption, or assumption and  
13 assignment, of certain executory contracts or unexpired leases that are not or do not  
14 become the subject of a dispute over the amount or manner of "cure" under Section 14.3;

15 (3) any that have actually been assumed by order of the  
16 Court entered before the Confirmation Date and not subsequently rejected pursuant to an  
17 order of the Court; and

18 ~~---(4)---~~ any other agreement, obligation, security interest,  
19 transaction or similar undertaking that Debtors believe is not an executory contract or  
20 lease, but that is later determined by the Court to be an executory contract or unexpired  
21 lease subject to assumption or rejection under Section 365 of the Code, which agreements  
22 will be subject to assumption or rejection within 30 days of that determination.

23 (b) Subject to Section 14.1(a) and Section 14.3, the Confirmation  
24 Order will constitute an order of the Court approving the rejection of executory contracts  
25 and unexpired leases, the rejection of which is provided for in Section 14.1(a) pursuant to  
26 Sections 365 and 1123 of the Code. That rejection will be deemed effective as of the  
27 Petition Date.  
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1 (c) Reorganized ATG will assume executory contracts and  
2 unexpired leases that have "cure" Claims on Debtors' books and records, in the aggregate,  
3 of no less than \$5,700,000 as set forth in the APA. The amount of the "cure" claims  
4 referred to in the preceding sentence will be determined solely by the amounts referred to  
5 in (1) the 365 Order, and (2) Exhibit A to the 365 Order.

6 **14.2 Bar Date for Rejection Damages.** If the rejection of an executory  
7 contract or unexpired lease under the Plan gives rise to a Claim by the non-Debtor party to  
8 the contract or lease, the Claim, to the extent that it is timely filed and is an Allowed  
9 Claim, will be classified as a Class 4 Claim. However, the Claim arising from the  
10 rejection will be forever barred and will not be enforceable against Debtors, unless a proof  
11 of the Claim is filed with the Court and served on Reorganized ATG within 45 days after  
12 the date the order of the Court rejecting the executory contract or unexpired lease is  
13 entered.

14 **14.3 Objection to Cure/Assumption.** If a non-Debtor party to an  
15 executory contract or unexpired lease, other than a non-Debtor party to an executory  
16 contract or unexpired lease listed in Exhibit A or Exhibit B to the 365 Order, opposes the  
17 "cure," assumption, or assumption and assignment of its executory contract or unexpired  
18 lease under the Code, the non-Debtor party must file and serve a written objection to the  
19 "cure," assumption or assumption and assignment at least five days before the  
20 Confirmation Hearing. The failure to timely file and serve an objection will be a waiver of  
21 any objection to the assumption or the "cure" amount. Moreover, the waiving party, its  
22 successors and assigns, will be forever barred from contesting the assumption or asserting  
23 a claim for additional amounts against Debtors, Reorganized Debtors, Buyers, GECC,  
24 GEBPS and their respective estates, successors or assigns.

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**ARTICLE XV**

**ADMINISTRATIVE PROVISIONS**

**15.1 Retention of Jurisdiction.** The Court will retain such jurisdiction as is legally permissible, including for the following purposes:

(a) To determine the allowability, classification or priority of Claims on objection by Reorganized ATG or any other party in interest entitled to file an objection, and to determine the validity, extent, priority and nonavoidability of consensual and nonconsensual Liens and other encumbrances;

(b) To issue injunctions, take such other actions or make such other orders as may be necessary or appropriate to restrain interference with the Plan or its execution or implementation by any Person, to construe and to take any other action to enforce and execute the Plan, the Confirmation Order, or any other order of the Court, to issue such orders as may be necessary for the implementation, execution, performance and consummation of the Plan and all matters it refers to, and to determine all matters that may be pending before the Court in the Chapter 11 Cases on or before the Effective Date with respect to any Person;

(c) To protect the property of the Estates, including all Assigned Rights (and further including all Avoidance Claims), from claims against, or interference with, such property, including actions to quiet or otherwise clear title to such property or to resolve any dispute concerning Liens, security interests or encumbrances on any property of the Estates;

(d) To interpret and enforce the terms of the Liquidation Trust Agreement;

(e) To determine all applications for allowance of Fee Claims;

(f) To determine any Priority Tax Claims, Priority Claims, Administrative Claims or any other request for Allowance or payment of Claims or expenses entitled to priority under Section 507(a) of the Code;

- 1                   **(g)** To resolve any dispute arising under or related to the  
2 implementation, execution, consummation or interpretation of the Plan and the making of  
3 distributions under it;
- 4                   **(h)** To determine all motions related to the rejection, assumption or  
5 assignment of executory contracts or unexpired leases, or to determine any motion to reject  
6 an executory contract or unexpired lease under Section 14.1;
- 7                   **(i)** To determine all applications, motions, adversary proceedings,  
8 contested matters, actions, and any other litigated matters instituted in and before the  
9 closing of the Chapter 11 Cases, including any remands;
- 10                   **(j)** To enter a Final Order closing the Chapter 11 Cases;
- 11                   **(k)** To modify the Plan under Section 1127 of the Code, remedy  
12 any defect, cure any omission, or reconcile any inconsistency in the Plan or the  
13 Confirmation Order so as to carry out its intent and purposes;
- 14                   **(l)** To issue such orders in aid of consummation of the Plan and  
15 the Confirmation Order notwithstanding any otherwise applicable non-bankruptcy law,  
16 with respect to any Person, to the full extent authorized by the Code;
- 17                   **(m)** To enable Reorganized Debtors and, as applicable, the  
18 Liquidation Trustee to prosecute all proceedings to set aside Liens or encumbrances and to  
19 recover any transfers, assets, properties or damages to which Debtors may be entitled  
20 under applicable provisions of the Code or any other federal, state or local laws except as  
21 may be waived pursuant to the Plan;
- 22                   **(n)** To determine any tax liability under Section 505 of the Code;
- 23                   **(o)** To enter and implement such orders as may be appropriate if  
24 the Confirmation Order is for any reason stayed, revoked, modified or vacated;
- 25                   **(p)** To resolve any disputes concerning whether a Person had  
26 sufficient notice of the Chapter 11 Cases, the applicable Claims bar date, the hearing to  
27 consider approval of the Disclosure Statement or the Confirmation Hearing or for any  
28 other purpose;



1 (q) To resolve any dispute or matter arising under or in connection  
2 with any order of the Court entered in the Chapter 11 Cases;

3 (r) To hear and resolve litigation matters, including the Avoidance  
4 Claims, whether commenced by Reorganized Debtors or the Liquidation Trustee;

5 (s) To approve any Claims settlement entered into or offset  
6 exercised by Debtors, the Liquidating Trustee or Reorganized Debtors; and

7 (t) To determine such other matters, and for such other purposes,  
8 as may be provided in the Confirmation Order or as may be authorized under provisions of  
9 the Code.

10 **15.2 Amendments to Plan.**

11 (a) **Preconfirmation Amendment.** Debtors may modify the Plan  
12 at any time before the Confirmation Order is entered provided that the Plan, as modified,  
13 and the Disclosure Statement pertaining to it meet applicable Code requirements.

14 (b) **Postconfirmation Amendment Not Requiring**  
15 **Resolicitation.** After entry of the Confirmation Order, Debtors or Reorganized Debtors  
16 may modify the Plan to remedy any defect or omission or to reconcile any inconsistencies  
17 in it or in the Confirmation Order, as may be necessary to carry out its purposes and effects  
18 of the Plan, provided that (1) Debtors or Reorganized Debtors obtain approval of the Court  
19 for the modification, after notice and a hearing, and (2) the modification does not  
20 materially and adversely affect the interests, rights, treatment or distributions of any  
21 Class of Allowed Claims or Equity Interests under the Plan. Any waiver under  
22 Section 15.3 will not be considered to be a modification of the Plan.

23 (c) **Postconfirmation/Preconsummation Amendment**  
24 **Requiring Resolicitation.** After the Confirmation Date and before substantial  
25 consummation of the Plan, Debtors or Reorganized Debtors may modify the Plan in a way  
26 that materially or adversely affects the interests, rights, treatment, or distributions of a  
27 Class of Claims or Equity Interests, provided that (1) the Plan, as modified, meets  
28 applicable Code requirements, (2) Court approval is obtained for the modification, after

1 notice and a hearing, (3) the modification is accepted by at least two-thirds in amount, and  
2 more than one-half in number, of Allowed Claims or Equity Interests voting and entitled to  
3 vote in each Class affected by the modification, and (4) Debtors and/or Reorganized  
4 Debtors, as applicable, comply with Section 1125 of the Code with respect to the Plan as  
5 modified.

6 **15.3 Successors and Assigns.** The rights, benefits and obligations of any  
7 Person named or referred to in the Plan will be binding on, and will inure to the benefit of,  
8 the heirs, executors, administrators, successors and/or assigns of that Person.

9 **15.4 Exemption from Transfer Taxes.** Pursuant to Section 1146(c) of the  
10 Code, the issuance, transfer, or exchange of notes or equity securities under the Plan by  
11 Debtors or Reorganized Debtors, the creation of any mortgage, deed of trust, or other  
12 security interest, the making or assignment of any lease or sublease, or the making or  
13 delivery of any deed or instrument of transfer under, in furtherance of, or in connection  
14 with the Plan, including the issuance of the Reorganized Stock or New Senior Investment,  
15 transfers of assets by Reorganized Debtors in furtherance of the Plan, will not be subject to  
16 any stamp, real estate transfer, mortgage recording, or other similar tax.

17 **15.5 Corporate Action.** The dissolution of Debtors and any other matters  
18 provided for under the Plan involving the corporate or entity structure of any Debtor or  
19 corporate action, as the case may be, to be taken by or required of any Debtor will be  
20 deemed to have occurred and be effective as provided in the Plan and will be authorized  
21 and approved in all respects, without any requirement of further action by stockholders or  
22 directors of Debtors or Reorganized Debtors, as the case may be.

23 **15.6 Effectuating Documents and Further Transactions.** Each Debtor  
24 and Reorganized Debtor will be authorized to execute, deliver, file, or record such  
25 documents, contracts, instruments, releases, and other agreements and take such other  
26 actions as may be necessary to effectuate and further evidence the terms of the Plan. On or  
27 before the Effective Date, Debtors will file with the Court such agreements and other  
28 documents as may be necessary or appropriate to effectuate and further evidence the terms

1 and conditions of the Plan.

2           **15.7 Severability.** If any provision of the Plan is determined to be  
3 unenforceable, the determination will not limit or affect the enforceability and operative  
4 effect of any other provisions of the Plan.

5           **15.8 Exculpation of Certain Persons.** As of the Effective Date, the Plan  
6 will be deemed to satisfy, waive and release in full any and all Persons who have held or  
7 may hold claims, any Equity Interest holder or Debtors against the Responsible Individual,  
8 Debtors, the Creditors' Committee, the members of the Creditors' Committee and GEBPS,  
9 and each of their present employees, officers, directors, agents, advisors, attorneys or  
10 accountants, from any Claim arising out of or in connection with any act or failure to act in  
11 connection with their rights and duties arising under or related to the Chapter 11 Cases  
12 from the Petition Date to and including the Effective Date, except any (a) unknown claims,  
13 and (b) claims expressly created or preserved under the terms of the Plan or any documents  
14 executed, or to be executed, in connection with the Plan. Except as expressly provided in  
15 the Plan or any document executed or to be executed in connection with the Plan, neither  
16 Debtors, the Responsible Individual, the Creditors' Committee, its members, GEBPS nor  
17 any of their respective present employees, officers, directors, agents, advisors, attorneys or  
18 accountants, will have any liability to Debtors, the Responsible Individual, the Creditors'  
19 Committee and its members, GEBPS, nor any of their respective employees, officers,  
20 directors, agents, advisors, attorneys or accountants for actions taken or omitted to be taken  
21 under or in connection with the Plan or the Chapter 11 Cases from the Petition Date to and  
22 including the Effective Date. Notwithstanding the foregoing, Debtors (or their successors  
23 or assigns under the respective agreements) and GEBPS (or its successors or assigns under  
24 the respective agreements) will not release each other from, and will continue to have  
25 liability to each other under the agreements between GEBPS and Debtors entered into after  
the Petition Date, in accordance with their respective terms.

26           **15.9 Injunction.** On entry of the Confirmation Order, and except as  
27 otherwise expressly provided in the Plan or in connection with its enforcement, all Persons  
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1 who have held, hold or may hold Claims against Debtors, Reorganized Debtors or GEBPS  
2 that arose before the Effective Date are permanently enjoined from (a) commencing or  
3 continuing in any manner, directly or indirectly, any action or other proceeding of any kind  
4 against Debtors, Reorganized Debtors or GEBPS, or any property of Debtors, Reorganized  
5 Debtors or GEBPS, with respect to any such Claim, (b) the enforcement, attachment,  
6 collection or recovery by any manner or means, directly or indirectly, of any judgment,  
7 award, decree, or order against Debtors, Reorganized Debtors or GEBPS, or any property  
8 of Debtors, Reorganized Debtors or GEBPS, with respect to any such Claim, (c) creating,  
9 perfecting or enforcing, directly or indirectly, any Lien or encumbrance of any kind against  
10 Debtors, Reorganized Debtors or GEBPS, or any property of Debtors, Reorganized  
11 Debtors or GEBPS, with respect to any such Claim, and (d) asserting, directly or  
12 indirectly, any setoff, or right of subrogation of any kind against any obligation due  
13 Debtors, Reorganized Debtors or GEBPS, or any property of Debtors, Reorganized  
14 Debtors or GEBPS, with respect to any such Claim.

15           Notwithstanding the foregoing, Debtors (or their successors or assigns under  
16 the respective agreements) and GEBPS (or its successors or assigns under the respective  
17 agreements) will not release each other from, and will continue to have liability to each  
18 other under the agreements between GEBPS and Debtors entered into after the Petition  
19 Date, in accordance with their respective terms.

20           Nothing contained in this Section 15.9 will prohibit the holder of a timely-  
21 filed proof of Claim from litigating its right to seek to have that Claim declared an  
22 Allowed Claim and paid in accordance with the distribution provisions of the Plan, or  
23 enjoin or prohibit the interpretation or enforcement by the claimant of any of the  
24 obligations of Debtors and Reorganized ATG under the Plan.

25           **15.10 Blank Ballots.** Any ballot that is executed by a Creditor entitled to  
26 vote to accept or reject the Plan, but which indicates neither acceptance nor rejection, will  
27 be deemed an acceptance of the Plan. Any ballot that does not comply with the filing  
28 instructions on the ballot will not be counted for voting purposes.

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**15.11 Discharge.** On the Effective Date, and except as provided in the Plan, Debtors, Reorganized ATG, Reorganized SCS and Reorganized ATI and their property will, to the fullest extent permitted by Section 1141 of the Code, be deemed discharged and released from all Claims and interests that arose before the Confirmation Date.

Dated: February 25, 2003

**ADVANCED TELCOM GROUP, INC.**

By: Gary Cuccio  
Gary Cuccio

**ADVANCED TELCOM, INC.**

By: Gary Cuccio  
Gary Cuccio

**SHARED COMMUNICATION SERVICES, INC.**

By: Gary Cuccio  
Gary Cuccio

**SHEPPARD, MULLIN, RICHTER & HAMPTON LLP**

Dated: February 25, 2003

By: Craig Stuppi  
Craig Stuppi

Bankruptcy Reorganization Counsel  
for Debtors and Debtors-in-Possession

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**EXHIBIT "1"**

**To the Plan**

**DEFINITIONS**

**EXHIBIT 1**  
**DEFINITIONS**

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4           1.     **“Adjusted Pro Rata”** is a number (expressed as a percentage) equal  
5 to the proportion that an Allowed Class 2A Deficiency Claim or an Allowed Unsecured  
6 Claim, as the case may be, bears to the aggregate amount of (a) all Allowed Class 2A  
7 Deficiency Claims and Allowed Unsecured Claims, plus (b) disputed Claims of holders of  
8 Unsecured Claims (in their aggregate face amount) as of the date of determination.

9           2.     **“Administrative Agent”** is Wachovia Bank, N.A.

10           3.     **“Administrative Claim”** is a Claim, other than a Fee Claim, a  
11 Priority Tax Claim or a Priority Claim, for costs or expenses of administration allowed  
12 under Section 503(b) of the Code, including the actual, necessary costs and expenses  
13 incurred after the Petition Date to preserve the Estates and operate Debtors’ businesses  
14 (such as wages, salaries, taxes or commissions for services rendered); and all fees and  
15 charges assessed against the Estates under to Section 1930 of Title 28 of the United States  
16 Code.

17           4.     **“Allowed”** means, with respect to a Claim, the amount of such Claim:  
18 (a) that is scheduled by a Debtor pursuant to the Code and the Rules in a liquidated amount  
19 and that is not listed as contingent, unliquidated or disputed; (b) proof of which has been  
20 timely filed, or deemed timely filed under applicable law or order of the Court, with the  
21 Court pursuant to the Code, the Rules and any applicable orders of the Court, or late filed  
22 with leave of the Court after notice and a hearing; or (c) if such Claim is an Administrative  
23 Claim, proof of which, or application for which, has been timely filed, or deemed timely  
24 filed under applicable law or order of the Court, with the Court pursuant to the Code, the  
25 Rules and any applicable orders of the Court, or late filed with leave of the Court after  
26 notice and a hearing, and which, with respect to each of the foregoing clauses (a), (b) and  
27 (c); (1) has not been objected to within the period fixed by the Plan, the Rules and  
28 applicable orders of the Court or (2) has otherwise been Allowed by a Final Order or as set  
forth in the Plan.

          5.     **“Allowed Claim”** is a Claim that is Allowed, regardless of whether it  
became Allowed before or after the Effective Date. The amount of a Claim that is  
Allowed will be net of any valid setoff exercised with respect to it under the Code. Unless  
otherwise specified, in Section 506(b) of the Code or by order of the Court, an “Allowed  
Claim,” will not, for purposes of distribution under the Plan, include (a) interest on any  
Claim accruing from or after the Petition Date, (b) punitive or exemplary damages, or  
(c) any fine, penalty or forfeiture.

          6.     **“APA”** is the Asset Purchase Agreement dated as of June 21, 2002,  
entered into, with Court approval, by Debtors and GEBPS, including all schedules and  
exhibits to it, as the same may have been amended, modified or supplemented from time to  
time. A copy of the APA is on file with the Court.

          7.     **“Assigned Rights”** are all rights, Causes of Action, payments or other  
receipts in connection with the following that existed on, or had accrued (unless otherwise  
noted) as of the Effective Date, and all proceeds thereof received thereafter: (a) all loans or  
advances by Debtors to any of their officers or former officers, (b) all insurance proceeds  
other than those referred to in clause (a) of the definition of Distributable Cash, (c) up to  
\$305,000 of Debtors’ accounts receivable from Fairpoint Communications Solutions  
Corporation existing on July 15, 2002, (d) Debtors’ rights with respect to that certain

1 aircraft hanger space located in Santa Rosa, California, together with any fixtures, facilities  
2 or equipment of Debtors owned or held for use at that location and any proceeds from the  
3 disposition, (e) the performance bonds and cash collateral for letters of credit set forth on  
4 Schedule 2.02(j) to the APA, (f) all claims against third parties other than Avoidance  
5 Claims and claims against third parties relating to the assets of Debtors that (1) were  
6 subject to transfer to GEBPS pursuant to the APA, or (2) related solely to the business of  
7 Debtors related to those assets, subject to transfer to GEBPS, and any set-offs or  
8 counterclaims relating to the Assumed Liabilities (as defined in the APA), whether choate  
9 or inchoate, known or unknown, contingent or noncontingent, (g) all claims of Debtors  
10 against U.S. TelePacific Corporation, whether arising pre- or post-petition, relating to the  
11 period prior to the Effective Date, (h) the properties, rights and assets used owned or held  
12 by any Debtor that relate solely to the assets described as Parcel B, Parcel E and Parcel H  
13 in Exhibit C to the APA, (i) all right, title and interest of Debtors under the Holdback  
14 Escrow Agreement, the Expense Disbursement Letter and the Management Agreement;  
15 provided, that each of the foregoing will also be subject to all claims and offsets existing as  
16 of the Effective Date or relating to the period before the Effective Date.

9  
10 **8. "Avoidance Claims"** are all Claims, rights and Causes of Action  
11 assertable by Debtors, their successors or assignees, including an action brought under  
12 Sections 541, 542, 543, 544, 545, 547, 548, 549, 550 or 553 of the Code and applicable  
13 state law.

12 **9. "Bar Date"** is the last date for filing proofs of Claim against Debtors  
13 set by the Court.

13 **10. "Business Day"** is any day except a Saturday, Sunday, or "legal  
14 holiday" as that term is defined in Rule 9006(a).

14 **11. "Buyer"** is GEBPS or its designee (as provided in the Investment  
15 Agreement) in its capacity as the purchaser of the New Senior Investment.

15 **12. "Causes of Action"** are actions, claims, Liens, liabilities, obligations,  
16 rights, suits, debts, sums of money, damages, judgments and demands whatsoever, whether  
17 known or unknown, in law, equity or otherwise.

17 **13. "Chapter 11 Cases"** are the ATG, ATI and SCS Chapter 11 cases  
18 filed on May 2, 2002.

18 **14. "Claim"** is a claim as defined in Code Section 101(5) against a  
19 Debtor, including (a) any asserted right to payment from any of Debtors, whether or not  
20 that right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured,  
21 unmatured, disputed, undisputed, legal, equitable, secured or unsecured, (b) any asserted  
22 right to an equitable remedy for breach of performance if the breach gives rise to a right of  
23 payment from any of Debtors, whether or not the right to an equitable remedy is reduced to  
24 a judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or  
25 unsecured, or (c) any asserted right under Section 502(h) of the Code.

24 **15. "Class"** is a category of holders of Claims or Equity Interests  
25 described in Article IV of the Plan.

25 **16. "Class 2A Deficiency Claim"** will be the amount of the Deficiency  
26 Claim of each holder of Class 2A Claims determined by the Administrative Agent, Debtors  
27 and the Creditors' Committee on or before the Effective Date. If no determination is  
28 agreed upon, the Court will retain jurisdiction to make such determination.



1                    17.    “Code” is Title 11 of the United States Code, as now in effect or  
hereafter amended.

2                    18.    “Collateral” is property of Debtors that secures a Claim, up to the  
3 amount of the Claim.

4                    19.    “Confirmation Date” is the date on which the Court enters the  
Confirmation Order on its docket.

5                    20.    “Confirmation Hearing” is the hearing pursuant to which the Court  
6 enters the Confirmation Order.

7                    21.    “Confirmation Order” is the order of the Court confirming the Plan  
pursuant to Section 1129 of the Code.

8                    22.    “Creditor” is any Person holding a Claim.

9                    23.    “Court” is the United States Bankruptcy Court for the Northern  
10 District of California, Santa Rosa Division, or any other court exercising competent  
jurisdiction over the Chapter 11 Cases or any proceeding therein.

11                    24.    “Creditors’ Committee” is the Official Committee of Unsecured  
12 Creditors in the Chapter 11 Cases, as appointed by the United States Trustee and  
reconstituted from time to time.

13                    25.    “Deficiency Claim” is a claim by a Creditor arising out of the same  
14 transaction as a Secured Claim to the extent that the value, as determined by the Court  
under to Section 506(a) of the Code, of the Creditor’s interest in property of Debtors’  
15 estates securing the Claim is less than the amount of the Claim which has the benefit of  
that security as provided by Section 506(a) of the Code.

16                    26.    “Disputed Claim” is (a) if no proof of Claim has been timely filed or  
17 deemed timely filed under applicable law or order of the Court, a Claim that has been  
listed on a Debtor’s Schedules of Assets and Liabilities as disputed, contingent or  
18 unliquidated, but as to which no later than the Effective Date an objection has been filed,  
or (b) if a proof of Claim has been filed or deemed timely filed under applicable law or  
19 order of the Court, a proof of Claim as to which an objection has been timely filed and has  
not been withdrawn, overruled or denied by a Final Order, or granted in whole by a Final  
20 Order. For the purposes of the Plan a Claim is considered a Disputed Claim in its entirety  
before the time that an objection has been or may be filed if: (1) the amount or  
21 classification of the Claim specified in the relevant proof of Claim exceeds the amount or  
classification of any corresponding Claim scheduled by the appropriate Debtor in its  
22 Schedules of Assets and Liabilities, (2) any corresponding Claim scheduled by any of  
Debtors that has been scheduled as disputed, contingent or unliquidated, or (3) no  
23 corresponding Claim has been scheduled by the appropriate Debtor in its Schedules of  
Assets and Liabilities.

24                    27.    “Distributable Cash” is all cash held by Debtors in all accounts at  
25 the close of business on the day immediately preceding the Effective Date except for:

26                    (a)    insurance proceeds paid after July 15, 2002, with respect to any  
27 damage, destruction or loss of any property of Debtors, or any right or interest therein, that  
was subject to transfer to GEBPS under the APA or otherwise relating to any of the  
28 liabilities to be assumed by GEBPS under the APA, including any assets, rights or interests

1 that could reasonably be expected to have been included in the property transferred to  
2 GEBPS but for such damage, destruction or loss;

3 (b) all prepaid expenses, deposits, claims for refunds and rights of  
4 offset relating to the Business, as defined in the APA, on the Effective Date, except for up  
5 to \$305,000 of Debtors' accounts receivable from Fairpoint Communications Solutions  
6 Corporation existing on July 15, 2002;

7 (c) all proceeds and products resulting from the sale or other  
8 disposition of any of Asset that was subject to transfer to GEBPS under the APA (other  
9 than the real property interests that were subject thereto) that would have been included in  
10 the Assets but for such sale or disposition, as well as any improvements, accessions or  
11 accretions to any of the foregoing at any time during the period from and after July 15,  
12 2002 up to and including the Effective Date;

13 (d) the Unsecured Distribution Reserve, as defined herein;

14 (e) any cash (1) payable to GEBPS under the Management  
15 Agreement as of the Effective Date, or (2) required to be deposited as of the Effective Date  
16 into the A/R Escrow (as defined in the APA) if and to the extent that amount would be  
17 distributed to GEBPS under the A/R Escrow Agreement (as defined in the APA); and

18 (f) all amounts set aside for the Liquidation Trust pursuant to the  
19 budget provided in Section 9.1(c) of the Plan.

20 28. "Effective Date" is the 10<sup>th</sup> day after the entry of the Confirmation  
21 Order unless a stay of the Confirmation Order is in effect in which case the "Effective  
22 Date" is the first business day after the date the stay is vacated.

23 29. "Equity Interest" is any ownership or equity interest in any of  
24 Debtors, including ATG's (a) common stock, (b) Series A Preferred Stock, (c) Series B  
25 Preferred Stock, (d) Series C Preferred Stock, (e) Series D Preferred Stock, (f) Series D-1  
26 Preferred Stock, (g) Series E Preferred Stock, and (h) non-voting and unissued Class A  
27 Stock; ATI's common stock; SCS's common stock; and all warrants, options or other  
28 rights to purchase any ownership or interest in any of Debtors, but expressly excluding  
Reorganized Stock.

30. "Estate" is the relevant estate created in each of the Chapter 11 Cases  
under Section 541 of the Code and existing as of the Effective Date.

31. "Executory Contract Schedule" is the schedule captioned "Schedule  
of Assumed Executory Contracts and Unexpired Leases" annexed as Exhibit 3 to the Plan.

32. "Exhibit Filing Date" is the last date by which forms of the Exhibits  
to the Plan will be filed with the Court, which date will be as specified in the Plan for each  
Exhibit, but in any event, or when no date is specified, no later than 30 days before the  
Confirmation Hearing.

33. "Expense Disbursement Letter" is the Expense Disbursement  
Letter, entered into by GEBPS and ATG dated November 15, 2002, pursuant to which  
among other things, a portion of the Fee Claims incurred by some of Debtors'  
Professionals on and after October 15, 2002, will be reimbursed directly by GEBPS to  
ATG, as amended.

1           **34. "Fee Claim"** is a Claim for compensation or reimbursement of  
2 expenses of a Professional under Sections 327, 328, 330, 331 or 503(b) of the Code in  
connection with the Chapter 11 Cases.

3           **35. "Final Order"** means an order or judgment of the Court, as entered  
4 on the docket of the Court, that has not been reversed, stayed, modified, or amended, and  
5 as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari has  
6 expired and no timely filed appeal or petition for review, rehearing, remand or certiorari is  
pending; or (b) any appeal taken or petition for certiorari filed has been resolved by the  
highest court to which the order or judgment was appealed or from which certiorari was  
sought.

7           **36. "GEBPS"** means GE Business Productivity Solutions, Inc. and its  
8 successors and assigns.

9           **37. "GECC"** is General Electric Capital Corporation.

10          **38. "Holdback Escrow Agreement"** is the agreement entered into by  
11 GEBPS, Debtors and Deutsche Bank Trust Company Americas, as escrow agent, dated  
November 15, 2002, and pursuant to which GEBPS agreed to escrow the sum of \$2  
million pending the satisfaction of certain terms and conditions, as amended.

12          **39. "Investment Agreement"** is the agreement dated as of December 20,  
13 2002, as amended, by and among GEBPS, ATG, ATI and SCS.

14          **40. "Liens"** are, collectively, all mortgages, liens (statutory or otherwise),  
15 interests, security interests, licenses, assessments, levies, pledges, charges, encumbrances,  
equities, Claims (including claims of lessors/sublessors and licensors/sublicensors),  
16 covenants, conditions, options or restrictions (including restrictions set forth in applicable  
leases/subleases and licenses/sublicenses), of any nature whatsoever.

17          **41. "Liquidation Trust"** is the trust created pursuant to the Liquidation  
Trust Agreement.

18          **42. "Liquidation Trust Agreement"** is the agreement entered into by  
19 and among Debtors and the Liquidation Trustee, a copy of which is annexed to the Plan as  
Exhibit 2.

20          **43. "Liquidation Trustee"** is the Trustee under the Liquidation Trust  
21 Agreement.

22          **44. "Management Agreement"** is that certain Management Agreement  
23 entered into by and between GEBPS and Debtors dated as of June 21, 2002, as the same  
may have from time to time been amended, modified or supplemented.

24          **45. "New ATG Common Stock"** is all of the issued and outstanding  
common stock of Reorganized ATG.

25          **46. "New ATI Common Stock"** is all of the issued and outstanding  
26 common stock of Reorganized ATI.

27          **47. "New Debt"** is an unsecured promissory note by Reorganized ATG  
28 representing principal repayment obligations in an initial amount equal to the New Senior  
Investment Cash Consideration and having terms as generally described in Section 9.2(b)  
of the Plan.

1           **48. "New Directors"** are, collectively, David O'Neill and Victor A.  
2 Alums.

3           **49. "New Officers"** are, collectively, David O'Neill, President and  
4 Victor A. Alums, Secretary.

5           **50. "New SCS Common Stock"** is all of the issued and outstanding  
6 common stock of Reorganized SCS.

7           **51. "New Senior Investment Cash Consideration"** is an amount of cash  
8 equal to (1) \$2,021,773 (\$500,000 plus earnings, if any, of which will be paid from the  
9 trust account of Sheppard, Mullin, Richter & Hampton LLP on or before the Effective  
10 Date); (2) a cash escrow amount of \$2,000,000 to be distributed subject to the terms of the  
11 Holdback Escrow Agreement (as defined in the APA); (4) the proceeds of the A/R Escrow  
12 (as defined in the APA); plus (4) \$6,300,000.

13           **52. "Other Secured Claims"** are any Secured Claim not expressly  
14 classified in Class 2.

15           **53. "Person"** is any individual, corporation, partnership, limited liability  
16 company, association, indenture trustee, organization, joint stock company, joint venture,  
17 estate, trust, governmental unit or any political subdivision thereof, the Creditors'  
18 Committee, Equity Interest holders, holders of Claims, current or former employees of any  
19 Debtor, or any other entity.

20           **54. "Petition Date"** is May 2, 2002.

21           **55. "Plan"** is this Joint First Amended Plan of Reorganization, dated as of  
22 the date set forth on its signature page, for Debtors, together with any amendments or  
23 modifications as Debtors may file hereafter in accordance with the terms of the Plan (such  
24 amendments or modifications only being effective if approved by order of the Court).

25           **56. "Priority Claim"** is any Claim, if Allowed, which is entitled to  
26 priority under Section 507(a) of the Code, other than (a) an Administrative Claim; (b) a  
27 Priority Tax Claim; or (c) a Fee Claim.

28           **57. "Priority Tax Claim"** is any Claim, if Allowed, that is entitled to  
priority under Section 507(a)(8) of the Code.

**58. "Professional"** is a Person retained or to be compensated for services  
rendered or costs incurred on or after the Petition Date through and including and after the  
Effective Date under Section 327, 328, 330, 503(b) or 1103 of the Code.

**59. "Ratable," "Ratably," "Ratable Share" or "Pro Rata"** is a number  
(expressed as a percentage) equal to the proportion that an Allowed Claim in a particular  
Class bears to the aggregate amount of (a) Allowed Claims plus (b) disputed Claims (in  
their aggregate Face Amount) in such Class as of the date of determination.

**60. "Reorganized ATG"** is ATG from and after the Effective Date.

**61. "Reorganized ATI"** is ATI from and after the Effective Date.

**62. "Reorganized Debtors"** are, collectively, Reorganized ATI,  
Reorganized ATG and Reorganized SCS.

1                   **63. "Reorganized SCS"** is SCS from and after the Effective Date.

2                   **64. "Reorganized Stock"** is all of the voting common stock of each of  
3 Reorganized ATG, Reorganized ATI and Reorganized SCS from and after the Effective  
4 Date issued and outstanding as of the Effective Date.

5                   **65. "Responsible Individual"** is Gary Cuccio, in his capacity as the duly  
6 appointed Responsible Individual of Debtors.

7                   **66. "Rules"** are the Federal Rules of Bankruptcy Procedure and the local  
8 rules of the Court (including any court rules of Bankruptcy Judge Jaroslovsky), as now in  
9 effect or hereafter amended to the extent such amendments are applied retroactively to the  
10 Chapter 11 Cases.

11                   **67. "Secured Claim"** is, under Section 506 of the Code, that portion of a  
12 Claim that is secured by a valid, perfected and enforceable security interest, Lien,  
13 mortgage or other Encumbrance, that is not subject to avoidance under applicable  
14 bankruptcy or non-bankruptcy law, in or upon any right, title or interest of any of Debtors  
15 in and to property of the Estates, to the extent of the value of the holder's interest in the  
16 property as of the relevant determination date. The defined term Secured Claim includes  
17 any Claim that is (a) subject to an offset right under applicable law; and (b) a secured  
18 claim against any of Debtors under Sections 506(a) and 553 of the Code. "Secured Claim"  
19 does not include, for voting or distribution purposes, any Claim that would otherwise  
20 qualify as a Secured Claim, but that has been or will be paid in connection with the "cure"  
21 of defaults under an executory contract or unexpired lease assumed by a Debtor under  
22 Section 365 of the Code or pursuant to the Plan.

23                   **68. "Senior Secured Collateral"** is any and all collateral pledges by  
24 ATG, ATI, SCS and/or ATI/Virginia under the Senior Secured Pledge Agreement and the  
25 Senior Secured Security Agreement.

26                   **69. "Senior Secured Credit Agreement"** is that certain written  
27 agreement entered into by and among ATI, its subsidiaries and Wachovia Bank, N.A., as  
28 administrative agent, dated as of July 20, 2000, as the same may have from time to time  
been amended, and all related and ancillary agreements forming a part of that agreement.

**70. "Senior Secured Creditors"** are those creditors who are party to the  
Second Amended and Restated Credit Agreement dated as of July 20, 2000, as amended,  
among Debtors and the financial institutions party thereto as lenders: Wachovia Bank,  
National Association, GECC, Fortis Capital Corporation, Inc., JP Morgan Securities, Inc.,  
The CIT Group, Union Bank of California, Finova Capital Corporation, CitiCorp USA,  
Inc., Key Corp., IBM Credit Corporation, US Bank, Credit Suisse First Boston, Lehman  
Commercial Paper, Inc., and Dresdner Bank AG New York and Grand Cayman Branches.

**71. "Senior Secured Documents"** are, collectively, the Senior Secured  
Credit Agreement, the Senior Secured Security Agreement and the Senior Secured Deeds  
of Trust (as defined in the Senior Secured Credit Agreement).

**72. "Unclaimed Property"** is any distribution or distributable property  
unclaimed on or after the Effective Date or the date on which an additional distribution  
would have been made to the holder of an Allowed Claim. Unclaimed Property will  
include (a) checks (and the funds represented thereby) returned as undeliverable without a  
proper forwarding address; (b) funds for uncashed checks; and (c) checks (and the funds  
represented thereby) not mailed or delivered because no address to mail or deliver the

1 property was available, notwithstanding efforts by Debtors or the Liquidating Trustee to  
2 locate such address which were commercially reasonable under the circumstances.

3           **73. "United States Trustee"** is the Office of the United States Trustee for  
4 the Northern District of California.

5           **74. "Unsecured Claim"** is any Claim that is not (a) an Administrative  
6 Claim; (b) a Priority Claim; (c) a Priority Tax Claim; (d) a Secured Claim; or (e) a Fee  
7 Claim, and includes any claim arising from the rejection by Debtors of any executory  
8 contract.

9           **75. "Unsecured Distribution Reserve"** is the reserve in the sum of  
10 \$500,000 established under the Plan on the Effective Date to pay Allowed Unsecured  
11 Claims.  
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**EXHIBIT "2"**

**To the Plan**

**LIQUIDATION TRUST AGREEMENT**

## **LIQUIDATION TRUST AGREEMENT**

**THIS LIQUIDATION TRUST AGREEMENT ("Agreement"), dated as of \_\_\_\_\_, 2003, is entered into by and among ADVANCED TELECOM GROUP, INC, ADVANCED TELECOM, INC., and SHARED COMMUNICATIONS SERVICES, INC. (collectively, "Debtors"), on the one hand, and CROSSROADS, LLC, as Trustee ("Liquidation Trustee" or "Trustee"), on the other hand, and is executed to facilitate the implementation of the First Amended Plan of Reorganization ("Plan") filed by Debtors.**

### **RECITALS**

**WHEREAS, on May 2, 2002 ("Petition Date"), Debtors filed voluntary petitions for relief under chapter 11 of Title 11 of the United States Code ("Code") in the United States Bankruptcy Court for the Northern District of California ("Court");**

**WHEREAS, United States Bankruptcy Judge Alan Jaroslovsky has presided over the cases, which have been jointly administered under Case No. 02-11073 ("Chapter 11 Cases");**

**WHEREAS, the Plan was confirmed by the Court on \_\_\_\_\_;**

**WHEREAS, the Plan contemplates, among other things, the distribution of certain Trust Assets to Creditors, all as defined and described in greater detail in the Plan and this Agreement;**

**WHEREAS, under the terms of the Plan, the Assigned Rights, the Unsecured Distribution Reserve, Distributable Cash, New Senior Investment Cash Consideration (subject to the escrow established by the Holdback Escrow Agreement) and Avoidance Claims (collectively defined as "Trust Assets" or "Assets") are to be transferred to this Trust so that the Trustee may (1) prosecute, settle or release all Assigned Rights and Avoidance Claims in accordance with the best interests of and for the benefit of the Creditors entitled to receive distributions under the Plan; (2) liquidate the Trust Assets; (3) prosecute objections to Class 4 Claims; (4) dispose of any non-liquid Assets in an orderly and expeditious manner; (5) resolve Disputed Claims; (6) make distributions to the holders of Allowed Fee Claims and holders of Allowed Claims in Classes 2A and 4 (as their respective interests may appear in accordance with the Plan), respectively, and to certain professionals of the Liquidation Trustee, the Administrative Agent and the Unsecured Creditors' Committee (the "Designated Professionals") in as prompt, efficient and orderly fashion as possible; (7) perform administrative services related to the implementation of the Plan; (8) employ professionals, including counsel and accountants, for assistance in fulfilling its obligations under the Plan; and (9) otherwise act in accordance with this Agreement, the Plan, and orders of the Court;**

**WHEREAS, the Plan also contemplates that the Trustee will pay Allowed Fee Claims to the respective holder thereof and certain fees and expenses of the Designated Professionals from funds of the Liquidation Trust ("Trust") and from additional funds received by the Trustee under the Expense Disbursement Letter, with such payments to be made as set forth in this Agreement, and that payments may be made by GEBPS as provided in Section 9.6(d) of the Plan to the Trust to be distributed to the holders of Class 2A Claims;**



**WHEREAS**, additional payments may be made by GEBPS under the Expense Disbursement Letter to the Trust, including in respect of certain administrative costs of Debtors through the Effective Date and pursuant to Section 4 of the Expense Disbursement Letter, which payments will be distributed by the Trust to the holders of Class 2A Claims;

**WHEREAS**, under the terms of the Holdback Escrow Agreement, funds may be paid to the Trustee, and thereafter distributed to the holders of Class 2A Claims;

**WHEREAS**, the corpus of the Trust, and all income earned on that corpus or otherwise, is to be distributed to holders of certain Claims and to discharge the legal obligations of Debtors under the Plan; and

**WHEREAS**, under the Plan and the Confirmation Order, effective as of the Effective Date, the Debtors will be deemed to have assigned, granted, transferred and delivered to the Trustees, on behalf of and for the benefit of the Creditors, control of, and all of the rights, title and interests in and to, the Trust Assets;

**NOW, THEREFORE**, in consideration of the premises and agreements contained in this Agreement, the parties agree as follows:

#### **DECLARATION OF TRUST**

In order to declare the terms and conditions of this Trust, and in consideration of the confirmation of the Plan under the Code, Debtors and the Trustee have executed this Agreement and, effective on the Effective Date of the Plan, all right, title and interest of Debtors in and to the Avoidance Claims, Unsecured Distribution Reserve, New Senior Investment Cash Consideration, Distributable Cash and Assigned Rights is to be irrevocably transferred to the Trustee, its successors and assigns forever;

**IN TRUST NEVERTHELESS**, under and subject to the terms of this Agreement and the Plan, for the benefit of the respective Creditors, the Designated Professionals, and their successors and assigns;

**PROVIDED**, however, that on termination of this Trust in accordance with Article VII, this Agreement will cease, terminate and be of no further force and effect.

#### **ARTICLE I**

##### **DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME**

**1.1 Defined Terms.** As used in this Agreement, capitalized terms have the meanings set forth below. Any term that is used in this Agreement but not defined below will have the meaning set forth in Exhibit 1 of the Plan, which is attached as Exhibit 1. Any term not otherwise defined in this Agreement or in the Plan, but that is defined in the Code or in the Rules, will have the meaning given to it in the Code or the Rules, as applicable.

1.2 **"Compensation Report"** means the written report furnished by the Trustee to the Administrative Agent, the Creditors' Committee, and any other party requesting it, in accordance with Section 3.1(b) of this Agreement.

1.3 **"Disposition"** means any sale, conveyance, transfer, assignment, liquidation, abandonment of Trust Assets by the Trustee.

1.4 **"Notice and Hearing"** means the notice and hearing provided for by the Code and Rules.

1.5 **Rules of Interpretation**. For purposes of this Agreement: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) any reference in this Agreement to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms means that the document will be substantially in that form or substantially on those terms; (c) any reference to an existing document or exhibit filed or to be filed means the document or exhibit, as it may have been or may be amended or supplemented pursuant to this Agreement; (d) any reference to the holder of a Claim includes all successors, assigns, and affiliates; (e) all references to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to this Agreement; (f) the words "herein," "hereunder," and "hereto" refer to the Agreement in its entirety rather than to a particular portion of it; (g) captions and headings to Articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Agreement; (h) subject to the provisions of any contract, articles of incorporation, code of regulations, similar constituent documents, instrument, release, or other agreement or document entered into in connection with the Agreement, the rights and obligations arising under this Agreement will be governed by, and construed and enforced in accordance with, federal law, including the Code and the Rules; and (i) the rules of construction in Section 102 of the Code will apply.

1.6 **Computation of Time**. In computing any period of time prescribed or allowed by the Agreement, the provisions of Rule 9006(a) will apply.

## ARTICLE II

### ACCEPTANCE OF TRUST

2.1 **Acceptance**. The Trustees hereby accepts the fiduciary duty imposed by this Agreement, and will observe and perform as a fiduciary of the Trust subject to the terms of this Agreement.

2.2 **Purpose**. This Trust is organized for the sole purposes of holding, investing, selling, administering, liquidating and distributing the Trust Assets and prosecuting the Assigned Rights and Avoidance Claims that Debtors have, with no objective to engage in the conduct of a trade or business. The Trustee will be empowered to and will make all distributions from New Senior Investment Cash Consideration, Distributable Cash and the Unsecured Distribution Reserve required to be made under the Plan. The Trustee will be authorized and empowered to

(a) prosecute, settle or release all Assigned Rights and Avoidance Claims, in accordance with the best interest of and for the benefit of the respective Creditors entitled to receive distributions under the Plan; (b) liquidate the Trust Assets; (c) prosecute objections to Class 4 Claims; (d) dispose of any non-liquid Assets in an orderly and expeditious manner; (e) resolve Class 4 Disputed Claims; (f) make distributions to the holders of Allowed Fee Claims, and holders of Allowed Claims in Classes 2A and 4 (as their respective interests may appear in accordance with the Plan) and to the Designated Professionals in as prompt, efficient and orderly fashion as possible; (g) perform administrative services related to the implementation of the Plan; (h) employ professionals, including counsel and accountants, to assist in fulfilling its obligations under the Plan; and (i) otherwise act in accordance with this Agreement, the Plan, and orders of the Court.

**2.3 Tax Issues.** The Trustee will report the Trust for federal income tax purposes as a "liquidating trust" as defined in Treasury Regulations Section 3017701-4(d) and Rev. Proc. 94-45, 1994-28 I.R.B. 124, and as a "grantor trust," with Persons entitled to receive distributions under the Plan treated as the grantors and the deemed owners of the Trust, subject to the provisions of subpart E of Subchapter J of Chapter 1 (sections 671 through 679) of the Internal Revenue Code of 1986, as amended, unless otherwise required. The transfer of the Assets to the Trust will be treated, for federal tax purposes, as a deemed transfer to the Persons entitled to receive distributions under the Plan, followed by a deemed transfer by those Persons to the Trust. The Trustees will prepare and provide to or file with the appropriate parties such notices, tax returns and other filings as may be required by the above or other provisions of the Internal Revenue Code of 1986, as amended, and any regulations or rulings promulgated thereunder, and as may be required by applicable federal and state law.

### ARTICLE III

#### GENERAL OBLIGATIONS OF THE TRUSTEE

##### **3.1 Reports.**

(a) **Quarterly and Semi-Annual Reports.** The Trustee will submit to the Court, the Creditors' Committee and the Administrative Agent within 30 days after the end of each calendar quarter for the first year after the Effective Date, and semi-annually thereafter (within 30 days after the end of each semi-annual period), a written report setting forth the activities and financial condition of the Trust, including: (1) all transactions consummated during the report period and their amounts (including all amounts collected, dispositions, settlements of Disputed Claims, distributions to Persons entitled to receive distributions under this Agreement, fees paid to the Trustee, employees, consultants to and professionals for the Trust, and other expenditures); and (2) the status of all Assigned Rights, Avoidance Claims, Unsecured Distribution Reserve and cash available to pay fees and expenses of its employees, consultants and the Trustee (including fees and expenses of its professionals) and to pay Allowed Fee Claims and other amounts payable by the Trustee as of the end of the report period, except to the extent that the Trustee believes that a general disclosure might negatively affect any litigation or its settlement.

(b) **Monthly Reports.** On a monthly basis, by no later than the 25th of every month, the Trustee will submit to the Administrative Agent and the Creditors' Committee a Compensation Report setting forth, for the Trustee and Designated Professionals: (1) a detailed summary of its respective activities with respect to the Trust; and (2) the compensation, fees and expenses sought to be paid from the Trust Assets for those activities pursuant to Section 5.5.

**3.2 Investment Obligations.** Distributable Cash will be invested by the Trustee in accordance with section 345 of the Code, or as specified by a Final Order of the Court. The Trustee will invest in such temporary, liquid investments as: (a) direct obligations of, or obligations guaranteed by, the United States of America; (b) obligations of any agency or corporation which is or may be created by or pursuant to any act of the Congress of the United States as an agency or instrumentality thereof; or (c) such other obligations or instruments as are approved by the Court; provided, however, that the Trustee may, to the extent it may deem necessary in its sole and absolute discretion to implement the provisions of this Trust, deposit moneys in demand or time deposits at any bank or trust company. Investments will mature in such amounts and at such times as the Trustee may deem necessary, with sole and absolute discretion to provide funds when needed to make payments from the Trust Assets. Any investment purchased with Trust Assets will be deemed a part of the Trust Assets. All interest and distributions received by the Trustee in respect of investments constituting part of the Trust Assets will be a part of the Trust Assets. If at any time it becomes necessary to redeem or sell some or all of the investments constituting Trust Assets in order to comply with this Agreement, the Plan or the Distributable Cash, the Trustee will effect the redemption or sale in such manner and at such time as the Trustee, in its discretion, deems reasonable.

**3.3 Acceptance of the Trust Assets.** On the Effective Date or as soon thereafter as is practicable, Debtors will transfer and assign or cause to be transferred and assigned to the Trustee all of the Trust Assets. The Trustee will accept all the Trust Assets and assume Debtors' obligations to make distributions of the Trust Assets in accordance with the Plan.

**3.4 Distributions.** The Trustee will make all distributions of Distributable Cash, New Senior Investment Cash Consideration, and the Unsecured Distribution Reserve and proceeds of Assigned Rights and Avoidance Claims required to be made under the Plan. Before the Trust is terminated, all Trust Assets will be reduced to cash. The Plan will govern all distributions to Creditors.

**3.5 Plan Implementation Services.** The Trustee is authorized to take any actions it deems necessary to perform the obligations of the Trust. The Trustee may retain the services of professionals necessary to assist and advise it in performing its duties.

## ARTICLE IV

### **POWERS AND RIGHTS OF THE TRUSTEE**

**4.1 Title.** The Trustee will hold legal title to all the Trust Assets, except that the Trustee will have the power to cause legal title or evidence of legal title to any Trust Assets to be

held by any nominee or other person on such terms, in such manner and with such power as the Trustee may determine.

**4.2 Settlement of Disputed Claims.** The Trustee may effect settlement of Disputed Claims as follows:

(a) The Trustee is authorized to settle without notice and a hearing any Disputed Claims when the amount of the Allowed Claim resulting from the settlement is less than \$50,000, but thereafter will report the settlement under Section 3.1(a).

(b) In all other instances, the Trustee is authorized to settle any Disputed Claim only after notice and a hearing.

**4.3 Prosecution and Settlement of Rights of Action.**

(a) Subject to Sections 4.3(b) and (c), the Trustee will be empowered to and will at its discretion prosecute or settle all Assigned Rights and Avoidance Claims.

(b) The Trustee is authorized to settle any Assigned Rights and Avoidance Claims without notice and a hearing, if the amount originally sought by the Trustee on account of the Assigned Rights or Avoidance Claims is less than \$50,000, but thereafter will report the settlement under Section 3.1(a).

(c) In all other instances, the Trustee is authorized to settle all Assigned Rights or Avoidance Claims only after notice and a hearing.

**4.4 Additional Powers.** Except as otherwise provided in this Agreement, in the Plan and subject to the jurisdiction of the Court, the Trustee will have, without prior or further authorization, control and authority over the Trust Assets, their acquisition, management and Disposition. No person dealing with the Trust will be obligated to inquire as to the authority of the Trustee in connection with the acquisition, management or Disposition of the Trust Assets. In connection with the management and use of the Trust Assets, the powers of the Trustee, except as otherwise expressly limited in this Agreement and in the Plan, will include but not be limited to, the following: (a) to accept the Trust Assets transferred from Debtors; (b) to distribute the Trust Assets in accordance with the Plan and this Agreement; (c) to prosecute all Assigned Rights and Avoidance Claims; (d) to prosecute and defend all actions affecting the Trust and to compromise or settle any suits, Claims or demands, or waive or release any rights relating to the Trust, subject to the same limitations for settling Disputed Claims, Assigned Rights and Avoidance Claims provided in Sections 4.2 and 4.3; (e) to endorse the payment of notes or other obligations of any person or to make contracts with respect thereto; (f) to purchase insurance with such coverage and limits as it reasonably deems necessary, including without limitation, insurance covering liabilities of the Trustee incurred in connection with its service as Liquidation Trustee; (g) to appoint, engage or employ such professionals as the Liquidation Trustee deem necessary or desirable in its discretion (which may include Persons employed by the Debtors if, in the determination of the Trustee, those Persons will assist the Trustee in discharging its obligations in an efficient manner); (h) to deposit any monies or securities with any one or more banks, trust companies or other banking institutions upon such terms as the

Trustee determines subject to the provisions of Section 3.2; and (i) to engage in all acts necessary and reasonable in performing the obligations of administrative trustees under a trust of the type provided for in this Agreement and the Plan.

**4.5 Prohibition on Borrowing.** Notwithstanding anything to the contrary in this Agreement, the Trustee will not borrow any funds.

**4.6 Unsecured Distribution Reserve.** The Trustee will distribute the Unsecured Distribution Reserve to the holders of Class 4 Claims as set forth in the Plan.

## ARTICLE V

### THE LIQUIDATION TRUSTEE

**5.1 Resignation.** The Trustee may resign as trustee by giving written notice of resignation to the Administrative Agent and the Creditors' Committee, provided that the Trustee will continue to serve as a Trustee after its resignation until the time when appointment of a successor Trustee becomes effective in accordance with Section 5.3.

**5.2 Removal.** Upon notice and a hearing, the Court may at any time remove the Trustee, for cause shown, provided that the Trustee will continue to serve as Trustee until the time when appointment of a successor Trustee becomes effective in accordance with Section 5.3.

**5.3 Appointment of Successor Trustee.** In the event of the death (in the case of a Trustee that is a natural person), resignation, dissolution (in the case of a Trustee that is not a natural person), incompetency or removal of a Trustee, the Administrative Agent and the Creditors' Committee will appoint a successor Trustee. The appointment may specify the date on which it will be effective. Every successor Trustee will execute, acknowledge and file with the Court an instrument accepting the appointment. Thereupon the successor Trustee, without further act, deed or conveyance, will become bound by this Agreement and vested with all rights, powers, trusts and duties of the retiring Trustee.

**5.4 Trust Continuance.** The death, resignation, incompetency or removal of the Trustee will not terminate the Trust created by this Agreement, revoke any existing agency created by this Agreement or invalidate any action previously taken by the retiring Trustee. In the event of the resignation or removal of the Trustee, the retiring Trustee will promptly execute and deliver such documents, instruments and other writings as may be requested by the successor Trustee to (a) effect the change in the retiring Trustee's capacity under this Agreement and (b) the conveyance of Assets then held by the retiring Trustee to its successor. The retiring Trustee will otherwise cooperate in effecting the assumption by its successor Trustee of its obligations and functions.

**5.5 Compensation of Trustee and Professionals.**

(a) The Trustee will be entitled, on the terms of the budget set forth on Exhibit 2, to compensation and reimbursement of necessary fees and expenses reasonably incurred in performing its duties as Trustee. Any successor Trustee will receive such reasonable

compensation for its services as may be approved by the Administrative Agent and the Creditors' Committee and will also be entitled to reimbursement for necessary fees and expenses reasonably incurred in performing its duties as Trustee. Professionals retained by the Trustee will also be entitled to compensation and reimbursement for necessary fees and expenses in accordance with the terms of their respective retainer agreements, which terms will be subject to approval by the Trustee, unless previously approved by the Court in the Chapter 11 Cases.

(b) No professional will be required to file a fee application in connection with services rendered after the Confirmation Date. However, all professionals but will submit invoices to the Trustee detailing the services rendered and the compensation and fees and expenses sought. The Trustee will include any such invoices in the next Compensation Report to be submitted pursuant to Section 3.1(b). Except to the extent a written objection to a Compensation Report is received by the Trustee within 15 days of service of the Compensation Report, the Trustee will pay to itself, its professionals and any other professionals all compensation and fees and expenses in the amounts set forth in the Compensation Report. Pending resolution of any objections, the Trustee will pay all undisputed amounts set forth in the Compensation Report. The Trustee will use reasonable efforts to resolve any objections to a Compensation Report within 15 days after receipt. If no consensual resolution is reached within that time, the objection will be resolved by a hearing before the Court, and the Trustee will pay the amount, if any, ordered by the Court after hearing.

**5.6 Standard of Care; Exculpation.** The Trustee will perform the duties and obligations imposed on it by this Agreement with reasonable diligence and care under the circumstances. The Trustee will not be personally liable to the Trust or to Persons entitled to receive distributions of Assets under the Plan except for such of its own acts as constitute fraud, bad faith, willful misconduct, gross negligence or willful disregard of its duties. Except as aforesaid, the Trustee will be entitled to be exonerated and indemnified from time to time from the Trust Assets against all losses, claims, costs, expenses (including the costs of defense), and liabilities arising out of or in connection with the Trust Assets or the affairs of the Trust. The provisions of this Section 5.6 will also extend to the employees, consultants and agents of the Trustee, as the case may be, except with respect to professionals. The Court may require the Trustee to post a fidelity bond of the type typically required of a Chapter 7 bankruptcy trustee and in an amount to be approved by the Court, provided that the cost of such bond will be reimbursed to the Trustee as a necessary expense item under Section 5.5(a) above.

**5.7 Reliance by Trustee.** The Trustee may conclusively rely, and will be fully protected in acting on any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order or other instrument or document which it has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of cables, telecopies and telexes, to have been sent by the proper party or parties, in each case without obligation to satisfy itself that the same was given in good faith and without responsibility for errors in delivery, transmission or receipt. In the absence of its fraud, bad faith, willful misconduct, gross negligence, or willful disregard of its duties, the Trustee may conclusively rely as to the truth of statements and correctness of the facts and opinions expressed therein and will be fully protected personally in acting thereon. The Trustee may consult with legal counsel and will be fully protected in respect of any action taken or suffered in accordance

with the opinion of legal counsel. The Trustee will have the right at any time to seek instructions from the Court concerning the acquisition, management or Disposition of the Trust Assets.

## **ARTICLE VI**

### **RETENTION OF JURISDICTION**

**6.1 Retention of Jurisdiction.** The Court will have jurisdiction over the Trust, the Trustee and the Trust Assets, as further provided for in the Plan, including the determination of all controversies and disputes arising under and in connection with the Trust or this Agreement.

## **ARTICLE VII**

### **TERMINATION**

**7.1 Termination.** The Trust will terminate on fulfillment of its purpose or within three years after the effective date of this Agreement (as set forth in Section 8.2), whichever first occurs. Notwithstanding the foregoing, if the Trustee has been unable, after reasonable effort, to conclude the liquidation of the Trust Assets within the initial three year periods of this Agreement, the Trustee will have the right to extend the term of the Trust for successive one-year terms until the Trustee has filed a final report with the Court indicating fulfillment of the purpose of the Trust and the Court has approved that final report.

## **ARTICLE VIII**

### **MISCELLANEOUS**

#### **8.1 Notices.**

(a) All notices, requests or other communications, required or permitted to be made under this Agreement, including any change of address of any Person for the purpose of receiving distributions, will be in writing and will be delivered (1) personally, (2) by telecopy (confirmed by first class mail or express mail), or (3) mailed by first class mail.

(b) Notices will be deemed to have been given when received or, if mailed by first class mail, seven days after the date of mailing, postage prepaid, or, if express mailed, the next business day after the date of mailing. However, a proper notice of change of address will be effective for a distribution if received at least 30 days in advance of the distribution date.

(i) if to the Liquidation Trustee, at:

Crossroads, LLC  
9 Executive Circle, Suite 190  
Irvine, CA 92614



- (ii) Craig Stuppi  
Sheppard, Mullin, Richter & Hampton LLP  
4 Embarcadero Center, 17<sup>th</sup> Floor  
San Francisco, CA 94111
- (iii) If to any other Persons entitled to notice, at the respective addresses that such Persons entitled to notice have provided to the Liquidation Trustee.

(c) Any Person may change the address at which it is to receive notices under this Agreement by furnishing written notice to the Trustee pursuant to this Section 8.1.

**8.2 Effectiveness.** This Agreement will become effective on the Confirmation Date.

**8.3 Counterparts.** This Agreement may be executed in two or more counterparts, all of which will be taken together to constitute one and the same instrument.

**8.4 Governing Law.** Except to the extent that the Code is applicable, the rights and obligations under this Agreement will be governed by, construed under and interpreted in accordance with, the laws of the State of California without reference to its conflicts of law rules.

**8.5 Headings.** Sections, subheadings and other headings used in this Agreement are for convenience only and will not affect the construction or interpretation of this Agreement or any of its provisions.

**8.6 Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will not invalidate its remaining provisions, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable the provision in any other jurisdiction.

**8.7 Amendments.** The Trustee, with the approval of the Court, may amend this Agreement from time to time.

**IN WITNESS WHEREOF,** the parties have executed this Agreement or caused this Agreement to be duly executed by their duly authorized representatives as of the day and year first above written.

\_\_\_\_\_  
By: CROSSROADS, LLC  
As Liquidation Trustee

\_\_\_\_\_  
By: ADVANCED TELECOM GROUP, INC.

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By: ADVANCED TELECOM, INC.

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By: SHARED COMMUNICATIONS  
SERVICES, INC.

**EXHIBIT 1**  
**DEFINITIONS**

**EXHIBIT 2**

**[Budget To Be Attached]**

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**EXHIBIT "3"**

**To the Plan**

**SCHEDULE OF ASSUMED EXECUTORY CONTRACTS  
AND UNEXPIRED LEASES**

**(To be filed with the Court and served on or before March 19, 2003)**