

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION

IN RE:	§	
UPH HOLDINGS, INC.	§	CASE NO. 13-10570
PAC-WEST TELECOMM, INC.	§	CASE NO. 13-10571
TEX-LINK COMMUNICATIONS, INC.	§	CASE NO. 13-10572
UNIPOINT HOLDINGS, INC.	§	CASE NO. 13-10573
UNIPOINT ENHANCED SERVICES, INC.	§	CASE NO. 13-10574
UNIPOINT SERVICES, INC.	§	CASE NO. 13-10575
NWIRE, LLC	§	CASE NO. 13-10576
PEERING PARTNERS COMMUNICATIONS, LLC	§	CASE NO. 13-10577

RECEIVED-FPSC  
13 APR -5 PM 3:30  
COMMISSION CLERK

DEBTORS. § CHAPTER 11

EIN: 45-1144038; 68-0383568; 74-2729541; 20-3399903; 74-3023729; 38-3659257; 37-1441383; 27-2200110; 27-4254637

6500 RIVER PL. BLVD., BLDG. 2, # 200 § JOINT ADMINISTRATION  
AUSTIN, TEXAS 78730 § REQUESTED

**DEBTORS' EMERGENCY MOTION PURSUANT TO 11 U.S.C. § 363 FOR (1) AUTHORITY TO USE CASH COLLATERAL IN THE ORDINARY COURSE, (2) PROVIDE ADEQUATE PROTECTION, AND (3) SCHEDULING FINAL HEARING**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

COMES NOW UPH Holdings, Inc., ("UPH"), Pac-West Telecomm, Inc., ("Pac-West"), Tex-Link Communications, Inc. ("Tex-Link"), UniPoint Holdings, Inc. ("UniPoint Holdings"), UniPoint Enhanced Services, Inc. ("UniPoint Enhanced"), UniPoint Services, Inc., ("UniPoint Services"), nWire, LLC ("nWire"), and Peering Partners Communications, LLC ("Peering Partners") (collectively the "Debtors"), debtors-in-possession, and file this, their Emergency Motion for an Order Pursuant to 11 U.S.C. § 363 for (I) Authority to Use Cash Collateral in the Ordinary Course, (II) Provide Adequate Protection, and (III) for Preliminary and Final Hearings

(the "Cash Collateral Motion"). In support thereof, the Debtors respectfully show the Court as follows:

### **I. SUMMARY OF THE MOTION**

1. The Debtors seek, pursuant to §§ 105, 361, 362, and 363 of Chapter 11 of title 11 of the United States Code ("Bankruptcy Code") and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules") and Local Bankruptcy Rule 4001, immediate interim of an order in substantially the form attached hereto as Exhibit A: (I) authorizing the Debtors' use of cash collateral as that term is defined in section 363 of the Bankruptcy Code ("Cash Collateral"); (II) providing adequate protection under sections 361 and 363 of the Bankruptcy Code; and (III) scheduling a final hearing pursuant to Bankruptcy Rule 4001 (the "Final Hearing"). At the Final Hearing, the Debtors will request entry of a final order granting the Cash Collateral Motion. A Motion for Joint Administration has been concurrently filed herewith, requesting joint administration of the above-referenced chapter 11 cases.

### **II. EMERGENCY CONSIDERATION**

2. The Debtors have requested emergency consideration of this motion. The relief requested is necessary to continue the operation of the Debtors' businesses and maintain their value as a going concern. Without immediate cash collateral use, the Debtors will not be able to continue their operations or pay expenses incurred in the ordinary course of its business. As such, the Debtors believe that emergency consideration is necessary.

### **III. JURISDICTION AND VENUE**

3. This Court has jurisdiction over this case and this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the standing order of reference of the United States District Court for the Western District of Texas. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A) and (M). Venue is proper in this Court under 28 U.S.C. §§ 1408 and 1409.

#### **IV. FACTUAL BACKGROUND**

4. On March 28, 2013 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue in possession of their property and management of their business as debtors-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108.

5. A description of the background of the Debtors and the events leading up to the filing of the voluntary petitions by the Debtors, is provided in the Declaration of J. Michael Holloway in Support of First Day Motions, which is incorporated herein by reference.

6. No prior request for the relief requested in this Motion has been made.

##### **A. Corporate Organization**

7. The Debtors are a group of affiliated entities that provide telecommunication services in a variety of contexts including voice over Internet protocol ("VoIP"), local exchange and enhanced telecommunications and data services. A brief background of each of the Debtors follows

##### ***(a) UPH Holdings, Inc.***

8. UPH is a Delaware corporation headquartered in Austin, Texas. UPH is a privately held, non-operating holding company. UPH holds all the issued and outstanding shares of stock of UniPoint and Pac-West. UPH does not currently hold any authorizations to provide telecommunications services. UPH initially was formed to hold the stock of UniPoint and its subsidiaries. Pursuant to a Reorganization dated as of August 30, 2011 (the "Pac West Merger"), among other things, UPH became the parent company of Pac-West.

##### ***(b) UniPoint Holdings, Inc.***

9. UniPoint Holdings, a Delaware corporation, provides enhanced product and service offering to meet the needs of rapidly evolving communications world, primarily in the

wholesale arena. Products and services offered by UniPoint Holdings include: business and residential communications services, IP peering, unbundled VoIP network elements, direct Internet access, virtual private networks, virtual network elements, origination, termination, toll-free, and other cloud-based services. UniPoint Holdings was formed in 2001 to acquire the assets of PointOne Communications, Inc. and its various subsidiaries out of the chapter 11 reorganization case, *In re PointOne Communications, Inc.*, in the United States Bankruptcy Court for the Western District of Texas, Case No. 01-12978-FRM.

*(c) Pac-West Telecomm, Inc.*

10. Pac-West, a California corporation, provides advanced telecommunications and data services, enabling traditional and next-generation carriers to efficiently design, deploy, and deliver integrated communications solutions. Pac-West offers origination, termination, managed modem, co-location, database, and transport services. Pac-West currently operates as a competitive local exchange carrier ("CLEC") and holds a certificate of public convenience and necessity ("CPCN") in California, Alabama, Arizona, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, Wisconsin, and Wyoming. Pac-West is also certified as a competitive carrier in the District of Columbia. Pac-West currently offers all forms of telecommunications, including: local and long distance origination and termination; switched and special access; 8YY originating access and 8YY services; managed modem; and collocation services.

*(d) Peering Partners Communications Holdings, LLC*

11. Peering Partners is a Texas limited liability company ("LLC"), qualified to do business in the State of Nevada. Peering Partners was formed for the purposes of acquiring the

carrier services division of CommPartners Holding Corporation (“CommPartners”)<sup>1</sup> that provides wholesale origination and termination services to other carriers throughout the United States. Peering Partners has contracts with either enhanced service providers (“ESPs”), who generate IP-based traffic, or other carriers who, in turn, have contracted with ESPs, who generate IP-based traffic, to have the traffic carried across Peering Partners’ network, convert the traffic to TDM and hand it off to the terminating carrier. Peering Partners operates in a highly competitive and price sensitive segment.

*(e) NWire LLC*

12. NWire, a Texas LLC, is a facilities-based CLEC certified to provide services in Texas, Arkansas, and Oklahoma.

*(f) UniPoint Services, Inc.*

13. UniPoint Services is a Texas corporation that buys and sells unbundled network communications elements.

*(g) UniPoint Enhanced Services, Inc.*

14. UniPoint Enhanced is a Texas corporation that provides enhanced services.

*(h) Tex-Link Communications, Inc.*

15. Tex-Link is a telecommunications company that provides customized voice and data services to small and medium sized businesses through a facilities-based local exchange and inter-exchange network.

**B. Events Leading up to the Petition Date**

16. Following the PacWest Merger, the Debtors have struggled to retire overhang debt predating the merger. In addition, carrier services and other wholesale services are subject

---

<sup>1</sup> The acquisition of the CommPartners Carrier Services division closed on December 23, 2010, and was approved in In re CommPartners Holding Corporation, Case No. BK-S-10-20932-LBR; in the United States Bankruptcy Court for the District of Nevada.

to increasing downward price pressures that will only increase given recent regulatory pronouncements. In addition, the Ninth Circuit recently reversed the ruling of the California PUC concerning certain CLEC-to-CLEC state access tariff charges that Pac-West had been awarded from Comcast Phone of California and other California CLECs.<sup>2</sup> This reversal will also potentially affect access tariffs collected in other states. Economically, this ruling means that access tariffs paid to Pac-West 5-10 years ago will now have to be refunded to various sister CLECs. Further, although the CLECs are owed the refund, those same CLECs and various affiliates owe the Debtors a roughly equal amount, but refuse to offset these sums and are now threatening disconnection of services to the Debtors or other collection remedies.

17. To avoid the loss of any of its network facilities or functionality, the Debtors determined to initiate these proceedings to maximize the value of the estate for the benefit of all creditors, to provide a forum for resolution of the offsetting accounts, and to treat each of the Debtors' creditors *pari passu*.

18. Although Debtors continue to struggle with overhang debt and the Ninth Circuit reversal, recent regulatory rulings will provide the necessary certainty that has eluded competitive exchange carriers, enhanced service providers and VoIP networks for nearly two decades. Without the burden of overhang debt, the Debtors have positive cash flow and anticipate additional revenue growth.

**C. The Underlying Loan Documents**

19. The Debtors and Hercules Technology II, L.P. ("Lender") entered into a Loan and Security Agreement and Term Note on April 12, 2011, pursuant to which Lender loaned the Debtors the original principal sum of \$8,000,000.00 (the "Loan Agreement"). The Loan Agreement was modified by a First Amendment effective as of August 31, 2012 (the "First

---

<sup>2</sup> AT&T Communications of California, Inc. v. Pac-West Telecomm, Inc., 651 F.3d 980 (9th Cir. 2011).

Amendment”) and a Second Amendment effective as of November 30, 2012 (the “Second Amendment”). The Second Amendment facilitated certain covenant changes and provided additional borrowing to enable UPH’s acquisition of Pac-West and its subsidiaries. Concurrently with the Second Amendment, the Debtors borrowed an additional principal amount of \$3,594,175.68 from the Lender, repayment of which is evidenced by a Secured Term Promissory Note of even date (which, together with the Loan Agreement, the First Amendment, the Second Amendment, and all other documents and agreements executed in connection therewith and/or in contemplation thereof, are collectively referred to herein as the “Prepetition Loan Documents”).

20. Concurrently with the Second Amendment, UPH entered into five Secured Subordinated Promissory Notes totaling \$600,000.00 with PacWest Acquisition Company, LLC (n/k/a Pac-West) (\$475,000), JMH Partnership, L.P. (\$30,000), Flanary Holdings, L.P. (\$30,000), SRS Partners (\$30,000), and Gary D. Egger (\$35,000), (collectively, the “Sub-Debt”). The Sub-Debt, in turn, is subject to a Subordination Agreement between the holders of the Sub-Debt and the Lender (the “Subordination Agreement”). Pursuant to the Subordination Agreement, the Sub-Debt is prohibited from, among other things, demanding or receiving any payment or exercising any remedy. (¶ 3). In addition, the Sub-Debt holders appointed the Lender as attorney-in-fact for certain things. (¶6). Because the Sub-Debt pertains only to UPH, a non-operating holding company, the Debtors believe the Sub-Debt is not secured by assets or proceeds of assets that are “Cash Collateral.”

21. Pursuant to Prepetition Loan Documents, the Debtors are indebted to the Lender in the aggregate principal amount of not less than \$10,531,673.68, plus accrued and unpaid interest, attorneys’ fees, costs and expenses (collectively, the “Prepetition Indebtedness”), all as provided in the Prepetition Loan Documents, as of the Petition Date. The Prepetition

Indebtedness is secured by a valid, perfected blanket first priority security interest and lien on all of the Debtors' property and assets, including the proceeds, products, rents and profits therefrom, all as more particularly described in the Prepetition Loan Documents (collectively, the "Prepetition Collateral") subject only to any prior liens described in or otherwise permitted by the Prepetition Loan Documents.

**V. RELIEF REQUESTED AND AUTHORITIES IN SUPPORT**

22. The Debtors seek, among other things, that the Court enter interim and final orders pursuant to Bankruptcy Code sections 105, 361, 362, and 363 (the "Interim Order" and "Final Order," respectively, and collectively, the "Cash Collateral Orders") authorizing the Debtor's use of the Lender's Cash Collateral.<sup>3</sup>

23. The Debtors require immediate authority from the Court to use the Lender's Cash Collateral in the ordinary course of their business and on an interim basis to avoid irreparable harm until there is a final hearing on this Motion. Attached hereto as Exhibit "A" is the Debtors' budget for the use of Cash Collateral for the period April 1, 2013 through July 31, 2013 ("Budget"). The Budget shows that the Debtors have positive cash flow on a non-debt service basis. The Budget further shows that the Debtors build cash over the entire budget period.

24. Debtors request the authority to use Lender's Cash Collateral to pay their ordinary and necessary operating expenses and, thereby, preserve the going concern value of their business and assets. Like any other telecommunications service business, the failure to maintain operations without interruption may cause customers and other carriers to assert claims for recoupment and setoff for the Debtors' failure to maintain network elements and connectivity. In turn, the failure to maintain uninterrupted operations will result in a grave deterioration in the value of the Debtors' accounts receivable and going concern value. The use of Lender's Cash

---

<sup>3</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Cash Collateral Orders.



Collateral will enable the Debtors to maintain their network functionality for their customers and, thereby, maintain their going concern pending a sale of all or substantially all their assets or confirmation of a plan of reorganization.

25. Section 363(c)(2) of the Bankruptcy Code authorizes the trustee or debtor in possession to use, sell, or lease “cash collateral” under subsection (c)(1) if:

- (i) each entity that has an interest in such cash collateral consents; or
- (ii) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.

26. “Cash collateral” is defined as “cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents whenever acquired in which the estate and an entity other than the estate have an interest and includes the proceeds, products, offspring, rents, or profits of property and . . .” 11 U.S.C. § 363(a).

27. The Debtors require authority to use Lender’s Cash Collateral for an interim period and beyond, to pay the necessary post-petition expenses identified in the Budget, in order to preserve and continue their business until a plan of reorganization is confirmed or a sale of all or substantially all their assets is approved and closes.

28. The immediate approval of the use of the Lender’s Cash Collateral is consistent with (i) Bankruptcy Code goals of maintaining the going concern of a debtor’s business operations to facilitate and facilitating a successful reorganization under chapter 11 of the Bankruptcy Code; and (ii) the law under 11 U.S.C. §§ 363 and 361 as to the use of cash collateral and adequate protection.

29. The Bankruptcy Code contemplates a debtor’s use of collateral during the reorganization of its business. Sections 102(1) and 363 of the Bankruptcy Code provide that collateral may be used upon notice and opportunity for a hearing appropriate in the particular

circumstances. Relief may be authorized without an actual hearing if there is insufficient time available and adequate protection has been provided. 11 U.S.C. § 363(e). The combination of the Debtors' emergency needs to satisfy post-petition obligations and operating needs, such as payroll and payroll taxes, insurance, rent, and deposits to service providers, together with the provision of adequate protection, are sufficient justification to authorize the interim use of Lender's Cash Collateral as set forth herein and in the Interim Order. *In re Triplett*, 87 B.R. 25 (Bankr.W.D.Tex. 1988); *In re Cafeteria Operators, L.P.*, 299 B.R. 400, 410 (Bankr.N.D.Tex. 2003); *In re McCombs Properties VI, Ltd.*, 88 B.R. 261, 268 (Bankr.C.D.Cal. 1988).

30. Section 361 of the Bankruptcy Code sets forth various types of adequate protection which the Debtors may provide:

- (i) making periodic cash payments to the extent that the creditor suffers a decrease in the value of its interest in such property;
- (ii) granting replacement liens in collateral to compensate the creditor for any decrease in the value of the creditor's interest in such property; or
- (iii) granting other relief as will result in the realization of the indubitable equivalent of the creditor's interest in collateral.

31. The Debtors propose to provide periodic payments to the Lender in the amounts and at the times set forth in the Budget, replacement liens on the Debtors' post-petition assets and property and proceeds therefrom, including accounts receivable, and an administrative expense claim, consistent with 11 U.S.C. § 361 and as more particularly delineated in the Interim Order. In addition, the Debtors propose granting the Lender a super-priority administrative priority claim to the extent the adequate protection proves insufficient pursuant to 11 U.S.C. § 507(b). The Interim Order provides the payment of post-petition interest at the non-default rate and a 60 day window for parties in interest other than the Debtors to file challenges to the

Lender's claims and security interests or otherwise file claims against the Lender. Further, the Interim Order prohibits the use of Cash Collateral to pursue claims against the Lender.

32. Other relevant terms of the Interim Order that is served concurrently with this Motion include (a) a Carve-Out for professionals (not to exceed \$400,000 inclusive of pre-filing retainers as of the Petition Date) and U.S. Trustee Fees, and (b) other traditional terms and conditions that conform to the Comments to Cash Collateral and DIP Financing Checklist in the Local Rules for this District. The Debtors respectfully request that this Court authorize the Debtors' use of Lender's Cash Collateral under 11 U.S.C. § 363 to pay their ordinary expenses which are necessary to operate and maintain, preserve and protect the Debtors' businesses in the amounts and at the times set forth in the Budget. The Debtors' use of Lender's Cash Collateral, pursuant to the terms of the Budget and the Cash Collateral Order, is consistent with the Debtors' fiduciary duties and is in the best interests of the Debtors and their estates and their creditors.

WHEREFORE, PREMISES CONSIDERED the Debtors respectfully request that the Court enter an order (a) granting the Motion by authorizing the Debtors' interim use of Lender's Cash Collateral; (b) scheduling the Final Hearing and granting the Motion on a final basis pursuant to the Final Order (a draft of which will be circulated to parties-in-interest in advance of the Final Hearing); and (c) granting such other and further legal and equitable relief as the Court may deem just and proper.

Dated: March 28, 2013.

Respectfully submitted,

JACKSON WALKER L.L.P.  
100 Congress Ave., Suite 1100  
Austin, Texas 78701  
(512) 236-2000  
(512) 236-2002 - FAX

By: /s/ Patricia B. Tomasco

Patricia B. Tomasco  
State Bar No. 01797600  
(512) 236-2076 – Direct Phone  
(512) 691-4438 – Direct Fax  
Email address: [ptomasco@jw.com](mailto:ptomasco@jw.com)

Jennifer F. Wertz  
State Bar No. 24072822  
(512) 236-2247 – Direct Phone  
(512) 391-2147 – Direct Fax  
Email address: [jwertz@jw.com](mailto:jwertz@jw.com)

**PROPOSED COUNSEL FOR  
DEBTORS-IN-POSSESSION**

**CERTIFICATE OF SERVICE**

I hereby certify that on the 28th day of March 2013, a true and correct copy of the foregoing has been served either electronically or via United States mail, postage prepaid, or facsimile to the following, and upon the parties listed on the attached service list.

U.S. Trustee  
903 San Jacinto, Room 230  
Austin, TX 78701

Stuart Komrower  
Ilana Volkov  
COLE, SCHOTZ, MEISEL, FORMAN & LEONARD, P.A.  
25 Main Street  
Hackensack, New Jersey 07601

*/s/ Patricia B. Tomasco*  
\_\_\_\_\_  
Patricia B. Tomasco

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION**

<b>IN RE:</b>	§	
<b>UPH HOLDINGS, INC.</b>	§	<b>CASE NO. 13-10570</b>
<b>PAC-WEST TELECOMM, INC.</b>	§	<b>CASE NO. 13-10571</b>
<b>TEX-LINK COMMUNICATIONS, INC.</b>	§	<b>CASE NO. 13-10572</b>
<b>UNIPOINT HOLDINGS, INC.</b>	§	<b>CASE NO. 13-10573</b>
<b>UNIPOINT ENHANCED SERVICES, INC.</b>	§	<b>CASE NO. 13-10574</b>
	§	
<b>UNIPOINT SERVICES, INC.</b>	§	<b>CASE NO. 13-10575</b>
<b>NWIRE, LLC</b>	§	<b>CASE NO. 13-10576</b>
<b>PEERING PARTNERS COMMUNICATIONS, LLC</b>	§	<b>CASE NO. 13-10577</b>
	§	
	§	
<b>DEBTORS.</b>	§	<b>CHAPTER 11</b>
	§	
	§	
<b>EIN: 45-1144038; 68-0383568; 74- 2729541; 20-3399903; 74-3023729; 38- 3659257; 37-1441383; 27-2200110; 27- 4254637</b>	§	
	§	
	§	
<b>6500 RIVER PL. BLVD., BLDG. 2, # 200 AUSTIN, TEXAS 78730</b>	§	<b>JOINT ADMINISTRATION REQUESTED</b>

**INTERIM ORDER FOR USE OF CASH COLLATERAL**

This matter arose upon the Motion of UPH Holdings, Inc., ("UPH"), Pac-West Telecomm Inc., ("Pac-West"), Tex-Link Communications, Inc. ("Tex-Link"), UniPoint

Holdings, Inc. (“UniPoint Holdings”), UniPoint Enhanced Services, Inc. (“UniPoint Enhanced”), UniPoint Services, Inc., (“UniPoint”), nWire, LLC (“nWire”), and Peering Partners Communications, LLC (“Peering Partners”), the debtors and debtors-in-possession herein (collectively, the “Debtors”), for an Order Pursuant to 11 U.S.C. § 363 for (I) Authority to Use Cash Collateral in the Ordinary Course, (II) Provide Adequate Protection, and (III) for Preliminary and Final Hearings (the “Cash Collateral Motion”) which was filed on March 28, 2013. An emergency hearing was held on April 1, 2013 (the “Interim Hearing”). Upon review of the Cash Collateral Motion and all relevant pleadings filed with this Court, the relief requested therein and the evidence and representations adduced at the Interim Hearing, this Court makes the following findings of fact and conclusions of law:

1. The Debtors filed petitions for relief under Chapter 11 of Title 11, United States Code (the “Bankruptcy Code”) on March 28, 2013 (the “Petition Date”), and are presently operating as debtors-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108.

2. The Debtors do not have sufficient unencumbered cash or other assets with which to continue to operate their businesses in Chapter 11. The Debtors require immediate authority to use Cash Collateral (as hereinafter defined) to continue their business operations without interruption toward the objective of emerging from Chapter 11. The Debtors’ use of Cash Collateral to the extent and on the terms and conditions set forth herein is necessary to avoid immediate and irreparable harm to their estates pending a final hearing on the Motion (the “Final Hearing”).

3. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b)(2) and (M) and 1334(a) and (b). The Debtors served notice of the Cash Collateral Motion and the entry of this order (the “Interim Order”) by electronic mail, facsimile, or overnight delivery on the

Lender and its counsel, [all other known secured creditors], the United States Trustee, each of the Debtors' twenty (20) largest unsecured creditors, and all other parties-in-interest identified on the Certificate of Service filed with the Court. Notice of the Motion, the Interim Hearing and the entry of this Interim Order were adequate and appropriate under the circumstances of these cases.

4. The Debtors and Hercules Technology II, L.P. ("Lender") entered into a Loan and Security Agreement and Term Note on April 12, 2011, pursuant to which Lender loaned the Debtors the original principal sum of \$8,000,000.00 (the "Loan Agreement"). The Loan Agreement was modified by a First Amendment effective as of August 31, 2012 (the "First Amendment") and a Second Amendment effective as of November 30, 2012 (the "Second Amendment"). The Second Amendment facilitated certain covenant changes and provided additional borrowing to enable UPH's acquisition of Pac-West and its subsidiaries. Concurrently with the Second Amendment, the Debtors borrowed an additional principal amount of \$3,594,175.68 from the Lender, repayment of which is evidenced by a Secured Term Promissory Note of even date (which, together with the Loan Agreement, the First Amendment, the Second Amendment, and all other documents and agreements executed in connection therewith and/or in contemplation thereof, are collectively referred to herein as the "Prepetition Loan Documents").

5. Concurrently with the Second Amendment, UPH entered into five Secured Subordinated Promissory Notes totaling \$600,000.00 with PacWest Acquisition Company, LLC (n/k/a Pac-West) (\$475,000), JMH Partnership, L.P. (\$30,000), Flanary Holdings, L.P. (\$30,000), SRS Partners (\$30,000), and Gary D. Egger (\$35,000), (collectively, the "Sub-Debt"). The Sub-Debt, in turn, is subject to a Subordination Agreement between the holders of



the Sub-Debt and the Lender (the "Subordination Agreement"). Pursuant to the Subordination Agreement, the Sub-Debt is prohibited from, among other things, demanding or receiving any payment or exercising any remedy. (§ 3). In addition, the Sub-Debt holders appointed the Lender as attorney-in-fact for certain things. (§6). Because the Sub-Debt pertains only to UPH, a non-operating holding company, the Debtors believe the Sub-Debt is not secured by assets or proceeds of assets that are "Cash Collateral."

6. The Debtors acknowledge, stipulate and agree that pursuant to Prepetition Loan Documents: (i) as of the Petition Date, the Debtors are indebted to the Lender in the aggregate principal amount of not less than \$10,531,673.68, plus accrued and unpaid interest, attorneys' fees, costs and expenses (collectively, the "Prepetition Indebtedness"), all as provided in the Prepetition Loan Documents; (ii) the Prepetition Indebtedness is due without any claim, defense, counterclaim or offset of any kind; and (iii) the Prepetition Indebtedness is secured by a valid, binding, perfected, enforceable, and non-avoidable blanket first priority security interest and lien on (the "Prepetition Liens") all of the Debtors' property and assets, including the proceeds, products, rents and profits therefrom, all as more particularly described in the Prepetition Loan Documents (collectively, the "Prepetition Collateral") subject only to any prior liens described in or otherwise permitted by the Prepetition Loan Documents.

7. In light of the foregoing and pursuant to the Bankruptcy Code, the Debtors are required to provide the Lender with adequate protection for the Debtors' use of the Prepetition Collateral and any decline in value thereof (including, without limitation, the decline resulting from such use). The adequate protection and other treatment proposed to be provided by the Debtors to the Lender as set forth in this Interim Order will minimize disputes and litigation

over collateral values, use of Cash Collateral and the need to segregate the Prepetition Collateral and the proceeds thereof from property acquired by the Debtors' estate after the Petition Date.

8. Based on the record before the Court, the terms and conditions for the Debtors' use of Cash Collateral have been negotiated in good faith and at arm's-length between the Debtors and Lender, and the terms of the adequate protection arrangements are fair and reasonable under the circumstances, reflect each of the Debtors' exercise of prudent business judgment consistent with its fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

9. The proposed form of this Interim Order submitted by the Debtors complies with the Local Bankruptcy Rules for the United States Bankruptcy Court for the Western District of Texas, except as described in the Motion and the disclosures of counsel at the Interim Hearing.

10. This Court concludes that good cause has been shown for the entry of this Interim Order and that entry of this Interim Order is in the best interests of the Debtors and their respective estates and creditors.

IT IS HEREBY ORDERED that the following terms shall apply:

1. **Automatic Stay and Use of Cash Collateral**

A. **Cash Collateral.** "Cash Collateral" shall have the meaning set forth in 11 U.S.C. §363(a) and the term "Proceeds" shall have meaning set forth in UCC Section 9-306.

B. **Authorization.** Subject to this Order and no defaults occurring hereunder, the Debtors are hereby authorized pursuant to 11 U.S.C. § 363(c)(2) to use the Lender's Cash Collateral to meet their ordinary cash needs for the payment of actual expenses necessary to: (a) maintain and preserve their assets, and (b) continue operation of their businesses, including paying payroll and payroll taxes, rent, utilities, amounts owed to vendors and other suppliers of post-petition goods and services, and insurance, but solely in the amounts set forth and in accordance with the timeframes detailed in the Budget attached hereto as Exhibit "A" (the "Budget") and solely for the period beginning upon entry of this Interim Order and continuing until the earlier of (i) twenty (20) days and (ii) the date of the entry of a second interim order or a final order. Except as herein provided,

the automatic stay of 11 U.S.C. § 362(a) shall continue in effect and until further modified or terminated by the Court.

C. Prohibited Transactions. The Debtors shall not, without Lender's prior written consent: (a) enter into transactions for the sale out of the ordinary course of business of any property in which Lender claims a security interest or lien; (b) obtain credit under 11 U.S.C. § 364(c) or (d); (c) grant any liens or priorities on a parity with or senior to Lender's liens or priorities; or (d) enter into any settlement of receivables or claims.

D. Accounting and Information. The Debtors shall provide weekly accountings to the Lender and any official committee of unsecured creditors (the "Committee") setting forth the actual cash receipts and disbursements made by the Debtors under this Interim Order. In addition, the Debtors shall provide Lender all other reports required by the Prepetition Loan Documents and any other reports reasonably requested by Lender, as well as copies of the Debtors' monthly United States Trustee operating reports. The Debtors also shall permit Lender and any of its agents reasonable and free access to their books and records and place of business during normal business hours to verify the existence, condition and location of all Prepetition Collateral and Post-petition Collateral (as hereinafter defined) and to audit the Debtors' cash receipts and disbursements. Such access shall be provided within four (4) days of Lender's request to Debtors' counsel.

## 2. Cash Collections and Deposits

All collections on and proceeds of the Prepetition Collateral and Post-petition Collateral (as hereinafter defined) shall be deposited in the manner and in the accounts provided for in the Prepetition Loan Documents (the "Accounts").

## 3. Continued Operations

A. Budget. Receipts may not vary by more than ten percent (10%) downward from the projected receipts in the Budget and expenditures may not deviate more than ten percent (10%) upward from any single line items in the Budget without the prior written consent of Lender or prior Court order after notice and opportunity for hearing.

B. Prepetition Debt. Nothing herein permits the Debtors to pay indebtedness or transfer property to vendors, contractors, customers, or other persons (other than Lender) whose debt may have been incurred before the Petition Date. All parties reserve all rights and claims with respect to such indebtedness and property. The Debtors shall not, without prior order of the Court upon notice to Lender, enter into any agreement to permit reclamation of goods, or return any inventory to any creditors for application against Prepetition indebtedness (under Section 546 of the Bankruptcy Code or otherwise), or consent to any creditor taking any setoff or recoupment against any of its

prepetition indebtedness based upon any such return, pursuant to Section 553(b) (1) of the Bankruptcy Code or otherwise.

**4. Professional Fees and Administrative Expenses**

A. No Authorization. No Cash Collateral may be used by the Debtors or any other person or entity (including, without limitation, any Committee) to object to or contest in any manner, raise any defenses to, the validity, extent, perfection, priority or enforceability of the Prepetition Indebtedness or any liens or security interests with respect thereto or any other rights or interests of the Lender or to assert any claims or causes of action against the Lender.

B. Fee Applications. Nothing in this Order (i) shall excuse any person from complying with the Bankruptcy Code and Bankruptcy Rules, and the Bankruptcy Local Rules of this Court and the guidelines of the United States Trustee with respect to applications for professional compensation and reimbursement of expenses, or (ii) shall be deemed to authorize or approve the receipt or payment of any retainer, advance fee, or compensation to any professional employed by the Debtors. The Debtors shall not pay any fees or expenses to any attorney, accountant, consultant, advisor, broker, manager, or other professional governed by 11 U.S.C. §§ 328 through 331 except upon further order of this Court after notice and opportunity for hearing to Lender, the U.S. Trustee, any Committee, and other parties-in-interest as required by the Bankruptcy Code or Bankruptcy Rules.

C. Matters Reserved. This Order does not authorize the Debtors' use of funds or retention by any professional of funds which Lender may claim to be Prepetition Collateral delivered prepetition to any professional firm or deposited prepetition into any professional firm's deposit account or trust account, and the Court makes no determination of the rights to possession thereof and/or liens thereon.

**5. Grant of Liens and Adequate Protection**

A. Post-petition Collateral. "Post-petition Collateral" shall mean any and all of the Debtors' interest in property and assets of any kind or nature, whether real or personal, tangible or intangible, wherever located or and by whomever held, which first arises, is purchased or acquired, or exists after the Petition Date and Proceeds therefrom. For purposes of this Interim Order only, Post-petition Collateral excludes all avoidance actions enumerated in Chapter 5 of the Bankruptcy Code and Proceeds thereof.

B. Grant of Lien as Adequate Protection. As adequate protection in accordance with Section 363(e) of the Bankruptcy Code, the Lender is hereby granted a valid, binding, enforceable and properly perfected additional and replacement security interest and lien (the "Adequate Protection Liens") on all currently owned or hereafter acquired property and assets of the Debtors of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds, products, rents and profits thereof, including, without limitation, all cash (including all Cash Collateral, wherever held), goods, leaseholds, accounts,

accounts receivable, inventory, cash-in-advance deposits, real estate, machinery, equipment, vehicles, patents, trademarks, trade names, licenses, causes of action (excluding, for purposes of this Interim Order only, the Debtors' actions for preferences, fraudulent conveyances, and other avoidance power claims and any recoveries under Sections 542, 544, 545, 547, 548, 549 (other than recoveries related to the Prepetition Collateral), 550, 552(b) and 553 of the Bankruptcy Code and the proceeds thereof), rights to payment including tax refund claims, insurance proceeds and tort claims and the proceeds, products, rents and profits of all of the foregoing (collectively, the "Adequate Protection Collateral").

C. Adequate Protection Obligations. The Adequate Protection Liens shall secure an amount of Prepetition Indebtedness equal to the aggregate diminution, if any, subsequent to the Petition Date, in the value of the Lender's interest in the Prepetition Collateral, whether by depreciation, use, sale, loss, decline in market price or otherwise including such diminution as may arise from the use of Prepetition Collateral (including Cash Collateral) in accordance with this Interim Order (the "Adequate Protection Obligations").

D. Priority of Adequate Protection Liens. Except as expressly set forth in this Order, the Adequate Protection Liens shall not be subordinated to, or made *pari passu* with, any other lien under Section 364(d) of the Bankruptcy Code or otherwise. The Adequate Protection Collateral and Adequate Protection Liens shall not be subject to any claim or charge arising out of or based on, directly or indirectly, Section 506(c) of the Bankruptcy Code (whether asserted or assessed by, through or on behalf of either of the Debtors). Notwithstanding anything to the contrary contained herein, the Lender's lien on Post-petition Collateral and the Adequate Protection Liens shall be subordinate to the Carve-Out Expenses (defined below).

E. No Cross-Collateralization. Nothing in this Order shall be deemed to grant to Lender a lien on Post-petition Collateral for the purpose of securing indebtedness to Lender which first arose before the Petition Date, except the Debtors' Adequate Protection Obligations.

F. Perfection of Security Interests. The replacement lien and security interest granted to Lender herein on the Post-petition Collateral are automatically deemed perfected upon the entry of this Order without necessity of Lender taking possession, filing financing statements or other documents, or performing any other acts of perfection under state or federal law. This Interim Order shall be deemed sufficient and conclusive evidence of the security interests and liens granted hereunder and perfection thereof.

G. No Surcharge. (a) Nothing contained in this Order shall be deemed or construed as consent by the Lender to any lien, charge, assessment or claim against the Prepetition Collateral or Post-petition Collateral under § 506(c) of the Bankruptcy Code or otherwise, and (b) no expense of administration of these cases or any superseding cases shall be charged against the Prepetition Collateral or Post-petition Collateral pursuant to § 506(c) of the Bankruptcy Code or otherwise.

H. Carve-Out Expenses. The lien on Post-Petition Collateral is subordinated to the following "carve-out expenses":

- i. Fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930(a); and
- ii. Fees and out-of-pocket expenses payable to professionals retained by the bankruptcy estate pursuant to 11 U.S.C. §§ 327, 330 or 331, but capped at \$400,000 (less any pre-filing retainers held by such professionals as of the Petition Date).

I. Post-Petition Payments. In exchange for the Lender waiving payments of interest at the default rate under the Loan Documents, the Debtors shall make payments to Lender of amounts due under the Pre-Petition Loan Documents in the amounts and at the times set forth in the Budget. Nothing contained herein shall be deemed or construed as a waiver by the Lender of the right to accrue, subject to allowance under Section 506(b) of the Bankruptcy Code, any fees costs, and charges, including interest at the default rate set forth in the Loan Documents, or the Debtors' right to oppose the accrual and/or allowance of all such items interest at the default rate set forth in the Loan Documents. Lender's pre-petition ACH payment arrangement with the Debtors is authorized to continue post-petition in accordance with the Budget, and in conformity with this Order.

J. Grant of Super-Priority Administrative Claim. The Adequate Protection Obligations shall constitute a claim under Section 507(a)(2) of the Bankruptcy Code and, to the extent the Adequate Protection Liens are inadequate to repay the Adequate Protection Obligations in full, such claim shall have priority in these Chapter 11 cases and superseding Chapter 7 cases in accordance with the provisions of Section 507(b) of the Bankruptcy Code over all administrative expenses of the kind specified in Section 507(a)(2) of the Bankruptcy Code. Except as expressly set forth in this Order, no costs or administrative expenses which have been or may be incurred in the Debtors' Chapter 11 cases, in any conversion of the Debtors' Chapter 11 cases pursuant to Section 1112 of the Bankruptcy Code, or in any other proceeding related thereto, and no priority claims, including, without limitation, any other superpriority claims, are or will be prior to or on a parity with the superpriority claim granted to Lender under this Paragraph E(x).

6. Event of Default

Notwithstanding anything to the contrary herein, the following shall constitute an event of default hereunder (each, an "Event of Default"):

- A. non-compliance by the Debtors with any of the terms or provisions of this Interim Order, that is not otherwise timely cured;
- B. any, stay, reversal, vacatur, rescission or other modification of the terms of this Interim Order not consented to by the Lender in its sole and absolute discretion;

C. entry of an order by this Court or any other Court having jurisdiction over these Chapter 11 cases approving any post-petition financing senior to or on a parity with Lender's liens and security interests and not consented to by the Lender in its sole and absolute discretion;

D. entry of an order by this Court dismissing any of the Debtors' Chapter 11 cases or converting any of the Debtors' Chapter 11 cases to a case under Chapter 7 of the Bankruptcy Code, in each case, not consented to by the Lender in its sole and absolute discretion;

E. the appointment of a trustee or the appointment of an examiner with enlarged powers in any of the Debtors' Chapter 11 cases not consented to by the Lender in its sole and absolute discretion;

F. the lifting of the automatic stay to permit the exercise of secured creditor remedies with respect to any property of the Debtors having a value in excess of \$50,000 individually or in the aggregate;

G. any liens of the Lender with respect to the Prepetition Collateral, the Post-petition Collateral or Adequate Protection Collateral or pursuant to this Order shall cease to be valid, binding and perfected first priority liens and to the extent provided in this Order;

H. any claim shall be afforded a priority higher than any Adequate Protection Obligation;

I. the Court shall not have entered, within 30 days of this Interim Order, a final order pertaining to the use of Cash Collateral substantially in a form as shall be acceptable to the Lender in its sole and absolute discretion (the "Final Order");

J. if the Debtors do not reasonably cooperate in the disclosure of information reasonably requested by or on behalf of the Lender;

K. if the Debtors attempt to sell some, all or substantially all their assets for a purchase price which does not indefeasibly pay the Lenders in full in cash;

L. if the Bankruptcy Court does not enter an order within 120 days of the Petition Date confirming a chapter 11 plan or approving a sale under Section 363 of the Bankruptcy Code, each of which provides for the sale of substantially all of the Debtors' assets and the payment of the net proceeds of sale to Lender's claims; or

M. the resignation or termination of Tamarack Associates, Inc. and/or John Palmer as operational and financial advisors to the Debtors.

**7. Remedies for Lender.**

A. Upon three (3) business days written notice of an Event of Default, given in each instance to the United States Trustee, counsel for the Debtors and counsel for any

Committee, the Lender may terminate the authorization of the Debtors to use Cash Collateral pursuant to this Interim Order, whereupon such authorization shall cease immediately. Notwithstanding anything in this Interim Order to the contrary, all of the rights, remedies, benefits and protections provided to the Lender under this Interim Order shall survive termination of the use of cash collateral.

B. Nothing contained herein shall preclude the Lender from filing an emergency motion to terminate the use of Cash Collateral, for relief from the automatic stay or seeking any other relief the Lender deems necessary and appropriate in its sole and absolute discretion in the event Lender reasonably concludes that it is not adequately protected or that the Debtors are suffering continued losses. The Lender shall notify the Debtor of such conclusion, the U.S. Trustee and any Committee of such conclusion, and may set such motion for expedited hearing (subject to the Court's calendar) upon not less than four (4) business days notice to the Debtors, the U.S. Trustee and any Committee.

**8. Injunction.**

Except as provided in this Order (or, following the occurrence of an Event of Default, pursuant to any order otherwise obtained by the Debtors, after notice and a hearing), the Debtors shall be enjoined and prohibited from at any time (i) using Cash Collateral and (ii) using Adequate Protection Collateral that is cash collateral within the meaning of Section 363(a) of the Bankruptcy Code.

**9. Termination.**

In addition to the other instances set forth herein for termination of the use of Cash Collateral, the Debtors' right to continued use of Cash Collateral shall terminate upon the later of the effective date of any confirmed chapter 11 Plan in these cases and 120 days from the date of entry of this Interim Order.

**10. Successors and Assigns.**

The provisions of this Order shall be binding upon and inure to the benefit of the Debtors, Lender and their respective successors and assigns, including any trustee or representative of the estate hereafter appointed or elected in these Chapter 11 cases or in any subsequent chapter 7 cases.



**11. Continuing Effect.**

If all or any of the provisions of this Order are hereafter reversed, modified, vacated, or stayed by subsequent order of this Court or any other court or on appeal, such reversal, modification, vacation, or stay shall not affect (i) the validity or priority of any obligation owed to Lender by the Debtors incurred prior thereto, or (ii) the validity, enforceability, or priority of any lien or priority of Lender with respect to the Debtors' Adequate Protection Obligations. Any Adequate Protection Obligations of Debtors arising prior to the effective date of such stay, modification, or vacation, shall be governed by the original provisions of this Order.

**12. Service of Pleadings.**

Debtors shall serve a copy of all pleadings or reports, including monthly operating reports, heretofore or hereafter filed with the Court concurrently with the filing by Debtor, on the U.S. Trustee, any Committee, Lender, and their counsel.

**13. Reservation of Rights.**

Notwithstanding anything to the contrary contained in this Interim Order, any Committee and any other party in interest (other than the Debtors) shall have sixty (60) days from the entry of this Interim Order (the "Lien Challenge Deadline") to file an adversary proceeding to contest the extent, validity and priority of the Lender's Prepetition Liens. In the event such challenge is not filed with this Court on or before the Lien Challenge Deadline, (i) the acknowledgements, stipulations and admissions with respect to the Prepetition Liens, the Lender and the Prepetition Indebtedness in this Interim Order for the Debtors, including in Paragraph 6, shall automatically become final and irrevocably binding for all purposes on the Debtors' estates, any Committee, any Chapter 11 or Chapter 7 trustee, and all other parties in interest without further action by any party or the Court, and (ii) the Lender shall be deemed released from any and all rights, claims, causes of action and liabilities arising from or in connection with the Prepetition Collateral, the

Prepetition Loan Documents and/or the extension of credit or other financial accommodations thereunder or with respect thereto.

**14. Continued Hearing, Service and Notice.**

A. Pursuant to Bankruptcy Rule 4001, there shall be a final hearing on the Debtors' request to continue using Lender's Cash Collateral and for entry of the Final Order on April \_\_\_, 2013, at 9:00 a.m. (CDT), Courtroom No. 1, 903 San Jacinto Blvd., Austin, Texas 78701 (the "Final Hearing"). Parties shall exchange witness and exhibit lists on or before April \_\_\_, 2013.

B. Debtors' counsel shall immediately serve all parties, pursuant to Rule 4001 of the Bankruptcy Code, with a copy of this Order (including the Budget). Objections to the Motion and entry of the Final Order shall be in writing, specify with particularity the basis of the objection, and filed and served no later than two (2) days before the Final Hearing.

###

UPH Cash Flow Budget

Week Ending:	1	2	3	4	5	6	7
	5-Apr-13	12-Apr-13	19-Apr-13	26-Apr-13	3-May-13	10-May-13	17-May-13
<b>Cash In</b>							
Point One Cash In	93,676	93,676	148,806	204,603	244,687	93,676	148,806
PacWest Cash In	159,148	159,148	295,863	374,827	439,046	159,148	295,863
<b>Total Cash In</b>	<b>252,824</b>	<b>252,824</b>	<b>444,669</b>	<b>579,430</b>	<b>683,733</b>	<b>252,824</b>	<b>444,669</b>
<b>Cash Out</b>							
Salaries & Taxes	0	180,063	0	0	177,707	0	168,575
Employee Benefits	40,237	0	0	0	0	31,229	0
Employee Expen Reimbursement	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Commissions			1,827	1,827	1,827	1,827	1,827
Insurance	14,980			4,853			
Occupancy Costs	208,728	0	0	0	160,736	0	0
Utilities	0	0	0	23,751	0	0	0
Point One Carrier Costs	0	0	215,171	86,867	0	0	153,653
PacWest Carrier Costs	0	0	305,000	439,720	0	0	0
Postage, Office Expenses	500	500	500	500	500	500	500
Legal Expenses					2,000		
Equipment Leases	0	0	0	4,400	0	0	0
Tax Payments	0	0	0	3,000	0	0	0
Misc. Expenses	650	650	650	650	650	650	650
<b>Total Operating Cash Out</b>	<b>266,095</b>	<b>182,213</b>	<b>524,148</b>	<b>566,568</b>	<b>344,420</b>	<b>35,206</b>	<b>326,206</b>
<b>Financing Expense</b>							
Hercules Principal payment	0				139,583		
Hercules Interest payment	118,481				114,532		
<b>Total Financing Expense</b>	<b>118,481</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>254,115</b>	<b>0</b>	<b>0</b>
<b>Bankruptcy Related Expenses</b>							
Jackson Walker LLP							
Tamarack Associates, Inc.					33,800		
Investment Banker							25,000
US Trustee Fees							
<b>Total Bankruptcy Related Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,800</b>	<b>0</b>	<b>25,000</b>
<b>Total Cash Out</b>	<b>384,577</b>	<b>182,213</b>	<b>524,148</b>	<b>566,568</b>	<b>632,335</b>	<b>35,206</b>	<b>351,206</b>
<b>Cash Beginning of Period</b>	<b>179,996</b>	<b>48,243</b>	<b>118,854</b>	<b>39,375</b>	<b>52,236</b>	<b>103,635</b>	<b>321,253</b>
<b>Cash In</b>	<b>252,824</b>	<b>252,824</b>	<b>444,669</b>	<b>579,430</b>	<b>683,733</b>	<b>252,824</b>	<b>444,669</b>
<b>Cash Out</b>	<b>384,577</b>	<b>182,213</b>	<b>524,148</b>	<b>566,568</b>	<b>632,335</b>	<b>35,206</b>	<b>351,206</b>
<b>Cash End of Period</b>	<b>48,243</b>	<b>118,854</b>	<b>39,375</b>	<b>52,236</b>	<b>103,635</b>	<b>321,253</b>	<b>414,716</b>
<b>Secured Debt - Beginning of Week</b>	<b>10,531,674</b>	<b>10,531,674</b>	<b>10,531,674</b>	<b>10,531,674</b>	<b>10,531,674</b>	<b>10,392,091</b>	<b>10,392,091</b>
<b>Accrued Legal Fees - paid from JW retainer</b>					70,000		

UPH Cash Flow Budget

	8	9	10	11	12	13	Budget	Actual	Total
Week Ending	24-May-13	31-May-13	7-Jun-13	14-Jun-13	21-Jun-13	28-Jun-13	to Date	to Date	Budget
<b>Cash In</b>									
Point One Cash In	204,603	244,687	93,676	148,806	204,603	244,687			2,168,991
PacWest Cash In	374,827	439,046	159,148	295,863	374,827	439,046			3,965,801
<b>Total Cash In</b>	579,430	683,733	252,824	444,669	579,430	683,733	0	0	6,134,792
<b>Cash Out</b>									
Salaries & Taxes	0	168,575	0	152,305	0	152,305			999,532
Employee Benefits	0	0	30,028	0	0	0			101,493
Employee Expen Reimbursement	1,000	1,000	1,000	1,000	1,000	1,000			13,000
Commissions	1,827	1,827	1,827	1,827	1,827	1,827			20,096
Insurance	18,241				25				38,099
Occupancy Costs	0	0	154,202	0	0	0			523,666
Utilities	0	23,751	0	0	0	23,751			71,254
Point One Carrier Costs	138,863	1,282	0	68,450	147,374	77,974			889,634
PacWest Carrier Costs	305,000	174,780	0	0	0	305,000			1,529,500
Postage, Office Expenses	500	500	500	500	500	500			6,500
Legal Expenses			2,000						4,000
Equipment Leases	0	4,400	0	0	0	4,400			13,200
Tax Payments	0	3,000	0	0	0	3,000			9,000
Misc. Expenses	650	650	650	650	650	650			8,450
<b>Total Operating Cash Out</b>	466,081	379,765	190,207	224,733	151,376	570,408	0	0	4,227,425
<b>Financing Expense</b>									
Hercules Principal payment			139,583						279,166
Hercules Interest payment			116,911						349,924
<b>Total Financing Expense</b>	0	0	256,494	0	0	0	0	0	629,090
<b>Bankruptcy Related Expenses</b>									
Jackson Walker LLP									0
Tamarack Associates, Inc.			33,800						67,600
Investment Banker					25,000				50,000
US Trustee Fees				13,000					13,000
<b>Total Bankruptcy Related Expense</b>	0	0	33,800	13,000	25,000	0	0	0	130,600
<b>Total Cash Out</b>	466,081	379,765	480,501	237,733	176,376	570,408	0	0	4,987,115
<b>Cash Beginning of Period</b>	414,716	528,065	832,033	604,356	811,293	1,214,346			179,996
<b>Cash In</b>	579,430	683,733	252,824	444,669	579,430	683,733			6,134,792
<b>Cash Out</b>	466,081	379,765	480,501	237,733	176,376	570,408			4,987,115
<b>Cash End of Period</b>	528,065	832,033	604,356	811,293	1,214,346	1,327,672			1,327,672
<b>Secured Debt - Beginning of Week</b>	10,392,091	10,392,091	10,392,091	10,252,508	10,252,508	10,252,508			
<b>Accrued Legal Fees - paid from JW r</b>			60,000						

Steve Hubbard / RBC  
P.O. Box 73199  
Chicago, IL 60673

One Communications/Earthlink  
P.O. Box 415721  
Boston, MA 02241-5721

America OnLine  
P.O. Box 1450  
Minneapolis, MN 55485-8702

Telesense  
Cabs Department  
P.O. Box 364300  
Las Vegas, NV 89133-6430

Cox Communications  
ATTN: COX ACCESS BILLING  
P.O. Box 1053390  
Atlanta, GA 30348-5339

CenturyLink  
P.O. Box 2961  
Phoenix, AZ 85062-2961

Frontier  
P.O. Box 92713  
Rochester, NY 14692-0000

Cogent Communications  
P.O. Box 791087  
Baltimore, MD 21279-1087

Genband, Inc.  
P.O. Box 731188  
Dallas, TX 75373-1188

Samsara  
1250 S Capital of Texas Highway  
Bldg 2-235  
West Lake Hills, TX 78746

La Arcata Development Limited  
ATTN: ACCOUNTS RECEIVABLE  
c/o NAI Reco Partners  
1826 N. Loop 1604 W, #250  
San Antonio, TX 78248

Grande Communications Network  
Dept 1204  
P.O. Box 121204  
Dallas, TX 75312-1204

Telus Corporation  
215 Slater Street  
Ottawa, Ontario, K1P 5N5  
CANADA

Alpheus Communication  
Dept 566  
P.O. Box 43460  
Houston, TX 77210-4346

Hines Reit One Wilshire, L.P.  
Dept 34124  
P.O. Box 390000  
San Francisco, CA 94139

Bandwidth.Com, Inc.  
75 Remittance Drive, Suite 6647  
Chicago, IL 60675

Pac Bell  
P.O. Box 166490  
Atlanta, GA 30321-0649

Arent Fox LLP  
1050 Connecticut Ave. N.W.  
Washington, DC 20036-5339

FPL FiberNet LLC  
TJ412-01-0-R  
ATTN: FISCAL SERVICES  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Pilot Communications  
P.O. Box 77766  
Stockton, CA 95267-1066