

BACKGROUND

1. This matter arises out of a fraudulent scheme (for ease of reference only, the "Fraud") relating to the stock (generally, "Stock") of Tel One, Inc. ("Tel One").

2. The SEC sued various individuals as Defendants and Relief Defendants relative to Tel One and the Fraud.

3. This Court entered a Final Judgment(s) dated July 12, 2002 against Defendants Alan Lipstein, George Carapella, George LaFauci and Relief Defendants Atlas Global Ventures, Inc., Carapell Capital Corp., Leonora Carapella and Larry Eastland (together, for ease of reference, the "Defendants"), which among other things required the Defendants to pay certain sums (generally, the "Funds"), initially to the SEC, for the express purpose of compensating those investors who suffered trading losses as a result of the Fraud.

The ADMINISTRATOR and the FUNDS

4. By Order dated July 17, 2002 (the "First Order") this Court appointed the Administrator and directed him to submit, in consultation with the SEC, a formal proposal addressing, *inter alia*, how the investors (generally a "Claimant" or the "Claimants") entitled to participate in the Funds would be identified ("Eligible Claimant" or "Eligible Claimants"), how the trades effected by the Fraud would be identified ("Eligible Transaction" or "Eligible Transactions"), how the resulting claims (generally a "Claim" or the "Claims") would be valued, and how the Disgorgement Fund would be allocated among the Eligible Claimants.

5. The Administrator filed his proposal as part of his Motion For Order Approving Administrators Proposal And Directing Methodology For Distributing Funds (the "Procedures Motion").

6. By its Order dated October 29, 2002, this Court granted the Procedures Motion, approved and adopted the proposal contained therein, and ordered the Administrator to commence his duties in compliance therewith (the "Second Order").

7. By its Order dated February 10, 2003, this Court granted a Clarifying Order Approving Administrators Proposal and Directing Methodology For Distributing Escrow Fund.

8. The Defendants have paid Funds to date as of November 26, 2003 totaling \$1,925,387.82 due under the Judgment and the Funds have been delivered to the Administrator for distribution to the Eligible Claimants. There remains approximately \$87,000 due from defendants Carapella and Eastland.

9. The Administrator has acted in accordance with and fully complied with the Second Order in determining the Eligible Claimants, the Eligible Transactions, and amounts of the Claims, as follows:

ELIGIBLE CLAIMANTS

10. As required in the Second Order, the Administrator identified and eliminated from the potential Claimant population those Claimants who were ineligible, by the following methodology:

- a) The Administrator extracted potential claimants from the SEC-provided data base of historical broker transactions.
- b) The Administrator extracted hard-copy documentation for non-electronic broker submissions provided to Administrator by the SEC.
- c) The Administrator advertised in two national publications, USA Today and the Wall Street Journal to identify any additional potential claimants and allowed a 30 day response time from the date of advertisement.

- d) The Administrator obtained missing information from brokers with regard to claimants including name and addresses, transaction dates, and transfer agents for IRA-type investments.
- e) Upon identification of the potential universe of claimants, the Administrator sent via U.S. Mail a notification letter to potential claimants which included:
1. Pertinent information about the case;
 2. Form W-9's (federal identification or social security number);
 3. Verification of names and addresses;
 4. Verification of transfer agent name (in the case of IRA-type investments);
 5. Verification of direction of payment of potential distribution to transfer agent, when necessary; and
 6. Notification of right to submit a Claim.
- f) With regard to IRA-type investments, if the Claimant directed that payment should not be made to a transfer agent, or did not provide the name and address of a transfer agent, or failed to respond to the Administrator's request for information, the Administrator will withhold the required federal tax from the distribution.
- g) If a completed Form W-9 was not received, the Administrator will withhold federal tax from the potential distribution and will send a Form 1099 for the year in which the distribution is paid.
- h) The Administrator required that all claims asserted by a claimant that differed from the Administrator's records be submitted in writing and

accompanied by adequate documentary evidence to substantiate the Claim, including all documentary evidence the Administrator deems necessary or appropriate, including but not limited to account statements and trade confirmations or other similarly reliable records of trading activity.

- i) Notwithstanding the preceding paragraph, where the Administrator determined from available information that a given claimant had an Eligible Claim, that claimant was excused from the necessity of filing a formal Claim.
- j) The Administrator deemed ineligible any claims pertaining to claimants where the Administrator determined that the criteria for eligibility had not been met and their Claim is forever barred.
- k) The Administrator deemed all Defendants ineligible. Defendants may not be Eligible Claimants in this matter or share in any distribution of the Fund. In addition, family members, agents (formally or informally) or parties otherwise related to or affiliated with any of the Defendants are ineligible and may not be Eligible Claimants in this matter or share in any distribution of the Fund.
- l) The Administrator deemed all broker-to-broker transactions ineligible.

11. The Administrator denied any claims in which the transaction or the claimant was determined to be ineligible hereunder.

12. The Court finds and determines that the foregoing methodology and the formulation of the attached Exhibits was in full compliance with the Court's Second Order.

ELIGIBLE TRANSACTIONS

13. As required in the Second Order, the Administrator eliminated from the Eligible Transactions, those transactions which did not fall within the relevant time period ("RTP"), and those which were otherwise ineligible, as follows:

- a) Stock purchased before November 27, 2001 or sold after January 22, 2002.
- b) No evidence of a purchase date (assumes that some holders of stock acquired their stock by means other than purchase on the open market.
- c) "Broker to broker" transactions.
- d) The Administrator sent written notification to all claimants whose claims are denied pursuant to this analysis, allowed 15 days from date of mailing for written objection by the claimant, reconsidered any objections or requests for reconsideration, and notified the claimants of his decision.
- e) The Administrator denied any claims in which the transaction or the claimant was determined to be ineligible hereunder. Attached hereto as Exhibit A is a full and complete list of all Eligible Claimants.

14. The Court finds and determines that the foregoing methodology and the formulation of the attached Exhibits was in full compliance with the Court's Second Order.

CLAIM AMOUNTS

15. As required in the Second Order, the Administrator determined the amounts of the Eligible Claims.

16. The Second Order determined that the closing price of the Tel One Stock on the first date after trading resumed was \$1.50 (after January 22, 2002, the closing date in the RTP). The Administrator utilized \$1.50 as the floor price.

17. The Administrator determined the gain or loss by each claimant as follows:

- a) If the stock was purchased at a price higher than the floor and sold lower than the floor, loss is calculated at the difference between the actual purchase price and the floor of \$1.50.
- b) If the stock was purchased at a price higher than the floor (\$1.50) and sold at a price higher than the floor (\$1.50), gain or loss is be calculated at the difference between the actual purchase price and actual sales price.
- c) If the stock was purchased at a price higher than the floor (\$1.50) but was not sold, the loss is calculated as if the stock was sold at the floor (\$1.50).
- d) If there is a gain on the sale, the transaction and any resulting Claim are ineligible.
- e) If an otherwise Eligible Claim would result in a distribution of less than \$25.00, it is ineligible.

18. The Court finds and determines that the foregoing methodology and the formulation of the attached Exhibits was in full compliance with the Court's Second Order.

ALLOWED/DISALLOWED CLAIMS

19. The Administrator prepared and the Motion sought approval of the following exhibits summarizing the allowed and disallowed Claims:

- a) "Allowed Claims". Attached hereto as Exhibit A are the Claims which are Eligible Claims to be allowed and which the Administrator proposes should be paid, which claims total \$2,490,681.53.¹
- b) "Claims to be Reserved". Attached hereto as Exhibit B are Claims in the amount of \$7,728.07 pertaining to investors for whom there is no current address or for whom mail has been returned. Attempts to locate the investor's new address via tracing programs have been unsuccessful.
- c) "Disallowed Claims". Attached hereto as Exhibit C are Claims which are disallowed for one or more of the criteria discussed above.
- d) "Transactions Identified as Broker/Dealer". Attached hereto as Exhibit D are the disallowed transactions identified as broker/dealer.
- e) "Insiders and Related Parties – Disallowed Transactions".. Attached hereto as Exhibit E are the disallowed Claims relating to insider Claims or ineligible transactions.

20. The Administrator has properly and correctly carried out the Court's directions in the Second Order and determined the Eligible Claimants, the Eligible Transactions and the proper amount of the Claims in the Funds. The Court adopts Exhibits A through E in their entirety, and same are made a part of this Order.

The DISTRIBUTION

¹ If Claimants did not provide a social security number, the backup withholding rate is 31%. The Administrator will provide recipients of regular distributions with Form 1099-B after calendar year-end showing the amount, if any, of any withholding tax. IRA claimants who did not provide custodian information and thus will receive a direct distribution will have IRA withholding at a rate of 10%. All claimants who receive direct IRA distributions will receive Form 1099-R after calendar year end.

21. The amount of the Funds, inclusive of interest, as of November 17, 2003, is \$1,826,002.14. The Eligible Claims are \$2,490,681.53.

22. Administrator has unpaid administrative expenses and costs and professional fees and there will be additional such costs and fees through the closing of the case.

23. The Administrator shall retain the following amounts

- a) \$7,728.07 on account of disputed or "reserved" claims
- b) \$10,000.00 on account of routine administrative costs;
- c) no reserve is necessary for taxes;
- d) \$53,000.00 on account of fees and costs for Kapila & Company
- e) \$20,000.00 on account of fees and costs for Holland & Knight LLP and \$10,000.00 for Akerman Senterfitt².

24. The Court finds and determines that the Administrator properly and correctly carried out the Court's directions in the Second Order and determined the proper Claimants, the proper Transactions, and the amount of the Claimants Claims relative to the Funds.

25. The SEC has reviewed the Motion and the form of the Order and has indicated that it has no objection and supports the relief and the entry of this Order. In light of the Courts findings, it is

ORDER and ADJUDGED, as follows

1. The Motion is granted.

² Rudy Pittaluga and David Softness, the attorneys with primary responsibility for representing the Claims Administrator in this matter left Akerman Senterfitt for Holland & Knight LLP on October 1, 2003. As a result, certain fees remain outstanding and payable to Akerman Senterfitt while other fees are outstanding and payable to Holland & Knight LLP.

2. The Administrator has duly and properly complied with the previous Orders of this Court including the First Order and the Second Order.

3. The Court approves and adopts Exhibits A through E attached to the Motion and to this Order, and same are made a part of this Order.

4. The Claims contained in Exhibit A are allowed and shall be paid pari passu from the Funds.

5. The Administrator shall use best efforts to resolve the "Claims to be Reserved" identified in Exhibit B.

6. The Claims identified in Exhibits C, D and E are denied and disallowed for all purposes.

7. The amount of the Funds, inclusive of interest, as of November 17, 2003, is \$1,826,002.14. The Eligible Claims are \$2,490,681.53.

8. Administrator has unpaid administrative expenses and costs and professional fees. There will be additional costs and fees through the closing of the case.

9. The Administrator shall retain Funds in the following amounts to cover any and all such expenses, costs and fees.

- a) \$7,728.07 on account of disputed or "reserved" claims (in the event that any funds remain on account of this sub-paragraph (a) are not paid out on account of reserved claims within 120 days after the date of this Order, those remaining funds shall be distributed to the SEC in accordance with ¶18);
- b) \$10,000.00 on account of routine administrative costs;
- c) no reserve is necessary for taxes;

- d) \$53,000.00 on account of fees and costs for Kapila & Company
- e) \$20,000.00 on account of fees and costs for Holland & Knight LLP and \$10,000.00 for Akerman Senterfitt³.

10. The Administrator is directed to retain the amount of \$95,728.07. To be clear, the fact that Funds are retained on account of administrative costs, including professional fees does not mean that the amounts retained will be supported by the SEC, awarded by the Court, or paid.

11. The SEC does not object to the proposed retention of Funds nor to the amounts sought in that regard, with the understanding that all professional fees must be approved by subsequent Order of this Court prior to payment.

12. All other Funds are to be paid to the Claimants identified on Exhibit A, *pari passu*, as soon as practicable.

13. The Administrator shall file a Certificate when said payments are made.

14. Thereupon, the Administrator shall determine all administrative expenses, including taxes and, upon application to this Court, all professional fees.

15. Professional fees shall be determined as follows: After consultation with the SEC, the professionals will submit fee applications to the Court on ten days negative notice to all parties. If no party objects, the Court will rule on the applications without the necessity of a hearing. If there is objection, the Court will schedule a hearing. Upon adjudication, the Court's Order on the professional fees and costs, should direct the Administrator to pay those amounts.

³ Rudy Pittaluga and David Softness, the attorneys with primary responsibility for representing the Claims Administrator in this matter left Akerman Senterfitt for Holland & Knight on October 1, 2003. As a result, certain fees remain outstanding and payable to Akerman Senterfitt while other fees are outstanding and payable to Holland & Knight.

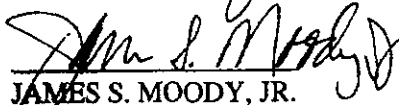
16. All other administrative expenses, including those incurred in the ordinary course, shall be paid as soon as practicable.

17. Any amounts unclaimed after 120 days from the date that the Distribution is made shall be deemed undeliverable and shall be administered in accordance with ¶18.

18. Once the Distribution ordered hereunder is effected, and the Court has ruled upon and the Administrator has paid the professional fees and other administrative expenses, the Court finds that it would be inefficient and unwieldy to distribute any remaining funds to the Claimants. Instead, after consultation with the SEC, the Administrator has proposed and the Court agrees that any excess funds shall be turned over to the SEC, as follows: Payment shall be made by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying the title and civil action number of the action and the name of the Court. A copy of the letter and check shall be sent to the attention of Kerry A. Zinn, Esq.

19. After all payments contemplated hereunder have been determined and paid, the Administrator shall file an accounting and seek an Order closing this case. The Order shall direct that all remaining funds be remitted to the SEC as indicated above.

DONE AND ORDERED in Chambers this 9 day of Jan. ~~2005~~/2004.


JAMES S. MOODY, JR.
U.S. District Judge

Copies furnished to:

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