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July 11, 2005

**Via Electronic Filing**

The Honorable Michael Grant  
Chief Administrative Law Judge  
Oregon Public Utilities Commission  
Attention: Filing Center  
550 Capitol Street, NE, Ste. 215  
Salem, OR 97301-2551

**Re: CP 1283  
In the Matter of LIGHTSPEED NETWORKS, INC. - Application for a  
Certificate of Authority to Provide Telecommunications Service in  
Oregon and Classification as a Competitive Telecommunications  
Provider**

Dear Judge Grant:

Our office is general counsel for Lightspeed Networks, Inc., the Applicant for the CLEC current pending with the PUC in CP 1283. We have previously appeared on the Pre-hearing conference with your Honor on the issues involving Mr. Alvis and his claims with the PUC. We have recently been substituted in as counsel for Lightspeed Networks, Inc., in this PUC action.

I'm enclosing with this letter the Reply to Mr. Alvis's allegations that you requested in your last Order.

As you can see from our Reply, we believe Mr. Alvis is simply using his State Court employment claims as a means to slow the PUC process on Lightspeed's CLEC Application. We believe that is contrary to the purpose of the PUC process. Any further delay in our CLEC application will prevent Lightspeed Networks from providing telecommunications services to citizens of Oregon.

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For the reasons set forth herein, we respectfully request an earlier resolution of the Motion to Dismiss as possible. Thank you for your consideration in this matter.

Sincerely,

Martin E. Hansen  
enclosure

MEH:ph

cc: Mark Holden / via fax  
Al Gonzalez / via fax

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

CP 1283

In the Matter of	)	
	)	
LIGHTSPEED NETWORKS, INC,	)	
	)	
Application for a Certificate of Authority	)	<b>APPLICANT'S REPLY TO</b>
to Provide Telecommunications Service	)	<b>RESPONSE</b>
in Oregon and Classification as a Competitive	)	
Telecommunications Provider.	)	

Applicant LIGHTSPEED NETWORKS, INC., files its Reply to the response of Guy Alvis dated July 1, 2005.

It is now more clear than ever that Mr. Alvis's complaints are entirely matters of employment law that should and will be handled in State Court. These claims have been improperly put before the PUC. Mr. Alvis failed to tell the PUC he has already engaged an employment attorney who has contacted Lightspeed Networks to say that Mr. Alvis is filing a State Court employment claim on all of the same allegations that Mr. Alvis now files before the PUC. While those allegations are without merit, the proper venue for resolution of that claim is clearly before the State court as acknowledged by Mr. Alvis's attorney. Mr. Alvis, however, is familiar with the PUC process and has chosen to abuse that process purely to extract additional leverage for his upcoming State employment claim.

In his presentation to the PUC, Mr. Alvis both omitted and misstated crucial facts in an effort to mislead the PUC. In fairness to the PUC process, the PUC is entitled to understand exactly how Mr. Alvis has mischaracterized his employment situation.

By the end of 2004, NoaNet of Oregon was insolvent. The various owners of the company were forced to subsidize on a monthly basis the ongoing operations of NoaNet of Oregon. It was discovered by some of the board members of NoaNet of Oregon that part of the reason the corporation was failing was because of self-dealing by certain key management personnel. When this was discovered, some of the owners of NoaNet of Oregon decided that further subsidy of the corporation was futile and could not continue.

In early 2005, it was clear that NoaNet of Oregon could not pay off its \$12.5 Million Dollar loan with CFC that was due in full on February 1, 2005, and which was secured by all of the assets of NoaNet. Some of the owners of NoaNet of Oregon were willing to allow the corporation to go in to default, which would trigger an end to the corporation and would also cause individual liability to the guarantors of the CFC loan. Other owners disagreed with that plan.

In early 2005, a consortium of companies formed Lightspeed Networks, Inc. The owners of Lightspeed Networks did not want to have their credit rating injured by CFC filing suit against them on the guaranties for the failed NoaNet of Oregon. The board of Lightspeed Networks decided to purchase the CFC loan to prevent CFC's foreclosure. Once the loan was purchased, Lightspeed Networks became the major creditor for NoaNet of Oregon. NoaNet of Oregon did default on the payment of the loan that was due to Lightspeed Networks, Inc., who in turn, exercised its security agreement rights and obtained possession of the collateral covered by that security agreement. Suit was filed by Lightspeed Networks, Inc., to enforce the terms of the loan agreement and guaranty agreements.

Mr. Alvis has no employment agreement either with NoaNet of Oregon or with Lightspeed Networks, Inc. Mr. Alvis was an at-will employee with NoaNet of Oregon. He was never an employee of Lightspeed Networks, Inc. Mr. Alvis did have a written agreement with NoaNet of Washington. Several top management personnel of NoaNet of Oregon previously had written agreements for employment with NoaNet of Washington. NoaNet of Washington is also an entirely separate corporation from NoaNet of Oregon.

In early 2005, it was discovered that an officer of NoaNet of Oregon had fraudulently created a document that purported to assume several employment agreements by NoaNet of Oregon from NoaNet of Washington. This document claimed on its face that the Board of NoaNet of Oregon had approved by Board resolution the execution of this agreement. None of the Board members were even aware of this agreement and the minutes reflect that the agreement was never presented by or even discussed with the Board. This was an example of the self-dealing by certain NoaNet of Oregon management personnel that had led to the insolvency of NoaNet of Oregon. Mr. Alvis is the only one of the former NoaNet of Oregon managers that has attempted to make a claim under the old NoaNet of Washington employment agreement.

Lightspeed now seeks to operate the old NoaNet of Oregon network and intends to honor most, if not all, of the service agreements with former NoaNet customers that requires the issuance of the CLEC. Currently, NoaNet is still operating the network via an agreement with Lightspeed wherein Lightspeed has agreed to provide the staff and funds necessary to keep the network operating. Lightspeed is unable to enter into any new agreements until the PUC issues the CLEC to Lightspeed. Only a certain select number of former NoaNet of Oregon

employees were offered new employment with Lightspeed Networks. None of the managers who had engaged in self-dealing transactions were offered any employment by Lightspeed Networks. Mr. Alvis was one of those managers who was never offered a position with the new Lightspeed Networks, Inc., company.

Mr. Alvis made it clear that he would stop at nothing to try to extract a favorable resolution for himself in the employment matter. Mr. Alvis made good on those threats by initially attempting to block the transfer of the BPA license that was secured by the CFC loan that was purchased by Lightspeed Networks, Inc. Mr. Alvis's latest attempt to abuse the PUC process is simply more of his attempts to extort a favorable resolution on his employment claims.

Mr. Alvis is entitled to his day in court and has an attorney that is filing his claims in State court. That is the venue to resolve these claims. None of those issues are properly before the PUC.

Applicant, Lightspeed Networks, Inc., has made a complete and valid application to provide telecommunication service in Oregon. Further delay in this application by reason of Mr. Alvis's improperly filed "employment claims" is contrary to the very purpose of the PUC in insuring that the citizens of Oregon are provided competitive telecommunications service. For these reasons, Lightspeed Networks, Inc., respectfully requests that this Court dismiss as promptly as possible Mr. Alvis's claims so that its license application can proceed accordingly.

July 11, 2005

Respectfully submitted,

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