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(Rev. 12/03/03)

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF MISSISSIPPI

Cochran U.S. Bankruptcy Courthouse
703 Highway 145 North
Aberdeen, MS 39730
Telephone: 662-369-2596

070000

In Long Distance Billing Service, Inc.
Re: Debtor(s)

Case No.: 05-11168
Chapter: 11
Judge: David W. Houston III

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- COM _____
- CTR _____
- ECR _____
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- OPC _____
- RCA _____
- SCR _____
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PLEASE TAKE NOTICE that a hearing will be held at

Cochran U.S. Bankruptcy Courthouse, 703 Highway 145 North,
Aberdeen, MS

on 7/6/07 at 10:00 AM

Responses Due: 6/25/07

to consider and act upon the following:

374 - Motion to Sell Property under Sec.363(b) - Motion for Order Authorizing the Sale of Substantially All of the Assets of the Debtor In Possession, Free and Clear of Liens, Claims and Interest Outside the Ordinary Course of Business Filed by Craig M. Geno on behalf of Long Distance Billing Service, Inc.. (Entered on Docket by: Geno, Craig)

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COMMISSION CLERK

Should any party receiving this notice respond or object to said motion such response or objection is required to be filed with the Clerk of this court and served on the Attorney for Movant on or before said response due date. If any objection or response is filed, a hearing will be held on the above mentioned date; otherwise, the Court may consider said motion immediately after the objection or response due date.

A copy of the motion is required to be served pursuant to Rules 9013 and 9014, FRBkP. THE MOVING PARTY'S ATTORNEY IS REQUIRED BY THE STANDING ORDER ATTACHED HERETO TO PERFORM NOTICING AS TO SAID MOTION, THE NOTICE OF HEARING, AND THE OBJECTION DEADLINE, ACCORDING TO THE TERMS OF SAID STANDING ORDER.

Dated: 4/3/07

David J. Puddister
Clerk, U.S. Bankruptcy Court
BY: Janet Hodges
Deputy Clerk

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI

IN RE:
LONG DISTANCE BILLING SERVICES, INC.

CASE NO. 05-11168

**MOTION FOR AN ORDER AUTHORIZING THE SALE
OF SUBSTANTIALLY ALL OF THE ASSETS OF THE
DEBTOR IN POSSESSION, FREE AND CLEAR OF LIENS,
CLAIMS AND INTEREST OUTSIDE THE ORDINARY COURSE OF BUSINESS**

COMES NOW Long Distance Billing Services, Inc. (the "Movant" or the "Debtor"), and file this its Motion for an Order Authorizing the Sale of Substantially All of the Assets of the Debtor in Possession, Free and Clear of Liens, Claims and Interest Outside the Ordinary Course of Business (the "Motion"), and in support thereof, would respectfully show as follows, to-wit:

1. On February 22, 2005 (the "Petition Date"), the Movant filed with this Court its Voluntary Petition for relief under Chapter 11 of Title 11, United States Code (the "Bankruptcy Code"). The Debtor remains in possession of its assets and properties as debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

2. This Court has jurisdiction of the subject matter herein and the parties hereto pursuant to 28 U.S.C. §§ 157 and 1334; 11 U.S.C. §§ 105, 361, 363, 365, 1107 and related statutes and rules, as well as various orders of reference. This is a core proceeding.

3. Prior to the Petition Date, and subsequent thereto, Movant was, and has been, engaged in the sale, at "retail", of telecommunications goods and services.

4. An extensive discussion of the Debtor's pre-petition history, and significant developments, post-petition, are contained in prior versions of disclosure statements submitted by the Debtor, which have been submitted to creditors and are incorporated herein by reference.

10. Despite the significant difficulties the Debtor had simply remaining open, it continued to aggressively pursue exit financing strategies in the form of additional loans, new capital, joint ventures and asset sales through innumerable contacts and sources. Patric Boggs, chief executive officer of the Debtor, utilized personal funds to employ a "broker" for some of these purposes and, although the broker continued to "promise the world", he was never able to come up with one transaction that funded.

11. During these tumultuous times, the Debtor also continued to look for ways to cut costs, consolidate operations and stabilize, or increase, its income. It employed other consultants to assist it with the obtaining of additional customers. While the initial reports from these consultants were favorable with respect to gaining new customers, and while the Debtor initially received favorable responses from the new customers themselves, none of the new customers were interested in transferring substantial new business to the Debtor until it illustrated that it had an exit strategy to leave the bankruptcy behind and/or to actually leave the bankruptcy behind. These sources of new business remain open and available the Debtor believes, but they will not manifest themselves in actual new business unless and until the Debtor is able to exit this bankruptcy case.

12. Over the last several months, the Debtor has developed a relationship with a new consultant, who has, the Debtor believes, provided new life and viability to the Debtor. His efforts and assistance have lead, direct or indirectly, to the Debtor's ability to engage new merchant account relationships, in Virginia (and not Mississippi), which has drastically reduced the Debtor's costs in connection with credit card transactions, he has assisted the Debtor in instituting a new billing system, which has significantly reduced the Debtor's billing costs, he

5. Subsequent to the Petition Date, the Debtor has made significant strides in "cleaning up" its organization and its operations, reducing costs, stabilizing its customer base and pursuing exit strategies. Initially, after the Petition Date, the Debtor was primarily concerned with its ongoing relationships with its major suppliers of telecommunication services (i.e., Williams Communications and Quest Communications, among others), so that it was difficult for the Debtor to accomplish anything other than maintaining an orderly flow of telecommunication services that it could resell, at retail, to its customer base.

6. Thereafter, the Debtor went about the business of examining its entire operations for the obvious flaws that existed. The Debtor closed its Mississippi operations, in an orderly fashion, so that all of its employees, and its operations, are concentrated in its Brookneal, Virginia, location, thereby reducing significant costs and inefficiencies.

7. As the Debtor began to orderly reduce expenses, at that stage of this case, it also began to review its income, its customer base and its future potential for obtaining additional, new and replacement business.

8. Just as it was attacking these problems, the Debtor discovered that it had other problems with cash management and the control of money under its then management. As a result, the Debtor modified its cash management system so that cash management was placed under the control of its accountant and its counsel.

9. Over the ensuing months, the Debtor struggled to maintain its viability, it struggled to gain some sort of understanding of the tax filing requirements and obligations that it owed to the 48 states in which it conducts business, it struggled to pay its bills and its employees (oftentimes missing or delaying payroll) and it struggled, mightily, just to stay afloat.

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made the introduction to the Debtor to a new accountant for the Debtor (the results of which will be detailed in a later section of the Motion), he has assisted the Debtor in developing a realistic business model and exit strategy and, the Debtor believes that he has lead the Debtor to exit financing. This consultant has also been instrumental in working with the Debtor and the now sole supplier of its telecommunications services, WilTel Communications/Level 3 ("Level3").

13. The Debtor's original accountant, from the inception of this case, until she was replaced in late 2006, could not keep up with the tax filings that should have been made, she struggled to pay the Debtor's bills and debts, she had problems keeping up with the Monthly Operating Reports, she could not produce a meaningful financial statement and taxes often went unpaid. The Motion is not designed to assess blame for any of these problems, and, in fact, the Debtor has its responsibilities as to some of these issues - however, these problems have caused delays because of the lack of a clear and accurate financial picture of the Debtor. On the other hand, the Debtor's current accountant has, in approximately four short months of working with the Debtor: brought the Debtor current in connection with its monthly operating reports; assisted the Debtor (and the Debtor's in house staff has assisted him significantly) with respect to the preparation and filing of state tax returns with substantially all of the states in which the Debtor does business, in order to get a better handle on the state taxes that the Debtor owes; prepared current financial documents; and reviewed past transactions to assist in financing.

14. While the consultant has brought significant improvements to the Debtor's operations, and its future, he has not, unfortunately, brought enough funding to the table for the Debtor to pay all of its creditors in full. The funding that the consultant has brought to the table will pay the Debtor's only secured creditor (Level3) in full, and it will make a substantial

reduction in the Debtor's post-petition administrative expenses, even though it will not pay all of the post-petition administrative expenses in full.

15. After years and years of efforts to cut costs, increase its customer base and find an exit strategy the Debtor is left with the unfortunate situation of not being sufficiently viable to fund a plan of reorganization (because it cannot pay administrative costs in full or pay any priority claims). Thus, it has been left with only two options: closing its doors, or securing a purchaser for its assets through a sale thereof.

16. The Debtor believes that it has a future that justifies remaining open and selling its assets in order to obtain funding to pay its secured creditor and to substantially reduce the administrative expense burden that it owes. A successful sale of assets will also allow the Debtor to maintain jobs (that would otherwise be lost forever), to keep open a purchaser of goods and services from existing creditors and a tax producing entity that will generate revenues to the 48 states in which it does business in the future.

17. Because the Debtor has no real "brick and mortar" assets, and because its personal property assets are of very limited value, even as a going concern, the Debtor believes that it would be fortunate to pay its secured creditor, in full, upon liquidation. Clearly, there would be no distribution of any funds to any creditor other than Level3 at liquidation (Level3 holds liens and security interests upon substantially all of the Debtor's assets).

18. Further, the Debtor believes that it has exhausted all possibilities for any additional financing, infusion of capital, creation of a joint venture, sale of assets or other exit strategy or funding that would produce anything nearly as beneficial as that produced by the Debtor's consultant. However, if additional opportunities present themselves to the Debtor

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submitted the highest and best bid. The Debtor shall also request the Court to approve the Debtor's choice as the backup bidder for the assets that are being filed.

21. In addition to the above and forgoing terms of the sale, the Debtor will assume, and then assign to Newco, all of the Debtor's executory contracts with Level3.

22. The only assets of the Debtor that will not be sold to Newco are the Debtor's claims and causes of action granted to it by the bankruptcy code, together with all other claims and causes of actions whatsoever except with respect to the Debtor's claims and defenses to the Level3 claim (which shall be sold and transferred to Newco if they are not resolved prior to the effective date of the sale).

23. This sale of substantially all of the Debtor's assets is an appropriate exercise of the Debtor's business judgment.

24. In the event higher and better offers are to be submitted, these offers must be submitted to the Debtor no later than the time set by the Court for the filing of objections to the Motion. All higher and better offers must clearly state the: name and identity of the prospective purchaser; assets to be purchased; amount of Purchase Price; terms and conditions of the proposed sale/purchase; and any other relevant information. In addition, each entity submitting higher and better offers must also submit evidence to the Debtor of its ability to consummate its offer.

25. In the event higher and better offers are timely submitted, that qualify by containing the information set forth in paragraph 25 herein, the Court shall conduct an auction on the date and time scheduled for a hearing to approve the Motion. At the conclusion of the auction, the Debtor shall request the Court approve the highest and best bidder as having

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between now and the hearing on the Motion, the Debtor will gladly consider them in furtherance of its obligation to the creditor body.

19. As noted, the Debtor's only secured creditor is Level3. The Debtor and Level3 have previously entered into an agreed order establishing the secured claim of Level3 at \$741,000.00. The Debtor believes that it has certain limited claims and defenses to that secured claim, that it has presented to Level3 and that it will continue to negotiate with Level3 through the hearing on the Motion. Debtor is hopeful that all of the claims and defenses that it has in connection with the claims of Level3 will be resolved through the settlement and negotiation process, because the Debtor (and its successor) need the services provided by Level3 to consummate the sale of assets contemplated by the Motion.

20. The purchaser of the Debtor's assets will hereinafter be referred to as Newco, Inc. ("Newco"). Newco will be owned and/or controlled by the Debtor's consultant and Patric Boggs. Newco has agreed to purchase the Debtor's assets by paying the claims of Level3, in full, assuming liabilities at closing for then current payables and the payment of \$1,000,000,000 to the bankruptcy estate (the "Purchase Price"). The \$1,000,000 payment will be distributed after future notice and a hearing as to claim objections, claim allowances and the establishment of claim priorities. The terms of the payment of the Level3 secured claim are: Newco shall provide a proposal for the payment of the Level 3 secured claim within five (5) business days of the filing of the Motion, so as to allow the Motion to be amended in due course, if necessary. Newco, the Debtor and Level 3 have not reached a consensus as to the treatment and payment of the Level 3 secured claim but hope to do so by the time frame outlined in the next preceding

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submitted the highest and best bid. The Debtor shall also request the Court to approve the Debtor's choice as the backup bidder for the assets that are being filed.

26. Immediately following the conclusion of the auction, the Court shall conduct a hearing in order to approve the highest and best offer as the highest and best bid, and to approve the next highest and best offer as the backup bidder. The Debtor shall also request that the Court approve the sale at that same hearing.

27. The assets that are to be sold are subject only to the liens of Level3 which will be paid as described herein; otherwise, the assets to be sold are not subject to any liens, claims or interests. Thus, the Debtor seeks authority of the Court to sell these assets free and clear of all liens, claims and interests.

28. The Debtor represents to creditors and parties-in-interest that the sale of substantially all of its assets is in the best interests of the estate, its creditors and parties-in-interest. The Purchase Price, as described herein, is fair, reasonable and appropriate.

29. The Debtor seeks authority of the Court to authorize Patric Boggs, as an authorized representative of the Debtor, to execute such bills of sale, transfer instruments, assignments, asset purchase agreements (which are being negotiated and will be finalized before the sale is consummated), title documents and/or any forms promulgated by the public authorities necessary to recognize and acknowledge the transfer of substantially all of the assets of the Debtor.

30. Newco is a good faith purchaser. Newco is not an insider of the Debtor. The sale is an arm's length sale. Newco is not a successor to the Debtor. Newco shall not assume any of the Debtor's liabilities except for: the Level3 claim, payables at closing and the Purchase Price.

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31. The consideration for the transfer of the Debtor shall be paid to Level3 (in an amount set forth herein), and then the remaining consideration shall be paid directly from Newco to the Debtor. The funds that are paid directly to the Debtor shall be placed in an interest bearing, escrow account, established pursuant to the requirements of the U.S. Trustee, with Debtor's counsel having control thereof.

32. The Debtor is the wholly-owned subsidiary of ezTel, LLC, which initiated other Chapter 11 cases in this Court. All of the assets of the Debtor and the related entities shall similarly be sold to Newco, pursuant to the Motion, and pursuant to a Motion to Substantively Consolidate the remaining Chapter 11 bankruptcy cases of all of the affiliates and subsidiaries of ezTel which remain in Chapter 11.

33. Other grounds to be assigned upon a hearing hereof.

WHEREFORE, PREMISES CONSIDERED, Debtor respectfully prays that upon a hearing hereof, this Honorable Court will enter its Order granting the Motion. Debtor prays for general relief.

This, the 19th day of March, 2007.

Respectfully submitted,
Long Distance Billing Services, Inc.
By Its Attorneys,
HARRIS JERNIGAN & GENO, PLLC

By: *Craig M. Geno*
Craig M. Geno

OF COUNSEL:

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Ridgeland, MS 39158-3380
Telephone - (601) 427-0048

CERTIFICATE OF SERVICE

I, Craig M. Geno, do hereby certify that I have caused to be served this date, via U.S. Mail, a true and correct copy of the above and foregoing to the following:

Sammye S. Sharp, Esq.
Office of the United States Trustee
A. H. McCoy Federal Building, Ste. 706
100 W. Capitol Street
Jackson, MS 39269

THIS, the 19th day of March, 2007.

Craig M. Geno
Craig M. Geno