

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
)	
@LINK HOLDINGS, INC. and)	Case No. 01-1540 (JJF)
@LINK NETWORKS, INC.,)	(Jointly Administered)
)	
Debtors.)	

Hearing Date: May 3, 2001 at 4:00 p.m.

NOTICE OF MOTION AND HEARING

TO: Office of the United States Trustee; counsel to Nortel Networks, Inc.; counsel to Norlight Telecommunications; the Debtors' top twenty unsecured creditors; and all other creditors.

The debtors in the above-captioned chapter 11 cases (collectively, the "Debtors"), have filed the attached "*Emergency Motion to Dismiss Cases*" (the "Motion") by which the Debtors seek entry of an order dismissing their chapter 11 cases.

HEARING ON THE MOTION WILL BE HELD ON MAY 3, 2001 AT 4:00 P.M. EASTERN TIME before The Honorable Joseph J. Farnan, Jr., United States District Court Judge, at the United States District Court located at 844 King Street, Sixth Floor, Wilmington, Delaware.

011
 010
 009
 008
 007
 006
 005
 004
 003
 002
 001
 REC
 SER
 TH
 Hox
 Canon Ave

011-1540-7

Date: May 1, 2001

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.

Mary Caloway

Laura Davis Jones (Bar No. 2436)
Brad R. Godshall (CA Bar No. 105438)
Mary F. Caloway (Bar No. 3059)
Christopher J. Lhulier (Bar No. 3850)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, Delaware 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400

-and-

CROCKER KUNO, LLC
Cynthia A. Kuno, Esquire
Shelly Crocker, Esquire
Thomas St. Germain, Esquire
1325 Fourth Avenue, Suite 940
Seattle, WA 98101-2509
Telephone: (206) 621-5839
Facsimile: (206) 624-8598

[Proposed] Co-Counsel for the Debtors and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
@LINK HOLDINGS, INC. and)	Case No. 01-1540 (JIF)
@LINK NETWORKS, INC.,)	(Jointly Administered)
Debtors.)	

DEBTORS' EMERGENCY MOTION TO DISMISS CASES

The above-captioned debtors and debtors in possession (the "Debtors" or "@Link") hereby move this Court (the "Motion") pursuant to Bankruptcy Code Section 112(b) for entry of an order dismissing the Debtors' chapter 11 cases (the "Cases"). In support of this Motion, the Debtors respectfully represent as follows:

Preliminary Statement

As described below, by this Motion, the Debtors seek dismissal of the Cases because they lack the ability to fund on-going administrative expenses. Unless the Cases are quickly dismissed, the Debtors will incur administrative obligations that they have no ability to pay.

Background

A. The Chapter 11 Filings

1. On April 25, 2001 (the "Petition Date"), the Debtors each filed a voluntary petition in this Court for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"). The debtors continue to manage and

operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

2. No trustee or examiner has been appointed in the Debtors' chapter 11 cases, and no committees have been appointed or designated.

3. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157 (b) (2).

4. The statutory predicate for the relief requested herein is 11 U.S.C. § 1112(b).

B. The Debtors' Businesses

5. @Link Networks, Inc. ("Networks") is a facilities-based data Competitive Local Exchange Carrier ("CLEC"), offering broadband internet access and virtual private network services to over 3000 customers.

6. @Link Holdings, Inc. is the holding company that owns 100% of the stock in Networks. Various shareholders, in turn, hold stakes in @Link Holdings.

7. @Link provides services to small and medium-sized businesses as well as enterprise-level customers. Prior to filing, @Link served customers in Minnesota, Wisconsin, Illinois, Indiana, Ohio, and Michigan, and has served as many as 12 states.

8. As of the Petition Date, the Debtors' principal liabilities included: (a) approximately \$40 million of senior secured debt to Nortel Networks, Inc. ("Nortel"), secured by some of the Debtors' assets; (b) approximately \$9 million to secured equipment lenders (c)

unsecured notes issued by Networks with a face amount of \$5 million; and (d) approximately \$200 million in trade debt obligations.

C. Events Leading to the Filing

9. Networks was originally founded in 1997 as Dakota Services, Ltd. Its business plan was to operate as a data CLEC centered around the Midwest. As a facilities-based CLEC, @Link has equipment located in the Incumbent Local Exchange Carrier's ("ILEC")¹ central offices. @Link completes the backbone-interconnection of all of its central offices by leasing transport circuits from Interexchange Carriers ("IXCs"), such as Norlight Telecommunications, Inc. ("Norlight"). These transport circuits allow @Link to deliver internet access and virtual private network services to its customers.

10. As with most telecommunications companies, the Debtors' business plan required a large initial outlay of resources to develop, construct, expand and operate their local networks. @Link raised approximately \$165 million in equity capital to fund the build out of its network. @Link anticipated that its network would generate a sufficient revenue stream to offset the initial outlays and to service its debt obligations.

11. By October 2000, @Link had achieved its goal of building 1000 central office locations. The company had 290 of these locations on its network and was selling services out of a total of 470 locations. Given sufficient time and capital, @Link could have finished its network and generated substantial profits. Unfortunately, because of the dramatic decline in the

¹ ILECs are the companies that own most of the "wires in the ground" and consist primarily of the pieces of the former Bell Telephone CATOT before it was broken up. These "Baby bells" are companies such as Pacific Bell, Bell South, the former U.S. West, and so forth. AT&T and MCI Worldcom are also ILECs.

capital market, the market for debt and equity financing for data CLECs collapsed. As a result, @Link was unable to obtain funding to complete its build out and connected 1,000 locations to its network. Before the filing, it was only selling services out of 470 central offices and only had 290 locations actually running on its network.

12. On April 24, 2001, @Link announced a reduction of its operating footprint to only two states, Wisconsin and Illinois. As a consequence, the company also announced that it was laying off 205 employees. @Link is retaining 165 employees to service its existing customers.

13. On the Petition Date, Norlight disconnected 278 circuits, nearly all of the transport circuits which @Link uses to service its customers. As a result of the disconnection of the circuit between Milwaukee and Chicago, almost all of @Link's 3000 customers were without service because of the way the transportation of data traffic is structured.

D. Request for Dismissal of Cases

14. By this Motion, the Debtors seek entry of an order dismissing the Cases.

15. Bankruptcy Code Section 1112(b) provides in relevant part that:

[O]n request of a party in interest or the United States Trustee ..., and after notice and a hearing, the court may ... dismiss a case under this chapter ... for cause, including -

(1) continuing loss to or diminution of the estate and absence of a reasonable likelihood of rehabilitation;

(2) inability to effectuate a plan[.].

11 U.S.C. § 1112(b).

16. The dismissal of the Cases is within the sound discretion of the Court.

See, e.g., Lumber Exchange Bldg., Ltd. Partnership v. Mutual Life Ins. Co. of New York (In re Lumber Exchange Bldg., Ltd. Partnership), 968 F.2d 647, 648 (8th Cir. 1992) ("The Bankruptcy Court has broad discretion in deciding whether to dismiss or convert a Chapter 11 case.").

17. When the Debtors filed the Cases, they believed that they had the ability to fund administrative expenses associated with the Cases through the use of unencumbered cash. The Debtors believed, based on the results of a UCC lien search conducted prior to the Petition Date that Nortel had failed to perfect its security interest in certain of the Debtors' depository and investment accounts. Shortly after the Petition Date, the Debtors learned that Nortel had in fact perfected its security interests but that the financing statement had been mis-indexed by the Colorado Secretary of State's office. As a result, the Debtors believe they do not have the right to use cash collateral absent Nortel's consent.

18. Nortel has indicated to the Debtors that it will not consent to the use of its cash collateral. The Debtors do not believe they have the ability to provide adequate protection to Nortel, as required by sections 361 and 363 of the Bankruptcy Code. The Debtors have no unencumbered assets on which to grant Nortel replacement liens; nor do the Debtors have any cash which is not subject to Nortel's liens. Accordingly, the Debtors have no ability to fund ongoing administrative expenses and it is unlikely that the Debtors could successfully reorganize. In light of these facts, the Debtors' Board of Directors authorized the Debtors to seek dismissal of the Cases. A copy of the resolutions adopted by the Board of Directors is

attached hereto as Exhibit "A". As such, the Debtors request an expedited dismissal of the Cases.

Notice

19. Notice of this Motion has been given via facsimile to : (i) the U.S. Trustee; (ii) Nortel; (iii) Norlight ; and (iv) the Debtors' top twenty unsecured creditors, and by first class mail upon all creditors. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

No Prior Requests

20. No previous application for the relief requested herein has been made by the Debtors to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order (i) dismissing these chapter 11 cases and (ii) granting such other and further relief as is just and proper.

May 1, 2001

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.

Mary Caloway

Laura Davis Jones (Bar No. 2436)
Brad R. Godshall (CA Bar No. 105438)
Mary F. Caloway (Bar No. 3059)
Christopher J. Lhulier (Bar No. 3850)
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, Delaware 19899-8705 (Courier 19801)
Telephone: 302-652-4100
Facsimile: 302-652-4400

-and-

CROCKER KUNO, LLC
Cynthia A. Kuno, Esquire
Shelly Crocker, Esquire
Thomas St. Germain, Esquire
1325 Fourth Avenue, Suite 940
Seattle, WA 98101-2509
Telephone: 206-621-5839
Facsimile: 206-624-8598

[Proposed] Co-Counsel for the Debtors and Debtors in Possession

@Link Networks, Inc.

**CERTIFICATE OF ADOPTION
OF CORPORATE RESOLUTIONS**

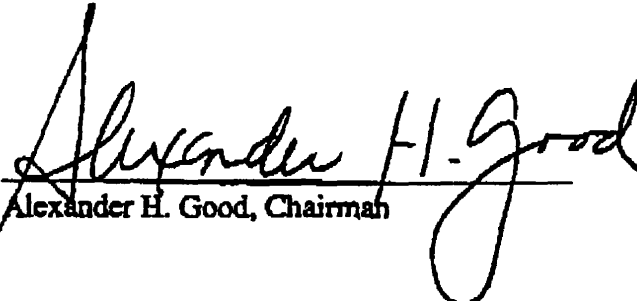
I, Alexander H. Good, declare under penalty of perjury that I am the Chairman of the Board of Directors of @Link Networks, Inc., a Wisconsin corporation, and that at a meeting held on May 1, 2001, the following resolutions were duly adopted by the Board of Directors of this corporation.

RESOLVED, that the appropriate officer, officers or designated employee or employees of this Corporation are authorized and directed, in the name and on behalf of the Corporation to do and perform all acts and deeds and to execute and deliver all necessary documents on behalf of the Corporation to seek dismissal of the Chapter 11 voluntary bankruptcy case previously filed on behalf of the Corporation in Delaware;

FURTHER RESOLVED, that the intent of this dismissal is to maximize the cash available to creditors, including employees whom the Board believes have priority claims against the Corporation under Colorado law; and

FURTHER RESOLVED, that the officers and employees of the Corporation are directed to work expeditiously to accomplish a voluntary surrender of all of the Corporation's secured assets to Nortel Networks, Inc. ("Nortel") for the benefit of Nortel or to such other creditors with prior perfected liens.

DATED THIS 1st day of May, 2001.



Alexander H. Good, Chairman

May 1, 2001 2:17PM @LINK NETWORKS, INC.

No. 7583 P. 3/3

@Link Holdings, Inc.

**CERTIFICATE OF ADOPTION
OF CORPORATE RESOLUTIONS**

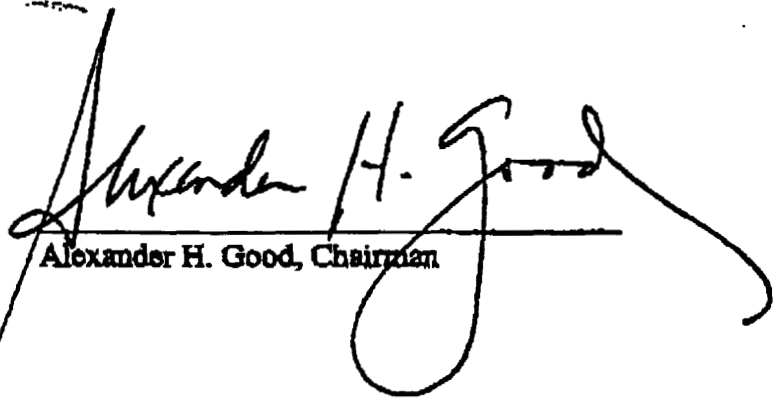
I, Alexander H. Good, declare under penalty of perjury that I am the Chairman of the Board of Directors of @Link Holdings, Inc., a Delaware corporation, and that at a meeting held on May 1, 2001, the following resolutions were duly adopted by the Board of Directors of this corporation.

RESOLVED, that the appropriate officer, officers or designated employee or employees of this Corporation are authorized and directed, in the name and on behalf of the Corporation to do and perform all acts and deeds and to execute and deliver all necessary documents on behalf of the Corporation to seek dismissal of the Chapter 11 voluntary bankruptcy case previously filed on behalf of the Corporation in Delaware;

FURTHER RESOLVED, that the intent of this dismissal is to maximize the cash available to creditors, including employees whom the Board believes have priority claims against the Corporation under Colorado law; and

FURTHER RESOLVED, that the officers and employees of the Corporation are directed to work expeditiously to accomplish a voluntary surrender of all of the Corporation's secured assets to Nortel Networks, Inc. ("Nortel") for the benefit of Nortel or to such other creditors with prior perfected liens.

DATED THIS 1st day of May, 2001.



Alexander H. Good, Chairman