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UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF KENTUCKY  
LOUISVILLE DIVISION

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In re:

Chapter 11

LIGHTYEAR HOLDINGS, INC., *ET AL.*

Case Nos. 02-32257, 02-32723,  
02-32725, 02-32726

Debtors.

(Jointly Administered)

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HON. DAVID T. STOSBERG

**NOTICE (1) OF PROPOSED SALE OF ASSETS  
OF THE DEBTORS AND (2) OF OPPORTUNITY  
TO SUBMIT HIGHER AND BETTER OFFER**

NOTICE IS HEREBY GIVEN that, pursuant to an order of the United States Bankruptcy Court for the Western District of Kentucky (the "Court"), dated July 23, 2002 (the "Procedures Order"), a hearing shall be held (the "Approval Hearing") on August 23, 2002 at 9:00 a.m. before the Honorable David T. Stosberg of the United States Bankruptcy Court for the Western District of Kentucky, Louisville Division, Gene Synder U.S. Courthouse, 601 W. Broadway, Louisville, Kentucky 40202, or as soon thereafter as counsel can be heard, to consider the motion (the "Motion") of Lightyear Communications, Inc., Lightyear Telecommunications, LLC and Lightyear Communications of Virginia, Inc. ("Debtors") for an order:

(a) approving the terms and conditions of an Asset Purchase Agreement, substantially in the form annexed to the Motion as Exhibit "A" (the "APA" or the "Agreement") and authorizing the Debtors to enter into the Agreement to sell certain of their assets described in the Agreement (the "Assets") to Lightyear Acquisition Corp. ("Purchaser") or to such other entity as submits a higher and better offer, as more fully set forth below, in accordance with the terms of the Agreement, free and clear of any and all liens (including mechanics', materialmen's and other consensual or statutory liens), security interests and claims (including reclamation claims), whether or not allowable (as such terms are defined in the Bankruptcy Code), mortgages, pledges, restrictions, hypothecations, charges, indentures, loan agreements, instruments, leases, licenses, options, rights of first refusal, contracts, offsets, recoupment, rights of recovery, judgments, orders, and decrees of any court or governmental entity and environmental, tax and other liabilities and claims, whether secured or unsecured, choate or inchoate, filed or unfilled, scheduled or unscheduled, noticed or unnoticed, recorded or

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unrecorded, contingent or non-contingent, liquidated or unliquidated, matured or unmatured, disputed or undisputed, or known or unknown, whether arising prior to or subsequent to the filing of the chapter 11 petitions in these cases, whether imposed by agreement, understanding, law, equity or otherwise (collectively the “Liens”), with all such Liens to be transferred, affixed and attached solely to the proceeds of sale;

(b) finding that Purchaser is a good faith purchaser of the Assets, within the meaning of 11 U.S.C. § 363(m) of the Bankruptcy Code;

(c) determining that pursuant to 11 U.S.C. § 1146(c) the proposed sale pursuant to the Agreement is exempt from any law imposing a stamp tax or similar tax; and

(d) granting to the Debtors such other and further relief as may be just and proper.

**NOTICE IS FURTHER GIVEN**, that pursuant to the Procedures Order the Court has approved the specific terms and conditions for submitting higher and better offers and has provided for related relief in contemplation of the Approval Hearing, and, among other things, authorized the payment to the Purchaser of either a break-up fee under certain conditions in the amount of \$225,000.00 or expense reimbursements up to \$200,000.00 under certain other conditions. Any party interested in receiving a copy of the Motion or the Procedures Order may request the same in writing to counsel for the Debtors. Copies will be sent to the requesting party by first class mail unless otherwise directed by the requesting party, with the cost of any delivery other than by first class mail to be borne by such party. In addition, copies of the Motion and the Procedures Order can be obtained from the following website: [www.fbtextra.com/lightyear](http://www.fbtextra.com/lightyear).

**NOTICE IS FURTHER GIVEN**, that if you do not oppose the proposed sale or other relief sought in the Motion, you need not respond to the Motion, nor attend the Approval Hearing which has been scheduled on the Motion.

**NOTICE IS FURTHER GIVEN**, that the sale transaction proposed by the Agreement is explicitly subject to the prior approval of the Court and is subject to any higher or better offer that may be made at an auction. Interested parties should review the proposed Agreement annexed as an exhibit to the Motion for the specific terms and conditions thereof.

**A REVIEW OF THE PROPOSED AGREEMENT AND OF THE PROPOSED SALE AND OF THE TERMS AND CONDITIONS FOR SUBMITTING HIGHER AND BETTER OFFERS CONTAINED IN THE PROCEDURES ORDER IS ESSENTIAL TO AN UNDERSTANDING OF THE TRANSACTION PROPOSED BY THE MOTION. UNLESS OTHERWISE DEFINED IN THIS NOTICE, DEFINED TERMS HEREIN SHALL HAVE THE MEANING ASCRIBED TO THEM IN THE AGREEMENT OR THE MOTION.**

**NOTICE IS FURTHER GIVEN**, that at an auction (the “Auction”) to be conducted prior to the Approval Hearing at the offices of Frost Brown Todd LLC, 400 West Market Street, 32<sup>nd</sup>

Floor, Louisville, Kentucky 40202 on August 22, 2002 at 1:00 p.m., the Debtors will consider higher and better offers for the Assets only in accordance with the terms and conditions of sale provided for under the Procedures Order. At the Approval Hearing, the Court shall determine the final highest and best bid for the Assets presented at the Auction.

**NOTICE IS FURTHER GIVEN**, that entities requesting additional information or requesting copies of the aforesaid documents may contact Ronald E. Gold, Esq. at Frost Brown Todd LLC, attorneys to the Debtors at (513) 651-6156, Fax No. (513) 651-6981, e-mail, [rgold@fbtlaw.com](mailto:rgold@fbtlaw.com). No representation is made by the Debtors or their counsel or other professionals except as specifically set forth in the Agreement, and all entities which are submitting an offer for the purchase of the Assets shall be relying upon their own independent due diligence and analysis.

**NOTICE IS FURTHER GIVEN**, that objections to the relief requested in the Motion, if any, must (a) be in writing, (b) conform to the requirements of the U.S. Bankruptcy Code, and Federal Rules of Bankruptcy Procedure and the Local Rules of the United States Bankruptcy Court for the Western District of Kentucky, (c) set forth the names of the objector and the nature and amount of any claim or interest held by and against the Debtors' estates or properties, (d) state with particularity the legal and factual basis for the objection and the specific grounds therefore, and (e) must be filed with the Bankruptcy Court and served so that same are received by: (i) Angel & Frankel, P.C., co-counsel to Purchaser, 460 Park Avenue, New York 10022-1906, Attn.: Laurence May, Esq.; (ii) Frost Brown Todd LLC, 400 Market Street, 32<sup>nd</sup> Floor, Louisville, Kentucky, 40202 Attn.: Ronald E. Gold, Esq. (iii) the Office of the United States Trustee, Joseph J. Golden, Esq., United States Trustee, 512 Gene Snyder Courthouse, 601 West Broadway, Louisville, Kentucky 40202; and (iv) Bingham & Dana LLP, counsel for Deutsche Bank AG and U.S. Bank N.A., One State Street, Hartford, Connecticut 06103-3178, Attn: Robert Dombroff, Esq. and Mark Fucci, Esq. so as to be received by the above parties not later than 4:00 p.m. on August 19, 2002.

Dated: Louisville, Kentucky  
July 24, 2002

BY ORDER OF THE COURT  
DAVID T. STOSBERG, U.S.B.J.