

# ORIGINAL

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF KENTUCKY  
LOUISVILLE DIVISION

IN RE: )  
LIGHTYEAR HOLDINGS, INC., ET AL., )  
DEBTORS. )  
CASE NO. 02-32257  
CHAPTER 11  
JUDGE STOSBERG

030000-Pa

**EMERGENCY MOTION FOR ORDER SHORTENING NOTICE AND SCHEDULING AN  
EXPEDITED HEARING ON THE MOTION OF DEBTORS FOR ORDER APPROVING  
SETTLEMENT AGREEMENT BETWEEN THE DEBTORS AND VARTEC TELECOM, INC.  
PURSUANT TO FED. R. BANKR. P. 9019**

LIGHTYEAR HOLDINGS, INC., LIGHTYEAR COMMUNICATIONS, INC., LIGHTYEAR TELECOMMUNICATIONS LLC AND LIGHTYEAR COMMUNICATIONS OF VIRGINIA, INC., debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "Debtors"), by their attorneys, FROST BROWN TODD LLC, by the undersigned counsel, pursuant to Rules 2002 and 9006 of the Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rule 9.4,<sup>1</sup> respectfully move this Court for entry of an Order shortening notice and scheduling an expedited hearing (the "Emergency Motion") on the Motion of Debtors for Order Approving Settlement Agreement Between the Debtors and VarTec Telecom, Inc. Pursuant to Fed. R. Bankr. P. 9019 (the "Settlement Motion"). In support of the Emergency Motion, the Debtors state:

**Background**

1. Lightyear Holdings, Inc. ("Holdings") was the subject of an involuntary chapter 7 petition

AUS \_\_\_\_\_ filed on April 10, 2002 (the "Involuntary Petition Date"). Since the Involuntary Petition Date, Holdings has  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_ continued to operate its business and manage its properties in the ordinary course of business. On the  
COM \_\_\_\_\_  
CTR \_\_\_\_\_ Petition Date (hereafter defined), Holdings filed a motion to convert its involuntary chapter 7 case to a  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_ voluntary chapter 11 case under title 11 of the United States Code (the "Bankruptcy Code").  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_

SEC \_\_\_\_\_  
OTH \_\_\_\_\_ *None* 2. On April 29, 2002 (the "Petition Date"), Lightyear Communications, Inc. ("Communications"), Lightyear Telecommunications LLC ("Telecommunications") and Lightyear

<sup>1</sup>Unless otherwise noted, references to "Rule \_\_\_" are to the Federal Rules of Bankruptcy Procedure and references to "LBR" are to the Local Bankruptcy Rules for the United States Bankruptcy Court for the Western District of Kentucky.

DOCUMENT NUMBER-DATE

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FPSO-COMMISSION CLERK

Communications of Virginia, Inc. ("Virginia") filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On April 30, 2002, this Court entered an order converting Holdings' chapter 7 case to a case under chapter 11 of the Bankruptcy Code. On May 22, 2002, this Court entered an order consolidating these chapter 11 cases for procedural purposes only.

3. The Debtors are continuing to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. As set forth in the Settlement Motion, filed concurrently herewith, on June 20, 2003, the Debtors filed a motion to establish procedures for the sale of substantially all of the Debtors' assets (the "Bid Procedures Motion") and a motion to approve the sale of substantially all of the Debtors' assets (the "Sale Motion"). This Court has scheduled a hearing to consider the Bid Procedures Motion on August 4, 2003 at 11:00 a.m.

#### **The Settlement Motion**

5. Following extensive negotiations, the Debtors, VarTec, and certain other non-debtor parties entered into a Settlement Agreement and Release to resolve all of the outstanding claims between the Debtors, VarTec and certain other parties.<sup>2</sup> Concurrently herewith, the Debtors filed the Settlement Motion in which the Debtors seek entry of an order by this Court approving the Settlement Agreement and Release.

6. For the reasons set forth below, the Debtors respectfully request that this Court shorten the notice on the Settlement Motion and conduct a hearing on the Settlement Motion at the next omnibus hearing date scheduled in these chapter 11 cases, August 4, 2003 at 11:00 a.m.

#### **Request for Expedited Hearing**

7. Rule 2002(m) of the Federal Rules of Bankruptcy Procedure permits this Court to "enter orders designating the matters in respect to which, the entity to whom, and the form and manner in notices shall be sent except as otherwise provided by these rules." Rule 9006(c) of the Federal Rules of

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<sup>2</sup> The terms of the Settlement Agreement and Release are set out in detail in the Settlement Motion, and a copy of the Settlement Agreement and Release is annexed thereto.

Bankruptcy Procedure provides that "when an act is required or allowed to be done at or within a specified time by these rules or by a notice given thereunder or by order of court, the court for cause shown may in its discretion with or without motion or notice order the period reduced." Finally, LBR 9.4 permits the scheduling of expedited hearings on "matters that require emergency attention."

8. Entry of an order granting the relief sought with this Emergency Motion is warranted under the present circumstances. Expedited disposition of the Settlement Motion critical to the administration of these chapter 11 cases and to the preservation of the value of the Debtors' assets for the benefit of the Debtors' estates and their creditors. As set forth in detail by the Debtors in the Settlement Motion, the Settlement Agreement and Release contemplates the resolution of certain significant and highly contentious claims between the Debtors, VarTec and certain other non-debtor parties. In fact, the resolution of these claims are absolutely central to the ultimate outcome of these chapter 11 cases and to the Debtors' ability to confirm a plan of reorganization. Moreover, because the Settlement Agreement and Release requires the agreement of and affects the rights of LY Acquisition, the stalking horse bidder under the Debtors' proposed sale of substantially all of its assets, it is imperative that the Settlement Agreement and Release be approved prior to the Debtors' going forward with the proposed sale. Therefore, it is essential that the Settlement Agreement and Release be approved on or before the hearing to consider the Bid Procedures Motion.

9. As set forth in detail in the Settlement Motion, approval of the Settlement Agreement and Release will provide substantial and immediate benefit to the Debtors and their estates. Entering into the Settlement Agreement and Release will, among other things, eliminate over \$85,000,000 of unsecured claims asserted by VarTec against the Debtors, permit the Debtors to go forward with the proposed sale of substantially all of the Debtors' assets to LY Acquisition and clear the way for the Debtors to file and confirm a plan of reorganization.

10. Because of the importance of resolving the issues addressed by the Settlement Agreement and Release, and the involvement of LY Acquisition in the both the Settlement Agreement and Release and the proposed sale of the Debtors' assets, it is absolutely essential that the issues addressed



**EXHIBIT A – PROPOSED ORDER**

**UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF KENTUCKY  
LOUISVILLE DIVISION**

<b>IN RE:</b>	)	<b>CHAPTER 11</b>
	)	
<b>LIGHTYEAR HOLDINGS, INC. ET AL.,</b>	)	<b>CASE NO. 02-32257</b>
	)	
<b>DEBTORS.</b>	)	<b>JOINTLY ADMINISTERED</b>
	)	
	)	<b>HON. DAVID T. STOSBERG</b>

**ORDER GRANTING EMERGENCY MOTION FOR ORDER SHORTENING NOTICE  
AND SCHEDULING AN EXPEDITED HEARING ON THE MOTION OF DEBTORS  
FOR ORDER APPROVING SETTLEMENT AGREEMENT BETWEEN THE DEBTORS  
AND VARTEC TELECOM, INC. PURSUANT TO FED. R. BANKR. P. 9019**

Upon the Emergency Motion of the Debtors dated July 21, 2003 (the "Expedited Hearing Motion") of LIGHTYEAR HOLDINGS, INC., LIGHTYEAR COMMUNICATIONS, INC., LIGHTYEAR TELECOMMUNICATIONS LLC AND LIGHTYEAR COMMUNICATIONS OF VIRGINIA, INC., debtors and debtors in possession in the above captioned chapter 11 cases (collectively, the "Debtors") for entry of an order convening an expedited hearing and shortening notice on the MOTION OF DEBTORS FOR ORDER APPROVING SETTLEMENT AGREEMENT BETWEEN THE DEBTORS AND VARTEC TELECOM, INC. PURSUANT TO FED. R. BANKR. P. 9019 (the "Settlement Motion"); the Court having reviewed the Expedited Hearing Motion; the Court being fully advised in the premises and having determined that the legal and factual bases set forth in the Expedited Hearing Motion establish just cause for the relief granted herein:

**IT IS HEREBY ORDERED THAT:**

1. The Expedited Hearing Motion is granted.
2. An expedited hearing on the Settlement Motion is hereby set for August 4, 2003 at 11:00 a.m.
3. Objections to the Settlement Motion, if any, shall be filed with the Court and served upon counsel for the Debtors and VarTec Telecom, Inc. that they are received no later than July 31, 2003, at 4:00 p.m.