

R. D. Hart

ASSET PURCHASE AGREEMENT

by and between

LY ACQUISITION, LLC

and

LIGHTYEAR COMMUNICATIONS, INC.,

LIGHTYEAR COMMUNICATIONS OF VIRGINIA, INC. and

LIGHTYEAR TELECOMMUNICATIONS LLC

Dated as of July 30, 2003

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of July 30, 2003, is made by and between Lightyear Communications, Inc., Lightyear Communications of Virginia, Inc. and Lightyear Telecommunications LLC (each a "Seller" and collectively, the "Sellers"), and LY Acquisition, LLC, a Kentucky limited liability company (the "Buyer").

RECITALS

A. On April 29, 2002 (the "Petition Date"), the Sellers commenced voluntary cases for reorganization (collectively, the "Bankruptcy Cases") under Chapter 11 of the Bankruptcy Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Western District of Kentucky, Louisville Division (the "Bankruptcy Court").

B. Each entity constituting the Sellers is a debtor-in-possession pursuant to reorganization cases commenced by them under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and is operating its business and managing its properties pursuant to section 1108 of the Bankruptcy Code;

C. The Sellers are engaged in the business of marketing, selling and providing telecommunications products and services, including long distance voice and data services to customers (the "Business"); and

D. The Sellers have determined that it is in the best interest of the Sellers and their bankruptcy estates to sell to the Buyer all right, title and interest of the Sellers in and to the Acquired Assets (defined below), for consideration and upon the terms and conditions hereinafter set forth.

E. The Buyer desires to purchase the Acquired Assets and assume the Assumed Liabilities (defined below) from the Sellers, and the Sellers desire to sell, convey, assign and transfer to the Buyer, the Acquired Assets together with the Assumed Liabilities, all in the manner and subject to the terms and conditions set forth in this Agreement and in accordance with sections 105, 363 and 365 and other applicable provisions of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure.

F. The Acquired Assets are assets of the Sellers, which are to be purchased and assumed by the Buyer, free and clear of all liens, claims and encumbrances, except as otherwise provided herein, pursuant to a final, non-appealable order of the Bankruptcy Court approving such sale pursuant to sections 105, 363 and 365 of the Bankruptcy Code (the "Sale Order"), which order will include the authorization for the assumption by the Sellers and assignment to the Buyer of certain unexpired executory contracts and unexpired executory leases and liabilities thereunder under section 365 of the Bankruptcy Code, all in the manner and subject to the terms and conditions set forth in this Agreement and the Sale Order and in accordance with other applicable provisions of the Bankruptcy Code.

NOW, THEREFORE, in consideration of the foregoing and their respective representations, warranties, covenants and agreements herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Sellers and the Buyer hereby agree as follows:

ARTICLE 1. PURCHASE AND SALE OF THE ACQUIRED ASSETS.

SECTION 1.1. Purchase and Sale of Acquired Assets. The Sellers agree to sell to the Buyer and the Buyer agrees to purchase from the Sellers at Final Closing, for the consideration hereinafter set forth in Section 2.1, free and clear of all liens, claims, and

encumbrances (collectively, "Liens") other than the Permitted Liens (as defined below). pursuant to sections 363 and 365 of the Bankruptcy Code, the following listed assets, properties and rights of the Sellers (the "Acquired Assets"):

(a) the owned or leased real property used or usable by the Sellers in the operation of the Business, including the owned and leased real property set forth on Schedule 1.1(a) (the "Real Property");

(b) the machinery, equipment, furniture, fixtures, vehicles, tools, supplies, improvements and other tangible personal property wherever located which are used or held for use in the conduct of the Business including, without limitation, the items listed in Schedule 1.1(b) (the "Owned Equipment") and, to the extent transferable, rights of the Sellers to warranties and licenses received from manufacturers and sellers of the Owned Equipment;

(c) all (i) Sellers' equipment, machinery, furniture, fixtures and improvements, tooling and spare parts which are either located on the Real Property or relate to the operation of the Business as previously conducted by the Sellers that is leased pursuant to a Contract (defined below) including, without limitation, the items listed in Schedule 1.1(c) (the "Leased Equipment," and collectively with the Owned Equipment, the "Equipment"), and (ii) to the extent transferable, rights of the Sellers to the warranties and licenses received from manufacturers and lessors of the Leased Equipment;

(d) any computer software necessary to the operation of the Business;

(e) the licenses, permits, certifications, third party approvals and the like held by the Sellers and which relate to the Acquired Assets or the Business including, without limitation, those licenses and permits listed on Schedule 1.1(e) (the "Permits") to the extent assignable to the Buyer;

(f) all rights and interests held or owned by the Sellers in all trade names, trademarks and service marks, patents, patent rights, copyrights, whether domestic or foreign (as well as all applications, registrations or certificates for or relating to any of the foregoing), inventions, trade secrets, know-how, proprietary processes, software and other intellectual and industrial property rights relating to the Business including, without limitation, the intellectual property listed on Schedule 1.1(f) (the "Intellectual Property");

(g) all accounts receivable and notes receivable of the Sellers which relate to the Acquired Assets or the Business (the "Receivables");

(h) all books and records of the Sellers, including computerized records and associated software owned by the Sellers and documentation including, without limitation, all books and records relating to or containing sales or marketing information, customer lists, supplier information, financial management reports, accounting books and records, engineering and technical material in respect of telecommunication services provided by the Sellers and information and personnel records relating to employees of the Sellers but excluding corporate records of the Sellers;

(i) all of the Sellers' Carrier Identification Codes ("CIC") and any other CIC's that are loaded on the Sellers' network, and all rights related thereto;

(j) all purchase orders, forms, labels, stationary, shipping materials, catalogues, brochures, art work, photographs and advertising materials held by the Sellers for use in the Business;

(k) all prepaid expenses and deferred charges of the Sellers as listed in Schedule 1.1(k);

(l) all rights and interests of the Sellers in, to and under the contracts, leases, indentures, commitments and other agreements and instruments related to the Acquired Assets or the Business, in each case, which are assignable to the Buyer and which are transferred to the Buyer in accordance with the terms hereof (collectively, the "Contracts");

(m) any and all leasehold improvements made by the Sellers under the Contracts;

(n) cash and cash equivalents of the Sellers on hand in banks or wherever located which relate to the Business;

(o) all surety bonds, performance bonds, guarantees and letters of credit;

(p) all customer base and agent base related to the Business and all long distance, private line and other telecommunications traffic and revenue streams related thereto, including without limitation any past or current customers or agents, and any and all information or call records relating thereto;

(q) all rights to any and all cash true-ups or other contract rights under the Contracts; and

(r) all other tangible and intangible properties of the Sellers, including the goodwill of the Business and the right to do business in the "Lightyear" name or any derivative thereof currently used by the Sellers, which are not Excluded Assets.

At the Final Closing, the Acquired Assets will be delivered free and clear of all Liens, other than the Liens of the Bank, but only to the extent of the section 363 financing between the Buyer and the Banks and those Liens which are assumed or consented to by the Buyer herein (including, without limitation, Liens included in the Assumed Liabilities) (collectively, the "Permitted Liens"). The Acquired Assets will otherwise be transferred on an AS IS, WHERE IS

basis and with all faults. "Person" means an individual, partnership, corporation, limited liability company, association, trust, joint venture, unincorporated organization, other entity, and any Governmental Authority.

SECTION 1.2. Excluded Assets. Notwithstanding the provisions of Section 1.1, the following properties, assets, rights and interests of the Sellers (the "Excluded Assets") are expressly excluded from the purchase and sale contemplated hereby and, as such, are not included in the Acquired Assets:

(a) all tax refunds, rebates, overpayments and other rights (including, without limitation, rights to indemnification) and claims of the Sellers in respect of or relating to Tax or other liabilities not assumed by the Buyer or in respect of or relating to any other Excluded Assets;

(b) all other assets, properties and rights identified on Schedule 1.2(b) hereto;

(c) all books, records, files or other documentation and written materials relating to any Excluded Assets;

(d) all of the Sellers' directors and officers insurance policies, any retainers paid to the Sellers' professionals and any deposits of the Sellers set forth on Schedule 1.2(d) either (i) paid by the Sellers as part of or in contemplation of the Bankruptcy Cases, or (ii) held by Williams Communications, LLC ("Williams") or the operating subsidiaries of Verizon Communications Inc. ("Verizon"); provided, however, to the extent the Williams or Verizon deposits are not offset by claims of either Verizon or Williams such deposits shall immediately become Acquired Assets and cease to be Excluded Assets (whenever this occurs);

(e) any and all rights, claims, credits, allowances, rebates, causes of action, known or unknown, pending or threatened (including, without limitation, all causes of action

arising under sections 510, 544 through 551 and 553 of the Bankruptcy Code or under similar state Laws (as defined below), including, without limitation, fraudulent conveyance claims, and all other causes of action of a trustee and debtor-in-possession under the Bankruptcy Code) or rights of set-off (collectively, "Claims"), of the Sellers or any Affiliate (as defined below) of the Sellers, including but not limited to, Claims arising out of or relating in any way to the Bankruptcy Cases, or any of the transactions contemplated thereby or entered into as a consequence thereof, including, without limitation, any claims (as defined in section 101(5) of the Bankruptcy Code) filed, scheduled or otherwise arising in the Bankruptcy Cases in each case, except to the extent Claims relate (i) to Assumed Liabilities, and/or (ii) solely to the collection of the Receivables (in each such instance, such Claims shall be Acquired Assets);

(f) all shares of capital stock of the Sellers, all capital stock or equity of any other Person, and all corporate seals, corporate records, minute books, charter documents, record books, stock transfer books, original tax, accounting and financial records, and such other files, books and records as pertain to any of the Excluded Assets or to the organization, existence or capitalization of the Sellers or of any other Person;

(g) all assets, if any, in the Sellers' executive or incentive compensation, bonus, deferred compensation, pension, profit sharing, savings, retirement, stock option, stock purchase, group life, health or accident insurance or other employee benefit plans, as scheduled on Schedule 1.2(g), and all contracts and other agreements and documents relating to all such plans, but specifically excluding the insurance policy on the life of Mr. Henderson (as defined below) issued to the Sellers which shall be an Acquired Asset;

(h) any assets directly owned by Lightyear Holdings, Inc. ("Holdings") which assets are only the capital stock holdings in Sellers and as such these assets do not include assets owned directly by the Sellers;

(i) all memorabilia and personal effects owned by Mr. Henderson and located in Mr. Henderson's office or his adjoining conference room as listed on Schedule 1.2(i) attached hereto and incorporated herein by reference;

(j) all Retained Contracts (as defined below); and

(k) all Permits (and/or other assets, if any), of the Sellers that cannot be assigned or transferred to the Buyer at the Final Closing due to the inability of any party hereto to obtain any consent, authorization, approval, license or permit required as a condition to the assignment or transfer of any such assets; provided, however, that if all consents, approvals, authorizations, licenses and permits required in connection with the transfer or assignment of any of such assets are obtained within the time frames set forth in this Agreement, such assets will, for all purposes of this Agreement, at such time immediately become Acquired Assets and cease to be Excluded Assets.

"Affiliate" means, with respect to a specific Person (i) any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under the control of a Person that controls, the specified Person; (ii) any other Person of which the specified Person is an officer or partner or is the beneficial owner of 10% or more of any class of equity security or interest; (iii) any trust or estate in which the specified Person or an Affiliate of the specified Person has a beneficial interest or as to which the specified Person serves as a trustee or in another fiduciary capacity; and (iv) any spouse, ancestor, descendant, brother or sister of the specified Person and any spouse of any of the aforementioned individuals. The term "control"

means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership, by contract or otherwise.

SECTION 1.3. Assumed Liabilities.

(a) Except as set forth in paragraph (b) below, at Final Closing the Buyer will assume the following liabilities and obligations of the Sellers which relate to the Business and which are not paid or discharged at or before Final Closing (the "Assumed Liabilities"):

(i) all liabilities and obligations of Sellers relating to customer cash deposits held by Sellers pursuant to agreements between Sellers and Sellers' customers unless pertaining to Excluded Assets in which case such liabilities and obligations shall be Excluded Liabilities;

(ii) all liabilities for and obligations of the Sellers relating to the Acquired Assets or the Business arising after the Final Closing Date;

(iii) all liabilities and obligations owing to the parties in the amounts set forth on Schedule 1.3(a)(iii);

(iv) all Chapter 11 administrative expenses of the Sellers owing as of, or accrued to, the Final Closing, including, but not limited to, those administrative expenses contemplated by Plan B6, dated July 7, 2003, prepared by the Sellers and provided to the Buyer (the "Assumed Administrative Claims") subject to the Purchase Price Cap; such Assumed Administrative Claims, including, but not limited to, all trade payables of the Sellers as shown on that certain consolidated balance sheet of the Sellers for the last calendar month ending more than fifteen (15) days prior to the Final Closing Date, plus such trade payables as are incurred in the ordinary course of business, as determined by the Buyer in its reasonable discretion, since the date of such balance sheet (collectively, the "Payables");

(v) all liabilities and obligations of the Sellers under the Contracts and all cure costs required to be paid pursuant to section 365 of the Bankruptcy Code in connection with the assumption and assignment of such Contracts;

(vi) all liabilities and obligations of the Sellers under their Key Employee Incentive Pay Program as set forth in Plan B6, dated July 7, 2003, prepared by the Sellers and delivered to the Buyer; and

(vii) all Transaction Taxes that may be imposed by reason of the sale, transfer, assignment and delivery of the Acquired Assets and are not exempted under section 1146(c) of the Bankruptcy Code.

(b) Notwithstanding the provisions of Section 1.3(a), there are expressly excluded from the Assumed Liabilities the following listed liabilities and obligations of the Sellers:

(i) all liabilities for Taxes incurred or to be incurred by the Sellers, except to the extent the foregoing constitute Chapter 11 administrative expenses of the Sellers paid on or before the Final Closing or Assumed Administrative Claims;

(ii) all liabilities and obligations, whether civil or criminal in nature, arising out of any actual or alleged violation by the Sellers of any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty;

(iii) any and all liabilities and obligations of the Sellers relating to any claims, suits, proceedings, actions or causes of action that are outstanding against the Seller as of the Final Closing Date or arising from a breach prior to the Final Closing Date of any contract or commitment, including, without limitation, the Contracts, except to the extent such liabilities and

obligations are (A) chapter 11 administrative expenses of the Sellers properly paid on or before the Final Closing, (B) Assumed Administrative Claims, or (C) "cure costs" or costs otherwise required to be satisfied pursuant to section 365 of the Bankruptcy Code to enable the Contracts to be assumed by the Sellers and assigned to the Buyer;

(iv) all liabilities and obligations arising under any contract, commitment or other asset if the rights of the Sellers therein are, for any reason, not transferred to, or the benefits thereunder are not otherwise made available to, the Buyer at the Final Closing Date; provided, however that, at such time as such rights of the Sellers are transferred to the Buyer or such benefits thereunder are made available to the Buyer, such liabilities and obligations will automatically become Assumed Liabilities without further action by any party;

(v) any liability or obligation in respect of severance, separation pay or allowances for employees of the Sellers, except for any such liabilities or obligations that relate to or arise from the Sellers' Key Employee Incentive Pay Program, are Assumed Administrative Claims or are Chapter 11 administrative expenses of the Sellers properly paid on or before the Final Closing;

(vi) any liability or obligation related to any multi-employer plan (within the meaning of Section 3(37) of the Employee Retirement Income Security Act of 1974); and

(vii) any legal, accounting or other professional fees incurred by the Sellers in connection with the transactions contemplated herein (other than (i) the \$300,000 paid by the Buyer to the Sellers solely to fund the conclusion of the Bankruptcy Cases after the Final Closing Date as provided for in Section 2.1(a), and (ii) any such fees paid from proceeds of the DIP Loan Facility);

(viii) any other liability or obligation not expressly assumed by the Buyer pursuant to this Agreement.

(c) The Buyer is assuming only the Assumed Liabilities and is not assuming any other liability or obligation of whatever nature, whether presently in existence or arising hereafter. All such other liabilities and obligations shall be retained by and remain liabilities and obligations of Sellers (all such liabilities and obligations not being assumed being herein referred to as the "Excluded Liabilities").

SECTION 1.4. Non-Assignment of Assets. This Agreement shall not constitute an agreement to assign or transfer any asset of the Sellers, if, notwithstanding the provisions of sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the approval, authorization or consent of, or granting or issuance of any license or permit by, any the third party thereto (or with respect thereto), would constitute a breach thereof or in any way negatively affect the rights of the Sellers or the Buyer, as the assignee or transferee of such asset, as the case may be, thereunder. If, notwithstanding the provisions of sections 363 and 365 of the Bankruptcy Code, the Final Closing occurs and such approval, authorization or consent, or granting or issuance of such license or permit, is required for the transfer or assignment of any asset of the Sellers at or before the Final Closing, but is not obtained, the Sellers will cooperate with the Buyer without further consideration (other than as provided in clause (b) of this Section 1.4) in an arrangement, pursuant to a management agreement reasonably acceptable to the Buyer and the Sellers (the "Management Agreement"), designed to both (a) provide the Buyer with the benefits of or under any such asset, and (b) cause the Buyer to bear all costs and obligations of or under any such asset, whereby the Buyer shall provide services to the Sellers' customers, provide underlying carrier services, provide operating cash to

the extent necessary and provide billing and other management and administrative functions and services necessary for the Sellers to continue to provide services to their existing customers and operate such assets, on a basis consistent with the type and quality of services provided as of the Final Closing, until all required approvals, authorizations, consents, licenses and permits not obtained as of the Final Closing are obtained; provided, however, that, if not all such required approvals, authorizations, consents, licenses and permits are obtained within 90 days of the Final Closing Date, the Management Agreement shall provide that the assets that have not been assigned or transferred to the Buyer as a result of the failure to obtain such approvals, authorizations, consents, licenses or permits shall remain the assets of the Sellers and the Management Agreement shall terminate as soon thereafter as the Sellers can reasonably and lawfully discontinue service to their remaining customers. Any assignment or transfer to the Buyer of any asset that shall, notwithstanding the provisions of sections 363 and 365 of the Bankruptcy Code, require the authorization, consent or approval of, or granting or issuance of any license or permit by, any third party for such assignment or transfer as aforesaid shall be made subject to such authorization, consent, approval, permit or license being obtained.

ARTICLE 2. CONSIDERATION

SECTION 2.1. Consideration. The aggregate consideration (the "Purchase Price") for the sale and transfer of the Acquired Assets, which price shall be payable and deliverable in accordance with this Agreement, shall be an amount not to exceed \$36,500,000 (the "Initial Cap"); provided, however, the Initial Cap shall be increased by the amount of the Receivables as of the Final Closing net of any reserves, calculated in accordance with generally accepted accounting principles, consistently applied and in accordance with the Sellers' historical practices subsequent to the Petition Date (which practices provide that additions will

be made to reserves based on 3% of credit sales as reflected in the Plan B6, dated July 7, 2003 and reductions to reserves will be made only for actual charge offs), and decreased by \$11,441,000, which is the amount of the Receivables set forth in Plan B6, dated July 7, 2003, prepared by the Sellers and delivered to the Buyer. The Initial Cap, as adjusted pursuant to the foregoing provisions, shall be referred to herein as the "Purchase Price Cap." The Purchase Price shall be paid as follows:

(a) Purchase Price to be Paid in Cash. The Buyer shall pay the cash portion of the Purchase Price as follows: (i) the balance of indebtedness outstanding under the Credit Agreement among the Sellers and Holdings, U.S. Bank, National Association and Deutsche Bank AG New York Branch and/or Cayman Islands Branch (collectively, the "Banks") dated as of April 29, 2002, as amended, (the "DIP Loan Facility") as of the Final Closing Date, which indebtedness for purposes of this Agreement shall mean all "Obligations" of the Sellers and Holdings as defined in the DIP Loan Facility; (ii) all Chapter 11 administrative expenses of the Sellers owing as of, or accrued to, the Final Closing which are due and payable on or before the Final Closing Date; (iii) an amount not to exceed \$300,000.00 which shall be paid by the Buyer to the Sellers solely to fund the conclusion of the Bankruptcy Cases after the Final Closing Date (after application of all retainers and deposits); (iv) an amount equal to \$500,000.00 which shall be paid to the Sellers on the Final Closing Date solely for the benefit of allowed general unsecured claims in the bankruptcy cases of the Sellers; and (e) all amounts necessary to cure any defaults under any Contract that is to be assumed by the Sellers and assigned to the Buyer under section 365 of the Bankruptcy Code.

(b) Assumed Liabilities. The Buyer shall pay the Assumed Liabilities when such liabilities come due on or after the Final Closing Date.

SECTION 2.2. Payment of Purchase Price Consideration. Cash payments of the Purchase Price at the Final Closing shall be made by wire transfer of immediately available funds. At the Final Closing, the Buyer shall also assume the Assumed Liabilities, with the Buyer agreeing to pay the Assumed Liabilities pursuant to this Agreement or any other agreements entered into by the Buyer. To the extent that the total of the Purchase Price components identified in Section 2.1(a) and (b) exceed the Purchase Price Cap, the Buyer and the Sellers shall negotiate in good faith the components of the Purchase Price that shall be reduced to reduce the total Purchase Price to the Purchase Price Cap; but, unless otherwise ordered by the Bankruptcy Court, the Final Closing shall occur with the Buyer paying to the Sellers only the Purchase Price Cap as an aggregate amount as set forth herein with the portion of the Purchase Price payable to the DIP Loan Facility to be paid immediately as provided for herein and with the assumed portion of the Assumed Liabilities to be determined by subsequent orders of the Bankruptcy Court.

SECTION 2.3. Deposit. On or before the date hereof, the Buyer has executed and delivered to Sellers an Escrow Agreement, in the form of the agreement attached as Exhibit 2.3(b), (the "Escrow Agreement"), and deposited with U.S. Bank, National Association, as escrow agent (the "Escrow Agent") \$1,000,000 (the "Initial Deposit"). Contemporaneously with the entry of the Procedures Order (defined below) by the Bankruptcy Court, the Buyer shall deposit an additional \$1,000,000 with the Escrow Agent (the "Supplemental Deposit", collectively with the Initial Deposit, the "Deposit").

ARTICLE 3. CLOSING AND DELIVERIES

SECTION 3.1. Closings. The parties shall hold an initial closing (the "Initial Closing") on the next business day (the "Initial Closing Date") after the Sale Order is entered by

the Bankruptcy Court and is not subject to further stay or appeal. The parties shall hold a final closing (the "Final Closing") on the first business day as soon as possible (the "Final Closing Date") after the Buyer obtains (a) all approvals and licenses required for the consummation of the transactions contemplated by this Agreement, or (b) if all such approvals and licenses are not obtained on or before March 24, 2004, the Required Material Regulatory Approvals, as defined herein, which day shall not be greater than five (5) business days following said date unless otherwise agreed to in writing by the Sellers, the Buyer, and the Banks. The transactions contemplated hereby shall take place at the office of Frost Brown Todd LLC, 400 West Market Street, 32nd Floor, Louisville, Kentucky 40202-3363 (despite a pending appeal if no stay thereof is in effect) pursuant to, and in accordance with, the protections afforded the Buyer under section 363(m) of the Bankruptcy Code) pursuant to the terms and conditions hereof.

SECTION 3.2. Initial Closing. On the Initial Closing Date, the Buyer will purchase a \$7,500,000 participation in the DIP Loan Facility (the "Participation") pursuant to the terms of a participation agreement (the "Participation Agreement") between the Buyer and the Banks, which Participation Agreement shall be executed by the Buyer and the Banks on or before entry of the Procedures Order. On the Initial Closing Date and in accordance with the Escrow Agreement, the Escrow Agent will release the Deposit over to the Banks as part of the Buyer's purchase of the Participation. In addition, subject to Section 9.1(j) of this Agreement, the Sellers, on the Initial Closing Date, shall pay to MCI WorldCom Network Services, Inc. ("WorldCom") an amount not to exceed \$2,500,000 in complete satisfaction of the secured claim of WorldCom pursuant to a settlement agreement to be approved by the Bankruptcy Court and the bankruptcy court in WorldCom's Chapter 11 case pending in the Southern District of New York.

SECTION 3.3. Sellers' Deliveries. The sale, transfer, assignment and delivery by the Sellers of the Acquired Assets to the Buyer, as herein provided, shall be effected on the Final Closing Date by bills of sale, endorsements, assignments and other instruments of transfer and conveyance, excluding any representations, warranties or covenants and shall otherwise be consistent with the terms of this Agreement reasonably satisfactory in form and substance to counsel for the Buyer.

SECTION 3.4. Buyer's Deliveries. At the Final Closing:

(a) The Buyer shall wire transfer the Purchase Price (less the previously paid Deposit directed to have been applied to the Participation) to, or at the direction of, the Sellers, in accordance with a funds memorandum to have been approved by the Sellers, the Buyer and the Banks, in immediately available funds to the account or accounts specified by the Sellers, in consultation with the Banks (and the Sellers, in consultation with the Banks, shall specify such account on or before the Final Closing Date). If amounts remain owing to the Banks under the DIP Loan Facility on the Final Closing Date, the first proceeds from the Purchase Price, unless specifically designated by the Sellers, the Banks and the Buyer, shall be paid to the Banks to satisfy the DIP Loan Facility. Thereafter, the proceeds of the Purchase Price shall be paid directly to the Sellers. Notwithstanding the above, the Buyer shall make payment directly to any third party entitled to payment on account of any Assumed Liabilities, including any and all cure payments required for any Contract; and

(b) The Buyer shall execute and deliver to the Sellers an instrument of assumption of liabilities with respect to the Assumed Liabilities reasonably satisfactory in form and substance to counsel for the Sellers.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties of the Sellers. The Sellers represent and warrant to the Buyer as follows:

(a) Organization. Each Seller is duly organized and validly existing under the Laws of the jurisdiction of its organization. Subject to any necessary authority from the Bankruptcy Court, each Seller has all requisite corporate or limited liability company power and authority to own its properties and assets and to consummate the transactions contemplated hereby.

(b) Authorization and Validity. Each Seller has all requisite corporate or limited liability company power and authority to enter into this Agreement, subject to (i) the Bankruptcy Court's entry of the Procedures Order and Sale Order, and (ii) the receipt of the consents, waivers and approvals set forth on Schedule 4.1(d). The execution and delivery of this Agreement and the performance of the obligations hereunder have been duly authorized by all necessary corporate or limited liability company action by each Seller, and no other corporate or limited liability company action on the part of any Seller is necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by each Seller and, subject to the Bankruptcy Court's entry of the Procedures Order and Sale Order, constitutes its valid and binding obligations, enforceable against it in accordance with the Agreement's terms.

(c) No Conflict or Violation. Subject to (i) the Bankruptcy Court's entry of the Procedures Order and Sale Order, and (ii) the receipt of the consents, waivers and approvals set forth on Schedule 4.1(d), the execution, delivery and performance by the Sellers of this Agreement (x) do not and will not violate or conflict with any provision of the certificate of incorporation, articles of organization, operating agreement or by-laws of the Sellers, (y) do not

and will not violate any provision of any law, regulation, rule or other legal requirement of any Governmental Authority ("Law") or any order, judgment, injunction or decree of any court or Governmental Authority ("Order") applicable to the Sellers, and (z) do not and will not violate or result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contract entered into by the Sellers after the Petition Date, to which the Sellers are a party or by which they are bound or to which any of their properties or assets are subject, which violation, conflict, breach or default would reasonably be expected to have a Material Adverse Effect. "Material Adverse Effect" means a state of facts, event, change or effect on the value of the Acquired Assets that results in a material adverse effect on the value of the Acquired Assets taken as a whole, but excludes any state of facts, event, change or effect caused by events; changes or developments relating to (A) any action of any or all of the Sellers pursuant to any order of the Bankruptcy Court entered before the date hereof, including, without limitation, the transactions contemplated by this Agreement or the announcement thereof; (B) changes or conditions affecting the telecommunications industry generally; (C) changes in economic, regulatory or political conditions generally; (D) changes resulting from, or from any motion, application, pleading or order filed related to, the Bankruptcy Case before the Final Closing, or (E) any act(s) of war or of terrorism. "Governmental Authority" means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision.

(d) Consents and Approvals. Schedule 4.1(d) sets forth a true and complete list of each material consent, waiver, authorization or approval of any Governmental Authority or of any other Person (other than the Bankruptcy Court's entry of the Sale Order), and each material declaration to or filing or registration with any such Governmental Authority (other than

those required to be made to or filed with the Bankruptcy Court), that is required in connection with the execution and delivery of this Agreement.

(e) Compliance with Law. Except as set forth on Schedule 4.1(e) and as may result from the Bankruptcy Cases, the Sellers have not received written notice of any violation of any Law, nor are the Sellers in default with respect to any Order, applicable to the Acquired Assets, other than violations or defaults the consequences of which would not reasonably be expected to have a Material Adverse Effect.

(f) Litigation. As of the date of this Agreement, and except as set forth on Schedule 4.1(f), there are no claims, actions, suits, proceedings or investigations pending or, to the Sellers' knowledge, threatened in writing, before any federal or state court brought by or against any Seller that, if adversely determined, would reasonably be expected to have a Material Adverse Effect or materially impair the ability of the Sellers to consummate the transactions contemplated by this Agreement.

(g) Title and Ownership. The Sellers have good title to the Acquired Assets which are owned, or right by license, lease or other agreement to use, the Acquired Assets which are licensed or leased. Subject to the entry of the Sale Order, at the Final Closing, Sellers will have the right to transfer the Acquired Assets to the Buyer free and clear of all Liens, other than Permitted Liens.

(h) Contracts. As of the date of this Agreement, other than as set forth on Schedule 4.1(h), neither the Sellers nor any other party to any of the Contracts has commenced any action against any of the parties to such Contracts or given or received any written notice of any material default or violation under any Contract that was not withdrawn or dismissed, except only for those defaults that will be cured in accordance with the Sale Order (or that need not be

cured under the Bankruptcy Code to permit the assumption and assignment of the Contracts). Each of the Contracts is, or will be at the Final Closing, valid, binding and in full force and effect against the Sellers, except as otherwise set forth on Schedule 4.1(h).

(i) Permits. Schedule 1.1(e) sets forth a complete and correct list of all material operational permits (collectively, the "Permits") currently held by the Sellers in connection with the Business.

(j) Financial Information. The financial statements of the Sellers and Lightyear Holdings, Inc. dated June 30, 2003, delivered to the Buyer fairly present the financial condition and the results of operations, changes in stockholders' equity, and cash flow for the Business as of the respective dates and for the periods referred to therein, all in accordance with generally accepted accounting principles, consistently applied.

(k) Intellectual Property.

(i) Schedule 1.1(f) sets forth certain of the Intellectual Property, including, but not limited to:

(A) all fictional business names, trade names, registered trademarks and service marks, and related applications used in respect of the Business. The Sellers have not used, and are currently not using any corporate or fictional business names other than those names listed on Schedule 1.1(f);

(B) all patents and patent applications that relate to the Business; and

(C) all copyright registrations in both published works and unpublished works used in the Business.

(ii) To the Sellers' knowledge, except for software embedded in the Equipment or software licensed to the Sellers under "shrink-wrap" licenses, Schedule 1.1(f) contains a complete and accurate list and summary description of all software licenses for the Intellectual Property, including any royalties paid or received by the Sellers. To the Sellers' knowledge, there are no outstanding or threatened disputes or disagreements with respect to any such license.

(iii) Subject to the licenses described in Section 4.1(k)(ii), and to the Sellers' knowledge, the Sellers are the owners of all right, title, and interest in and to the Intellectual Property, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims, and have the right to use all of the Intellectual Property without payment to a third party.

(iv) All of the issued patents forming part of the Intellectual Property are currently in compliance with formal legal requirements (including payment of filing, examination, and maintenance fees and proofs of working or use), to the Sellers' knowledge, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after Closing. To the Sellers' knowledge, no such patent has been or is now involved in any interference, reissue, reexamination, or opposition proceeding. To the Sellers' knowledge, there exists no potentially interfering patent or patent application of any third party. To the Sellers' knowledge, no patent forming part of the Intellectual Property is infringed or has been challenged or threatened in any way. To the Sellers' knowledge, none of the products manufactured and sold, nor any process or know-how used, by the Sellers infringes or is alleged to infringe any patent or other proprietary right of any other Person. To the Sellers' knowledge,

all products made, used, or sold under such patents have been marked with the proper patent notice.

(v) To the Sellers' knowledge, all trademarks included in the Intellectual Property are valid and enforceable, no such trademark has been or is now involved in any opposition or cancellation proceeding and no such action is threatened with respect to any of such trademarks. To the Sellers' knowledge, there have been no claims of infringement against such trademarks.

(vi) To the Sellers' knowledge, all of the registered copyrights included in the Intellectual Property are valid and enforceable. To the Sellers' knowledge, there have been no allegations of copyright infringement with respect to such copyrights.

SECTION 4.2. Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to the Sellers as follows:

(a) Corporate Organization. The Buyer is a limited liability company duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation, and has all requisite limited liability company power and authority to own its properties and assets and to conduct its businesses as now conducted and to consummate the transaction contemplated hereby.

(b) Qualification to do Business. The Buyer is duly qualified to do business as a foreign limited liability company and is in good standing in every jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary.

(c) Authorization and Validity. The Buyer has all requisite limited liability company power to enter into this Agreement and to carry out its obligations hereunder. The

execution and delivery of this Agreement and the performance of the Buyer's obligations hereunder will have been duly authorized by all necessary limited liability company action by the Buyer, and no other limited liability company action on the part of the Buyer is necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by the Buyer and constitutes its valid and binding obligation, enforceable against it in accordance with its terms.

(d) No Conflict or Violation. The execution, delivery and performance by the Buyer of this Agreement does not and will not violate or conflict with any provision of the articles of organization or operating agreement (or equivalent documents) of the Buyer and does not and will not violate any provision of Law, or any Order applicable to the Buyer, nor will they result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract or agreement to which the Buyer is a party or by which it is bound or to which any of its properties or assets is subject.

(e) Consents and Approvals. The execution, delivery and performance of this Agreement does not and will not require the consent or approval of, or filing with, any Governmental Authority or any other Person except (i) for entry of the Procedures Order and Sale Order by the Bankruptcy Court; (ii) the consents, approvals, waivers, authorizations and filings set forth on Schedule 4.2(e) or (iii) for such consents, approvals and filings, of which the failure to obtain or make would not, individually or in the aggregate, have a Material Adverse Effect on the ability of the Buyer to consummate the transactions contemplated hereby.

(f) Availability of Funds. The Buyer has, and on the Final Closing Date the Buyer will have, sufficient funds available to finance and consummate the transactions

contemplated by this Agreement, including the payment of the Purchase Price and the satisfaction of the Assumed Liabilities.

(g) Adequate Assurances Regarding Contracts. The Buyer reasonably believes that it is, and will be, capable of satisfying the conditions contained in sections 365(b)(1)(C) and 365(f) of the Bankruptcy Code with respect to the Contracts.

SECTION 4.3. Warranties Exclusive. The parties acknowledge that the representations and warranties contained in Article 4 are the only representations or warranties given by the parties and that all other express or implied warranties are disclaimed. Without limiting the foregoing the Buyer acknowledges that the Acquired Assets are conveyed "AS IS", "WHERE IS" and "WITH ALL FAULTS" and that all warranties of merchantability or fitness for a particular purpose are disclaimed. WITHOUT LIMITING THE FOREGOING THE BUYER ACKNOWLEDGES THAT THE SELLERS AND THE SELLERS' AFFILIATES AND THEIR RESPECTIVE RELATED PERSONS HAVE MADE NO REPRESENTATION OR WARRANTY CONCERNING (I) ANY USE TO WHICH THE ACQUIRED ASSETS MAY BE PUT, (II) ANY FUTURE REVENUES, COSTS, EXPENDITURES, CASH FLOW, RESULTS OF OPERATIONS, FINANCIAL CONDITION OR PROSPECTS THAT MAY RESULT FROM THE OWNERSHIP, USE OR SALE OF THE ACQUIRED ASSETS OR THE ASSUMPTION OF THE ASSUMED LIABILITIES, (III) ANY OTHER INFORMATION OR DOCUMENTS MADE AVAILABLE TO THE BUYER OR ITS AFFILIATES OR RELATED PERSONS, OR (IV) EXCEPT AS EXPRESSLY SET FORTH IN SECTION 4.1, THE CONDITION OF THE ACQUIRED ASSETS, INCLUDING, WITHOUT LIMITATION, COMPLIANCE WITH ANY ENVIRONMENTAL LAWS OR OTHER LAWS. "Related

Person" means, with respect to a specific Person, any officer, director, employee, agent, shareholder, representative, successor or assign of such Person.

SECTION 4.4. Survival of Representations and Warranties. None of the representations or warranties of the Sellers set forth in this Agreement, any other agreement executed in connection herewith or in any certificate delivered pursuant to Section 7.2(a) shall survive the Final Closing.

ARTICLE 5. COVENANTS AND OTHER AGREEMENTS.

SECTION 5.1. Covenants of Sellers. The Sellers covenant as follows:

(a) Commercially Reasonable Efforts. Between the date hereof and the Final Closing (or at the earlier termination of this Agreement pursuant to Article 8), the Sellers shall use commercially reasonable efforts to (i) obtain all necessary consents, waivers, authorizations and approvals of all Governmental Authorities, and of all other Persons, required to be obtained by the Sellers in connection with the execution, delivery and performance by them of this Agreement including those necessary to effect the transactions contemplated by this Agreement on or before March 31, 2004, and (ii) take, or cause to be taken, all action, and to do, or cause to be done, all things necessary or proper, consistent with applicable Law, to consummate and make effective in an expeditious manner the transactions contemplated hereby. The Sellers shall pay, in the ordinary course of business, all expenses, including, without limitation, the reasonable fees and disbursements of legal counsel, not to exceed \$500,000, necessary to obtain the governmental approvals contemplated on Schedules 4.1(d) and 4.2(e) as such expenses come due and are approved by the Bankruptcy Court, with such expenses being deemed Assumed Administrative Claims to the extent they remain unpaid as of the Final Closing.

(b) Access to Properties and Records; Confidentiality. The Sellers shall afford to the Buyer, and to the accountants, counsel and representatives of the Buyer, reasonable access during normal business hours throughout the period before the Final Closing (or the earlier termination of this Agreement pursuant to Article 8) to all books and records of the Sellers relating to the Acquired Assets and the Assumed Liabilities. Upon reasonable prior notice, the Sellers shall also afford the Buyer reasonable access, taking into account the Sellers' resources and other commitments, during normal business hours, to all Acquired Assets throughout the period before the Final Closing. The rights of access contained in this Section 5.1(b) are granted subject to, and on, the following terms and conditions: (A) during the period from the date hereof to the Final Closing Date, all information provided to the Buyer or its agents or representatives by or on behalf of the Sellers or its agents or representatives (whether pursuant to this Section 5.1(b) or otherwise) will be governed and protected by the confidentiality agreement, dated April 23, 2003, executed by the Buyer (the "Confidentiality Agreement"), and (B) such rights of access shall not affect or modify the conditions set forth in Article 7 in any way.

(c) Conclusion of Bankruptcy Cases. Upon the Final Closing Date, the Sellers will proceed to conclude their Bankruptcy Cases on terms determined by the Sellers, provided, however, that in completing their Bankruptcy Cases, no creditors or other parties in interest will be offered an interest, whether equity or some other interest, in the Businesses or Acquired Assets.

(d) Further Assurances. At the request and the sole expense of the Buyer, at any time after the Final Closing Date, the Sellers shall execute and deliver such documents as the Buyer or its counsel may reasonably request to effectuate the purposes of this Agreement.

SECTION 5.2. Covenants of the Buyer. The Buyer covenants as follows:

(a) Commercially Reasonable Efforts. The Buyer shall use commercially reasonable efforts to (i) obtain all consents, waivers, authorizations and approvals of all Governmental Authorities, and all other Persons, required to be obtained to effect the transactions contemplated by this Agreement on or before March 31, 2004, and (ii) take, or cause to be taken, all action, and to do, or cause to be done, all things necessary or proper, consistent with applicable Law, to consummate and make effective in an expeditious manner the transactions contemplated hereby.

(b) Financing. Before entry of the Procedures Order, the Buyer shall have complied with Section 7.1(d) and shall (i) obtain a binding commitment from either the Banks or from a third party lender(s) for financing in the amount of \$14.0 million, such that the risk of the failure to close pursuant to such binding commitment and the resultant failure to consummate the purchase of the Acquired Assets shall be borne by the Buyer, or (ii) otherwise obtain committed funds (not subject to any contingency other than the occurrence of the Final Closing) in the amount of \$14.0 million.

(c) Adequate Assurances Regarding Contracts and Required Orders. With respect to each Contract, the Buyer shall use its commercially reasonable efforts to provide adequate assurance of the future performance of such Contract by the Buyer. The Buyer agrees that it will promptly take all actions as are reasonably requested by the Sellers to assist in obtaining the Bankruptcy Court's entry of the Sale Order, including, without limitation, furnishing affidavits, financial information or other documents or information for filing with the Bankruptcy Court and making the Buyer's employees and representatives available to testify before the Bankruptcy Court.

(d) Cure of Defaults. Within 90 days from the Initial Closing Date, the Buyer will designate the contracts, leases, indentures, commitments and other agreements and instruments related to the Acquired Assets or the Business which it intends for the Sellers to assume and assign to the Buyer, pursuant to section 365 of the Bankruptcy Code, or otherwise transfer to the Buyer, so that the parties may mutually agree on the terms and conditions for maintaining such contracts, leases, indentures, commitments and other agreements and instruments pending the Final Closing Date. All such contracts, leases, indentures, commitments and other agreements and instruments not so designated by the Buyer (collectively, the "Retained Contracts") shall be retained by the Sellers and shall constitute Excluded Assets. The Buyer shall, at or before the Final Closing, cure any and all defaults under the Contracts that are required to be cured under the Bankruptcy Code, so that such Contracts may be assumed by the Sellers and assigned to the Buyer in accordance with the provisions of section 365 of the Bankruptcy Code.

(e) Performance under Contracts. The Buyer shall (i) from and after the Final Closing Date assume all obligations and liabilities of the Sellers under the Contracts that accrue from and after the Final Closing Date, (ii) from and after the Final Closing Date take all actions necessary to satisfy its obligations and liabilities under the terms and conditions of each of the Contracts, (iii) at or before the Final Closing (A) pay all cure costs required to be paid pursuant to section 365 of the Bankruptcy Code in connection with the assignment and assumption of the Contracts, (B) subject to the Purchase Price Cap, pay all Assumed Administrative Claims due and payable as of the Final Closing, and (C) , subject to the Purchase Price Cap, assume all other Assumed Administrative Claims; and (iv) indemnify, defend and hold harmless the Sellers, their Affiliates and all of their respective Related Persons from and against any damages, losses, costs,

expenses and other liabilities arising out of a breach of this Section 5.2(e) or any of the Buyer's other covenants contained in this Agreement.

(f) Indemnification for Use of Real Property. The Buyer shall indemnify, defend and hold harmless (i) the Sellers, (ii) the lessors of any Real Property, and (iii) the Sellers' and such lessors' respective Affiliates and Related Persons from and against any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, attorneys' fees and disbursements) suffered or incurred by such Persons in connection with (x) the Buyer's or the Buyer's agents' or representatives' entry upon the Real Property in connection with their exercise of the right of access pursuant to Section 5.1(b), and (y) any and all other activities undertaken by the Buyer or the Buyer's agents or representatives with respect to any such Real Property or improvements thereon.

ARTICLE 6. TAXES.

SECTION 6.1. Taxes Related to Purchase of Assets. All federal, state and local sales, transfer, excise, value-added or other similar taxes ("Taxes"), including, without limitation, all state and local Taxes in connection with the transfer of the Acquired Assets (but excluding any Taxes based on income), and all recording and filing fees (collectively, "Transaction Taxes"), that may be imposed by reason of the sale, transfer, assignment and delivery of the Acquired Assets, and are not exempt under section 1146(c) of the Bankruptcy Code, shall be paid by the Buyer if the transactions contemplated herein are closed. The Buyer and the Sellers agree to cooperate to determine the amount of Transaction Taxes payable in connection with the transactions contemplated under this Agreement. The Sellers agree to assist the Buyer reasonably in the preparation and filing of any and all required returns for or with respect to such Transaction Taxes with any and all appropriate taxing authorities.

SECTION 6.2. Cooperation on Tax Matters. The Buyer and the Sellers agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Acquired Assets and the Assumed Liabilities as is reasonably necessary for the preparation and filing of any tax return, claim for refund or other required or optional filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution or defense of any suit or other proceeding relating to Tax matters and for the answer to any inquiry from any Governmental Authority relating to Tax matters. The Buyer agrees to retain possession, at its own expense, of all accounting, business, financial and Tax records and information (i) relating to the Acquired Assets or the Assumed Liabilities that are in existence on the Final Closing and transferred to the Buyer hereunder, or (ii) coming into existence after the Final Closing that relate to the Acquired Assets or the Assumed Liabilities before the Final Closing, for a period of at least six years from the Final Closing, and will give the Sellers notice and an opportunity to retain any such records if the Buyer determines to destroy or dispose of them after such period. In addition, from and after the Final Closing, the Buyer agrees that it will provide access to the Sellers and its attorneys, accountants and other representatives (after reasonable notice and during normal business hours and without charge), to the books, records, documents and other information relating to the Acquired Assets or the Assumed Liabilities as the Sellers may reasonably deem necessary to (x) properly prepare for, file, prove, answer, prosecute and/or defend any such tax return, claim, filing, tax audit, tax protest, suit, proceeding or answer or (y) administer or complete any cases of the Sellers under Chapter 11 of the Bankruptcy Code (and the Buyer shall give the Sellers notice and an opportunity to retain any such records if the Buyer determines to destroy and dispose of them prior to the completion of such cases). Such access shall include, without limitation, access

to any computerized information retrieval systems relating to the Acquired Assets or the Assumed Liabilities.

SECTION 6.3. Allocation of Purchase Price and Purchase Price Allocation Forms. The Buyer and the Sellers shall use good faith efforts to agree, at or before the Final Closing, on a reasonable allocation of the Purchase Price and the Assumed Liabilities among the Acquired Assets (the "Allocation"). The Sellers and the Buyer will cooperate in filing with the Internal Revenue Service their respective Forms 8594 as provided for in section 1060 of the Internal Revenue Code on a basis consistent with the Allocation, and the Allocation shall be reflected on any tax returns required to be filed as a result of the transactions contemplated hereby.

ARTICLE 7. CONDITIONS PRECEDENT TO PERFORMANCE BY PARTIES.

SECTION 7.1. Conditions Precedent to Performance by the Sellers. The obligation of the Sellers to consummate the transactions contemplated by this Agreement is subject to the fulfillment, at or before the Initial Closing (or such earlier time as is specifically set forth in the following conditions), of the following conditions, any one or more of which (other than the condition contained in Section 7.1(c)) may be waived by the Sellers in their sole discretion:

(a) Representations and Warranties of the Buyer. All representations and warranties made by the Buyer in Section 4.2 taken as a whole, shall be true and correct in all material respects on the date of this Agreement and on and as of the Initial Closing Date (except to the extent that any such representation and warranty is made as of a specified date, in which case such representation and warranty shall continue to be made as of such specified date), and the covenants and agreements of the Buyer to be performed on or before the Initial Closing Date

shall have been duly performed in all material respects in accordance with this Agreement, and the Sellers shall have received a certificate, dated the Initial Closing Date and signed by an officer of the Buyer, to that effect.

(b) Performance of the Obligations of The Buyer. The Buyer shall have performed in all material respects all obligations required under this Agreement to be performed by it on or before the Initial Closing (except with respect to the obligation to pay the Purchase Price in accordance with the terms of this Agreement, which obligation shall be performed in all respects as required under this Agreement), and the Sellers shall have received a certificate dated the Initial Closing and signed by an officer of the Buyer, to that effect.

(c) No Violation of Orders. No preliminary or permanent injunction or other Order that declares this Agreement invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby shall be in effect.

(d) Buyer Capitalization. On or before one business day before the hearing on approval of the Procedures Order, the Buyer shall have been fully capitalized with cash in an approximate amount of \$8,000,000.

SECTION 7.2. Conditions Precedent to the Performance by the Buyer. The obligations of the Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Initial Closing (or such earlier time as is specifically set forth in the following conditions), of the following conditions (except for Sections 7.2(f) and 7.2(i), which are to occur on or before the Final Closing), any one or more of which may be waived by the Buyer in its sole discretion; provided, however, that following the Initial Closing the only conditions to the obligations of the Buyer to consummate the transactions contemplated to occur at the Final Closing are set forth at Sections 7.2(f), 7.2(i) and 9.1(d):

(a) Representations and Warranties of the Sellers. All representations and warranties made by the Sellers in Section 4.1 taken as a whole, shall be true and correct in all material respects on the date of this Agreement and on and as of the Initial Closing Date (except to the extent that any such representation and warranty is made as of a specified date, in which case such representation and warranty shall continue to be made as of such specified date), and the covenants and agreements of the Sellers to be performed on or before the Initial Closing Date shall have been duly performed in all material respects in accordance with this Agreement, and the Buyer shall have received a certificate, dated the Initial Closing Date and signed by an officer of the Sellers, to that effect.

(b) Performance of the Obligations of the Sellers. Each Seller shall have performed all obligations required under this Agreement to be performed by it on or before the Initial Closing Date other than failures of performance that do not result in a Material Adverse Effect, and the Buyer shall have received a certificate, dated the Initial Closing Date and signed by an officer of each Seller, to that effect.

(c) Buyer Obtaining Exit Facility. Before entry of the Procedures Order, the Buyer shall have been capitalized and have obtained the exit financing (or made other arrangements), all as contemplated in Section 5.2(b). This condition will be deemed to have been satisfied unless, prior to the entry of the Procedures Order, the Buyer provides notice to the Sellers that the condition has not been satisfied.

(d) Buyer Completion of Due Diligence. The Buyer shall have completed its due diligence review of the Sellers, the Acquired Assets and the Business of the Sellers on or before entry of the Procedures Order. This condition will be deemed to have been satisfied and the Buyer will be deemed to have completed its due diligence unless, prior to the entry of the

Procedures Order, the Buyer provides the Sellers with written notice of its dissatisfaction with the due diligence review.

(e) No Material Adverse Effect. From the date of this Agreement through and including the Initial Closing Date, there shall not have occurred a Material Adverse Effect.

(f) Transfer Free of Liens. The Acquired Assets shall be transferred to the Buyer free and clear of all liens, claims and encumbrances, except for Permitted Liens.

(g) Henderson Employment Agreement. No later than five days before the hearing on approval of the Procedures Order, the Buyer shall have entered into an employment agreement with J. Sherman Henderson III, ("Mr. Henderson") on terms mutually agreeable to the Buyer and Mr. Henderson and which terms and conditions of the employment agreement shall be fully disclosed to the Bankruptcy Court and the Banks. This condition will be deemed to have been satisfied unless, prior to July 30, 2003, the Buyer provides notice to the Sellers that the condition has not been satisfied.

(h) WorldCom Settlement. The Buyer shall be reasonably satisfied that the conditions set forth in Section 9.1(j) shall have been satisfied. This condition will be deemed to have been satisfied unless, prior to the Initial Closing Date, the Buyer provides notice to the Sellers that the condition has not been satisfied.

(i) Agents. Within 90 days of the Initial Closing Date, agents of the Sellers, who are responsible for at least seventy percent (70%) of the commissionable revenues for the twelve month period immediately preceding the Initial Closing Date of the Sellers' revenues attributable to agents, shall have entered into new agent agreements with the Buyer on terms that are customary in the telecommunications industry and that are otherwise reasonably agreeable to

the Buyer, and the terms and conditions of such agent agreements shall be fully disclosed to the Bankruptcy Court and the Banks.

ARTICLE 8. TERMINATION.

SECTION 8.1. Conditions of Termination. This Agreement may be terminated for any of the following reasons (each such reason, a "Termination Event"):

(a) By mutual written consent of the Sellers and the Buyer before the entry of the Procedures Order;

(b) By any party hereto, by notice to the other parties, if (i) the Bankruptcy Court does not enter the Procedures Order, the Sale Order and/or the Financing Order within the time frames contemplated for each such order as set forth in Section 9.2, provided, however, that such delay shall not be attributed to any action or inaction on the part of the Buyer, or (ii) the transactions contemplated in this Agreement for the Initial Closing Date and Final Closing Date shall not have been closed and consummated, for any reason other than a breach of this Agreement by the party delivering the termination notice, on or before October 31, 2003 and March 31, 2004, respectively, unless otherwise extended by the parties hereto;

(c) By the Buyer, by notice to the Sellers, if (i) the Buyer has previously provided the Sellers with written notice of a failure to perform any material covenant contained in this Agreement (including those provisions set forth in Sections 7.2 and 9.1 (to the extent Section 9.1 is not covered by 7.2)) and the Sellers have failed within five business days after receipt of such notice to perform such covenant or provide adequate assurance to the Buyer of the Sellers' ability to perform such covenant and such failure, individually or in the aggregate with any other such failure, results in a Material Adverse Effect, or (ii) the Bankruptcy Court refuses to approve this Agreement and enter the Procedures Order and the Sale Order;

(d) Automatically, upon the Sellers consummating any transaction (or series of transactions) involving a sale of all or substantially all of the Acquired Assets to a purchaser or purchasers other than the Buyer, or an Affiliate or nominee of the Buyer or the Banks, or an Affiliate or nominee of the Banks (an "Alternative Transaction");

(e) By the Buyer, upon notice to the Sellers on or before the fifth day before the hearing on approval of the Procedures Order, upon the failure of the Buyer to enter into an employment agreement with Mr. Henderson on terms mutually agreeable to the Buyer and Mr. Henderson; and

(f) By the Sellers, upon notice to the Buyer, upon a material breach of the terms and conditions of this Agreement by the Buyer, or if any condition to the obligation of the Sellers to consummate the transactions contemplated by this Agreement cannot be satisfied within the time frames, if any, set forth in this Agreement.

SECTION 8.2. Effect of Termination; Remedies.

(a) In the event of termination pursuant to Section 8.1, this Agreement shall become null and void and have no effect (other than Articles 8 and 10, which shall survive termination), with no liability on the part of the Sellers or the Buyer, or their respective Affiliates or Related Persons, with respect to this Agreement, except for (i) the liability of a party for its own expenses pursuant to Section 10.3; and (ii) any liability provided for in Section 8.2(b) through Section 8.2(d), inclusive.

(b) If the Sellers terminate this Agreement pursuant to Section 8.1(f) due to a material breach of this Agreement by the Buyer, the Sellers' sole recourse against the Buyer shall be \$650,000, which amount shall immediately upon termination be deducted from the Initial Deposit or the Participation, as applicable, and forfeited by the Buyer (the "Forfeiture

Payment”); provided, however, the Sellers’ shall not have recourse against the Buyer for the Forfeiture Payment if the sole reason the Buyer breaches this Agreement is that, after the Banks have committed to be an exit lender to the Buyer pursuant to a signed commitment letter between the Banks and the Buyer, the Banks do not provide the Buyer the contemplated exit financing as a result of a material adverse change with respect to the Sellers as defined in the exit financing documents between the Banks and the Buyer. The Forfeiture Payment shall be applied by the Sellers and the Banks to repay the Obligations due to the Banks under the DIP Loan Facility, and the Buyer’s pari passu participation interest in the DIP Loan Facility (if any) shall automatically be reduced by such amount.

(c) If this Agreement is terminated because of an Alternative Transaction pursuant to Section 8.1(d), then the Buyer shall be entitled to receive from the Sellers a payment in an amount equal to \$1,000,000 (the “Break-Up Fee”). Such Break-Up Fee shall be paid within five business days following the consummation and final closing of the Alternative Transaction without the requirement of any notice or demand from the Buyer. The Buyer will not be entitled to a Break-Up Fee if the contemplated transactions are not concluded as a result of a breach of the Purchase Agreement by the Buyer. If a Termination Event occurs after approval of the Procedures Order, other than an Alternative Transaction or a Termination Event based on a material breach of this Agreement by the Buyer resulting in the failure to consummate the transactions contemplated hereby, the Buyer shall be entitled to receive an amount from the Sellers equal to its actual and documented reasonable out-of-pocket expenses incurred in negotiating and documenting the transactions contemplated by this Agreement, including all reasonable expenses of its professionals and consultants (the “Expense Reimbursement”) in an amount not to exceed \$350,000. The Expense Reimbursement shall be (i) paid within five

business days following the Termination Event and (ii) entitled to administrative expense claim status under 11 U.S.C. §§ 503(b)(1)(A) and 507(a)(1). The Buyer shall in no event be entitled to payment of both a Break-Up Fee and an Expense Reimbursement.

(d) Except as otherwise set forth in Section 8.2(b), if this Agreement is terminated pursuant to Section 8.1 prior to the Initial Closing, then the Deposit shall be returned to the Buyer in accordance with the terms of the Escrow Agreement.

ARTICLE 9. CONDITIONS TO EACH PARTY'S OBLIGATIONS

SECTION 9.1. Conditions to each Party's Obligations. The respective obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver on or before the Initial Closing (or such earlier time as is specifically set forth in the following conditions) of the following conditions (except for Section 9.1(d) below, which is to occur on or before the Final Closing):

(a) Bankruptcy Court Approval of Procedures Order. The entry of a final, non-appealable order by the Bankruptcy Court (the "Procedures Order"): (a) scheduling a date no later than 30 days after the date of the entry of the Procedures Order as the date and time for an auction sale (the "Auction") to solicit higher and better offers for the Acquired Assets; (b) scheduling a date no later than 35 days after the date of the entry of the Procedures Order as the date for the hearing on approval of the sale of the Acquired Assets, the assumption and assignment of the Assumed Liabilities and this Agreement, (the "Sale Hearing"); (c) approving certain procedures for the submission and acceptance of any competing bids for the Acquired Assets consistent with the terms contained in this Agreement (the "Bidding Procedures"); (d) approving the form and manner of notice of the motion for the Procedures Order and the relief requested therein, including notice of the Auction and the opportunity to submit competing bids

for the Acquired Assets before the Sale Hearing; and (e) setting a date for the filing of objections, if any, to the relief requested in the motion regarding the sale of the Assets (the "Sale Motion"). The Sellers shall request that the Bankruptcy Court enter the Procedures Order within 45 days after the filing of the motion with the Bankruptcy Court seeking entry of the Procedures Order.

(b) Bankruptcy Court Approval of Sale Order. The entry of the Sale Order by the Bankruptcy Court approving the sale of the Acquired Assets to the Buyer and the assumption and assignment of the Assumed Liabilities by the Buyer pursuant to the terms hereof, which shall not be opposed by the Sellers, the Banks or the Buyer. No order shall have been entered restraining or enjoining the effectiveness of the Sale Order. The Sellers shall provide all holders of liens and claims (including all landlords, mortgagees, creditors and shareholders, to the extent required by the Bankruptcy Code) on the Acquired Assets notice of the Sellers' bankruptcy cases and the Bankruptcy Court's entry of the Sale Order approving the transactions contemplated by this Agreement, copies and proof of service of which, together with certified copies of the Sale Order, shall be delivered to the Buyer on or before the Initial Closing.

(c) Bankruptcy Court Approval of Financing Order. On or before entry of the Sale Order, the Sellers and the Banks shall have obtained from the Bankruptcy Court an order (the "Financing Order") extending the terms and conditions of the DIP Loan Facility until the Initial Closing Date and, if the Initial Closing occurs, March 31, 2004, all of which shall be more particularly set forth in that certain Summary of Terms and Conditions – Proposed Buyer Participation and DIP Loan Extension (the "Participation Term Sheet"), a copy of which is attached hereto as Exhibit 9.1(c). From the Initial Closing Date through the Final Closing Date (or the earlier termination of this Agreement in accordance with the terms hereof), the Sellers

shall not make any expenditures outside the ordinary course of business of the Sellers and which deviate from the Budget, as defined in the DIP Loan Facility, by more than the tolerance provided in the DIP Loan Facility, without the consent of the Buyer.

(d) Required Material Regulatory Approvals. The Buyer shall have obtained all material approvals and licenses required for the consummation of the transactions contemplated by this Agreement from Governmental Authorities located in (i) Kentucky, California, Ohio and Georgia, and (ii) a number of remaining states which, together with the states listed in clause (i) above, cumulatively accounted for at least 90% of the Sellers' gross revenues as of the date of the Sale Order (the "Required Material Regulatory Approvals").

(e) No Restraining Orders. On the Initial Closing Date, no final, non-appealable order of a governmental agency with competent jurisdiction shall have been issued (and remain in full force and effect as of the Initial Closing Date) that enjoins or restrains the consummation of the transactions contemplated in this Agreement.

(f) Tax Exemption. The sale of Acquired Assets shall be, and the Sale Order shall indicate that the sale of the Acquired Assets is, exempt from stamp or similar taxes pursuant to 11 U.S.C. § 1146(c).

(g) Injunctions. There shall not be outstanding any Order prohibiting the consummation of the transactions contemplated by this Agreement and no action shall have been commenced which could reasonably be expected to prohibit the consummation of the transactions contemplated hereby.

(h) No Change in Law. There shall not have been any action taken or any statute enacted by any Governmental Authority which would render the parties unable to

consummate the transactions contemplated hereby or make the transactions contemplated hereby illegal or prohibit the consummation of the transactions contemplated hereby.

(i) Releases and Waivers. The Sellers and the Buyer, as applicable, shall have executed and delivered such releases, as such parties reasonably deem necessary and in such form as such parties may reasonably agree, which shall become effective upon the Final Closing.

(j) WorldCom Settlement. The secured claim of WorldCom (and its successors and assigns) against the Sellers shall have been resolved, subject to applicable court approval, in form and substance reasonably acceptable to the Buyer, the Sellers and the Banks on or before the date of the Auction (as defined below), which resolution shall (i) contemplate a payment on the Initial Closing Date to WorldCom in an amount not to exceed \$2,500,000 and (ii) produce the consent of WorldCom to the assignment to the Buyer of all Contracts to which WorldCom is a party.

SECTION 9.2. Timing. The following events shall have occurred on or before the specified dates:

(a) Motion to approve bidding procedures, consistent with the terms contained in this Agreement, to be filed on or before June 20, 2003;

(b) Hearing and entry of the Bankruptcy Court order approving motion to approve bidding procedures to be entered on or before August 5, 2003 (as such date is otherwise extended by agreement of the Sellers, the Banks and the Buyer);

(c) Sale approval hearing on or before September 10, 2003, as such date is otherwise extended by agreement of the Sellers, the Banks and the Buyer (the "Sale Approval Hearing") and entry of the Sale Order approving the sale of the Acquired Assets on or before

such date, as such date is otherwise extended by agreement of the Sellers, the Banks and the Buyer; and

(d) Hearing and entry of Financing Order on or before entry of the Sale Order.

ARTICLE 10. MISCELLANEOUS.

SECTION 10.1. Successors and Assigns. Except as otherwise provided in this Agreement, no party hereto shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other parties hereto, and any such attempted assignment without such prior written consent shall be void and of no force and effect. This Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties hereto.

SECTION 10.2. Governing Law; Jurisdiction. This Agreement shall be construed, performed and enforced in accordance with, and governed by, the Laws of the Commonwealth of Kentucky (without giving effect to the principles of conflicts of Laws thereof), except to the extent that the Laws of such Commonwealth are superseded by the Bankruptcy Code. For so long as the Sellers are subject to the jurisdiction of the Bankruptcy Court, the parties hereto irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. After the Sellers are no longer subject to the jurisdiction of the Bankruptcy Court, the parties hereto irrevocably elect as the sole judicial forum for the adjudication of any matters arising under or in connection with this Agreement, and consent to the jurisdiction of, any state or federal court having competent jurisdiction over Jefferson County, Kentucky.

SECTION 10.3. Expenses. Except as otherwise provided herein, each of the parties hereto shall pay its own expenses in connection with this Agreement and the transactions contemplated hereby, including, without limitation, any legal and accounting fees, whether or not the transactions contemplated hereby are consummated. The Buyer shall pay the cost of all surveys, title insurance policies and title reports ordered by the Buyer.

SECTION 10.4. Broker's and Finder's Fees. Each of the parties represents and warrants that it has dealt with no broker or finder in connection with any of the transactions contemplated by this Agreement.

SECTION 10.5. Severability. If any part of this Agreement is declared by any court or other judicial or administrative body to be null, void or unenforceable, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Agreement shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

SECTION 10.6. Notices. (a) All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given: (i) on the date of service, if served personally on the party to whom notice is to be given; (ii) on the day of transmission, if sent via facsimile transmission to the facsimile number given below, and telephonic confirmation of receipt is obtained promptly after completion of transmission; (iii) on the day after delivery to UPS or similar overnight courier or the Express Mail service maintained by the United States Postal Service; or (iv) on the fifth day after

mailing, if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid and properly addressed, to the party as follows:

If to any of the Sellers:

Lightyear Communications, Inc.
1901 Eastpoint Parkway
Louisville, Kentucky 40223
Attention: General Counsel
Telephone: (502) 244-6666
Facsimile: (502) 515-4138

Copy to:

Frost Brown Todd LLC
2200 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45202
Attention: Ronald E. Gold, Esq.
Telephone: (513) 651-6800
Facsimile: (513) 651-6981

If to Buyer:

LY Acquisition, LLC
McBrayer, McGinnis, Leslie & Kirkland PLLC
201 East Main Street, Suite 1000
Lexington, Kentucky 40507
Telephone: (859) 231-8780
Facsimile: (859) 231-6518

Copy to:

Sawyer & Glancy PLLC
3120 Wall Street, Suite 310
Lexington, Kentucky 40513
Attention: Robert V. Sartin, Esq.
Telephone: (859) 223-1500
Facsimile: (859) 223-1583

If to any of the Sellers or the Buyer, copy to:

U.S. Bank
U.S. Bancorp Center
BC-MN-H22A
800 Nicollet Mall, 22nd Floor
Minneapolis, MN 55402
Attention: David Kopolow
Phone:(612) 303-4510
Fax: (612) 303-4660

and

Deutsche Bank AG New York Branch and/or Cayman Islands Branch
31 West 52nd Street
Mail Stop NYC09-0922
New York, NY 10019 (postal)
1301 6th Avenue, 9th Fl.
New York, NY 10019
Attention: David Mayhew
Phone:(212) 469-045
Fax:(646) 324-7072

and

Bingham McCutchen LLP
399 Park Avenue
New York, New York 10022
Attention: Robert M. Dombroff, Esq.
Telephone: (212) 705-7000
Facsimile: (212) 752-5378

Any party may change its address for the purpose of this Section 10.6 by giving the other party written notice of its new address in the manner set forth above.

SECTION 10.7. Amendments: Waivers. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation or warranty contained in this Agreement, in any

one or more instances, shall not be deemed to be or construed as a furthering or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

SECTION 10.8. Public Announcements. Promptly after the execution and delivery of this Agreement, the parties shall make a joint press release in form and substance reasonably satisfactory to both of them regarding the transaction contemplated herein. Thereafter, no party shall make any press release or public announcement concerning the transactions contemplated by this Agreement without the prior written approval of the other parties, unless a press release or public announcement is required by Law or Order of the Bankruptcy Court. If any such announcement or other disclosure is required by Law or Order of the Bankruptcy Court, the disclosing party agrees to give the nondisclosing party or parties prior notice of, and an opportunity to comment on, the proposed disclosure. The parties acknowledge that the Sellers shall file this Agreement with the Bankruptcy Court in connection with obtaining the Sale Order.

SECTION 10.9. Entire Agreement. This Agreement, the Escrow Agreement and the Confidentiality Agreement contain the entire understanding between the parties hereto with respect to the transactions contemplated hereby and thereby and supersede and replace all prior and contemporaneous agreements and understandings, oral or written, with regard to such transactions. All schedules to this Agreement and any documents and instruments delivered pursuant to any provision hereof are expressly made a part of this Agreement as fully as though completely set forth herein.

SECTION 10.10. Parties in Interest. Other than the rights to indemnification in favor of the Sellers' Affiliates and the Sellers' and their Affiliates' respective Related Persons

provided for in Sections 1.3, 5.2(e) and 5.2(f) of this Agreement, nothing in this Agreement is intended to or shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Sellers and the Buyer and their respective successors and permitted assigns. Nothing in this Agreement is intended to or shall relieve or discharge the obligations or liability of any third Persons to the Sellers or the Buyer. This Agreement is not intended to nor shall give any third Persons any right of subrogation or action over or against the Sellers or the Buyer.

SECTION 10.11. Headings. The article and section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

SECTION 10.12. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

[Signatures are on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

LY ACQUISITION, LLC

By L. Brent Rice
Title: Interim C.E.O.

LIGHTYEAR COMMUNICATIONS, INC.

By [Signature]
Title: CEO

LIGHTYEAR COMMUNICATIONS OF VIRGINIA, INC.

By [Signature]
Title: CEO

LIGHTYEAR TELECOMMUNICATIONS LLC

By [Signature]
Title: CEO