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ATTORNEYS FOR THE DEBTORS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:	§	
	§	
VARTEC TELECOM, INC., et al.,	§	CASE NO. 04-81694-SAF-11
	§	
DEBTORS.	§	(Chapter 11)
	§	(Jointly Administered)

**APPLICATION OF VINSON & ELKINS L.L.P. FOR ALLOWANCE
OF FEES AND EXPENSES AS COUNSEL FOR THE DEBTORS FOR
THE PERIOD NOVEMBER 1, 2004 THROUGH FEBRUARY 28, 2005¹**

A HEARING WILL BE CONDUCTED ON THIS MATTER ON APRIL 13, 2005, AT 1:30 P.M. IN COURTROOM OF THE HONORABLE STEVEN A. FELSENTHAL, 1100 COMMERCE STREET, 14TH FLOOR, DALLAS, TEXAS. IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND IN WRITING, SPECIFICALLY ANSWERING EACH PARAGRAPH OF THIS PLEADING. UNLESS OTHERWISE DIRECTED BY THE COURT, YOU MUST FILE YOUR RESPONSE WITH THE CLERK OF THE BANKRUPTCY COURT WITHIN TWENTY (20) DAYS FROM THE DATE YOU WERE SERVED WITH THIS PLEADING. YOU MUST SERVE A COPY OF YOUR RESPONSE ON THE PERSON WHO SENT YOU THE NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

TO THE HONORABLE STEVEN A. FELSENTHAL, CHIEF BANKRUPTCY JUDGE:

¹ The Summary Sheet prepared in accordance with the U.S. Trustee Program's Guidelines for Reviewing Applications for Compensation & Reimbursement of Expenses Filed under 11 U.S.C. § 330 is attached hereto as **Exhibit A**.

VINSON & ELKINS L.L.P. (“V&E”), counsel for the above-referenced debtors and debtors in possession (collectively, the “Debtors”)² files its Application for Allowance of Fees and Expenses as Counsel for the Debtors for the Period November 1, 2004 through February 28, 2005 (the “Application”), and in support would show as follows:

STATEMENT OF JURISDICTION

1. This Court has jurisdiction to hear this Application pursuant to the provisions of 28 U.S.C. §§ 1334 and 157. This proceeding involves the administration of the estates; and thus, it is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).

STATEMENT OF FACTS

2. On November 1, 2004 (the “Petition Date”), the Debtors each filed a voluntary petition for relief (collectively, the “Cases”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

3. On November 2, 2004 (the “Employment Date”), this Court entered its Order [Docket No. 46] approving the employment of V&E, on an interim basis, effective as of the Petition Date. By its Order [Docket No. 264] entered on November 22, 2004, the Court approved the employment of V&E on a final basis.

4. Since the Petition Date, V&E has rendered professional services and incurred expenses as counsel to the Debtors.

5. On November 5, 2004, the Court entered its Amended Order Establishing Procedure for Monthly and Interim Compensation and Reimbursement of Expenses for

² The Debtors include VarTec Telecom, Inc., Excel Communications Marketing, Inc., Excel Management Service, Inc., Excel Products, Inc., Excel Telecommunications, Inc., Excel Telecommunications of Virginia, Inc., Excel Teleservices, Inc., Excelcom, Inc., Telco Communications Group, Inc., Telco Network Services, Inc., VarTec Business Trust, VarTec Properties, Inc., VarTec Resource Services, Inc., VarTec Solutions, Inc., VarTec Telecom Holding Company, VarTec Telecom International Holding Company, and VarTec Telecom of Virginia, Inc.

Case Professionals [Docket No. 118] (the “Fee Procedures Order”) by which the Court established procedures for the compensation of fees and the reimbursement of expenses of case professionals, including V&E.

6. The table which follows summarizes the fee statements of V&E for the period November 1, 2004 through February 28, 2005 (the “Period”. In accordance with the Fee Procedures Order, copies of each of these statements have been furnished on a regular basis to the Debtors, counsel for the Official Committee of Unsecured Creditors (the “Official Committee”), counsel for the Rural Telephone Finance Cooperative (“RTFC”), and the United States Trustee. The following table also summarizes the payments made to V&E in accordance with the Monthly Fee Procedures Order.

Period Covered	Total Fees for Period	Fees Paid (80% of Total Fees)	Balance of Fees Owed (20% of Total Fees)	Total Expenses Paid (100% of Total Expenses)
November 1-15, 2004	\$382,049.50	\$305,639.60	\$76,409.90	\$ 9,351.96
November 16-30, 2004	298,022.00	238,417.60	59,604.40	29,073.73
December 1-15, 2004	342,445.00	273,956.00	68,489.00	11,448.53
December 16-31, 2004	209,720.00	167,776.00	41,944.00	7,915.79
January 1-15, 2005	225,390.00	180,312.00	45,078.00	4,094.63
January 16-31, 2005	261,711.50	209,369.20	52,342.30	7,449.04
February 1-15, 2005	281,893.50	225,514.80	56,378.70	5,868.63
February 16-28, 2005	261,710.00	209,368.00	52,342.00	6,773.26
Total	\$2,262,941.50	\$1,810,353.20	\$452,588.30	\$81,975.57

7. By this Application, V&E seeks compensation for services and reimbursement of expenses incurred in its representation of the Debtors during the Period.

8. During the Period, V&E expended 5,748.60 hours representing the Debtors; V&E's fees total \$2,262,941.50 at its standard rates, and its expenses total \$81,975.57.

9. Funds are available to pay the fees requested herein. V&E continues to maintain a retainer in the amount of approximately \$372,000.00.

Progress During the Period

10. The Debtors and their senior management team, with the assistance of V&E and other case professionals, have made significant progress during the Period. Through its counseling, analysis, guidance, negotiation, and perseverance, V&E has contributed extensively to the progress of the Cases to date.

11. On and after the Petition Date, the Debtors, with the assistance and counsel of V&E, initially focused on stabilizing their businesses. To do so, the Debtors sought to obtain adequate financing, resolve their carriers' requests for adequate assurance and adequate protection, and implement an employee retention and severance program. V&E was of important service to the Debtors in accomplishing those tasks.

12. V&E expended significant time and effort to negotiate and finalize a debtor in possession financing agreement, which was necessary to provide the Debtors liquidity to operate their businesses. The debtor in possession financing involved complicated issues that implicated the interests of, among others, the Debtors, RTFC, Official Committee, the Official Committee of Excel Independent Representatives (the "IR Committee"), the Debtors' telecommunication carriers, and the Debtors' billing and collection agents. At the conclusion of a contested hearing on January 12, 2005, and after the Court had entered several interim Orders, the Court entered its Final Order

Authorizing Post-Petition Financing, Granting Senior Liens and Priority Administrative Expense Status, Authorizing Use of Cash Collateral and Modifying the Automatic Stay [Docket No. 789] pursuant to which VarTec Telecom, Inc. (“VarTec”) was authorized to obtain post-petition financing in an aggregate amount not to exceed \$30,000,000 plus an overline of up to \$10,000,000.00.

13. In the initial days following the Petition Date, several motions for adequate assurance or adequate protection, or joinders thereto, were filed by certain large telecommunications carriers (the “Carriers”) with which the Debtors had relationships. In those pleadings, the Carriers requested, among other things, large deposits, prepayments for services, and authority to terminate services under certain circumstances. The Court’s entry of an Order authorizing that relief would have impaired the Debtors’ ability to reorganize.

14. V&E dedicated hundreds of hours to assisting the Debtors in negotiating resolutions of the Carriers’ demands. As a result of that assistance, on December 3, 2004, the Court entered a Stipulation and Consent Order by and among Certain Carriers and the Debtors regarding Adequate Assurance / Adequate Protection of Future Payments [Docket No. 451] (the “Carrier Stipulation”). The Carrier Stipulation provided a framework for (i) the Debtors to make negotiated payments to the Carriers on the first and third Wednesday of each month to pre-pay and promptly pay Carriers for average usage; (ii) the Debtors and the Carriers promptly to engage in monthly true ups of payments made and actual amounts owed; and (iii) the Debtors to otherwise provide adequate assurance and adequate protection to the Carriers. In addition, the Carrier Stipulation provided a mechanism to add additional carriers to be treated in

accordance with that stipulation. The Debtors have filed five notices of additional carriers. The Carrier Stipulation provided the Debtors operational and cost certainty and improved the relationship between the Debtors and the Carriers.

15. Working closely with VarTec's senior management, including professionals from Alvarez & Marsal, L.L.C. ("Alvarez"), V&E assisted in the development of a key employee retention and severance program. Due to reductions in workforce occurring during the months preceding the commencement of the Cases, employee morale was suffering as of the Petition Date. To remedy that, V&E counseled the Debtors in formulating and implementing a key employee retention and severance program and discussed and negotiated that program with the RTFC, the Official Committee, and the IR Committee. On November 24, 2004, the Debtors filed their Motion to Initiate and Implement the Key Employee Retention and Severance Program [Docket No. 338] (the "KERP Motion"). After an evidentiary hearing on January 12, 2005, the Court entered an Order [Docket No. 810] approving the key employee retention and severance program. The approval of the key employee retention and severance program has calmed the fears of the Debtors' employees.

16. V&E expended significant efforts in connection with the sale of VarTec Telecom International Holding, Inc.'s equity interest in the operations known as VarTec Europe. Working with the Debtors and Houlihan Lokey Howard & Zukin Capital Group ("Houlihan Lokey"), V&E assisted in the negotiation and finalization of a share purchase agreement and related agreements, a motion to approve sale procedures, and a motion to approve the sale. On November 16, 2004, the Debtors filed their Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain

Assets Owned by the Debtors, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief (Shares of VarTec Europe) [Docket No. 192] (the “Sale Procedures Motion”) and their Motion to Sell Assets Free and Clear of All Liens, Claims, Rights, Interests and Encumbrances and Grant Related Relief (Shares of VarTec Europe) [Docket No. 191] (the “Sale Motion”). In the Sale Motion, the Debtors sought authority to sell the shares of VarTec Europe to a stalking horse bidder, Ventelo Sverige AB, or to such other higher and better bidder, for \$6,500,000. At an auction held on December 15, 2004, CPWCO 5 Limited was named the highest and best bidder with a bid of \$11,500,000. The Court approved the sale of VarTec Europe on December 17, 2004. The sale of VarTec Europe resulted in a significant paydown of the amount owed to the RTFC and allowed the Debtors to focus on their North American operations.

17. Recently, the Debtors and their professionals, including V&E, have focused their attention on addressing issues relating to their independent representatives (the “IRs”) and developing a business plan on which a bankruptcy plan would be based.

18. On November 1, 2004, the Debtors filed their Motion to Authorize Rejection of Independent Representative Agreements and Brief in Support [Docket No. 21] (the “IR Rejection Motion”) in which they requested authority to reject all of the agreements with their IRs. After continuing the hearing on a number of occasions at the request of the IR Committee, the Debtors determined that it would be necessary to proceed with a hearing on the IR Rejection Motion on February 9, 2005. In contemplation of that hearing, V&E spent hundreds of hours preparing a brief in support

of the proposed rejection, participating in depositions of proposed witnesses, conducting discovery, and preparing witnesses for trial. After a two day evidentiary hearing, the Court entered its Order Authorizing Rejection of Independent Representative Agreements [Docket No. 1026] on March 1, 2005, in which it authorized the rejection of the agreements with the IRs effective as of the Petition Date.

19. While preparing for the hearing on the IR Rejection Motion, the Debtors, through V&E, engaged in diligent efforts to resolve the claims asserted by the IRs. On January 24, 2005, the Debtors made a proposal to the IR Committee that would provide IRs allowed general unsecured claims and prompt 100% distributions with respect to the majority of claims. After several conferences between the Debtors and the IRs, through their respective counsel, the IR Committee made a counter proposal in February, 2005, which was followed by another counter proposal by the Debtors in March, 2005. The Debtors view the resolution of the claims of the IRs as a critical step in their reorganization.

20. V&E has worked closely with the Debtors to formulate a business plan and has sought comments to that business plan from the RTFC and the Official Committee. After vetting that business plan and building consensus concerning that plan, the Debtors and V&E hope to begin formulating a bankruptcy plan.

Description of Services by Billing Category

21. Throughout the Period, V&E has been involved actively as counsel for the Debtors and has been called upon to provide advice and to act on various matters. V&E's services have been separated into twenty-one billing categories as listed in **Exhibit B**, including, but not limited to, the following:

Task Code	Description
First Day Pleadings and Related Hearings	This category consists of time spent (i) preparing for and participating in hearings on the first day pleadings, including motions for authority to (A) pay prepetition employee claims, (B) pay prepetition tax claims, (C) obtain debtor in possession financing, (D) maintain their cash management system, and (E) jointly administer the Cases; (ii) responding to objections to those pleadings; (iii) negotiating resolutions of those objections; (iv) preparing orders regarding the first day pleadings; and (v) attending to related follow up issues. The total amount of fees allocated to this category is \$122,447.50.
General Case Administration, including U.S. Trustee Matters and General Creditor Inquiries	This category consists of time spent (i) preparing responses and objections to various motions filed by parties in interest, such as Regulus Integrated Solutions, Brightpoint North America LP, Trans Union, LLC, Fleet Business Credit, L.L.C., and IKANO Communications; (ii) finalizing orders regarding various motions; (iii) filing notices of hearing; (iv) preparing for and participating in the 341 creditors' meeting; (v) attending to various service issues; (vi) participating in certain hearings; and (vii) answering hundreds of creditor inquiries. The total amount of fees allocated to this category is \$354,442.50.
RTFC DIP and All Related Matters	This category consists of time spent (i) negotiating and finalizing debtor in possession financing; (ii) preparing for and participating in hearings on such debtor in possession financing; (iii) finalizing orders regarding debtor in possession financing; (iv) negotiating the first amendment and waiver of default; (v) preparing budgets; (vi) corresponding with the RTFC, the Official Committee, and the IR Committee concerning debtor in possession financing issues; and (vii) participating in discovery relating to RTFC's liens and claims, including attendance at depositions in Washington, D.C. The total amount of fees allocated to this category is \$128,565.50.
Meetings and Telephone Conferences with Management and Company Personnel	This category consists of time spent (i) attending weekly "professionals meetings" with company personnel and the Debtors' case professionals and (ii) responding to inquiries of company personnel. The total amount of fees allocated to this category is \$73,052.00.

Task Code	Description
Excel and IR Matters	This category consists of time spent (i) answering miscellaneous inquiries from IRs; (ii) preparing a responsive pleading to, and participating in the hearings on, the motion to compel appointment of the IR Committee; (iii) responding to discovery requests of the IR Committee; (iv) conferencing with the IR Committee concerning issues relating to the rejection of the agreements with the IRs and claims held by the IRs; (v) preparing for the hearings on the rejection of the agreements with IRs, including participating in depositions, responding to document production requests, and briefing issues for the Court; and (vi) formulating and negotiating a settlement of the claims of IRs. The total amount of fees allocated to this category is \$475,180.50.
Europe	This category consists of time spent (i) negotiating the stalking horse bid for VarTec Europe and preparing the share purchase agreement, associated corporate documents, and pleadings relating to the proposed sale; (ii) conducting an auction of VarTec Europe; (iii) responding to objections to that sale; and (iv) participating in a contested hearing on that sale. The total amount of fees allocated to this category is \$177,412.00.
Professionals' Employment and Compensation Matters	This category consists of time spent (i) retaining various case professionals, including Houlihan, Lokey Howard & Zukin Capital Group; V&E, Alvarez & Marsal, LLC, Hughes & Luce, LLP; Kane, Russell, Coleman; and Logan, P.C., and the BMC Group, Inc.; (ii) preparing an application to employ various ordinary course professionals; (iii) reviewing and responding to applications to employ non-debtor professionals; and (iv) reviewing monthly fee statements of various professionals. The total amount of fees allocated to this category is \$41,319.50.

Task Code	Description
Asset Dispositions: Sales, Leases, Abandonment and Related Transaction Work	This category consists of time spent (i) negotiating and preparing pleadings relating to the disposition of certain assets, including real property located in DeSoto, Texas, and personal property located in Dallas and Addison, Texas; and (ii) preparing and participating in hearings concerning motions to authorize rejections of certain executory contracts and unexpired leases, including real property leases, personal property leases, and service contracts. The total amount of fees allocated to this category is \$144,159.00.
Business Operations, including Review of Operating Reports	This category consists of time spent (i) addressing numerous miscellaneous issues relating to the Debtors' operations; and (ii) reviewing, revising, and filing each Debtors' monthly operating reports. The total amount of fees allocated to this category is \$13,784.50.
Employee Benefits / Retention Matters	This category consists of time spent (i) formulating and negotiating the key employee retention and severance program; (ii) preparing pleadings relating thereto; (iii) responding to objections thereto; and (iv) participating in a contested hearing concerning the approval of the same. The total amount of fees allocated to this category is \$44,671.00.
Plan / Disclosure Statement Matters	This category consists of time spent (i) discussing preliminary concepts regarding a bankruptcy plan; (ii) formulating and vetting a business plan; and (iii) preparing a motion to extend the exclusive period within which the Debtors may file and solicit acceptances of their bankruptcy plan. The total amount of fees allocated to this category is \$3,098.50.
Schedules and Statements of Financial Affairs	This category consists of time spent (i) preparing, reviewing, and revising each Debtor's schedules of assets and liabilities and statements of financial affairs; and (ii) conferencing concerning the preparation of those pleadings. The total amount of fees allocated to this category is \$125,118.50.

Task Code	Description
Teleglobe	This category consists of time spent (i) formulating a proposal to settle the claims asserted by Teleglobe; (ii) conferencing with Teleglobe regarding the same; (iii) negotiating a proposed settlement; and (iv) drafting a settlement agreement and related pleadings. The total amount of fees allocated to this category is \$20,956.00.
Creditors Committee Matters	This category consists of time spent (i) responding with inquiries of the Official Committee and the IR Committee; (ii) conferencing, by telephone and in person, with the committees; (iii) negotiating confidentiality agreements with the committees; and (iv) responding to informal discovery requests from the committees. The total amount of fees allocated to this category is \$85,825.50.
Carriers	This category consists of time spent (i) responding to requests of various carriers for adequate assurance and adequate protection; (ii) negotiating a compromise of such requests; (iii) preparing the Carrier Stipulation and presenting the same to the Court; (iv) preparing notices of additional carriers; (v) evaluating and responding to notices of offset provided by carriers; (vi) preparing and negotiating new agreements with certain carriers; and (vii) attending to other issues raised by carriers. The total amount of fees allocated to this category is \$299,932.00.
Substantive Consolidation	This category consists of time spent conducting an initial evaluation and analysis of the possible substantive consolidation of the Debtors' estates. The total amount of fees allocated to this category is \$42,789.50.
Miscellaneous Court Hearings and Preparation	This category consists of time spent (i) preparing witness and exhibit lists, agenda letters, and proposed orders; and (ii) otherwise preparing for and participating in hearings. The total amount of fees allocated to this category is \$49,954.00.

Hourly Fee/Expense Summary

22. V&E seeks compensation for the services rendered during the Period and reimbursement of the expenses incurred in performing such services. During the Period, V&E has expended approximately 5,748.60 hours performing legal services on

behalf of the Debtors in these Cases. At V&E's standard rates, its fees total \$2,262,941.50.

23. The legal services rendered by V&E to the Debtors fall within the twenty-one categories listed on Exhibit B, and such legal services are detailed in Exhibit C, which exhibit sets forth in detail the description of the legal services rendered by V&E, the dates on which V&E's attorneys and paralegals rendered such legal services, the identity of those attorneys and/or paralegals who performed such legal services, the time spent by each attorney and/or paralegal in performance of legal services, the itemized expenses incurred and a summary of expenses by major category.

24. V&E has neither shared nor agreed to share its compensation for services rendered in or in connection with these Cases with any other person.

STANDARDS FOR ALLOWANCE OF FEES AND EXPENSES

25. The award of interim compensation to professionals is specifically authorized under Bankruptcy Code § 331, which provides:

A trustee, an examiner, a debtor's attorney, or any professional person employed under section 327 or 1103 of this title may apply to the court not more than once every 120 days after an order for relief in a case under this title, or more often if the court permits, for such compensation for services rendered before the date of such an application or reimbursement for expenses incurred before such date as is provided under section 330 of this title. After notice and a hearing, the court may allow and disburse to such applicant such compensation for reimbursement.

11 U.S.C. § 331.

26. Bankruptcy Code § 330 authorizes the court to award professional persons employed pursuant to Bankruptcy Code § 1103 reasonable compensation for the actual and necessary services rendered by such professional persons and any paraprofessional person employed by such persons. 11 U.S.C. § 330. Furthermore,

the court may also award reimbursement for actual and necessary expenses incurred by such professional persons. *Id.*

27. As more fully stated below, V&E submits that the elements governing awards of compensation pursuant to Bankruptcy Code §§ 330 and 331 justify the allowance of the fees and expenses incurred in its representation of the Debtors during the Period.

28. In 1974, the Fifth Circuit established a set of guidelines for use by lower courts when ruling on attorneys' fee requests. See *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974). The *Johnson* court found the following factors necessary to consider:

- (a) the time and labor required;
- (b) the novelty and difficulty of the questions presented;
- (c) the skill requisite to perform the legal services properly;
- (d) the preclusion of other employment due to the acceptance of the case;
- (e) the customary fee;
- (f) whether the fee is fixed or contingent;
- (g) time limitations imposed by the client with the circumstances of the case;
- (h) the amount involved and the results obtained;
- (i) the experience, reputation and ability of the attorney;
- (j) the undesirability of the case;
- (k) the nature and length of the professional relationship with the client; and
- (l) awards in similar cases.

Id. at 717-19.

29. In *In re First Colonial Corp. of America*, 544 F.2d 1291, 1298-99 (5th Cir. 1977), *cert. denied*, 431 U.S. 904 (1977), the Fifth Circuit applied the *Johnson* factors to the analysis of fee awards in bankruptcy cases.

30. Under an analysis utilizing the *Johnson* factors and the standards customarily applied to fee awards under Bankruptcy Code §§ 330 and 331, V&E believes that its request for compensation and reimbursement of expenses is reasonable and proper, and that such request should be allowed in the amount requested.

DETAILED APPLICATION OF THE JOHNSON FACTORS

The Time and Labor Required

31. As stated above, V&E has expended 5,748.60 hours in the representation of the Debtors during the Period. The average billable rate for the fees requested is approximately \$395 per hour. All of the time spent was necessary and appropriate for the representation of the Debtors in these Cases. V&E's representation of the Debtors has required it to balance the need to provide quality services with the need to act quickly and to represent the Debtors in an efficient and timely manner.

Novelty and Difficulty of Questions Presented

32. Many of the issues presented in these Cases are complex, and V&E has accomplished the various tasks expeditiously and effectively. During V&E's representation of the Debtors in these Cases, V&E has assisted the Debtors in resolving issues relating to the negotiation of debtor in possession financing, the formulation of a stipulation to resolve the adequate assurance and adequate protection demands of the Carriers, the sale of a European subsidiary, and the implementation of a key employee retention and severance program. Each of these matters required the

input of a number of parties, including the RTFC, Official Committee, IR Committee, and Carriers. Further, during the Period, the Federal Communications Commission rendered a ruling which could change the landscape of the telecommunications industry, and the Debtors and V&E have expended significant efforts to respond to that ruling and the consequences thereof.

Skill Requisite to Perform Services Properly

33. The experience and expertise of V&E's attorneys and legal assistants have facilitated and expedited the results achieved in these Cases.

34. Corporate bankruptcy reorganization is a specialized practice within the legal profession and the number of professionals offering such services is limited. Furthermore, the practice of bankruptcy law requires an attorney to possess the skill sets of a litigator and of a transactional attorney. The V&E attorneys and legal assistants specialize in bankruptcy law and possess the skills necessary to offer proficient and effective legal services.

35. Further, the services necessary in these Cases compelled the participation of a number of highly skilled attorneys specializing in various areas of the law, including corporate transactions, commercial litigation, tax, and government regulation.

Preclusion of Other Employment

36. V&E's representation of the Debtors precluded it from providing comparable services to clients at its ordinary and customary rate during the substantial time committed to these Cases.

Customary Fee

37. The hourly rates charged for the services performed are the hourly rates regularly charged by V&E in other cases and representations and are comparable to the usual and customary charges of other professionals, legal assistants and paraprofessionals with similar degrees of skill and expertise.

Whether the Fee is Fixed or Contingent

38. The fees requested in this Application represent V&E's fixed hourly rates for the attorneys and paraprofessionals in this firm. As is true for counsel in every bankruptcy case, V&E's compensation is contingent upon the Court's approval of this Application.

Time Limitations

39. To expedite the resolution of the matters presented in these Cases, V&E has been required to provide capable legal representation within the time limitations imposed by the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Federal Rules of Civil Procedure, counsel for various parties in interest, and this Court. The Cases have moved rapidly, with over 1,000 docket entries during the Period, and V&E has pushed the progress of the Cases to enable the Debtors to emerge from chapter 11 as expeditiously as possible.

Amounts Involved and Results Obtained

40. V&E has assisted the Debtors in all facets of the liquidation of their assets. The Debtors' schedules reveal secured claims of \$209,595,544.80, unsecured priority claims of \$36,391,661.18 and general unsecured claims of \$346,592,342.82. Further, in 2004, the Debtors and their non-debtor affiliates generated revenue of approximately of \$800,000,000.

Experience, Reputation, and Ability of Counsel

41. Each of V&E's attorneys who performed services for these estates possess a reputation for skill, quality, integrity and ability. V&E's attorneys have represented, and are sought after to represent, debtors, secured creditors, bidders of estate assets, trustees, creditors and official committees in some of the largest and most sophisticated bankruptcy cases in the country.

Undesirability of the Case

42. Aside from the requirement that V&E commit firm resources to the Debtors without certainty as to compensation or reimbursement, there are no undesirable consequences of V&E's representation of the Debtors.

Nature and Length of the Professional Relationship

43. Prior to April 2004, V&E had no relationship with the Debtors.

Awards in Similar Cases

44. The fees and expenses for which V&E seeks compensation and reimbursement are not excessive but are commensurate with the compensation sought and awarded in similar cases in the Northern District for similar services rendered and results obtained. As more fully described in **Exhibits C** and **D**, the fee requested by V&E is in the amount of \$2,262,941.50. After taking into consideration the time and labor expended, the nature and extent of the representation, and the complexity of this proceeding, V&E believes the allowance prayed for herein is reasonable.

45. The expenses detailed in **Exhibits C** and **E** represent the amounts incurred by V&E during the Period in its representation of the Debtors. This amount is \$81,975.57 and includes, without limitation, filing fees, reproduction costs, telecopy charges, messenger charges, Westlaw, PACER, and other electronic research,

transcript duplication, postage and mailing costs. All of these expenses were necessarily incurred in the representation of the Debtors.

CONCLUSION

46. After analyzing the *Johnson* factors in their totality, V&E's Application should be granted. Therefore, V&E requests the Court to allow and order the payment at this time of the following: (a) interim compensation for the Period in the aggregate amount of \$2,262,941.50; and (b) reimbursement of necessary out-of-pocket expenses incurred by V&E during the Period in the aggregate amount of \$81,975.57.

PRAYER

V&E respectfully requests that this Court grant it interim compensation in the amount of \$2,262,941.50 in fees (including the holdback in the amount of \$452,588.30 that has not been paid) and \$81,975.57 in expenses, and such other and further relief as this Court deems just and proper.

Dated: March 21, 2005

Respectfully submitted,

VINSON & ELKINS L.L.P.

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By: /s/ Daniel C. Stewart

Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
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ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

This is to certify that on March 21, 2005, a copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Northern District of Texas. A separate certificate of service shall be filed with respect to those parties on the Clerk's list who do not receive electronic e-mail service.

/s/ Daniel C. Stewart

One of Counsel

EXHIBIT A

**SUMMARY SHEET FOR APPLICATION OF VINSON & ELKINS L.L.P.
FOR ALLOWANCE OF FEES AND EXPENSES AS COUNSEL FOR THE DEBTORS
FOR THE PERIOD NOVEMBER 1, 2004 THROUGH FEBRUARY 28, 2005**

Fees Previously Requested:	\$0.00
Fees Previously Awarded:	\$0.00
Expenses Previously Requested:	\$0.00
Expenses Previously Awarded:	\$0.00
Fees Requested in This Application	\$2,262,941.50
Total Hours Billed:	5,748.60
Average Hourly Rate:	\$393.64
Expenses Requested in This Application:	\$81,975.57
Retainer Held as of February 28, 2005:	\$372,000.00
Summary of Time Billed by Attorney:	See <u>Exhibit D</u> below
Summary of Expenses Billed by Type:	See <u>Exhibit E</u> below

EXHIBIT B

BILLING CODES FOR TIME

1. First Day Pleadings and Related Hearings
2. General Case Administration, including U.S. Trustee Matters and General Creditor Inquiries
3. RTFC DIP and All Related Matters
4. Meetings and Telephonic Conferences with Management and Company Personnel
5. Excel and IR Matters
6. Litigation
7. Europe
8. Canada
9. Professionals' Employment and Compensation Matters
10. Asset Dispositions: Sales, Leases, Abandonment and Related Transaction Work
11. Business Operations, including Review of Operating Reports
12. Employee Benefits / Retention Matters
13. Claims Analysis / Objections
14. Plan / Disclosure Statement Matters
15. General Corporate Matters
16. Schedules and Statements of Financial Affairs
17. Teleglobe
18. Creditors Committee Matters
19. Carriers
20. Substantive Consolidation
21. Miscellaneous Court Hearings and Preparation

EXHIBIT C

Billing Statements for November 2004 through February 2005

BECAUSE EXHIBIT C IS VOLUMINOUS, IT HAS NOT BEEN INCLUDED IN THE DOCUMENTS FILED WITH THE COURT. EXHIBIT C HAS BEEN SERVED UPON THE RTFC, OFFICIAL COMMITTEE OF UNSECURED CREDITORS, AND THE UNITED STATES TRUSTEE AND IS AVAILABLE UPON REQUEST FROM V&E.

EXHIBIT D

FEES INCURRED DURING THE PERIOD NOVEMBER 1, 2004 THROUGH FEBRUARY 28, 2005

<u>INITIALS</u>	<u>ATTORNEY</u>	<u>RATE</u> *	<u>HOURS</u>	<u>FEES AT STANDARD RATE</u>
PARTNERS:				
DCS	Daniel C. Stewart	\$590	741.10	\$437,249.00
TC	Thomas Crichton	575	2.30	1,322.50
JE	Jeffrey E. Eldredge	550	1.00	550.00
LZ	Lawrence Ziman	550	1.30	715.00
JACH	Jeffrey A. Chapman	550	105.80	58,190.00
WLWA	William L. Wallander	540	666.30	359,802.00
JJL	James J. Lee	540	631.50	341,010.00
JMAR	James A. Markus	540	54.60	29,484.00
RLKI	Robert L. Kimball	525	.20	105.00
NWI	Neil W. Imus	520	1.10	572.00
HMRI	Henry M. Rivera	520	4.50	2,340.00
HMRI	Henry M. Rivera	600	3.80	2,280.00
RLMO	Rodney L. Moore	500	.50	250.00
DWHA	Dean W. Harvey	470	.80	376.00
JEW	John E. West (Of Counsel)	450	.60	270.00
JEMI	John E. Mitchell	425	6.70	2,847.50
DWT	David W. Tomek (Of Counsel)	425	39.00	16,575.00
ALYO	A.L. Youngblood (Of Counsel)	400	3.20	1,280.00
ASSOCIATES:				
DKM	Duston K. McFaul	400	291.60	116,640.00
MWMO	Matthew W. Moran	360	13.40	4,824.00
EC	Edgar Class	320	15.8	5,056.00
EC	Edgar Class	380	3.00	1,140.00
DLBA	David L. Babin	320	208.80	66,816.00
DLBA	David L. Babin	360	2.00	720.00
CSLA	Courtney S. Lauer	345	198.80	68,586.00
APO	Alexander P. Okuliar	340	3.20	1,088.00
ABW	Abigail B. Willie	325	790.00	256,750.00
RHLO	Richard L. London	325	779.80	253,435.00
LBL	Luiba Baban-Loutsenko	325	14.00	4,550.00
TGA	Todd G. Ammerman	305	2.6	793.00
TGA	Todd G. Ammerman	325	10.0	3,250.00
VCM	Victoria C. Mitchell	325	24.90	8,092.50
ERW	Eric R. Winandy	295	.50	147.50
HJW	Holly J. Warrington	275	447.40	123,035.00
DAFO	David A. Ford	270	18.20	4,914.00
AEWH	Amy E. White	270	12.60	3,402.00
JEMU	James E. Mutrie	260	5.00	1,300.00
SWWO	Scott W. Woodworth	225	4.00	900.00
MOGR	Michelle O. Gross	205	.50	102.50
DVR	Divya Verma	205	12.30	2,521.50

* Billing rates of attorneys who are listed twice were subject to a regular adjustment during the course of the representation of the Debtors.

PARAPROFESSIONALS:

KTRU	Kathryn Truett	165	.50	82.50
KTRU	Kathryn Truett	215	1.80	387.00
PALE	Pamela A. Lewis	165	452.90	74,728.50
JHCO	Julie H. Cooper	165	1.00	165.00
JHCO	Julie H. Cooper	185	2.10	388.50
KRSH	Kevin R. Shook	140	7.00	980.00
MEPE	M.E. Petty	85	.20	17.00
KEN	Kim E. Neumann	215	1.0	215.00

PROJECT ASSISTANTS:

LBCR	Lauren B. Crissey	80	154.40	12,352.00
WWBI	Wendy W. Bishop	75	5.00	375.00

TOTAL HOURS

5748.60

TOTAL FEES

\$2,272,971.50

LESS ADJUSTMENTS

\$10,030.00

TOTAL FEES REQUESTED

\$2,262,941.50

TOTAL EXPENSES REQUESTED

\$81,975.57

TOTAL FEES AND EXPENSES REQUESTED**\$2,344,917.07****FEES (80%) AND EXPENSES (100%) PAID
TO DATE**

\$1,892,328.70

NET FEES REQUESTED TO BE PAID**\$452,588.30**

EXHIBIT E

**EXPENSES INCURRED DURING THE PERIOD
NOVEMBER 1, 2004 THROUGH FEBRUARY 28, 2005**

<u>Type of Expense</u>	<u>Total Charges</u>
Business Meals	\$ 1,642.53
Computer Legal Research	8,019.04
Courier Services	2,060.36
Filing Fees	14,413.00
Miscellaneous	509.36
Outside Professional Services	19,731.42
Overtime	3,656.25
Photocopy	28,054.85
Postage	419.71
Telefax	472.50
Travel	2,996.55
TOTAL EXPENSES	\$81,975.57