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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	Case No. 04-81694-SAF
VARTEC TELECOM, INC., et al.,	§	(Chapter 11)
	§	
<i>Debtors.</i>	§	(Jointly Administered)

**OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
TO CLAIMS OF RURAL TELEPHONE FINANCE COOPERATIVE**

TO THE HONORABLE COURT:

The Official Committee of Unsecured Creditors (the “Committee”) of the above-referenced debtors and debtors in possession (collectively, the “Debtors”) files this Objection to Claims of Rural Telephone Finance Cooperative (the “Objection”) and respectfully states as follows:

I. BACKGROUND

1. 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”).

2. On November 9, 2004, the United States Trustee appointed the Committee.
3. On January 12, 2005, the Court entered that certain Final Order Authorizing Post-Petition Financing, Granting Senior Liens and Priority Administrative Expense Status, Authorizing Use of Cash Collateral, and Modifying the Stay (the “DIP Financing Order”).
4. Pursuant to the DIP Financing Order, the Debtors were authorized to borrow funds (the “Post-Petition Obligations”) from Rural Telephone Finance Cooperative (the “RTFC”) secured by certain present and after acquired property of the Debtors.
5. Pursuant to paragraph 19 of the DIP Financing Order (in which RTFC was defined as “Lender”), the Committee and other parties in interest must file a contested matter or adversary proceeding by March 3, 2005 (the “Deadline”), “(i) challenging the validity, enforceability, unavoidability, perfection or priority of the Pre-Petition Obligations or the Lender’s liens on the Pre-Petition Collateral or (ii) otherwise asserting any claims or causes of action against the Lender.” The DIP Financing Order prohibits the Debtors from asserting any such claims. The Deadline was extended to July 6, 2005, at 11:59 p.m. for the Committee and the Official Committee of Excel Independent Representatives pursuant to various additional agreements and orders.
6. In a motion filed on or about March 11, 2005, styled “Agreed Motion to Approve Stipulation and Order Granting Authority to Official Committee of Unsecured Creditors to Pursue Certain Claims on Behalf of the Debtors’ Estates” (the “Motion”), the Committee sought, by virtue of various stipulations, authorization to commence litigation against RTFC for the benefit of the Debtors’ estates.
7. By Order styled “Stipulation and Order Granting Authority to Official Committee of Unsecured Creditors to Pursue Certain Claims on Behalf of Debtors’ Estates,” entered on or

about March 23, 2005, and accompanying stipulations, the Committee obtained the authorization sought in the Motion.

8. The Committee filed its Original Complaint of the Official Committee on Behalf of the Debtors' Estates Against Rural Telephone Finance Cooperative (the "Complaint") on June 10, 2005, in which the Committee generally seeks, without limitation, relief in the form of avoidance of certain transfers and obligations, recovery of the items transferred or the monetary value of such avoided transfers, equitable subordination of some or all of the RTFC's claims and non-avoided liens, and money judgment for some of the causes of actions set forth therein.

II. JURISDICTION AND VENUE

9. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Objection is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N), and (O).

10. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

III. OBJECTION

11. Each of VarTec¹ and the Subsidiary Guarantors' bankruptcy schedules indicate that RTFC holds a secured claim against such entities that is liquidated, non-contingent, and undisputed. RTFC has filed a proof of claim against each of the Debtors (collectively, the scheduled claims and the proofs of claim, the "RTFC Claims").

12. In its Complaint, the Committee objects to the RTFC Claims.

13. Without limitation, the RTFC Claims should be disallowed without further distribution or recovery, pursuant to 11 U.S.C. § 502(d), unless and until RTFC shall have paid the amount, or turned over any such property, for which RTFC is liable under 11 U.S.C. §§ 542 and 550 on account of any avoided lien, claim, guarantee or other transfer.

¹ Capitalized terms used but not defined herein shall have the meanings given to them in the Complaint.

14. Without limitation, the RTFC Claims should be adjusted, prior to final allowance to take into account (a) any debits or offsets on account of any damages recovered against RTFC up to the amount of such claims, and (b) any credits on account of disgorgement of amounts previously paid to RTFC.

15. Without limitation, if and to the extent of any equitable subordination, the RTFC Claims should be allowed, if at all, only in such class or classes to which such claims are subordinated.

16. Even though it has objected to the RTFC Claims in its Complaint, the Committee files this separate Objection out of an abundance of caution, and hereby objects to the RTFC Claims for all of the reasons set forth in its Complaint.

17. Pursuant to Federal Rule of Bankruptcy Procedure 3007, when an objection to a claim is joined with a demand for relief of the kind specified in Federal Rule of Bankruptcy Procedure 7001, it becomes an adversary proceeding. Accordingly, the Committee's objection to the RTFC Claims should be prosecuted with and consolidated into the same adversary proceeding commenced by the filing of the Complaint. For purposes of this Objection, the Committee respectfully incorporates the Complaint for all purposes as if fully set forth herein.

WHEREFORE, the Committee respectfully requests that the Court disallow the RTFC Claims, or alternatively, to appropriately adjust the amount of such claims and assign such claims to their appropriate class or classes, and for such other and further relief as is appropriate.

Dated: July 6, 2005.

Respectfully submitted,

/s/ Stephen A. Goodwin

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CERTIFICATE OF SERVICE

The undersigned does hereby certify that, on July 6, 2005, a true and correct copy of the foregoing has been served via ECF-electronic mail on the parties receiving electronic notice in these cases.

/s/ Jonathan Covin

Jonathan Covin