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SPECIAL COUNSEL TO THE DEBTORS

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

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

**SECOND INTERIM APPLICATION OF HUGHES & LUCE, L.L.P., SPECIAL
COUNSEL TO THE DEBTORS, FOR ALLOWANCE OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES**

A HEARING WILL BE CONDUCTED ON THIS MATTER ON AUGUST 18, 2005, AT 2:30 P.M. IN THE COURTROOM OF THE HONORABLE HARLIN D. HALE, 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.

FEE APPLICATION SUMMARY SHEET

NAME OF APPLICANT:	Hughes & Luce, L.L.P.
ROLE IN CASE:	Special Counsel to the Debtors
APPLICATION PERIOD:	March 1, 2005 through June 30, 2005
Fees Previously Requested:	\$424,171.50
Fees Previously Awarded:	\$424,171.50
Expenses Previously Requested:	\$2,419.74
Expenses Previously Awarded:	\$2,419.74
Fees Requested in This Application:	\$606,006.50
Expenses Requested in This Application:	\$19,855.78
Total Fees and Expenses Requested in This Application	\$625,862.28
Amount Paid through July 26, 2005:	\$394,205.93
Net Payment Amount Requested:	\$231,656.35
TOTAL HOURS BILLED:	2,282.10
TOTAL BLENDED HOURLY RATE:	\$265.55 (including paraprofessionals) \$278.72 (excluding paraprofessionals)

**SECOND INTERIM APPLICATION OF HUGHES & LUCE, L.L.P., SPECIAL
COUNSEL TO THE DEBTORS, FOR ALLOWANCE OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES**

Hughes & Luce, L.L.P. (“H&L”), special counsel to the Debtors in the above-referenced jointly administered cases (“VarTec” or the “Debtors”),¹ submits its Second Interim Application for Allowance of Compensation and Reimbursement of Expenses (the “Application”) pursuant to §§ 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the November 5, 2004 Amended Order Establishing Procedure for Monthly and Interim Compensation and Reimbursement of Expenses for Case Professionals (the “Procedures Order”). In support thereof, H&L respectfully represents as follows:

JURISDICTION

1. The Court has jurisdiction over this Application pursuant to 28 U.S.C. § 1334. This Application presents a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O). The Court has the authority to grant the requested relief pursuant to §§ 330 and 331 of the Bankruptcy Code and Bankruptcy Rule 2016.

SUMMARY OF RELIEF REQUESTED

2. H&L requests an order granting final allowance and approval of \$606,006.50 in professional fees and \$19,855.78 in reimbursement for actual and necessary expenses incurred between March 1, 2005 and June 30, 2005 (the “Compensation Period”). Because H&L has already received payment from the Debtors pursuant to the Procedures Order in the amount of

¹ 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 Resources Services, Inc., VarTec Solutions, Inc., VarTec Telecom Holding Company, VarTec Telecom International Holding Company, and VarTec Telecom of Virginia, Inc.

\$394,205.93 for services rendered during the Compensation Period, H&L also requests an order granting a net payment, on an interim basis, in the amount of \$231,656.35.

3. This is H&L's second request for interim compensation. The Order Approving First Interim Fee Application of H&L for Allowance of Compensation for Services and Reimbursement of Expenses as Special Counsel to the Debtors for the period November 1, 2004 through February 28, 2005 was signed by the Court and entered on April 15, 2005.

OVERVIEW AND BACKGROUND FACTS

4. On November 1, 2004 (the "Petition Date"), the Debtors filed their voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating and managing their businesses as debtors-in-possession pursuant to 11 U.S.C. §§ 1107(a) and 1108. No trustee or examiner has been appointed in the Debtors' chapter 11 cases. On November 2, 2004, the Court signed the Order Granting Complex Chapter 11 Bankruptcy Case Treatment.

5. On November 8, 2004, the Office of the United States Trustee ("UST") appointed the statutory committee of unsecured creditors in the Debtors' cases (the "UCC"). On December 8, 2004, and at the direction of the Court, the UST appointed the Official Committee of Excel Independent Representatives (the "IRC").

6. As more fully described in the Application to Employ H&L as Special Counsel (the "H&L Employment Application"), prior to the Petition Date the Debtors had retained H&L to provide advice and representation in multiple and varied matters. These matters included, among other matters, the representation of the Debtors in the bankruptcy cases of Teleglobe and Lightyear, and various litigation matters regarding Excel independent representatives ("IRs"). Pursuant to the Final Order Approving the Employment of H&L as Special Counsel dated

November 22, 2004, the Court authorized the Debtors to employ H&L *nunc pro tunc* as of the Petition Date with respect to those matters set forth in the H&L Employment Application.

H&L'S ROLE AS SPECIAL COUNSEL IN THE DEBTORS' BANKRUPTCY CASES

7. Since the Petition Date and during the Compensation Period, H&L has provided the Debtors with legal services and advice, and incurred expenses, as special counsel to the Debtors as described in greater detail in the Project Billing section below, which provides a summary for each of the matters for which H&L rendered services during the Compensation Period.²

8. As stated in the H&L Employment Application, the professional services H&L was retained to render on behalf of the Debtors include but are not limited to:

- (a) Representation of the Debtors in connection with the bankruptcy proceedings of Teleglobe Communications Corporation, et al. in the United States Bankruptcy Court for the District of Delaware; in Teleglobe Inc., *et al.*'s related Canadian insolvency proceedings; and in related arbitration proceedings between the Debtors and Teleglobe Communications Corporation and Teleglobe Inc.;
- (b) Representation of the Debtors in connection with the bankruptcy proceedings of Lightyear Holdings, Inc. et al., pending in the United States Bankruptcy Court for the Western District of Kentucky;
- (c) Representation of the Debtors in connection with litigation filed against BCE, Inc., BCE Ventures and William D. Anderson, currently pending in the United States District Court for the District of Columbia;
- (d) Representation of the Debtors in connection with two litigation matters filed by Stephen R. Smith and pending in the 216th Judicial District Court, Kerr County, Texas and in the United States District Court for the Western District of Texas;

² In accordance with the Procedures Order and General Order No. 00-7 (Standing Order Concerning Guidelines for Compensation and Expense Reimbursement of Professionals), H&L maintains detailed records of the legal services and expenses it has provided for the Debtors on a monthly basis. Pursuant to the Order Authorizing Special Litigation Counsel for Debtors and Debtors in Possession to File Time Records Relating to Its Fee Applications Under Seal ("Sealing Order") and the Procedures Order, H&L has provided these detailed time records on a monthly basis to the Debtors, the UST, counsel to the UCC, and counsel to the Rural Telephone Finance Cooperative (the "RTFC"), the Debtors' secured lender. Pursuant to the Sealing Order, H&L is filing under seal with the Court the detailed time records that form the basis of the Application (Exhibit "C").

- (e) Representation of the Debtors in connection with litigation filed by Lisa Main, pending in the United States District Court for the Western District of Texas;
- (f) Representation of the Debtors in connection with various pending or threatened disputes with IRs of the Debtors;
- (g) Representation of the Debtors in various general matters; and
- (h) Preparing all applications, motions, notices, answers, orders, reports, and other legal papers necessary for the representation of the Debtors in these matters and the Debtors' bankruptcy proceedings.

INTERIM COMPENSATION REQUESTED

9. By this Application and in accordance with §331 of the Bankruptcy Code, H&L requests its second interim allowance of compensation for services in the amount of \$606,006.50 during the Compensation Period. The amounts sought in this Application were computed using H&L's hourly billing rates in effect during the Compensation Period for an aggregate of 2,282.10 hours.³ For the Compensation Period, the average billing rate was \$265.55 per hour. The following chart presents a cumulative summary of the amounts H&L is requesting for each month of the Compensation Period:

	Fees Requested	Expenses Requested	Total Request
March 2005	\$134,132.50	\$920.03	\$135,052.53
April 2005	\$178,301.50	\$3,805.32	\$182,106.82
May 2005	\$170,890.00	\$2,821.45	\$173,711.45
June 2005	\$122,682.50	\$12,308.98	\$134,991.48
INTERIM SUBTOTAL	\$606,006.50	\$19,855.78	\$625,862.28

10. Funds are available to pay the fees requested in the Application. H&L continues to maintain a retainer in the amount of approximately \$168,000.

³ At the commencement of H&L's representation of the Debtors on some of the matters included in this Application, the Debtors and H&L agreed on a negotiated, reduced billable rate. These rates were applied to certain matters (primarily matters regarding disputes with IRs) prior to the Petition Date, and are carried through the Compensation Period. Hence, a "range" of fees (i.e., an associate rate of \$195 for certain matters and \$205 for others) is used to compute the actual amounts charged on the invoices, and is reflected in the attached summary exhibits.

11. Pursuant to the Procedures Order, H&L provided monthly fee statements to the Debtors, the UST, counsel for the UCC, and counsel for the RTFC. After review of the monthly fee statements, if no professional raises any objection to the fee statement, H&L is entitled to receive payment of eighty percent of the fees requested and one hundred percent of the expenses incurred. None of the professionals objected to H&L's monthly fee statements during the Compensation Period. As with its First Interim Application, H&L is also requesting payment, on an interim basis, of the twenty percent holdback during the Compensation Period.

12. H&L submits that the services it has provided were necessary to the successful and prompt administration of the Debtors' chapter 11 cases, were necessary and beneficial to the Debtors at the time at which such services were rendered, and were performed without unnecessary duplication of effort. H&L requests compensation for a reasonable and appropriate amount of time expended in performing its services commensurate with the complexity, importance, and nature of the problems, issues and tasks involved. This reasonable time expenditure by H&L is detailed in the summary charts and schedules attached hereto as Exhibit "A."

13. H&L's charges for professional services rendered in this case were billed in accordance with H&L's existing billing procedures. The rates H&L charges for the services rendered by its professionals and paraprofessionals in these chapter 11 cases are the same rates H&L charges for professional and paraprofessional services rendered in comparable non-bankruptcy related matters and are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in the Texas legal market.

14. No agreement or understanding exists between H&L and any other person, other than partners of the firm, for the sharing of compensation to be received for services rendered in

this case. The amount of compensation sought in this Application is derived from H&L's monthly invoices for the Compensation Period. H&L subjected each of the invoices to careful review and scrutiny to ensure that charges and fees are accurate, appropriate and reflect amounts incurred on behalf of the Debtors only.

ACTUAL AND NECESSARY EXPENSES

15. The summary charts in Exhibit "B" contain a breakdown of the actual and necessary expenses incurred by H&L in connection with its representation of the Debtors for the Compensation Period. As set forth in Exhibit "B," H&L seeks reimbursement of actual and necessary expenses incurred in the aggregate amount of \$19,855.78.

16. In connection with these expenses, H&L represents that copying is charged at \$0.10 per page, computer research is charged at the provider's cost, facsimiles are not charged, and telephone charges include long distance charges (incurred from a location other than H&L) and cellular phone charges, but do not include long distance charges incurred from H&L's offices. The basis for these charges is H&L's calculation of the actual costs of these expenses, and no mark-ups or additions are added on to the actual costs.

17. H&L submits that this Application complies in all material respects with relevant provisions of the Bankruptcy Code, the Bankruptcy Rules, and the guidelines adopted by General Order No. 00-7 of the Bankruptcy Court for the Northern District of Texas, except as noted in this Application.

PROJECT BILLING

18. In an effort to maximize efficiency, H&L assigned a different matter to each distinct work area for timekeeping purposes. The following is a listing of the various billing

matters — most of which were established prior to the Petition Date and were carried through the Compensation Period — and a brief description of the services provided for each matter:

A. Askew/Lawn/McGinn

19. H&L spent 29.50 hours, for which \$6,515.00 in professional fees is requested. This matter relates to two litigation and related arbitration matters filed by three former Excel independent representatives. In March through June, H&L's services related to (i) reviewing case materials, pleadings, and correspondence; (ii) analyzing the Canadian proceedings and evaluating case options; (iii) preparing correspondence regarding case status and strategy; and (iv) updating VarTec on relevant issues.

B. Bankruptcy — Special Counsel

20. H&L spent 331.70 hours, for which \$92,402.50 in professional fees is requested. This matter relates to H&L's retention as Special Counsel in connection with the bankruptcy case. In March through June, H&L's services related to: (i) monitoring the case for analysis of impact on other litigation in which H&L is engaged; (ii) reviewing pleadings and correspondence, including information related to the IRC and various IR issues, including IR billing dispute issues; (iii) preparing for and attending hearings relevant to those matters on which H&L is engaged and preparing summary reports of same; (iv) coordinating and reviewing materials for electronic document extraction and collection project; (v) preparing a response letter to the Debtors' auditors; (vi) preparing H&L's monthly fee reports; (vii) preparing H&L's First Interim Fee Application (for which a total of 26.7 hours was expended, inclusive of preparation of the exhibits); (viii) preparing and attending hearing regarding the Motion to Seal Time Records; (ix) providing general advice to VarTec related to bankruptcy, IR, litigation, and operations issues; and (x) updating VarTec on the status of projects and relevant issues. The

time spent preparing this Application and defending it against any objections will be reflected and charged in a future fee application.

C. BCE

21. H&L spent 1,324.30 hours performing services, for which \$350,094.50 in professional fees is requested. This matter relates to litigation filed against BCE, Inc., BCE Ventures and William D. Anderson currently pending in the United States District Court for the District of Columbia. In March through June, H&L's services related to: (i) preparing for discovery in the matter, including work sessions on document review and compilation issues; (ii) researching privilege issues related to document production; (iii) analyzing the *Teleglobe v. BCE* proceedings and Canadian litigation; (iv) preparing for and attending witness interviews, including preparing interview outlines, reviewing and organizing case documents for use in interviews, preparing task lists, and drafting interview summaries; (v) reviewing pleadings and correspondence; (vi) reviewing and processing various documents for privilege and content, including maintaining case databases and analyzing issues related to the conversion of electronic documents; (vii) analyzing BCE document requests; (viii) preparing the Motion to Lift Discovery Stay, including briefing and reply briefing regarding same and analysis of BCE's responsive briefing; (ix) performing research on discovery and damages issues; (x) preparing for and attending the April 11, 2005 status conference; and (xi) updating VarTec on projects and relevant issues.

D. Lightyear

22. H&L spent .80 hours performing services, for which \$216.00 in professional fees is requested. This matter relates to various claims and interests held by VarTec in the bankruptcy proceedings of Lightyear Holdings, Inc. et al., pending in the United States

Bankruptcy Court for the Western District of Kentucky. In March through June, H&L's services related to monitoring and reviewing pleadings in the bankruptcy proceedings and reporting on matters of interest to VarTec.

E. Lisa Main

23. H&L spent 103.60 hours performing services related to this matter, for which \$23,314.50 in professional fees is requested. This matter relates to litigation filed by Lisa Main, pending in the United States District Court for the Western District of Texas, alleging sexual harassment and related causes of action. In March through June, H&L's services related to: (i) researching severance of non-debtor co-defendant; (ii) preparing for case status conference; (iii) reviewing and analyzing pleadings, correspondence, and documents; (iv) preparing summary and analysis of severance, automatic stay, and dismissal of action issues, and general strategy regarding the case; (v) preparing for and attending hearing on severance issues and reporting on hearing; (vi) work sessions regarding insurance issues; (vii) conferences regarding document production; and (viii) updating VarTec on relevant issues.

F. Steve Smith

24. H&L spent 109.40 hours performing services related to this matter, for which \$28,318.00 in professional fees is requested. This matter relates to two litigation matters filed by Stephen R. Smith pending in the 216th Judicial District Court, Kerr County, Texas and in the United States District Court for the Western District of Texas. In March through June, H&L's services related to (i) monitoring the cases, including reviewing pleadings and correspondence; (ii) work sessions regarding Smith and BCE subpoenas and preparation of responses to same; (iii) analyzing discovery issues; (iv) conferring with the Debtors regarding subpoenas and document production issues; (v) analyzing and producing documents responsive to requests;

(vi) work sessions and correspondence regarding protective order; and (vii) providing status reports to VarTec regarding the matter.

G. Teleglobe

25. H&L spent 363.00 hours performing services, for which \$99,435.50 in professional fees is requested. This matter relates to the bankruptcy proceedings of Teleglobe Communications Corporation, et al. in the United States Bankruptcy Court for the District of Delaware; Teleglobe Inc., et al.'s related Canadian insolvency proceedings; and Teleglobe Communications Corporation and Teleglobe Inc.'s arbitration with VarTec Telecom, Inc. and VarTec Telecom Holding Company, through the American Arbitration Association's International Centre for Dispute Resolution. In March through June, H&L's services related to (i) monitoring each of the cases, including reviewing and analyzing pleadings, transcripts, and correspondence; (ii) reviewing and analyzing proposed settlement agreement drafts; (iii) reviewing and reporting on plan confirmation status; (iv) preparing and reviewing correspondence regarding tax issues; (v) preparing Motion for Protective Order and Motion to Intervene in *Teleglobe v. BCE*, including preparation of briefing and reply briefing and analysis of BCE's responsive briefing and preparing for and attending the hearing regarding the same; (vi) reviewing arbitration documents for potential production in *Teleglobe v. BCE*; (vii) analyses and work sessions regarding discovery issues, including maintaining and updating databases; (viii) preparing updates to the arbitration panel; and (ix) updating VarTec on relevant issues.

H. WorldCom

26. H&L spent 19.80 hours, for which \$5,710.50 in professional fees is requested. This matter relates to VarTec's proofs of claim in the MCI WorldCom bankruptcy case. In March through June, H&L's services related to: (i) reviewing correspondence and documents

regarding WorldCom's bankruptcy and the proofs of claim; (ii) analysis and strategy regarding the proofs of claim; (iii) corresponding with opposing counsel regarding hearings and deadlines; and (iv) providing status reports to VarTec.

FIRST COLONIAL FACTORS

27. The relevant factors used in assessing the reasonableness of professional fees to be awarded in a bankruptcy case in this District, pursuant to Section 330(a) of the Bankruptcy Code, are set out in *First Colonial Corporation of America*, 544 F.2d 1291, 1298-1299 (5th Cir. 1977). Each of the twelve factors identified in *First Colonial* is discussed below. All of the services discussed herein for which fees are requested were for actual, necessary services rendered by H&L as special counsel to the Debtors pursuant to Section 327(e) of the Bankruptcy Code, and the amount requested in the Application is reasonable compensation for such services.

1. The Time and Labor Required

28. H&L expended nearly 2,300 hours serving as special counsel to the Debtors during the Compensation Period. Specifically, H&L devoted significant time and resources to assisting the Debtors in the BCE lawsuit, the Teleglobe bankruptcy cases, and the *Teleglobe v. BCE dispute*, all of which emanated from the sale of the Excel entities to VarTec. The Debtors' disputes with Teleglobe represent one of the largest claims against the Debtors' estates. Likewise, the causes of action the Debtors hold against BCE are significant assets of the Debtors' estates. In addition, H&L devoted substantial time in the Compensation Period to assisting the Debtors with IR issues, including issues presented by the IRC and the former IRs noted above.

29. Each of these activities was required to adequately represent the Debtors in these matters. The time expended by H&L was commensurate with the size, complexity, and nature of

the matters, the legal issues involved, and the assets at stake. In an effort to keep costs at a minimum, H&L utilized professionals with lower hourly rates whenever possible, without sacrificing the quality of the services rendered.

2. The Novelty and Difficulty of the Questions Involved

30. In the various matters for which H&L represents the Debtors, issues arose that presented novel and difficult questions during the Compensation Period. Many of these issues were complex and required the application of the various professionals' knowledge and experience. H&L expended significant time in the Compensation Period researching and resolving these novel and difficult issues.

3. The Skill Requisite to Perform the Legal Service Properly and Experience, Reputation, and Ability of the Attorney

31. The experience of H&L's attorneys is critical to H&L's ability to adequately represent the Debtors in these varied matters. H&L utilized — almost exclusively — attorneys and paraprofessionals that were intimately familiar with the Debtors and the various matters that arose prior to the Debtors' bankruptcy cases. These professionals drew upon their substantive legal knowledge in the areas of commercial and bankruptcy law. H&L used its attorneys and paraprofessionals effectively and efficiently to meet the requirements of the tasks assigned and provide valuable advice and assistance to the Debtors for each of the pending matters.

4. The Preclusion of Other Employment Due to Acceptance of the Case

32. H&L was not precluded from other employment due to acceptance of the Debtors' representation; however, due to the demands of the matters on which H&L assisted the Debtors, H&L was prohibited from performing compensable services for other clients during the Compensation Period.

5. The Customary Fee, Whether the Fee is Fixed or Contingent, and Awards in Similar Cases

33. The fees and expenses charged by H&L reflect standard, customary, fixed billing rates charged by H&L to its usual and regular corporate legal clients.⁴ These rates are consistent with, if not lower than, the rates charged by other similarly situated firms with professionals of comparable skill, expertise, and reputation that practice or are employed in bankruptcy courts in this District. H&L's fees are not contingent on anything other than Bankruptcy Court approval pursuant to the Bankruptcy Code.

6. Time Limitations Imposed by the Client or Other Circumstances

34. During the Compensation Period, H&L faced significant time limitations at certain stages of the matters during the Compensation Period. In addition, certain actions taken in the Telelobe and BCE cases required quick turnarounds and required H&L's immediate attention.

7. The Amount Involved and the Results Obtained

35. The aggregate amount of fees charged by H&L is commensurate with the size of the matters for which H&L provided assistance to the Debtors during the Compensation Period, based on the volume of business conducted by the Debtors and the size, complexity, and nature of the matters involved.

8. The Undesirability of the Case

36. H&L does not contend that representation of the Debtors is undesirable.

⁴ As referenced above, H&L applied a negotiated, reduced rate on certain matters that commenced pre-petition that were carried through the Compensation Period. Thus, some of the rates sought in this Application are lower than the standard, customary rates charged by H&L.

9. The Nature and Length of the Professional Relationship With the Client

37. H&L had a significant, pre-petition relationship with the Debtors. H&L first represented the Debtors nearly ten years ago on various matters. As the Court is aware, the bulk of H&L's current representation of the Debtors concerned pre-bankruptcy litigation, bankruptcy, and other representations, many of which originated in early 2002 or prior. The work performed by H&L has been significant and substantial for the last several years, as discussed in the H&L Employment Application.

10. Justification for Certain Expenses

38. H&L is not requesting reimbursement or compensation for any fees or expenses other than those allowed under the local guidelines adopted by General Order 00-7. In fact, some of the expenses allowed by General Order 00-7 are not being sought by H&L or are being sought at rates well below those allowable pursuant to the General Order.

CONCLUSION

WHEREFORE, H&L respectfully requests that the Court (i) grant its second interim motion for allowance of compensation and reimbursement of expenses, (ii) enter an order allowing \$625,862.28 for the Compensation Period, representing \$606,006.50 as compensation for professional services rendered and \$19,855.78 as reimbursement for actual and necessary expenses incurred; (iii) authorize payment in the amount of \$231,656.28, representing the unpaid amounts sought in this Application and including the twenty-percent holdback of all invoices during the Compensation Period; and (iv) grant H&L such other and further relief to which it is entitled.

Dated: July 26, 2005.

Respectfully submitted,

HUGHES & LUCE, L.L.P.

/s/ Craig W. Budner

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**SPECIAL COUNSEL TO THE
DEBTORS**

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the Second Interim Fee Application for Allowance of Compensation for Services and Reimbursement of Expenses was served on those receiving electronic notices on this 26th day of July, 2005.

/s/ Craig W. Budner

Craig W. Budner

**CERTIFICATION OF COMPLIANCE WITH GUIDELINES FOR
COMPENSATION AND EXPENSE REIMBURSEMENT OF PROFESSIONALS**

I certify that (a) I have read the Second Interim Fee Application for Allowance of Compensation for Services and Reimbursement of Expenses, (b) to the best of my knowledge, information, and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought is in conformity with this Court's Guidelines for Compensation and Expense Reimbursement of Professionals (except as specifically noted in the Application), and (c) the compensation and expense reimbursement requested are billed at rates, in accordance with practices, no less favorable than those customarily employed by this firm and generally accepted by this firm's clients.

/s/ Craig W. Budner
Craig W. Budner