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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)**

**SUMMARY SHEET FOR SECOND INTERIM APPLICATION
OF VINSON & ELKINS L.L.P. FOR ALLOWANCE OF FEES
AND EXPENSES AS COUNSEL FOR THE DEBTORS
FOR THE PERIOD MARCH 1, 2004 THROUGH JUNE 30, 2005**

Fees Previously Requested:	\$2,262,941.50
Fees Previously Awarded:	\$2,262,941.50
Expenses Previously Requested:	\$81,975.57
Expenses Previously Awarded:	\$81,975.57
Fees Requested in This Application	\$2,570,710.00
Total Hours Billed:	6,418.9
Average Hourly Rate:	\$400.49
Expenses Requested in This Application:	\$60,478.64
Retainer Held as of June 30, 2005:	\$373,362.00
Summary of Time Billed by Attorney:	See <u>Exhibit C</u> below
Summary of Expenses Billed by Type:	See <u>Exhibit D</u> below
Voluntary Fee Reductions ¹	\$12,336.00
Cost of Copies per Page	\$0.15
Cost of Faxes per Page	\$0.25

¹ The Voluntary Fee Reductions already have been reduced from the fees requested as identified above.

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

**SECOND INTERIM APPLICATION OF VINSON & ELKINS L.L.P.
FOR ALLOWANCE OF FEES AND EXPENSES AS COUNSEL FOR THE
DEBTORS FOR THE PERIOD MARCH 1, 2005 THROUGH JUNE 30, 2005**

A HEARING WILL BE CONDUCTED ON THIS MATTER ON AUGUST 18, 2005, AT 2:30 P.M. IN THE COURTROOM OF THE HONORABLE BANKRUPTCY JUDGE, 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 UNITED STATES BANKRUPTCY JUDGE:

VINSON & ELKINS L.L.P. (“V&E”), counsel for the above-referenced debtors and debtors in possession (collectively, the “Debtors”)² files its Second Interim Application for Allowance of Fees and Expenses as Counsel for the Debtors for the Period March 1, 2005 through June 30, 2005 (the “Second 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.

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.

5. On November 5, 2004, the Court entered its Amended Order Establishing Procedure for Monthly and Interim Compensation and Reimbursement of Expenses for 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. On April 14, 2005, the Court entered its Order Approving 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 [Docket No. 1217] pursuant to which the Court approved and allowed V&E’s interim compensation of fees in the amount of \$2,262,941.50 and reimbursement of expenses in the amount of \$81,975.57 for the period November 1, 2004 through February 28, 2005 (the “First Period”).

7. The table which follows summarizes the fee statements of V&E for the period March 1, 2005 through June 30, 2005 (the “Second 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)
March 1-15, 2005	\$277,180.50	\$221,744.40	\$55,436.10	\$16,791.92
March 16-31, 2005	392,437.50	313,950.00	78,487.50	7,074.11
April 1-15, 2005	230,693.00	184,554.40	46,138.60	1,757.80
April 16-30, 2005	322,048.00	257,638.40	64,409.60	2,300.20
May 1-15, 2005	314,421.50	251,537.20	62,884.30	11,677.09
May 16-31, 2005	381,195.00	304,956.00	76,239.00	7,866.02
June 1-15, 2005	280,318.00	224,254.40	56,063.60	3,279.05
June 16-30, 2005 ³	372,416.50	297,933.20	74,483.30	9,732.45
Total	\$2,570,710.00	\$2,056,568.80	\$514,142.20	\$60,479.64

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

9. During the Second Period, V&E expended 6,418.9 hours representing the Debtors; V&E's fees total \$2,570,710.00 at its standard rates, and its expenses total \$60,478.64.

10. Funds are available to pay the fees requested herein. V&E continues to maintain a retainer in the amount of approximately \$373,362.00.

Progress During the Second Period⁴

Introduction

11. The Debtors and their senior management team, with the assistance of V&E and other case professionals, have made significant progress during the Second Period with respect to, among other things, (i) the preparation for, and the negotiation,

³ The fees and expenses for the June 16-30, 2005 period are scheduled for payment on July 28, 2005 and are reflected herein as paid.

⁴ For a discussion of progress made during the First Period, reference should be made to the 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 [Docket No. 1155].

documentation, and closing of, several significant asset sales which generated tens of millions of dollars for the Debtors' estates; (ii) working closely with the RTFC and Official Committee and their professionals to ensure that the Debtors' Cases and business operations would proceed smoothly despite an extremely competitive and hostile business environment; (iii) responding to the Official Committee's request for due diligence material and discovery; (iv) engaging in litigation against certain of the Debtors' carriers relating to, among other things, alleged rights of setoff; and (v) negotiation of a global settlement of claims asserted by independent representatives (collectively, the "IRs") in connection with the Debtors' Excel line of business

The Asset Sales

12. Since the beginning of the Second Period, the Debtors have conducted a number of sales to dispose of assets, including those associated with (i) their real and personal property located in Addison, Texas; (ii) assets, including shares of Holding Protel, S.A. de C.V., an infeasible right of use, and certain credits relating to the provision of telecommunications services in Mexico (the "Protel Assets"); (iii) the shares of VarTec Telecom Canada, Inc. and Excel Telecommunications (Canada) Inc. (the "Canadian Assets"); and (iv) substantially all of the Debtors' remaining assets (the "Core Assets"). Each of those sales have rendered exceptional results and generated proceeds of approximately \$30,000,000 during the period.⁵

13. After eight months of marketing the Debtors' real property located in Addison, Texas (the "Addison Real Property"), the Debtors identified SPI IH II, LP ("SPI") as the stalking horse bidder for the Addison Real Property. At the auction of the

⁵ This amount does not include the proceeds in the amount of \$11,100,000 realized from the sale of the Debtors' European operations, which sale closed during the First Period. In addition, the July 25 Auction Sale resulted in a final bid of \$82,100,000 for substantially all remaining assets.

Addison Real Property, the purchase price for those assets increased from \$12,500,000 to \$18,300,000 – almost a **50%** increase in the sale price – at which time SPI was determined to be the successful bidder. On March 21, 2005, the Court entered its Order [Docket No. 1094] approving the sale of the Addison Real Property to SPI.

14. As a consequence of the sale of the Addison Real Property, the Debtors conducted an auction of personal property located on thereon. Once again, that auction yielded results which exceeded the Debtors' expectations, generating proceeds of approximately \$320,000.

15. During the Second Period, the Debtors also divested the Protel Assets. The sale of those assets presented a number of complex issues relating to, among other things, Mexican law and the ability to exercise consent rights held by various parties. After significant efforts to market the Protel Assets, the Debtors identified Potosi, Inc. ("Potosi"), who bid \$1,600,000, as a stalking horse bidder of the assets. Despite an exhaustive marketing campaign, no other parties submitted qualified bids, and after a hearing on April 15, 2005, the Court entered an Order [Docket No. 1224] approving the sale to Potosi.

16. The sale of the Canadian Assets also resulted in a very successful competitive bidding process. After considering several proposals from interested parties, the Debtors identified ACN Canada Acquisition, Inc. ("ACN"), with a bid of \$4,500,000, as a stalking horse bidder of the Canadian Assets. At the auction, ACN was identified as the successful bidder with a bid which increased to \$8,415,000, or **85%** in excess of the initial bid. On May 5, 2005, the Court entered an Order [Docket No. 1285] approving the sale of the Canadian Assets to ACN.

17. During the past several months, the Debtors have explored the possibility of selling the Core Assets. After identifying and negotiating with several stalking horse candidates, the Debtors finalized an asset purchase agreement with Leucadia National Corporation (“Leucadia”) under which Leucadia agreed to, among other things, pay \$61,500,000 for the Core Assets (subject to a working capital adjustment) and assume certain liabilities.

18. Prior to the expiration of the bid deadline, Comtel Investments LLC (“Comtel”) submitted a qualified bid for the Core Assets, and on July 25, 2005, the Debtors held an auction of the Core Assets, at which Comtel was identified as the successful bidder with a bid of \$82,100,000, or approximately **33%** in excess of Leucadia’s stalking horse bid. At the hearing set for July 27, 2005, the Debtors intend to seek approval of the sale of the Core Assets to Comtel.

Working with the RTFC and Official Committee

19. The Debtors have expended significant efforts to elicit input from the RTFC and Official Committee and cooperate with them to ensure a fluid chapter 11 process. By involving the RTFC and Official Committee in the Debtors’ decision-making process, the Debtors have been able to continue to generate revenues in excess of \$800,000,000 on an annual basis and maximize the value of their estates. The Debtors have sought input from the RTFC and Official Committee on various issues, including debtor in possession financing, the sale processes discussed above, proposed settlements, means to prevent employee attrition, and day-to-day operating issues. As a result of the Debtors’ eliciting the RTFC and Official Committee’s perspectives, the Debtors have minimized the number of contested matters in these Cases and have proceeded on a consensual basis most of the time.

Official Committee Discovery and Due Diligence

20. To accommodate the Official Committee's requests for substantial information concerning the Debtors' past, present, and future, the Debtors have, among other things, made a series of presentations to the Official Committee and their counsel, participated in a number of informal interview sessions, attended a number of Bankruptcy Rule 2004 examinations, and produced volumes of documents. As a result of the Debtors' cooperation in the Official Committee's due diligence and discovery processes, the Official Committee has been provided the information that it has needed to, among other things, (i) formulate positions on issues involving debtor in possession financing, the litigation with the Debtors' carriers, and proposed settlements; (ii) participate in the various sales processes discussed above; and (iii) evaluate potential claims and causes of action (including those against the RTFC) that could be asserted on behalf of the Debtors' estates.

Carrier Litigation

21. The Debtors have focused extensively on various litigation matters involving certain of their carriers. In fact, the Debtors have commenced adversary proceedings against two of their carriers, BellSouth and Verizon, respectively. At issue in those adversary proceedings is the propriety of those carriers' purported rights of setoff of certain purchased accounts receivable ("PARs"). The Debtors have asserted that wrongful attempts to setoff approximately \$14,000,000 of PARs have been made.

The Global IR Settlement

22. After the rejection of their agreements with approximately 104,000 IRs, the Debtors expended considerable time and effort to negotiate a global settlement of all claims asserted by IRs in their capacity as IRs. Those settlement negotiations have

involved the participation of the Debtors, Official Committee of Excel Independent Representatives (the “IR Committee”), RTFC, and Official Committee. The negotiations raised a number of complex legal and business issues, the consequences of which would have a significant impact on the Cases. Through the diligence of the various parties, they have agreed upon the general terms of a global settlement, which the parties hope to finalize within the next few weeks.

Description of Services by Billing Category

23. Throughout the Second 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 A**, including, but not limited to, the following:

Task Code	Description
General Case Administration, including U.S. Trustee Matters and General Creditor Inquiries	This category consists of time spent (i) addressing numerous creditor inquiries; (ii) attending to service issues and coordinating service of pleadings; (iii) preparing and filing certain pleadings; (iv) performing various case administration services, including maintaining the master service list and consolidated creditor matrix; (v) addressing day-to-day inquiries from the Debtors’ personnel; and (vi) monitoring court hearings for parties attending hearings telephonically. The total amount of fees allocated to this category is \$156,200.00.
RTFC DIP and All Related Matters	This category consists of time spent (i) conferencing with the RTFC concerning debtor in possession financing and proposed asset dispositions; (ii) negotiating with the RTFC concerning amendments to the debtor in possession financing agreement and revised budgets; and (iii) corresponding and conferencing with the RTFC regarding various financing mechanics such as draw requests and account sweeps. The total amount of fees allocated to this category is \$77,409.00.

Task Code	Description
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 for review of pending matters and projects; and (ii) conferencing with company management regarding numerous issues and tasks. The total amount of fees allocated to this category is \$69,169.50.
Excel and IR Matters	This category consists of time spent (i) formulating and negotiating a global settlement of claims asserted by IRs; (ii) evaluating means to implement the global settlement and analyzing issues relating to service and notice; and (iii) preparing and revising the settlement term sheet, settlement agreement, and pleadings related to approval and noticing of the settlement. The total amount of fees allocated to this category is \$177,560.00.
Canada	This category consists of time spent (i) negotiating the sale of the Canadian Assets; (ii) preparing pleadings for the approval of the sale and documentation to effect the same; (iii) reviewing securities and tax issues relating to the sale; and (iv) finalizing and closing the sale and addressing post-closing matters. The total amount of fees allocated to this category is \$100,873.50.
Professionals’ Employment and Compensation Matters	This category consists of time spent (i) preparing pleadings related to retention of various professionals; (ii) reviewing monthly fee statements of various professionals; (iii) preparing and filing interim fee applications of V&E and other of the Debtors’ professionals; and (iv) reviewing interim fee applications filed by other professionals. The total amount of fees allocated to this category is \$53,292.50.

Task Code	Description
Asset Dispositions: Sales, Leases, Abandonment and Related Transaction Work	This category consists of time spent (i) negotiating, seeking court approval of, and closing, the various sales of assets, including the Addison I and Addison II buildings located in Addison, Texas, the Protel Assets and Canadian Assets; (ii) negotiating with several stalking horse candidates for the sale of the Core Assets and identifying Leucadia as the stalking horse bidder; (iii) preparing extensive documentation and pleadings relating to the sale of the Core Assets; and (iv) addressing other issues relating to the disposition of certain assets, including the rejection of various executory contracts and unexpired leases. The total amount of fees allocated to this category is \$1,058,135.00.
Business Operations, including Review of Operating Reports	This category consists of time spent (i) negotiating contract settlements with various parties, including Oracle; (ii) reviewing monthly operating reports; and (iii) preparing pleadings related to contract settlements and assumption of contracts. The total amount of fees allocated to this category is \$74,539.00.
Employee Benefits / Retention Matters	This category consists of time spent (i) developing and negotiating the revised severance practice; (ii) preparing key employee retention agreements; and (iii) preparing the motion to authorize the termination of the Debtors' ESOP and responding to the inquiries of the RTFC and Official Committee regarding the same. The total amount of fees allocated to this category is \$32,057.00.
Claims	This category consists of time spent (i) reviewing and analyzing claims and commencing the claims objection process; and (ii) drafting omnibus objections to certain claims. The total amount of fees allocated to this category is \$121,246.50.
Plan / Disclosure Statement Matters	This category consists of time spent (i) formulating and outlining a preliminary bankruptcy plan and disclosure statement; and (ii) preparing motions for extension of exclusivity periods. The total amount of fees allocated to this category is \$13,735.00.

Task Code	Description
Creditors Committee Matters	This category consists of time spent (i) preparing for and attending Committee examinations of the Debtors' personnel; and (ii) reviewing, compiling and preparing the Debtors' documents and records for production to the Official Committee. The total amount of fees allocated to this category is \$145,570.50.
Carriers	This category consists of time spent (i) negotiating possible new and renewal agreements with carriers; (ii) reviewing and addressing various carrier issues, including setoff claims; (iii) reviewing, researching and analyzing facts related to potential litigation against certain carriers; and (iv) preparing, filing, and prosecuting litigation with certain carriers. The total amount of fees allocated to this category is \$402,403.50.
Miscellaneous Court Hearings and Preparation	This category consists of time spent (i) preparing and filing pleadings relating to hearings, including witness and exhibits lists, agenda letters, and proposed orders; and (ii) preparing for and participating in hearings. The total amount of fees allocated to this category is \$48,178.50.

Hourly Fee/Expense Summary

24. V&E seeks compensation for the services rendered during the Second Period and reimbursement of the expenses incurred in performing such services. During the Second Period, V&E has expended approximately 6,418.9 hours performing legal services on behalf of the Debtors. At V&E's standard rates, its fees total \$2,570,710.00.

25. The legal services rendered by V&E to the Debtors fall within the twenty-one categories listed on **Exhibit A**, and such legal services are detailed in **Exhibit B**, 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, the time spent by each such attorney

and/or paralegal, and the itemized expenses incurred and a summary of expenses by major category.

26. 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

27. 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.

28. 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.*

29. 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 Second Period.

30. 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.

31. 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.

32. 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

33. As stated above, V&E has expended 6,418.9 hours in the representation of the Debtors during the Second Period. The average billable rate for the fees requested is approximately \$400.49 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

34. Many of the issues presented in these Cases are complex, and V&E has accomplished the various tasks expeditiously and effectively. The settlements involving the IRs, and the various asset sales involved a number of sophisticated legal issues. The proposed global settlement of claims of IRs involve the implementation of procedures for, among other things, (i) serving 106,000 IRs and (ii) opting out of the proposed settlement; the payment of distributions to tens of thousands of IRs that do not opt out of the proposed settlement; and the granting of releases. The proposed sale of the Core Assets involved a number of complex issues relating to, among other things, the size of the transaction, various employment matters, and compliance with government regulations. Each of these matters required the input of a number of parties, including the RTFC, Official Committee, and IR Committee.

Skill Requisite to Perform Services Properly

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

36. 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.

37. 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

38. 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

39. 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

40. The fees requested in this Second 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 Second Application.

Time Limitations

41. 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 1,400 docket entries in total, 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

42. 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. In 2004, the Debtors and their non-debtor affiliates generated revenue of approximately of \$800,000,000. The Debtors have held a number of highly successful auctions of assets during the Cases (with increases in purchase price of up to 85%), and they have reduced overhead significantly. Further, the Debtors expect the sale of the Core Assets to maximize value.

Experience, Reputation, and Ability of Counsel

43. 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

44. 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

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

Awards in Similar Cases

46. 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 B** and **C**, the fee requested by V&E is in the amount of \$2,570,710.00. 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.

47. The expenses detailed in **Exhibits B** and **D** represent the amounts incurred by V&E during the Second Period in its representation of the Debtors. This amount is \$60,478.64 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

48. After analyzing the *Johnson* factors in their totality, V&E's Second 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 Second Period in the aggregate amount of \$2,570,710.00; and (b) reimbursement of necessary out-of-pocket expenses incurred by V&E during the Second Period in the aggregate amount of \$60,478.64.

PRAYER

V&E respectfully requests that this Court grant it interim compensation in the amount of \$2,570,710.00 in fees (including the holdback in the amount of \$514,142.00 that has not been paid) and \$60,478.64 in expenses, and such other and further relief as this Court deems just and proper.

Dated: July 26, 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
Richard H. London, SBT #24032678

ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

This is to certify that on July 26, 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/ Richard H. London
One of Counsel

CERTIFICATE OF COUNSEL

I hereby certify that I have read this Application; to the best of my knowledge, information, and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought is in conformity with these guidelines, except as specifically noted in the application; and the compensation and expense reimbursement requested are billed at rates, in accordance with practices, no less favorable than those customarily employed by V&E and generally accepted by V&E's clients.

/s/ Daniel C. Stewart
One of Counsel

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EXHIBIT A

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 B

Billing Statements for March 2005 through June 2005

BECAUSE EXHIBIT B 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 C

FEES INCURRED DURING THE PERIOD MARCH 1, 2005 THROUGH JUNE 30, 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	695.70	\$410,463.00
DCS	Daniel C. Stewart	0	6.70	0.00
TC	Thomas Crichton	575	.30	172.50
PEH	Paul E. Heath	550	9.3	5,115.00
JACH	Jeffrey A. Chapman	550	225.90	124,245.00
WLWA	William L. Wallander	540	627.50	338,850.00
JJL	James J. Lee	540	488.00	263,520.00
JMAR	James A. Markus	540	59.60	32,184.00
GGG	Gary G. Short	625	5.20	3,250.00
RLKI	Robert L. Kimball	550	2.20	1,210.00
RLKI	Robert L. Kimball	600	1.70	1,020.00
HMRI	Henry M. Rivera	550	9.20	5,060.00
HMRI	Henry M. Rivera	600	99.20	59,520.00
AWO	A. W. Oxley	575	4.80	2,760.00
DCDA	David C. D'Alessandro	550	3.20	1,760.00
CBA	Christopher B. Amandes	525	2.80	1,470.00
RLMO	Rodney L. Moore	525	.30	157.50
GRP	Geoffrey R. Polma	525	.50	262.50
NWI	Neil W. Imus	520	5.50	2,860.00
DHB	David H. Brown	500	9.40	4,700.00
CAL	Cathy A. Lewis	500	1.60	800.00
KKFO	Kyle K. Fox	475	82.30	39,092.50
SBJ	Stuart B. Johnston	475	4.70	2,232.50
DSPE	David S. Peck	475	7.60	3,610.00
REP	R. E. Price (Of Counsel)	450	87.80	39,510.00
DWT	David W. Tomek (Of Counsel)	425	80.50	34,212.50
DJT	David J. Tuckfield	425	.50	212.50
ASSOCIATES:				
GAC	Gregory A. Cardenas	400	1.90	760.00
DKM	Duston K. McFaul	400	271.00	108,400.00
APO	Alexander P. Okuliar	400	5.10	2,040.00
MJST	Mary J. Steichen	400	2.00	800.00
EC	Edgar Class	380	89.50	34,010.00
TMR	Tonya M. Ramsey	375	1.00	375.00
DLBA	David L. Babin	360	696.30	250,668.00
MDFO	Matthew D. Foster	360	51.90	18,684.00
CSLA	Courtney S. Lauer	345	116.60	40,227.00
ABW	Abigail B. Willie	325	668.50	217,262.50
RHLO	Richard L. London	325	757.00	246,025.00
LBL	Luiba Baban-Loutsenko	325	6.00	1,950.00
TGA	Todd G. Ammerman	325	6.50	2,112.50
VCM	Victoria C. Mitchell	325	151.30	49,172.50

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

PTWA	Phillip T. Way	305	2.80	854.00
SWWO	Scott W. Woodworth	290	4.80	1,392.00
HJW	Holly J. Warrington	275	554.20	152,405.00
TSBO	Tricia S. Boutros	220	34.20	7,524.00
AMLU	Alexander M. Ludlow	220	4.50	990.00
LAW CLERKS-				
LDHU	Lanchi D. Huynh	160	4.70	752.00
EMNI	Erin M. Nix	160	64.30	10,288.00
WSWH	Whitney S. Whitehead	160	61.80	9,888.00
PARAPROFESSIONALS:				
DLGU	Donna L. Gulledge	215	2.00	430.00
KRSH	Kevin R. Shook	215	1.00	215.00
KTRU	Kathryn Truett	215	6.80	1,462.00
JHCO	Julie H. Cooper	185	2.10	388.50
RAHU	Richard A. Hudspeth	185	.30	55.50
PALE	Pamela A. Lewis	165	228.80	37,752.00
MEPE	M. E. Petty	185	.40	74.00
PROJECT ASSISTANTS:				
LBCR	Lauren B. Crissey	80	74.00	5,920.00
WWBI	Wendy W. Bishop	75	25.60	1,920.00
TOTAL HOURS			6,418.9	
TOTAL FEES				\$2,583,046.00
LESS ADJUSTMENTS				\$12,336.00
TOTAL FEES REQUESTED				\$2,570,710.00
TOTAL EXPENSES REQUESTED				\$60,478.64
TOTAL FEES AND EXPENSES REQUESTED				\$2,631,188.64
FEES (80%) AND EXPENSES (100%) PAID TO DATE				\$2,117,046.64
NET FEES REQUESTED TO BE PAID				\$514,142.00

EXHIBIT D

**EXPENSES INCURRED DURING THE PERIOD
MARCH 1, 2005 THROUGH JUNE 30, 2005**

<u>Type of Expense</u>	<u>Total Charges</u>
Business Meals	\$2,407.45
Computer Legal Research	8,516.38
Courier Services	2,769.97
Filing Fees	300.00
Miscellaneous	290.85
Outside Professional Services	20,010.15
Overtime	1,260.00
Photocopy	23,110.73
Postage	185.27
Telefax	107.25
Travel	1,280.59
Electronic Data Services	240.00
TOTAL EXPENSES	\$ 60,478.64