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SPECIAL COUNSEL TO THE DEBTORS

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

In re:	§	Case No. 04-81694-HDH-11
	§	
VARTEC TELECOM, INC. et al.,	§	(Jointly Administered)
	§	Chapter 11
Debtors.	§	
	§	

**SECOND AMENDED APPLICATION TO EMPLOY KANE, RUSSELL, COLEMAN
& LOGAN, P.C. AS SPECIAL COUNSEL TO THE DEBTORS**

Notice Under Rules for Complex Chapter 11 Cases

**A HEARING WILL BE CONDUCTED ON THIS MATTER ON NOVEMBER 1,
2005 AT 1:30 P.M. IN JUDGE HALE'S COURTROOM, UNITED STATES
BANKRUPTCY COURT, 1100 COMMERCE STREET, 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
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.**

The above-referenced Debtors and Debtors in possession (collectively, the "Debtors")¹
file this Second Amended Application to Employ Kane, Russell, Coleman & Logan, P.C. as

¹ The Debtors include VarTec Telecom, Inc.; Excel Communications Marketing, Inc.; Excel Management Services, Inc.; Excel Products, Inc.; Excel Telecommunications, Inc.; Excel Telecommunications of Virginia, Inc.; SECOND AMENDED APPLICATION TO EMPLOY KANE, RUSSELL, COLEMAN & LOGAN, P.C. AS SPECIAL COUNSEL TO THE DEBTORS – Page 1 of 4
496808 v1 (43670.00004.000)

Special Counsel to the Debtors (the "Second Amended Application"), and in support would respectfully show the Court as follows:

JURISDICTION AND PROCEDURAL BACKGROUND

1. The Court has jurisdiction over this Second Amended Application pursuant to 28 U.S.C. §§ 1334 and 157. This Second Amended Application concerns the administration of the estate, and therefore, it is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).

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

3. On November 1, 2004 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

4. Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

5. On November 19, 2004, the Debtors filed their Application to Employ Kane, Russell, Coleman & Logan, P.C. as Special Counsel [Docket No. 226], in which the Debtors requested authority to retain Kane, Russell, Coleman & Logan, P.C. ("KRCL") as special counsel to advise regarding bankruptcy issues that might arise in connection with the SBC Litigation Matters (as defined in the original employment application).

6. On December 3, 2004, this Court entered its Final Order on Application to Employ Kane, Russell, Coleman & Logan, P.C. as Special Counsel [Docket No. 455].

7. On or about May 25, 2005, KRCL filed an amended employment application [Docket No. 1348] (the "Amended Application"). Through this Amended Application, the

Debtors sought to modify the employment of KRCL such that in addition to bankruptcy issues relating to SBC Litigation Matters, KRCL would be authorized to represent Debtors in:

- a. all matters arising in or related to these bankruptcy cases, that involve SBC entities (collectively, "SBC"). Such matters would include, but not be limited to contract and lease assumption and rejection matters, and the negotiation of new or modified agreements between Debtors and SBC; and
- b. matters relating to the Master Lease Agreement No. 4188154 (dated April 4, 2003)(as amended) between VarTec Telecom, Inc. and General Electric Capital Corporation.

On or about July 12, 2005, the Court entered its order granting the Amended Application [Docket No. 1485].

RELIEF REQUESTED

8. Through this Second Amended Application, the Debtors seek to modify KRCL's scope of employment so that it may also represent Debtors in connection with all matters arising in or related to these bankruptcy cases that involve Unipoint Holdings, Inc. d/b/a PointOne, Unipoint Enhanced Services, Inc., Unipoint Services, Inc., or any subsidiaries or affiliates of any of the foregoing.

9. This modification is necessary because Debtors' counsel, Vinson & Elkins, LLP, is unable to represent Debtors in matters relating to Unipoint entities because of Vinson & Elkins' past and/or current representation of SBC.

10. In the exercise of their business judgment, the Debtors have determined that the requested modification to the scope of KRCL's employment is in Debtors' best interests, and the best interests of creditors and the estates. Given KRCL's familiarity with these bankruptcy cases based on its work for Debtors to date, the Debtors anticipate considerable net savings to the estates of amounts that would otherwise be spent were new counsel required to familiarize themselves with the Debtors and these bankruptcy cases.

11. Debtors and KRCL request that this Second Amended Application be granted effective from August 1, 2005.

WHEREFORE, the Debtors respectfully request that the Court enter an order modifying the scope of employment of Kane, Russell, Coleman & Logan, P.C. as requested herein, effective from August 1, 2005, and granting such other and further relief as may be proper.

DATED: October 4, 2005.

Respectfully submitted,

KANE, RUSSELL, COLEMAN & LOGAN, P.C.

By: /s/Michael L. Scanlon
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CERTIFICATE OF SERVICE

This *Second Amended Application to Employ Kane, Russell, Coleman & Logan, P.C. as Special Counsel to the Debtors* has been served via the Court's Electronic Case Filing ("ECF") System on this 4th day of October 2005. A separate certificate of service will be filed concerning service of this item on those who do not receive service via the ECF System.

/s/Michael L. Scanlon
Michael L. Scanlon