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ATTORNEYS FOR THE DEBTORS

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

IN RE	§	Case No. 04-81694-HDH-11
	§	
	§	(Chapter 11)
VARTEC TELECOM, INC., et al.,	§	(Jointly Administered)
	§	
	§	Hearing Date: 12/13/05 at 1:30 p.m.
Debtors.	§	Response Deadline: 12/05/05 at 5:00 p.m.

**DEBTORS' OBJECTION TO CLAIM NUMBERS 689, 690, 691, 3097, 3112, 3115,
AND 3275 FILED BY UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

A HEARING ON THIS MATTER IS SET FOR DECEMBER 13, 2005, AT 1:30 P.M. IN THE COURTROOM OF THE HONORABLE HARLIN D. HALE, 1100 COMMERCE STREET, 14TH FLOOR, DALLAS, TEXAS. IF YOU SEEK TO RESPOND, YOU MUST RESPOND IN WRITING, UNLESS OTHERWISE DIRECTED BY THE COURT, AND FILE YOUR RESPONSE WITH THE CLERK OF THE BANKRUPTCY COURT BY DECEMBER 5, 2005, AT 5:00 P.M. (PREVAILING CENTRAL TIME). YOU MUST SERVE A COPY OF YOUR RESPONSE ON THE PARTIES AND IN THE MANNER INDICATED IN PARAGRAPH 16 OF THE OBJECTION; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

TO THE HONORABLE HARLIN D. HALE, U.S. BANKRUPTCY JUDGE:

The above-referenced debtors and debtors in possession (collectively, the “Debtors”)¹ file their Objection To Claim Numbers 689, 690, 691, 3097, 3112, 3115, and 3275 Filed By Universal Service Administrative Company (the “Objection”), and in support show as follows:

JURISDICTION AND PROCEDURAL BACKGROUND

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion concerns the administration of the estate and is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

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 petition for relief thereby commencing the above-captioned bankruptcy cases (collectively, the “Cases”) 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. The Cases are jointly administered under Case No. 04-81694-HDH-11.

STATEMENT OF FACTS

6. On November 2, 2004, the Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, and Deadlines [Docket No. 53] (the “Bar Date Notice”) was filed and promptly served. Among other things, the Bar Date Notice established March 14,

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

2005 as the last day by which any person or entity (excluding any Excel Independent Representative² or any governmental unit³) holding or asserting a claim⁴ must have filed a proof of claim for such claim to have been timely filed. Further, the Bar Date Notice established May 2, 2005 as the last day by which any governmental unit holding or asserting a claim must have filed a proof of claim for such claim to have been timely filed.

7. The Debtors' claims and noticing agent, The BMC Group, Inc. ("BMC"), provided notice of the bar dates and a proof of claim form to the persons and entities set forth in the Certificate of Service filed by BMC on or about November 8, 2004 [Docket No. 136], by the methods described therein. Proof of claim forms and bar date information also was provided by the Debtors to persons and entities upon request.

8. Over three thousand proofs of claims (the "Proofs of Claims") were filed in the Cases, asserting amounts owed in excess of \$11 billion. Since the passing of the bar dates, the Debtors have undertaken a review of the Proofs of Claims to reconcile the Debtors' books and records with the number and amount of the claims. The Debtors have determined, for the reasons more fully set forth below, that Proofs of Claims numbered 689, 690, 691, 3097, 3112, 3115, and 3275 filed by Universal Service Administrative Company should not be allowed due to a prior Court-approved settlement.

² On January 31, 2004, the Court entered an Order Suspending the Bar Date for Excel Independent Representatives to File Proofs of Claim [Docket No. 872], pursuant to which the General Bar Date was suspended as to the Excel Independent Representatives.

³ Pursuant to 11 U.S.C. § 502(b)(9).

⁴ As "claim(s)" is defined in 11 U.S.C. § 101(5).

RELIEF REQUESTED

9. The Debtors object to each Proof of Claim identified below (each, a “Settled Proof of Claim”).

Claim No.	Creditor Name	Case No.	Case Name
689	Universal Service Administrative Co.	04-81698	Excel Telecommunications, Inc.
690	Universal Service Administrative Co.	04-81706	VarTec Solutions, Inc.
691	Universal Service Administrative Co.	04-81694	VarTec Telecom, Inc.
3097	Universal Service Administrative Co.	04-81694	VarTec Telecom, Inc.
3112	Universal Service Administrative Co.	04-81698	Excel Telecommunications, Inc.
3115	Universal Service Administrative Co.	04-81694	VarTec Telecom, Inc.
3275	Universal Service Administrative Co.	04-81694	VarTec Telecom, Inc.

10. The Debtors have reviewed the Settled Proofs of Claims and determined that each Proof of Claim has been settled with the Universal Service Administrative Company (the “Claimant”). Pursuant to the settlement agreement approved by Order [Docket No. 1486] of this Court, the Claimant agreed to release all claims it had or may have had against the Debtors. Accordingly, the Settled Proofs of Claims should be disallowed and expunged pursuant to Bankruptcy Code §§ 105(a) and 502(b) and Bankruptcy Rule 3007.

11. The Debtors request that the Court expunge each Settled Proof of Claim and disallow the claims asserted therein. Such relief is necessary and proper to prevent the persons or entities that filed a Settled Proof of Claim from potentially receiving multiple recoveries. Further, elimination of the Settled Proofs of Claims will enable the Debtors to maintain a claims register that more accurately reflects the true amount of claims asserted.

RESERVATION OF RIGHTS

12. The Debtors reserve all rights, in the event that any of the objections to the Settled Proofs of Claims and the claims asserted therein are not sustained, or in the event that any of the Settled Proofs of Claims are not otherwise expunged or the claims therein are not otherwise disallowed, to object to these Settled Proofs of Claims and the claims asserted therein on other grounds at a later date.

13. The Debtors reserve all rights to amend, modify, or supplement this Objection and to file additional objections to any Proof of Claim that has been or may be filed or otherwise asserted against the Debtors. The Debtors also reserve all rights to amend, modify, or supplement any claim or claim amount scheduled by the Debtors.

14. The Debtors reserve all rights to seek further reductions of any claim to the extent that such claim has been paid or otherwise satisfied.

15. The Debtors reserve all rights to raise further objections under, among other authorities, Bankruptcy Code § 502(d). The filing of this Objection is without prejudice to the rights of the Debtors to prosecute avoidance actions against the Claimant listed in this Objection.

PROCEDURES FOR FILING RESPONSES TO OBJECTIONS

A. Filing and Service of Responses

16. To contest this Objection, the Claimant must file a written response (a "Response") with the U.S. Bankruptcy Court for the Northern District of Texas, U.S. Courthouse, 1100 Commerce Street, Dallas, Texas 75242, and serve such Response upon the following, so as to be received by 5:00 p.m. (Prevailing Central Time) on December 5, 2005 (the "Response Deadline"):

(a) counsel for the Debtors at:

Vinson & Elkins L.L.P.
Attention: Daniel C. Stewart and Holly J. Warrington
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201-2975

(b) counsel for the RTFC at:

Fulbright & Jaworski L.L.P.
Attention: Toby L. Gerber
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201

(c) counsel for the Official Committee of Unsecured Creditors at:

Carrington, Coleman, Sloman & Blumenthal, L.L.P.
Attention: Stephen A. Goodwin
200 Crescent Court, Suite 1500
Dallas, Texas 75201

and

(d) the U.S. Trustee at:

The Office of the U.S. Trustee
Attention: George F. McElreath
U.S. Courthouse
1100 Commerce Street, Room 9-C-60
Dallas, Texas 75242

B. Content of Responses

17. Every Response must contain, at a minimum, the following:

- a. a caption setting forth the name of the Court, the names of the Debtors, the case number and the title of the Objection to which the Response is directed;
- b. the name of the Claimant and a description of the basis for the amount of the claim asserted;

- c. a concise statement setting forth the reasons why the Proof of Claim should not be expunged and the claim asserted therein not be disallowed or modified for the reasons set forth in the Objection, including, but not limited to, the specific factual and legal bases upon which the Claimant will rely in opposing the Objection;
- d. all documentation or other evidence, to the extent not included with the Proof of Claim previously filed with the Court, upon which the Claimant will rely in opposing the Objection;
- e. the address(es) to which the Debtors must return any reply to the Response, if different from that presented on the Proof of Claim;
- f. the name, address, and telephone number of the person (which may be the Claimant or the Claimant's legal representative) possessing ultimate authority to reconcile, settle, or otherwise resolve matters related to the Proof of Claim on behalf of the Claimant; and
- g. if the Claimant intends to introduce evidence or witnesses in support of the Response, an identification with reasonable particularity and appropriate notice of any proposed evidence and witnesses.

C. Timely Response Required

18. If a Response is properly and timely filed and served in accordance with the above-described procedures, the Debtors will endeavor to reach a consensual resolution with the Claimant. If no consensual resolution is reached, the Debtors may request the Court to conduct a hearing with respect to the Objection and the Response.

19. Only those Responses made in writing and timely filed and received will be considered by the Bankruptcy Court at any hearing on the Objection. The Debtors

reserve the right to adjourn a hearing with respect to a specific objection set forth herein and any Response hereto.

20. If the Claimant a Creditor who is served with the Objection fails to timely file and serve a Response in compliance with the foregoing procedures, the Debtors will present to the Court an appropriate order reflecting relief consistent with this Objection without further notice to the Claimant.

D. Service Address

21. If a Response contains an address for the Claimant that is different than the address listed for that Claimant on the Proof of Claim, the address in the Response shall constitute the service address for future service of papers upon that Claimant until the Debtors receive written notice from the Claimant of a changed service address.

E. Separate Contested Matters

22. To the extent that a Response is filed with respect to any claim listed in this Objection and the Debtors are unable to resolve the Response, each such claim and the Objection by the Debtors to each such claim asserted in this Objection shall constitute a separate contested matter as contemplated by Rule 9014. Any order entered by the Court with respect to an objection asserted in this Objection shall be deemed a separate order with respect to each such claim.

F. Replies to Responses

23. The Debtors may, at their option, file and serve a reply to a Response, so that it is received by the Claimant no later than two days prior to any hearing on the Objection.

NOTICE

24. The Debtors will serve copies of this Objection by first class, U.S. Mail, postage prepaid upon the Claimant, at the address listed in the Proofs of Claims and counsel for the Claimant. Copies of this Objection also shall be served upon the U.S. Trustee and counsel for the Official Committee of Unsecured Creditors.

PRAYER

The Debtors respectfully request that the Court enter an order granting the relief requested herein and such other or further relief as to which the Debtors may be entitled.

Dated: November 4, 2005.

Respectfully submitted,

VINSON & ELKINS L.L.P.

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By: /s/ Holly J. Warrington
Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
Holly J. Warrington, SBT #24037671

ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

This is to certify that on November 4, 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. On November 4, 2005 a copy of the foregoing document was served by certified, first-class, U.S. Mail, postage prepaid, upon (i) the U.S. Trustee, (ii) counsel for the Official Committee of Unsecured Creditors, (iii) the Claimant at the address below, and (iv) counsel for the Claimant at the address below.

Claimant:

Attn: Tracey Beaver, Sr. Manager & Analyst
Office of the General Counsel
Universal Service Administrative Company
2000 L Street NW, Suite 200
Washington, DC 20036

Counsel for the Claimant:

D. Scott Barash
Vice President & General Counsel
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2000 L Street NW, Suite 200
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By: /s/ Holly J. Warrington
One of Counsel

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