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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.,
Debtors.**

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Case No. 04-81694-HDH-11

(Chapter 11)

(Jointly Administered)

Hearing Date:

December 19, 2005 at 1:30 p.m.

Response Deadline:

December 16, 2005 at 5:00 p.m.

**CLAIMS OBJECTION NUMBER 4
OBJECTION TO CERTAIN TAX CLAIMS
(AMENDED/SUPERCEDED PROOFS OF CLAIMS)**

A HEARING ON THIS MATTER IS SET FOR DECEMBER 19, 2005, AT 1:30 P.M. IN 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 16, 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 17 OF THE OBJECTION; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED.

TO THE HONORABLE HARLIN D. HALE, UNITED STATES BANKRUPTCY JUDGE:

The above-referenced debtors and debtors in possession (collectively, the “Debtors”)¹ file this Claims Objection Number 4 Objection to Certain Tax Claims (Amended/Superseded Proofs of Claims) (the “Objection”), and in support show as follows: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

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.

and promptly served. Among other things, the Bar Date Notice established March 14, 2005 (the “General Bar Date”) as the last day by which any person or entity (excluding any Excel Independent Representative² or any governmental unit³) holding or asserting a claim⁴ (a “General Claimant”) must have filed a proof of claim for such claim to have been timely filed. Further, the Bar Date Notice established May 2, 2005 (the “Governmental Unit Bar Date,” together with the General Bar Date, the “Bar Dates”) as the last day by which any governmental unit holding or asserting a claim (a “Governmental Claimant,” and the General Claimant and Governmental Claimant, together, the “Claimants” and each a “Claimant”) 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”) have been filed in the Cases, asserting amounts owed in excess of \$11 billion. Among these, over \$197 million in claims were asserted by federal, state, and local taxing authorities (the “Tax Claims”). In the Omnibus Objection to Claims Under 11 U.S.C. §§ 102(1), 105(a), 501(a), and 502(b) and Federal Rule of Bankruptcy Procedure 3007 (the “First Omnibus Objection”), the Debtors objected to certain of the Proofs of Claims on

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).

grounds that those claims were duplicates, had been amended or replaced, were insufficiently documented, or had been filed late. An amended order approving the First Omnibus Objection was entered on September 6, 2005.

9. The Debtors have continued their review of the Tax Claims to reconcile the Debtors' books and records with the number and amount of the Tax Claims. In this Objection, the Debtors object, for the reasons described below, to certain Tax Claims and to the allowance of the amounts set forth therein, pursuant to Bankruptcy Code §§ 102(1), 105(a), 501(a) and 502(b), Rule 3007 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and any other applicable statute or case law.

RELIEF REQUESTED

10. The Debtors object to each Proof of Claim identified in the first column of the chart below (each, an "Amended Proof of Claim").

Claim No.	Creditor Name	Amount	Unsecured, Secured, Priority, Admin.	Case No.	Case Name	Superceding Proof of Claim No.
529	NEW YORK STATE DEPT OF TAXATION & FINANCE	\$1,975.47	Unsecured, Priority	04-81695	Excel Communications Marketing, Inc.	3261
787	INTERNAL REVENUE SERVICE	\$14,187,441.00	Unsecured, Priority	04-81696	Excel Management Service, Inc.	3270
788	INTERNAL REVENUE SERVICE	\$81,870.86	Priority	04-81697	Excel Products, Inc.	1755
867	INDIANA DEPT OF REVENUE	\$211,428.87	Unsecured, Priority	04-81694	VarTec Telecom, Inc.	3251
868	INDIANA DEPT OF REVENUE	\$1,731.02	Unsecured, Secured, Priority	04-81695	Excel Communications Marketing, Inc.	3250
905	INTERNAL REVENUE SERVICE	\$2,187,090.00	Unsecured, Priority	04-81705	VarTec Resource Services, Inc.	3243
998	TENNESSEE DEPT OF REVENUE	\$10,449.90	Priority	04-81694	VarTec Telecom, Inc.	2977
1757	INTERNAL REVENUE SERVICE	\$2,302,749.00	Unsecured, Priority	04-81695	Excel Communications Marketing, Inc.	3269
3145	CITY OF BOSTON MASSACHUSETTS	\$7,035.63	Priority	04-81702	Telco Network Services, Inc.	3264
3202	NEW YORK STATE DEPT OF TAXATION & FINANCE	\$6,978,889.58	Unsecured, Priority	04-81694	VarTec Telecom, Inc.	3268

The Debtors have reviewed these and determined that each is a Proof of Claim that has been amended by a subsequently filed Proof of Claim. In the chart above each Amended Proof of Claim and the corresponding Proof of Claim superseding it (each, a “Superseding Proof of Claim”) is set forth.

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

12. The Debtors also request that, at this time, the Superseding Proofs of Claims remain on the claims register in the amounts indicated. This is **not** a request that the amounts asserted in the Superseding Proofs of Claims be deemed allowed for purposes of Bankruptcy Code § 502. The Debtors reserve all rights to object to the Superseding Proofs of Claims at a later date on any ground.

RESERVATION OF RIGHTS

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

14. 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.

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

16. 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 each creditor listed in this Objection.

PROCEDURES FOR FILING RESPONSES TO OBJECTIONS

A. Filing and Service of Responses

17. To contest this Objection, a 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, so as to be received by 5:00 p.m. Dallas Time by Debtors’ counsel on December 16, 2005 (the “Response Deadline”).

B. Content of Responses

18. 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

19. 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.

20. 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.

21. If 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 Creditor.

D. Service Address

22. 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

23. 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

24. The Debtors may, at their option, file and serve a reply to a Response, but a reply is not required.

G. Requests for Additional Information

25. Questions about the Objection or requests for additional information about the proposed disposition of Claims thereunder should be directed to the Debtors' counsel, **in writing**, at the following: Vinson & Elkins L.L.P., Attn: Holly J. Warrington, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201.

NOTICE

26. The Debtors will serve copies of this Objection by first class, U.S. Mail, postage prepaid upon each of the Claimants of an Amended Proof of Claim, listed in the chart in paragraph 10 above, at the addresses listed in the Proofs of Claims. Copies of this Objection also shall be served upon the U.S. Trustee, counsel for the RTFC, 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 16, 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
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ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

This is to certify that on November 16, 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 16, 2005 a copy of the foregoing document was served by first-class, U.S. Mail, postage prepaid, upon (i) the U.S. Trustee, (ii) counsel for the RTFC, and (iii) counsel for the Official Committee of Unsecured Creditors. A separate certificate of service will be filed evidencing the service on each of the Claimants holding an Amended Proof of Claim, listed in the chart in paragraph 10 above, at the addresses listed in the Proofs of Claims.

By: /s/ Holly J. Warrington
One of Counsel

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