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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-HDH-11
	§	
DEBTORS.	§	(Chapter 11)
	§	(Jointly Administered)
	§	
	§	Hearing Set for January 3, 2006 at
	§	1:30 p.m.

**MOTION TO APPROVE SUPPLEMENTAL AGREEMENT
WITH TELEGLOBE AMERICA, INC.**

A HEARING WILL BE CONDUCTED ON THIS MATTER ON JANUARY 3, 2006 AT 1:30 P.M. IN THE COURTROOM OF THE HONORABLE HARLIN D. HALE, UNITED STATES 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 HARLIN D. HALE, UNITED STATES BANKRUPTCY JUDGE:

The above-referenced debtors and debtors in possession (collectively, the

“Debtors”)¹ file this Motion to Approve Supplemental Agreement with Teleglobe America, Inc. (the “Motion”) and in support thereof the Debtors would 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 therefore, it is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (M).

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 (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 Debtors’ Cases are jointly administered under the Case styled *In re VarTec Telecom, Inc.*; Case No. 04-81694-HDH-11.

6. On July 29, 2005, the Court entered its Order (A) Approving the Sale Free and Clear of All Liens, Claims, Rights, Interests and Encumbrances to Comtel Investments LLC and (B) Granting Related Relief (Substantially All of the Debtors’ Remaining Assets) [Docket No. 1663] in which it authorized the sale of substantially all of the Debtors’ remaining assets to Comtel Investments LLC (“Comtel”) under the Asset

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.

Purchase Agreement dated July 25, 2005 by and among the Debtors and Comtel (the “APA”).

FACTUAL BACKGROUND

7. Certain of the Debtors and Teleglobe America, Inc. (along with its affiliates and predecessors, collectively, “Teleglobe”) entered into various agreements for the provision of international telecommunications services between them, including the Master Telecommunications Services Agreement dated October 31, 2001 and the Carrier Services Agreement dated July 10, 2003 (with all other international telecommunication services agreements between the Debtors and Teleglobe, the “Teleglobe Agreements”).

8. On December 2, 2004, the Court executed and entered the Stipulation and Consent Order by and Among Certain Carriers and the Debtors Regarding Adequate Assurance/Adequate Protection of Future Payments [Docket No. 451] (the “Carrier Stipulation”). The Carrier Stipulation was ordered to be binding upon certain carriers and the Debtors, including all successors and assigns, and defined specific rights and obligations as well as technical procedures to govern obligations and liabilities between and among such parties. Teleglobe became subject to the terms of the Carrier Stipulation on August 3, 2005, when the Debtors filed the Sixth Notice of Additional Carriers [Docket No. 1691].

9. Teleglobe and the Debtors have agreed to credit terms which will permit the extension of credit to the Debtors by Teleglobe. These credit terms are embodied in the Supplemental Agreement, a copy of which is attached hereto as **Exhibit A**. This extension of credit will enable the Debtors to use more services of Teleglobe under the

Teleglobe Agreements. Due to the favorable pricing under the Teleglobe Agreements, the Debtors project approximately a yearly savings of \$960,000.

10. The Supplemental Agreement will alter the provisions of the Carrier Stipulation as to Teleglobe. Teleglobe will no longer receive prepayment for services it renders to the Debtors. Rather, Teleglobe will receive payments from the Debtors pursuant to the credit terms contained in the Supplemental Agreement. Further, the Supplemental Agreement permits Teleglobe to offset postpetition amounts that the Debtors owe Teleglobe against postpetition amounts that Teleglobe owes the Debtors.

RELIEF REQUESTED

11. Pursuant to Bankruptcy Code §§ 105, 363, and 364, the Debtors request approval of the execution of the Supplemental Agreement. Bankruptcy Code § 363(b)(1) provides, “The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1).

12. The proposed use, sale or lease of property of the estate may be approved under Bankruptcy Code § 363(b) if it is supported by sound business justification. See, e.g., *In re Crutcher Resources Corp.*, 72 B.R. 628, 631 (Bankr. N.D. Tex. 1987); *The Institutional Creditors of Continental Air Lines, Inc. v. Continental Air Lines, Inc. (In re Continental Air Lines)*, 780 F.2d 1223, 1226 (5th Cir. 1986) (“[F]or a debtor-in-possession or trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business”).

13. In the exercise of their business judgment, the Debtors have determined that the execution of the Supplemental Agreement will benefit their estates. The Supplemental Agreement will eliminate the prepayment requirement of the Carrier Stipulation and establish credit terms between the Debtors and Teleglobe. The implementation of credit terms will permit the Debtors to increase usage with Teleglobe and to take advantage of the favorable rates in the Teleglobe Agreements. The Debtors project substantial savings by increasing their usage under the Teleglobe Agreements.

14. The Debtors have discussed the Supplemental Agreement with Comtel Telcom Assets, L.P. ("Comtel"), the purchaser of substantially all of the Debtors' assets subject to regulatory approval, and Comtel agrees that the Supplemental Agreement should be executed.

15. For these reasons, the Debtors have determined in their business judgment that the Supplemental Agreement should be executed.

PRAYER

The Debtors respectfully request that the Court enter an Order approving VarTec's execution of the Supplemental Agreement and granting them such other and further relief to which they may be justly entitled.

Dated: December 9, 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 December 9, 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.

Further, this is to certify that on December 9, 2005, a copy of the foregoing document was served via first class mail postage prepaid on Teleglobe at the address below.

Teleglobe America Inc.
12010 Sunset Hills
Reston, Virginia 20190

/s/ Holly J. Warrington
One of Counsel

1043855_1.DOC

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement is entered into this 1st day of December, 2005 (the "Effective Date") by and between:

TELEGLOBE AMERICA INC., a Delaware corporation having its principal office at 12010 Sunset Hills, Reston, Virginia, 20190 ("Telelobe"); and

VARTEC TELECOM INC., a Texas corporation having its principal office at 2440 Marsh Lane, Carrollton, Texas, 75006 ("VarTec");
(VarTec and Telelobe being collectively referred to as the "Parties" and individually as a "Party");

WITNESSETH:

WHEREAS, the Parties and/or their respective affiliates or predecessors in interest have entered into various agreements for the provision of international telecommunications services between them, including, without limitation, the Master Telecommunications Services Agreement dated 31 October, 2001 between Telco Network Services Inc. (a subsidiary of VarTec) and Telelobe and the Carrier Services Agreement dated as of 10 July, 2003 between the Parties (collectively, the "Service Agreements");

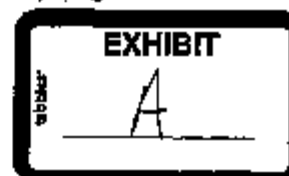
WHEREAS, on November 1, 2004, VarTec and its domestic subsidiaries filed petitions under Chapter 11 of the United States Code with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the "Bankruptcy Court"), which are being jointly administered under bankruptcy case No. 04-81694-SAF-11;

WHEREAS, the Parties wish to supplement the terms of the Service Agreements with certain credit limit and offset provisions as hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **PAYMENT TERMS.** Notwithstanding any provision in any Service Agreement to the contrary, each Party will invoice the other Party (or its affiliate) under each Service Agreement on a monthly basis, and the invoiced Party shall pay each invoice in U.S. Dollars within thirty (30) days of the date of the invoice
2. **PAYMENT OFFSET.** As of the Effective Date and notwithstanding any provision in any Service Agreement to the contrary, the payment obligations of each Party and its respective affiliates under each of the Service Agreements shall be subject to the following set-off provision:

Upon receipt by each Party or its affiliate of the invoice(s) for each month from the other Party or its affiliate under the Service Agreements, the Party (together



with its affiliate) ("Debtor Party") owing the net balance of these invoices shall have the option, but not the obligation, to set off and deduct the amount invoiced by it (the "Offset Allowance") to the other Party and/or its affiliate (the "Creditor Party"), and the Debtor Party shall remit payment of the net balance due no later than the due date of the relevant invoice issued by the Creditor Party; provided, however, that any Offset Allowance taken shall be subject to the following:

- A) The Offset Allowance shall be limited to undisputed charges due and payable on a given date;
- B) The Offset Allowance and the charges against which it is set-off may include undisputed charges arising under any Service Agreement or in the aggregate under all Service Agreements;
- C) The Debtor Party gives written notice to the Creditor Party of: (i) the undisputed amounts, individually and in the aggregate, to be offset and the Service Agreement(s) under which the charges were billed; and (ii) a statement of the remaining balances, if any, still owed under those Service Agreements after the application of the Offset Allowance; and
- D) The Creditor Party shall have ten (10) business days from the date of the notice to dispute the amounts detailed in the notice. Any disputes will be resolved consistent with the terms of the Service Agreement under which the charges were billed."

3. **CREDIT LIMIT:** As of the Effective Date and notwithstanding any provision in any Service Agreement to the contrary, the credit limit applicable to VarTec and its affiliates in the aggregate under the Service Agreements (the "Credit Limit") shall be the amount equal to seventy-five percent (75%) of the current unpaid, accrued dollar value of Teleglobe's (and its affiliate's) purchase of VarTec services under the Service Agreements. VarTec's Credit Limit can be varied only with the prior written approval of Teleglobe. Teleglobe shall have the right to increase or decrease the Credit Limit by giving at least three (3) days prior written notice to Customer. If at any time Teleglobe determines that the sum (the "Accrued Liability") of (i) total invoiced amounts which remain unpaid, plus (ii) the unbilled but accrued usage of VarTec and its affiliates has exceeded the then current Credit Limit, Teleglobe shall have the right to demand by written notice that VarTec make an immediate payment to Teleglobe by telegraphic transfer (or such other method as agreed by the parties) of such amount required; (i) to reduce its aggregate Accrued Liability to less than the Credit Limit, and (ii) to ensure that the Credit Limit shall not be exceeded prior to the next invoice due date. Upon such demand, the demanded amount shall become immediately due and payable and VarTec shall pay such amount within twenty-four (24) hours of its receipt of such notice. If VarTec fails to remit such payment when due, Teleglobe shall have the right without further notice to suspend and/or terminate its services under the relevant Service Agreement.

4. MISCELLANEOUS.

- 4.1 Each of the Parties represents and warrants to the other that (i) the execution, delivery, and performance of this Supplemental Agreement have been duly authorized by all necessary corporate action; (ii) to the extent that any approval or authorization is necessary for the valid and lawful execution, delivery, and performance of this Supplemental Agreement, such approval or authorization has been obtained.
- 4.2 This Supplemental Agreement shall be binding upon and inure to the benefit of the Parties, their predecessors, successors, parents, subsidiaries, affiliates, and assigns. Each of the signatories of this Agreement represents and warrants that it is authorized to execute this Supplemental Agreement and to bind the Parties.
- 4.3 Any dispute directly arising out of or related to this Supplemental Agreement shall be resolved in the Bankruptcy Court or such other court of competent jurisdiction in the event the Bankruptcy Court does not have jurisdiction or declines to exercise jurisdiction over such dispute.
- 4.4 As supplemented hereby, the terms and conditions of the Service Agreements and shall remain in full force and effect.
- 4.5 This Supplemental Agreement contains the complete agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements or understandings between the Parties with respect to the subject matter hereof. This Agreement may not be changed, modified or amended except in a writing signed by authorized representatives of both Parties.

IN WITNESS WHEREOF, each of the Parties has caused this Supplemental Agreement to be executed and delivered as of the date first written above.

TELEGLOBE AMERICA INC.

VARTEC TELECOM INC.:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____