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***PROPOSED ATTORNEYS FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS***

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

<b>In re:</b>	§	<b>Case No. 04-81694-SAF</b>
<b>VARTEC TELECOM, INC., et al.,</b>	§	<b>(Chapter 11)</b>
	§	
<b><i>Debtors.</i></b>	§	<b>(Joint Administration Requested)</b>

**UNOPPOSED EXPEDITED MOTION OF THE OFFICIAL UNSECURED CREDITORS  
COMMITTEE TO CONTINUE HEARING ON DEBTORS' CASH COLLATERAL AND  
FINANCING MOTION AND TO EXTEND OBJECTION DEADLINE**

TO THE HONORABLE COURT:

The Official Unsecured Creditors Committee (the "Committee") of the above-referenced debtors and debtors in possession (collectively, the "Debtors") files this Motion (the "Motion for Continuance") to Continue the Hearing on Debtors' Motion for Interim and Final Orders (I) Authorizing the Debtors to Use Cash Collateral, (II) Authorizing the Debtors to Incur Post-Petition Financing on an Interim and Final Basis with Superpriority Over Administrative Expenses and Secured by Senior Priming Liens, (III) Scheduling a Final Hearing and Establishing Notice Requirements (the "DIP Financing Motion") and respectfully states as follows:

## **I. PROCEDURAL HISTORY**

1. 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”).

2. On the Petition Date, the Debtors filed the DIP Financing Motion, and the Court entered the First Interim Agreed Order Authorizing Post-Petition Financing, Granting Senior Liens and Priority Administrative Expense Status, Authorizing Use of Cash Collateral and Modifying the Automatic Stay (the “First Interim Order”) on November 3, 2004.

3. On November 4, 2004, the Court entered the Second Interim Agreed Order Authorizing Post-Petition Financing, Granting Senior Liens and Priority Administrative Expense Status, Authorizing Use of Cash Collateral and Modifying the Automatic Stay (the “Second Interim Order”).

4. The final hearing on the DIP Financing Motion is scheduled for November 22, 2004, at 9:30 a.m.

## **II. JURISDICTION AND VENUE**

5. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157.

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

## **III. RELIEF REQUESTED**

7. The Committee requests that the final hearing on the DIP Financing Motion be continued until December 2, 2004, at 2:30 p.m.

## **IV. ARGUMENTS AND AUTHORITIES**

8. The Committee has a number of objections to the DIP Financing Motion, and the Committee and its professionals also need additional time to analyze the proposed budget and

other information relevant to the DIP Financing Motion. The Committee, the DIP Lender, and the Debtors believe that many of these issues with respect to the DIP Financing Motion can be resolved with additional time.

9. For example, based upon conversations with Lender's counsel and Debtors' counsel, the Committee believes that certain language in the DIP Financing Motion, the Second Interim Order and related documents is inconsistent with the intended operation of the DIP facility. Likewise, there are ambiguities in the DIP Financing Motion and the Second Interim Order that the parties should clarify.

10. The Committee and its professionals have also not had sufficient time to analyze the DIP budget and other information relevant to the DIP Financing Motion, and also understand that the DIP budget is currently being revised. The Committee's financial advisor, XRoads Solutions Group ("XRoads") received the detailed DIP budget model (the "DIP Model") with its underlying assumptions from the Debtors' restructuring advisor, Alvarez & Marsal, LLC ("A&M") on November 16, 2004, at approximately noon central standard time. However, certain information necessary to understand the assumptions underlying the DIP Model is not included in the DIP Model that XRoads received, and other information has been "hard coded" so that XRoads cannot sufficiently analyze the assumptions.

11. Moreover, since receiving the DIP Model on November 16, A&M has only had one meeting with XRoads as of the time of the filing of this motion, and there remain significant follow-up items to address.

12. Based on the information that XRoads has been able to analyze concerning the DIP Model, it appears that the DIP Model (and the Budget attached to the Second Interim Order) does not provide--and XRoads has not received--the supporting schedules detailing the

assumptions for the revenue projections and the detailed vendor line cost assumptions included in the Budget. In addition, XRoads has noted certain inconsistencies in the Budget that should be revised.

13. In addition, it is the Committee's understanding, based on certain financial reports provided by the Debtors to XRoads (the "Cash Flow Report"), that the Debtors appear to have been paying funds to the Lender inconsistently with the wording of the Second Interim Order. There also appears to be confusion about the meaning and application of other provisions of the Second Interim Order.

14. Although the Committee has additional objections to the DIP Financing Motion, the Committee believes that the parties can resolve many of the foregoing objections and issues with additional time, and therefore requests that the final hearing on the DIP Financing Motion be continued until December 2, 2004, at 2:30 p.m., the time at which several other matters have been set for hearing in these cases pursuant to paragraph 2 of the Order Granting Complex Chapter 11 Bankruptcy Case Treatment.

15. In addition, the Committee requests, and the DIP Lender has agreed, that the deadline to object to the DIP Financing Motion be extended to November 29, 2004.

16. **WHEREFORE**, the Committee requests that the final hearing on the DIP Financing Motion be continued until December 2, 2004, at 2:30 p.m., and that the deadline to object to the DIP Financing Motion be extended to November 29, 2004.

Dated: November 18, 2004

Respectfully submitted,

/s/ Stephen A. Goodwin

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### **CERTIFICATE OF CONFERENCE**

The undersigned hereby certifies that he conferred with Toby L. Gerber, counsel for the DIP Lender, and with Jim Lee, counsel for the Debtors regarding the relief requested in this motion, and that they agreed to the relief requested herein.

/s/ Stephen A. Goodwin

Stephen A. Goodwin

### **CERTIFICATE OF SERVICE**

The undersigned does hereby certify that, on November 18, 2004, a true and correct copy of the foregoing has been served, via ECF and/or regular United States Mail, postage-prepaid, on the parties listed on the Master Service List (*as of November 15, 2004*).

/s/ Jonathan Covin

Jonathan Covin