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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 Requested for December 19,
2005 at 1:30 p.m.**

**MOTION TO APPROVE EXECUTION OF MASTER SERVICE AGREEMENT
WITH RNK, INC., D/B/A RNK TELECOM**

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 Execution of Master Service Agreement with RNK, Inc., d/b/a RNK Telecom (the "Motion") and in support thereof the Debtors would show as follows:

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.

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

FACTUAL BACKGROUND

7. On December 16, 2005, VarTec Telecom, Inc. ("VarTec") and RNK, Inc., d/b/a RNK Telecom (the "Carrier") finalized and executed the Master Service

Agreement (the “Agreement”) which is effective upon approval by this Court. A copy of the Agreement with sensitive pricing information omitted is attached hereto as **Exhibit A**. The Agreement obligates the Carrier, subject to regulatory requirements, to carry VarTec’s call traffic to its final destination. In return, VarTec will pay certain rates for the services that the Carrier provides. The Debtors are very satisfied with the favorable rates in the Agreement. The Debtors estimate a yearly savings of several hundred thousand dollars if the Agreement becomes effective.

8. Coincidentally, one of the people who assisted the Carrier in negotiating and procuring the Agreement with VarTec was Ron Hughes, the former Chief Operating Officer and Director of certain Debtors. Ron Hughes may receive some sort of compensation from the Carrier as a result of his services in procuring the Agreement with the Debtors. The Debtors do not know what amount Ron Hughes may receive, nor are the Debtors responsible to pay any amount to Ron Hughes.

9. The Carrier agreed to permit VarTec to assume or reject the Agreement as if the Agreement was executed prior to the Petition Date. The Agreement limits the Carrier’s administrative claims to only the actual use by VarTec. Further, the Agreement permits VarTec to assign the Agreement upon approval by this Court of such assignment.

RELIEF REQUESTED

10. Pursuant to Bankruptcy Code §§ 105, 363, and 364, the Debtors request approval of the execution of the 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).

11. 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”).

12. In the exercise of their business judgment, the Debtors have determined that the execution of the Agreement will benefit their estates. Further, the Agreement’s provisions minimize the risks a debtor typically faces in executing a postpetition agreement. The Agreement is assignable with this Court’s approval. VarTec has the same ability to reject the Agreement if unforeseen circumstances arise. Lastly, the administrative expenses are limited to VarTec’s actual usage.

13. The Debtors have discussed the Agreement with Comtel, the purchaser of substantially all of the Debtors’ assets subject to regulatory approval, and Comtel agrees that the Agreement should be executed.

14. For these reasons, the Debtors have determined in their business judgment that the execution of the Agreement should be approved by this Court.

PRAYER

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

Dated: December 16, 2005

Respectfully submitted,

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