

James V. Hoeffner  
State Bar No. 09772700  
Kelle K. Masters  
State Bar No. 24032495  
Thompson, Coe, Cousins & Irons, LLP  
701 Brazos, Suite 1500  
Austin, Texas 78701  
(512) 703-5070  
(512) 708-8777 Fax

ATTORNEYS FOR REGULUS INTEGRATED SOLUTIONS, LLC

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

**IN RE:**

**VARTEC TELECOM, INC., et al.,**

**DEBTORS**

§  
§  
§  
§  
§  
§  
§

**Case No. 04-81694-HDH-11  
(Jointly Administered)**

**Hearing Date: January 13,2005  
Hearing Time: 1:30 p.m.**

**RESPONSE TO DEBTORS' TENTH MOTION TO AUTHORIZE REJECTIONS OF ASSORTED  
EXECUTORY CONTRACTS AND PERSONAL PROPERTY LEASES AND REQUEST FOR SETOFF**

TO THE HONORABLE JUDGE OF SAID COURT:

NOW COMES Regulus Integrated Solutions, LLC (“Regulus”), successor in interest to Quantum Information Corporation, a Creditor and Party in Interest in the above-entitled and numbered Chapter 11 case, and in their Response to Debtors’ Tenth Motion to Authorize Rejection of Assorted Executory Contract and Personal Property Leases and Request for Setoff (the “Response”) would respectfully show the Court as follows:

Introduction

1. VarTec Telecom, Inc. and its affiliates (“VarTec” or “Debtors”) filed a Petition for Relief under Chapter 11, Title 11, United States Code, on November 1, 2004, jointly administered under Case No. 04-81694. VarTec is a debtor in possession.

2. Regulus and VarTec executed a Service Agreement, effective June 26, 2000, and an Amendment and Addendum dated January 28, 2004 (collectively, the “Service Agreement”) which provided that Regulus was to furnish services to VarTec as a “direct bill statement print vendor”. Essentially, such services consisted of processing VarTec’s invoices to its third party customers.

3. Regulus filed its Motion to Compel Vartec Telecom, Inc. to Assume or Reject Executory Contract and for Administrative Claims on December 1, 2004 and an agreed order was entered on January 26, 2005. The order permitted Regulus to offset \$240,000 on deposit from VarTec securing VarTec’s account with Regulus against the \$193,521.47 prepetition claim filed by Regulus. Debtors were also ordered to pay invoices within 10 days of receipt of invoice. The Debtors are currently \$19,768.83 past due. A true and correct copy of the Accounts Receivable Agreed Invoice Report as of December 9, 2005 is attached hereto as “Exhibit A” and is incorporated by reference as if set out verbatim.

4. Debtors filed their Tenth Motion to Authorize Rejections of Assorted Executory Contracts and Personal Property Leases and Brief in Support (the “Motion to Reject”) on December 9, 2005. Included in such executory contracts to be rejected was the contract with Regulus.

5. Regulus does not take issue with the rejection but requests court authorization to setoff the amount Regulus currently holds on deposit and the \$19,768.83 post-petition arrearage owed to Regulus with the remainder to be returned to the Debtor.

6. Specifically, after offsetting the \$240,000 on deposit from VarTec against the \$193,521.47 prepetition claim filed by Regulus per the above court order, there remains \$46,478.53 on deposit with Regulus. Regulus requests authorization to offset the \$19,768.83

arrearage against such sum and return the sum of \$26,709.70 to VarTec in full and final settlement of its accounts.

7. In the event such open account increases in amount between now and the time of hearing, Regulus requests the authorization to offset the increased amount and return the remainder monies owing.

WHEREFORE, Regulus prays that it be allowed to offset the amount on deposit with Regulus against the post-petition arrearage owing by VarTec and that Regulus be granted such other relief as may be just and equitable.

DATED this 21st day of December, 2005.

Respectfully submitted,

By: /s/ Kelle Masters  
James V. Hoeffner  
State Bar No. 09772700  
Kelle K. Masters  
State Bar No. 24032495

THOMPSON, COE, COUSINS & IRONS, LLP  
701 Brazos, Suite 1500  
Austin, Texas 78701  
(512) 703-5070  
(512) 708-8777 Fax

ATTORNEYS FOR REGULUS INTEGRATED SOLUTIONS,  
LLC

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing pleading was served by first class mail,  
postage prepaid on the following on this 21st day of December, 2005:

Debtors' Counsel:

Daniel C. Stewart  
William L. Wallander  
Vinson & Elkins LLP  
2001 Ross Avenue  
3700 Trammell Crow Center  
Dallas, Texas 75201

Craig W. Budner  
Hughes & Luce L.L.P.  
1717 Main Street, Suite 2800  
Dallas, Texas 75201

Beth Bivans  
Hughes & Luce L.L.P.  
1717 Main Street  
Suite 2800  
Dallas, Texas 75201

Thomas Raxton  
Hughes & Luce L.L.P.  
1717 Main Street  
Suite 2800  
Dallas, Texas 75201

Debtor:

Michael G. Hoffman  
Chief Legal Officer  
VarTec Telecom, Inc.  
1600 Viceroy Drive  
Dallas, Texas 75235

Rob Williams  
VarTec Telecom, Inc.  
1600 Viceroy Drive  
Dallas, Texas 75235

David Walsh  
VarTec Telecom, Inc.  
1600 Viceroy Drive  
Dallas, Texas 75235

Joe D' Angelo  
VarTec Telecom, Inc.  
1600 Viceroy Drive  
Dallas, TX 75235

KJ Alzamora  
VarTec Telecom, Inc.  
1600 Viceroy Drive  
Dallas, TX 75235

Governmental Agencies:

George McElreath  
Office of the U.S. Trustee  
1100 Commerce Street  
Room 976  
Dallas, Texas 75242

United States Attorney's Office  
1100 Commerce Street  
Third Floor  
Dallas, Texas 75242

Internal Revenue Service  
Special Procedures Branch  
Mail Code 5020-DAL  
1100 Commerce Street, Room 938  
Dallas, Texas 75242

Kay D. Brock, Asst. Attorney General  
Office of the Texas Attorney General  
Bankruptcy and Collections Division  
P.O. Box 12548  
Austin, Texas 78711-2548

M. Jane Brady  
Office of the Delaware Attorney General  
Carvel State Office Bldg.  
820 N. French Street  
Wilmington, DE 19801

Jerry Kilgore  
Office of the Virginia Attorney General  
900 East Main Street  
Richmond, VA 23219

Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Texas Workforce Commission  
TEC Building – Bankruptcy  
101 East 15th Street  
Austin, TX 78778

Comptroller of Public Accounts  
Revenue Accounting Division  
Bankruptcy Section  
PO Box 13528  
Austin, TX 78711

Secured Lenders:

Roberta Aronson  
Rural Telephone Finance Cooperative  
2201 Cooperative Way  
Herndon, VA 20171-3025

Rob Dyson  
Rural Telephone Finance Cooperative  
2201 Cooperative Way  
Herndon, VA 20171-3025

Cindy Gugino  
Rural Telephone Finance Cooperative  
2201 Cooperative Way  
Herndon, VA 20171-3025

Larry Zawalick  
Rural Telephone Finance Cooperative  
2201 Cooperative Way  
Herndon, VA 20171-3025

Counsel for Secured Lenders:

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

John N. Schwartz  
Fulbright & Jaworski LLP  
2200 Ross Avenue  
Suite 2800  
Dallas, Texas 75201

Ryan A. Manns  
Fulbright & Jaworski LLP  
2200 Ross Avenue  
Suite 2800  
Dallas, Texas 75201

William R. Greendyke  
Fulbright & Jaworski LLP  
1301 McKinney, Suite 5100  
Houston, TX 77010-3095

Unsecured Creditors Committee:

Brian H. Benjet  
Director, Corporate and Financial Litigation  
MCI, Inc.  
1133 19<sup>th</sup> Street NW  
Washington, D.C. 20036

Dave Egan, CPA  
SBC Industry Markets  
Senior Manager-Credit and Collections  
722 North Broadway, Floor 11  
Milwaukee, Wisconsin 53202

Kathy Morgan  
Teleglobe Telecom Corporation  
11495 Commerce Park Drive  
Reston, Virginia 20191

Jane Frey  
Qwest Communications Corp.  
1801 California Street, Suite 3800  
Denver, Colorado 80202

Andrew Stein, Senior Attorney  
AT&T Corp.  
55 Corporate Dr., Room 32D48  
Bridgewater, New Jersey 08807

Reginald A. Greene  
Operations & Bankruptcy Counsel  
BellSouth Corporation Legal Department  
Suite 4300  
675 W. Peachtree St., N.W.  
Atlanta, GA 30375-0001

Cynthia B. Ayres  
Valor Telecommunications Enterprises,  
L.L.C.  
201 E. John Carpenter Freeway, Suite 200  
Irving, TX 75062

Lowell Feldman  
Unipoint Holdings  
830 Country Lane  
Houston, TX 77024

Chad Jenkins  
Visionquest Marketing Services, Inc.  
609 S. Kelly, Ste. B  
Edmond, OK 73003

Jay Lankford  
Specialty Outsourcing Solution Ltd.  
P. O. Box 23407  
Waco, TX 76702-3407

Parties to Capital Leases:  
Bay4 Capital  
311 North Bayshore Drive  
Safety Harbor, FL 34695

HP Financial Services  
420 Mountain Avenue  
PO Box 6  
Murray Hill, NJ 07974

GE Capital  
10 Riverview Drive  
Danbury, CT 06810

Kronos Inc.  
297 Billerica Rd.  
Chelmsford, MA 01824

Parties Requesting Notice:  
Darrin S. Laddin  
Heath J. Vicente  
Armall Golden Gregory LLP  
171 17th Street, Suite 2100  
Atlanta, GA 30363-1031

Rex D. Rainach  
3622 Government Street  
Baton Rouge, LA 70806-5720

John K. Paul  
100 Century Park Drive  
Monroe, LA 71203

Paul M. Rosenblatt, Esq.  
Kilpatrick Stockton LLP  
1100 Peachtree Street, NE, Suite 2800  
Atlanta, GA 30309-4530

Reginald A. Greene  
Bellsouth Corporation  
1155 Peachtree Street – 18th Floor  
Atlanta, GA 30309

J. Mark Chevallier; Steven H. Thomas;  
David Woods  
McGuire Craddock & Strother, PC  
3550 Lincoln Plaza  
500 N. Akard St.  
Dallas, TX 75201

Elizabeth Weller  
Linebarger Goggan Blair Sampson  
2323 Bryan Street, Suite 1600  
Dallas, TX 75201

Lisa A. Epps  
Spencer Fane Britt & Browne, LLP  
1000 Walnut Street, Suite 1400  
Kansas City, MO 64105

Vincent D'Agostino  
Lowenstein Sandler PC  
65 Livingston Avenue  
Roseland, NJ 07068

Marvin Mohney  
120 Founders Square  
900 Jackson Street  
Dallas, TX 75202

Michael T. Benz  
Chapman & Cutler LLP  
111 W. Monroe St., 15th Floor  
Chicago, IL 60603

Greg Donovan  
Afni, Inc.  
404 Brook Drive  
Bloomington, IL 61701

Mark D. Collins  
Richards Layton & Finger, PA  
One Rodney Square  
PO Box 551  
Wilmington, DE 19899

Linda Boyle  
Time Warner Telecom, Inc.  
10475 Park Meadows Drive, #400  
Littleton, CO 80124

Kathy Morgan  
Teleglobe Telecom Corporation  
11495 Commerce Park Drive  
Reston, VA 20191

Howard M. Levine  
Sussman Shank LLP  
1000 SW Broadway, Suite 1400  
Portland, OR 97205-3089

C. Wade Cooper  
Marvin E. Sprouse III  
Jackson Walker LLP  
100 Congress, Suite 1100  
Austin, TX 78701

Patricia B. Tomasco  
Brown McCarroll, LLP  
111 Congress Avenue, Suite 1400  
Austin, TX 78701

Stephen A. Youngman  
Weil Gotshal & Manges, LLP  
200 Crescent Court, Suite 300  
Dallas, TX 75201-5950

James T. Grogan III  
Weil Gotshal & Manges LLP  
700 Louisiana, Suite 1600  
Houston, TX 77002

Peter Franklin III  
Locke Liddell & Sapp LLP  
2200 Ross Avenue, Suite 2200  
Dallas, TX 75201-6776

Kelly Franklin Bagnall  
Brown McCarroll LLP  
2000 Trammell Crow Center  
2001 Ross Avenue  
Dallas, TX 75201-2997

WilTel Communications, LLC  
Attn: Kevin Ward, Attorney  
One Technology Center, MD 15-1  
100 S. Cincinnati  
Tulsa, OK 74103

David L. Campbell; Claude D. Smith  
Campbell & Cobbe, PC  
900 Jackson Street  
120 Founders Square  
Dallas, TX 75202

Andrew Sherman  
Sills Cummis Epstein & Gross PC  
One Riverfront Plaza  
Newark, NJ 07102-5400

David G. Aelvoet  
Linebarger Goggan Blair & Sampson LLP  
Travis Bldg., 711 Navarro, Suite 300  
San Antonio, TX 78205

Texas Comptroller of Public Accounts  
John Mark Stern,  
Assistant Attorney General  
Bankruptcy & Collections Division  
P. O. Box 12548  
Austin, Texas 78711-2548

Stephen A. Goodwin; Peter Tierney  
Jonathan Covin; Rachel P. Ragni  
Carrington, Coleman, Sloman &  
Blumenthal, L.L.P.  
200 Crescent Court, Suite 1500  
Dallas, Texas 75201  
Proposed Attorneys for the Official  
Committee of Unsecured Creditors

Linda Boyle  
Time Warner Telecom, Inc.  
10475 Park Meadows Drive, #400  
Littleton, CO 80124

Gerald P. Urbach  
Russell W. Mills  
Hiersche, Hayward, Drakeley & Urbach, P.C.  
15303 Dallas Parkway, Suite 700  
Addison, Texas 75001  
Attorneys for Telephone Electronics Corp.

C. Patrick Nunley  
Naman, Howell, Smith & Lee, L.L.P.  
P.O. Box 1470  
Waco, Texas 76703-1470  
Attorneys for Specialty Outsourcing  
Solutions, Ltd.

John P. Dillman  
Linebarger Goggan Blair & Sampson, LLP  
P.O. Box 3064  
Houston, Texas 77253-3064

Quantum Corporation, Inc.  
Attn: Linda O'Rourke  
860 Latour Court  
Napa, CA 94558

Elizabeth (Lisa) J. Philp, Esq.  
McNair Law Firm, P.A.  
Post Office Box 1431  
140 East Bay Street (29401)  
Charleston, SC 29402

Paul J. Pascuzzi  
Felderstein Fitzgerald Willoughby &  
Pascuzzi, LLP  
400 Capitol Mall, Suite 1450  
Sacramento, CA 95814-4434  
Attorneys for 770 "L" Street Investment Group,  
Inc. and Jones Lang LaSalle Americas, Inc.

Mark Stromberg, Esq.  
Stromberg & Assoc., P.C.  
Two Lincoln Centre  
5420 LBJ Freeway, Suite 300  
Dallas, Texas 75240  
Attorney for Intec Telecom Systems,

Suzanne C. Leslie  
General Attorney  
One SBC Plaza, Room 2900  
208 S. Akard Street  
Dallas, TX 75202

Mark Farrell  
One SBC Plaza, Toom 3014  
Dallas, TX 75202

David M. Bennett  
Thompson & Knight, LLP  
1700 Pacific Avenue, Suite 3300  
Dallas, TX 75201-4693

D. Scott Barash  
V.P. & General Counsel  
Universal Service Administrative Company  
2000 L Street, NW, Suite 200  
Washington D.C. 20036

Bruce G. Arnold  
Whyte Hirschboeck Dudek S.C  
555 East Wells Street, Suite 1900  
Milwaukee, WI 53202-4894  
Attorney for Fiserv Solutions, Inc. dba  
Personix

Cathleen A. Ebacher  
V.P. & Assistance General Counsel  
Fiserv, Inc.  
P.O. Box 979  
Brookfield, WI 53008-0979

Vicky Namken  
IBM Corporation  
13800 Diplomat  
Dallas, Texas 75234

Douglas W. Black  
Taylor, Olson, Adkins, Sralla & Elam, LLP  
6000 Western Place, Suite 200  
Fort Worth, Texas 76107-3654  
Attorney for City of Aledo, Texas

Van J. Hooker, David A. Klingler  
Douglas D. Gutsell, Andrea L. Niedermeyer  
Stutzman, Bromberg, Esserman & Plifka, PC  
2323 Bryan Street, Suite 2200  
Dallas, Texas 75201-2689  
Attorneys for Northpark Central - VEFII,  
L.P.

Stephanie D. Curtis, Mark A. Castillo  
Gregory M. Bair  
The Curtis Law Firm, PC  
901 Main St., Suite 6515  
Dallas, Texas 75202  
Attorneys for WilTel Communications, LLC

Steven W. Soulé  
Hall, Estill, Hardwick, Gable, Golden  
& Nelson, PC  
320 South Boston Avenue, Suite 400  
Tulsa, Oklahoma 74103-3708  
Attorneys for WilTel Communications, LLC

Michael S. Simon, Esq  
Blank Rome LLP  
405 Lexington Avenue  
New York, New York 10174  
Counsel for Hudson Telegraph Associates, L.P.

Mark W. Mehnert  
Ware, Snow, Fogel & Jackson, LLP  
America Tower, 42nd Floor  
2929 Allen Parkway  
Houston, TX 77019  
Attorney for Ikano Communications, Inc.

Dori Wollen  
Special Handling Group – MD NC317  
IBM Credit LLC  
North Castle Drive  
Armonk, NY 10504

Thomas S. Hoekstra  
Bryan C. Ng  
Godwin Gruber, LLP  
1201 Elm Street, Suite 1700  
Dallas, TX 75270  
Attorney for PFRS Avanti Corporation

Oracle Corporation  
c/o Alan Horowitz  
Buchalter, Nemer, Fields & Younger  
18400 Von Karman Avenue, Suite 800  
Irvine, CA 92612

Sharon L. Royer  
UC Tax Agent/Bankruptcy Representative  
Commonwealth of Pennsylvania  
Department of Labor and Industry  
Harrisburg Bankruptcy & Compliance  
Office  
1171 S Cameron St., Rm 312  
Harrisburg, PA 17104-2513

Richardson Independent School District  
c/o Elizabeth Banda  
Perdue, Brandon, Fielder, Collins & Mott,  
L.L.P.  
P.O. Box 13430  
Arlington, Texas 76094-0430

Joseph M. Coleman  
Robert J. Taylor  
Kane, Russell, Coleman & Logan, P.C.  
3700 Thanksgiving Tower  
1601 Elm Street  
Dallas, Texas 75201  
Special Counsel to VarTec Telecom, Inc.

James W. Deatherage  
Jim Deatherage & Assoc., P.C.  
800 West Airport Freeway  
Suite 518, LB 6060  
Irving, Texas 75062  
Attorney for Irving Independent  
School District

Glenn A. Portman  
Bennett, Weston & LaJone, P.C.  
1750 Valley View Lane, Suite 120  
Dallas, Texas 75234  
Attorney for NTS Communications, Inc.

James H. Lister  
McGuireWoods LLP  
1750 Tysons Blvd.  
McLean, VA 22102  
Attorney for NTS Communications, Inc.

Eric Pullen  
Loeffler Tuggey Pauerstein Rosenthal LLP  
755 Mulberry Avenue, Suite 200  
San Antonio, TX 78212

Attorneys for Ad Hoc Committee of Excel  
Creditors

John K. Cunningham  
White & Case LLP  
Wachovia Financial Center  
200 South Biscayne Blvd.  
Miami, FL 33131

Craig H. Averch  
White & Case LLP  
633 West Fifth Street, 19<sup>th</sup> Floor  
Los Angeles, CA 90071

Michael J. Collins  
Bickel & Brewer  
4800 Banc One Center  
1717 Main Street  
Dallas, TX 75201

Attorneys for Ad Hoc Committee of  
Independent Representatives

Gerrit Pronske, Esq.  
Kirkpatrick & Lockhart LLP  
2828 N. Harwood, Suite 1800  
Dallas, TX 75201

Jim Miles, Esq.  
320 Nicklaus Road  
Westminster, SC 29693

Stan Jackson, Esq.  
1830 Walton Way  
Augusta, GA 30904

/s/ Kelle Masters

James V. Hoeffner  
Kelle K. Masters