Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
Holly J. Warrington, SBT #24037671
VINSON & ELKINS L.L.P.
Trammell Crow Center
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201-2975
Tel: 214.220.7700
Fax: 214.220.7716

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)**

EXPEDITED MOTION TO APPROVE STIPULATION AND ORDER REGARDING EXECUTORY CONTRACTS WITH BROADWING COMMUNICATIONS SERVICES, INC.

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

The above-referenced debtors and debtors in possession (collectively, the "Debtors")[1] file this Expedited Motion to Approve Stipulation and Order Regarding Executory Contracts with Broadwing Communications Services, Inc. (the "Motion"), and in support 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).

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 Cases are jointly administered under Case No. 04-81694-HDH-11.

FACTUAL BACKGROUND

6. Broadwing Communications, LLC ("Broadwing") provides various telecommunications services to the Debtors pursuant to agreements and the provisions of certain applicable tariffs (collectively, the "Broadwing Agreements").

7. Broadwing, the Debtors, and Comtel Telcom Assets LP as assignee of Comtel Investments LLC ("Comtel") executed their Stipulation and Order for Assumption and Assignment of Executory Contracts, and Related Cure, among (i) the Debtors, (ii) Broadwing Communications, LLC, and (iii) Comtel Telcom Assets LP (the "Stipulation")[2] dated May 25, 2006. A copy of the Stipulation is attached hereto as **Exhibit A**. The

[2] Capitalized terms not defined herein shall have the meaning given to them in the Stipulation. To the extent that the discussion of the Stipulation contained in this Motion conflicts with the terms and conditions of the Stipulation, the Stipulation shall control.

Stipulation addresses, among other things, the following, subject to the consummation of the Final Closing Date:

- assumption and assignment of the Broadwing Agreements;
- Comtel's payments to Broadwing totaling $50,000 as a cure amount;
- Broadwing's retention of a prepetition general unsecured claim of $260,055.99 against VarTec Solutions, Inc.'s bankruptcy estate; and
- releases by the parties.

Further, the Stipulation provides for the implementation of payment terms in favor of the Debtors upon the Approval Date of the Stipulation.

RELIEF REQUESTED

8. Pursuant to Bankruptcy Code §§ 105, 363, and 365 and Rule 9019 of the Federal Rules of Bankruptcy Proceeding, the Debtors request that the Court enter an Order approving the Stipulation.

9. Bankruptcy Rule 9019(a) provides, in part, "On motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement." FED. R. BANKR. PROC. 9019(a).

10. The proponent of a compromise and settlement should set forth the legal and factual context of the compromise so that the Court may make an intelligent, objective and educated evaluation of the settlement. *Protective Comm. of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968); *Texas Extrusion Corp. v. Lockheed*

Corp. (In re Texas Extrusion, Inc.), 844 F.2d 1142, 1158-59 (5th Cir. 1988); *U.S. v. AWECO, Inc. (In re AWECO, Inc.)*, 725 F.2d 293, 299 (5th Cir. 1984).

11. In passing upon a proposed compromise and settlement, the Court must determine that the compromise and settlement is fair and equitable and in the best interest of the estate by considering, among other things, the following factors:

a. the probability of success in the litigation;

b. the difficulties to be encountered in the matter of collection, if any;

c. the complexity of the litigation involved and the expenses, inconveniences, and delay necessarily attending it;

d. the paramount interest of the creditors and their objections; and

e. all other factors bearing on the wisdom of the settlement.

See In re Foster Mortgage Corp., 68 F.3d 914, 917 (5th Cir. 1995); *Rivercity v. Herpel (In re Jackson Brewing Co.)*, 624 F.2d 605, 607 (5th Cir. 1980). *See also TMT Trailer Ferry*, 390 U.S. 414, 424 (1968).

12. Based on all applicable factors, the Stipulation, which was negotiated in good faith and at arm's length, is in the best interest of the Debtors' estates and their creditors, and the settlement set forth in the Stipulation is fair and equitable. In the exercise of their business judgment, the Debtors have determined that the Broadwing Agreements should be assumed and assigned to Comtel. By executing the Stipulation, the Debtors obtain certainty with respect to (i) the assumption of the Broadwing Agreements and the assignment of the same to Comtel and (ii) the cure cost associated with such assumption and assignment. In addition, under the Stipulation, Broadwing agrees to re-implement the payment terms under the Broadwing Agreements. The providing of payment terms will be beneficial to the Debtors and their liquidity and

Comtel after the Final Closing Date. The structure of the Stipulation is consistent with the Debtors' need to obtain regulatory approvals.

13. For these reasons, the Stipulation should be approved.

PRAYER

The Debtors request that this Court enter an Order approving the Stipulation and grant them such other and further relief, both general and specific, to which they may be justly entitled.

Dated: May 26, 2006.

Respectfully submitted,

VINSON & ELKINS L.L.P.
Trammell Crow Center
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201-2975
Tel: 214.220.7700
Fax: 214.220.7716

By: *_/s/ Holly J. Warrington_*
Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
Holly J. Warrington, SBT #24037671

ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

This is to certify that on May 26, 2006, 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 email service. This is to further certify that on May 26, 2006, a copy of the foregoing document was served via email upon the following parties at the addresses below:

msprouse@jw.com
Marvin E. Sprouse, III
Jackson Walker L.L.P.

judith.ross@bakerbotts.com
Judith W. Ross
Baker Botts L.L.P.

ted.abdelnoor@broadwing.com
Ted Abdelnoor
Broadwing Communications, LLC

/s/ Holly J. Warrington
One of Counsel

1121027_1.DOC