EXHIBIT A

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Rec 1
JAN 05 2005
White & Case LLP

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	)	
	)	BK. NO.: 04-81694-SAF-11
VARTEC TELECOM, INC., et al	)	
	)	
D E B T O R	)	

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TRANSCRIPT OF PROCEEDINGS

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BE IT REMEMBERED, that on the 29th day of December, 2004, before the HONORABLE STEVEN A. FELSENTHAL, United States Bankruptcy Judge at Dallas, Texas, the above-styled and numbered cause came on for hearing, and the following constitutes the transcript of such proceedings as hereinafter set forth:

1 A P P E A R A N C E S

2 VINSON & ELKINS

3 2001 Ross Avenue

4 3700 Trammell Crow Center
Dallas, Texas 75201
5 By: Mr. Jim Lee
Mr. Richard London
6
APPEARING ON BEHALF OF DEBTOR
7
OFFICE OF THE U.S. TRUSTEE
8 1100 Commerce Street, Room 976
Dallas, Texas 75242
9 By: Mr. George McElreath

10 APPEARING ON BEHALF OF U.S. TRUSTEE'S OFFICE

11 FULBRIGHT & JAWORSKI, LLP
2200 Ross Avenue, Suite 2800
12 Dallas, Texas 75201
By: Mr. Toby Gerber
13
APPEARING ON BEHALF OF RURAL TELEPHONE FINANCE
14 COOPERATIVE

15 KILPATRICK & STOCKTON, LLP
1100 Peachtree Street, NE, Suite 2800
16 Atlanta, GA 30309
By: Mr. Paul Rosenblatt
17
AND
18
BELLSOUTH CORPORATION
19 1155 Peachtree Street - 18th Floor
Atlanta, GA 30309
20 By: Mr. Reginald Greene

21 APPEARING ON BEHALF OF BELLSOUTH CORPORATION

22 WEIL, GOTSHAL & MANGES, LLP
200 Crescent Court, Suite 300
23 Dallas, Texas 75201-5950
By: Mr. Stephen Youngman
24
APPEARING ON BEHALF OF MCI WORLDCOM NETWORK SERVICES
25 AND MCI WORLDCOM COMMUNICATIONS

1 CARRINGTON, COLEMAN, SLOMAN & BLUMENTHAL, LLP
200 Crescent Court, Suite 1500
2 Dallas, Texas 75201
By: Mr. Jonathan Covin
3 Mr. Peter Tierny

4 APPEARING ON BEHALF OF THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS
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1 if we have additional comments upon further review.
2 THE COURT: Thank you. Mr. Gerber.
3 MR. GERBER: If the Court please, the RTFC
4 filed its comments, and I actually -- just so the
5 record will be clear, I called Mr. Cunningham to give
6 him a heads up because I did not want to blind side him
7 about any of these things. I apologize to him if he's
8 troubled by the word troubling, but we are, in fact,
9 troubled by the application itself.
10 This Committee -- the IR Committee is
11 different than a Committee of Unsecured Creditors or
12 representation of the debtor. This Committee's reason
13 for existence according to the application that they
14 filed is because of its adverse interest. It
15 represents not only to the VarTec Committee but to the
16 VarTec individual creditors themselves.
17 In White & Case's pleading seeking
18 application on behalf of the Ad Hoc Committee that I
19 quoted, page 3 of our comments, it says, "The practical
20 reality of the parent subsidiary relationship sharply
21 divides these cases between VarTec and it's operations
22 and creditors on the one hand and Excel and its
23 operations and creditors on the other hand. That is
24 the conflict -- that is the adverse interest that they
25 themselves have defined as their reason for existence.

1 And it is that that I'm not saying can't be resolved.
2 I'm just saying that the application
3 doesn't deal with what we believe to be the conflict
4 that exists between an attorney representing a
5 committee on or bound to pursue the interests of that
6 committee, and on the other side of the table a
7 majority of the members of the Committee also
8 represented by this law firm and at least 19 or 18, if
9 you discount Mr. Smith, 18 of the 50 largest creditors
10 of the VarTec estates who are also clients of White &
11 Case. That is a conflict.
12 And under our Texas Disciplinary Rules
13 that's a 106(b) conflict. It may be a 106(a) conflict
14 in the sense you cannot sue your own client, but it's
15 clearly a 106(b) conflict that can only be resolved if
16 you get a waiver from both sets clients. So I
17 suggested to Mr. Cunningham not that there was -- you
18 know, that this absolutely disqualified him, but it
19 seems to me that White & Case cannot go forward until
20 they resolve all those conflicts under the applicable
21 disciplinary rules. But I do believe it's an adverse
22 interest. It's a type of adverse interest that 1103(b)
23 is meant to protect the parties involved against that
24 they don't find their attorney involved.
25 And the standard unfortunately, at least

1 within the bankruptcy context, the cases we've read
2 seems to suggest that they've got to resolve those
3 matters. They can't simultaneously represent a
4 committee and a party holding an adverse interest in
5 connection with the case. If for no other reason the
6 appearance of impropriety that they're opposite from
7 significant clients of theirs even if they weren't
8 significant clients. But in this case, these are
9 clearly significant clients and significant creditors
10 in the case. So that's point number one. I think that
11 1103(b), the standard that's met there, that they don't
12 represent an adverse interest, and they haven't
13 resolved the apparent conflicts of interest creates a
14 problem for approval of the application.
15 I'll accept what Mr. Cunningham represented
16 to me on the phone yesterday and again to the Court
17 today that they've never represented Mr. Smith in his
18 individual capacity.
19 The second item that we wanted to call the
20 Court's attention here is that White & Case doesn't
21 have an office here in Texas. Certainly not here in
22 Dallas. We're frankly just concerned about the
23 additional travel costs. And in a lot of cases it's
24 probably just a -- an insignificant issue, but right
25 now, Your Honor, as Your Honor is aware from prior