



ENTERED

TAWANA C. MARSHALL, CLERK
THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

The following constitutes the order of the Court.

Signed March 24, 2005.

United States Bankruptcy Judge

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

IN RE:	§	
	§	
VARTEC TELECOM, INC., et al.,	§	CASE NO. 04-81694-SAF-11
	§	
DEBTORS.	§	(Chapter 11)
	§	(Jointly Administered)

ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN ASSETS OWNED BY THE DEBTORS; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE; (C) APPROVING NOTICE OF CERTAIN DATES, TIMES AND PLACES; AND (D) GRANTING RELATED RELIEF (SHARES OF HOLDING PROTEL, S.A. de C.V. AND RELATED ASSETS)

On March 23, 2005, the Court considered the Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets Owned by the Debtors; (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief

ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN ASSETS OWNED BY THE DEBTORS; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE; (C) APPROVING NOTICE OF CERTAIN DATES, TIMES AND PLACES; AND (D) GRANTING RELATED RELIEF (SHARES OF HOLDING PROTEL, S.A. de C.V. AND RELATED ASSETS)

(Shares of Holding Protel, S.A. de C.V. and Related Assets) [Docket No. 1108] (the "Sales Procedures Motion")¹ filed by the above-referenced debtors (the "Debtors").

THE COURT FINDS THAT:

A. The Debtors have articulated good and sufficient reasons for approving the Notice of the Auction and Sale Hearing attached hereto as **Exhibit A** and the Sale Procedures attached hereto as **Exhibit B** in connection with the sale of the Assets.

B. The Sale Procedures are reasonable and appropriate and are designed to maximize the recovery on the Assets.

C. The filing and service of the Notice of the Auction and Sale Hearing provides due, adequate and timely notice of the sale of the Assets in accordance with Bankruptcy Rule 2002 and the applicable provisions of the Bankruptcy Code.

THEREFORE, IT IS ORDERED THAT:

1. The Sale Procedures Motion is **GRANTED**.
2. The Agreement is approved as the "stalking horse" bid for the Assets in the amount of \$1,600,000 cash plus assumption of cure obligations, and the bidding protections as provided in subsections F and G of the Sale Procedures (the "Bidding Protections") and the Break-Up Fee of \$20,000 are approved and enforceable for all purposes in these Cases.
3. The Objections, if any, to the Sale Procedures Motion are overruled in their entirety.

¹ Capitalized terms not defined herein shall have the meaning given to them in the Motion.
ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN ASSETS OWNED BY THE DEBTORS; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE; (C) APPROVING NOTICE OF CERTAIN DATES, TIMES AND PLACES; AND (D) GRANTING RELATED RELIEF (SHARES OF HOLDING PROTEL, S.A. de C.V.)

4. This Order shall be binding on any successor to or assignee of the Debtors, including, but not limited to, any trustee appointed in these Cases.

5. The Debtors may proceed with the sale of the Assets by conducting the Auction in accordance with the Sale Procedures.

6. The Notice of the Auction and Sale Hearing is approved, and the Debtors shall serve the Notice of the Auction and Sale Hearing upon the persons and in the manner specified in the Sale Procedures Motion.

7. Such notice as provided herein shall be deemed proper, due, timely, good, and sufficient notice of the entry of this Order, the Sale Procedures, the Auction and the Sale Hearing.

8. The Debtors are authorized and directed to provide the Buyer with the Bid Protections, such that the Seller is ordered and directed (without any further application to or order of this Court) to satisfy its obligations relating to the Bid Protections as provided in the Sale Procedures.

9. Any party desiring to submit a bid for the Assets shall comply with the Sale Procedures and, if selected as a Qualified Bidder, shall submit the original bid to Vinson & Elkins L.L.P., Attn: William L. Wallander, Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201 such that (a) the bid is actually received not later than April 12, 2005 at 12:00 p.m. prevailing Central Time and (b) the bid complies with the requirements set forth in the Sale Procedures.

10. The only bidders to be considered must be Qualified Bidders, and the only bids to be considered by the Debtors shall be Qualified Bids.

11. The Debtors shall hold the Auction at the offices of Vinson & Elkins L.L.P., Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201, or at another location as may be timely disclosed by the Seller to Qualified Bidders, and shall commence on April 14, 2005 at 9:30 a.m. (the "Auction Date"). The Buyer and Qualified Bidders seeking to participate as a bidder at the Auction shall comply with the Sale Procedures.

12. Objections, if any, to the relief sought in the Sale Motion shall be served in accordance with the Notice of the Auction and Sale Hearing such that each objection is actually received by the parties to receive notice as stated in the Sale Procedures by April 12, 2005 at 12:00 p.m. prevailing Central Time.

13. The Sale Hearing shall be held before the Honorable Steven A. Felsenthal, 1100 Commerce Street, 14th Floor, Dallas, Texas 75242, on April 15, 2005 at 9:30 a.m., or such other date as the Court's docket may accommodate.

14. The Debtors shall comply with the terms of the Sales Procedures in all respects.

15. This Order shall become effective immediately upon its entry.

16. The Court shall retain jurisdiction over any matter or dispute arising from or relating to the implementation of this Order.

END OF ORDER

Upon entry, return copy to:

Richard H. London, SBT # 24032678

VINSON & ELKINS L.L.P.

Trammell Crow Center

2001 Ross Avenue, Suite 3700

Dallas, Texas 75201-2975

Tel: 214.661.7299

Fax: 214.220.7716

ATTORNEYS FOR THE DEBTORS

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ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN ASSETS OWNED BY THE DEBTORS; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE; (C) APPROVING NOTICE OF CERTAIN DATES, TIMES AND PLACES; AND (D) GRANTING RELATED RELIEF (SHARES OF HOLDING PROTEL, S.A. de C.V.)

EXHIBIT A

Notice of the Auction and Sale Hearing

Daniel C. Stewart, SBT # 19206500
William L. Wallander, SBT # 20780750
Richard H. London, SBT # 24032678
VINSON & ELKINS L.L.P.
Trammell Crow Center
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201-2975
Tel: 214-661-7299
Fax: 214-220-7716
VarTec@velaw.com

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-SAF-11
	§	
DEBTORS.	§	(Chapter 11)
	§	(Jointly Administered)

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

On March 21, 2005, the above-referenced debtors and debtors in possession (collectively, the “Debtors”)¹ filed their Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets Owned by the Debtors, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief (Shares of Holding Protel S.A. de C.V. and Related Assets) [Docket No. 1108] (the “Sale Procedure Motion”) and their Motion for Authority to Sell Assets Free and Clear of All Claims, Liens, Encumbrances, and Interests and Grant Related Relief (Shares of Holding Protel S.A. de

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.

C.V. and Related Assets) [Docket No. 1107] (the “Sale Motion”). In the Sale Procedure Motion, the Debtors request the entry of an Order (a) approving the proposed sale procedures and bidding protections substantially in the form set forth below (the “Sale Procedures”) in connection with the proposed sale by VarTec Telecom, Inc. (the “Seller”) to Potosi, Inc. (the “Buyer”), or another bidder, of the following: (i) 42,367,020 shares (the “Shares”) of Holding Protel, S.A. de C.V. (“Protel”) owned by the Seller, of which 22,224,897 shares are Series B voting shares (represented by stock certificate No. 76) and 20,142,123 shares are Series N neutral / non-voting shares (represented by stock certificate No. 77); (ii) the Seller’s rights, title and interest in and to the Indefeasible Right of Use (IRU) Agreement dated December 11, 2001 between Operadora Protel, S.A. de C.V. (“Operadora”) and the Seller (as amended, the “IRU Agreement”); (iii) certain credits relating to the provision of telecommunications services by Operadora to the Seller arising out of that certain Letter of Agreement dated December 11, 2001 (as amended, the “Letter Agreement”) which credits were approximately US\$4,747,466 as of March 18, 2005 (the “Credits”); and (iv) certain contracts identified in Exhibit A (the “Contracts” and together with the Shares, IRU Agreement, and Credits, and any rights that Seller may have in the equipment relating to the IRU Agreement, the “Assets”) to that certain Asset Purchase Agreement dated March 18, 2005 by and between the Seller and the Buyer (the “Agreement”); (b) setting April 14, 2005 at 9:30 a.m. as the date of the auction (the “Auction”) for the sale of the Assets and April 15, 2005 at 9:30 a.m., or such other date as the Court’s docket may accommodate, as the date of the hearing to consider approval of the sale (the “Sale Hearing”); (c) approving the Sellers’ proposed notice of the respective dates, times and places for the Auction and the Sale Hearing (the “Notice of the Auction

and Sale Hearing”) substantially in the form attached to the Sale Procedure Motion as Exhibit A; (d) providing the Buyer with expense reimbursement or a break-up fee and other bid protections; and (e) granting such other relief as is fair and equitable. A copy of the Agreement is attached to the Sale Procedure Motion as Exhibit B.

On March __, 2005, the Court entered its Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets Owned by the Debtors, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief (Shares of Holding Protel S.A. de C.V. and Related Assets) [Docket No. __] (the “Sale Procedures Order”). In the Sale Procedure Order, the Court approved the Sales Procedures that are attached hereto as **Attachment 1**.

All requests for information concerning the Assets or the Sale Procedures should be directed in writing to Vinson & Elkins L.L.P., Attn.: William L. Wallander, Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas, 75201.

Dated: March __, 2005

Respectfully submitted,

VINSON & ELKINS L.L.P.
2001 Ross Avenue
3700 Trammell Crow Center
Dallas, Texas 75201
Tel: (214) 661-7299
Fax: (214) 220-7716

By: _____
Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
Richard H. London, SBT #24032678

ATTORNEYS FOR THE DEBTORS

CERTIFICATE OF SERVICE

This is to certify that on March __, 2005, 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 e-mail service.

One of Counsel

ATTACHMENT 1

[TO BE ATTACHED]

EXHIBIT B

Sale Procedures

A. Assets to be Sold

The Assets to be sold consist of the following: (i) 42,367,020 shares (the "Shares") of Holding Protel, S.A. de C.V. ("Protel") owned by the Seller, of which 22,224,897 shares are Series B voting shares (represented by stock certificate No. 76) and 20,142,123 shares are Series N neutral / non-voting shares (represented by stock certificate No. 77); (ii) the Seller's rights, title and interest in and to the Indefeasible Right of Use (IRU) Agreement dated December 11, 2001 between Operadora Protel, S.A. de C.V. ("Operadora") and the Seller (as amended, the "IRU Agreement"); (iii) certain credits relating to the provision of telecommunications services by Operadora to the Seller arising out of that certain Letter of Agreement dated December 11, 2001 (as amended, the "Letter Agreement") which credits were approximately US\$4,747,466 as of March 18, 2005 (the "Credits"); and (iv) certain contracts identified in Exhibit A (the "Contracts" and together with the Shares, IRU Agreement, and Credits, and any rights that Seller may have in the equipment relating to the IRU Agreement, the "Assets") to that certain Asset Purchase Agreement dated March 18, 2005 by and between the Seller and the Buyer (the "Agreement"). The Assets shall be sold free and clear of all claims, liens, encumbrances, and interests. The Seller shall consider at an auction (the "Auction"), bids for the Assets in a single bid from a single bidder (or from two or more persons acting together pursuant to a non-collusive agreement between them). An initial bid in the amount of US\$1,600,000 in cash for the Assets has been received from the Buyer, the terms of which are set forth in the Agreement.

B. Selection of Qualified Bidders

Of the parties willing to submit a cash bid subject to the minimum overbid requirement set forth below (the "Potential Purchasers"), the Seller shall select the parties who possess the necessary qualifications to bid. In order to qualify as a Potential Purchaser, such bidder shall have demonstrated its willingness to bid in accordance with these Sale Procedures and shall have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the confidentiality agreement by and between the Seller and the Buyer (the "Confidentiality Agreement") (except that such agreement shall permit disclosure of the bidder's interest and proposal (but not identity) to the Buyer). The Seller shall send a form of confidentiality agreement to any Potential Purchaser.

To be a "Qualified Bid," it must be a bid:

(i) that is an all cash bid that consists of an executed version of the Agreement acceptable to the Seller (with any alterations clearly marked) except for the purchase price which is subject to the overbid requirement set forth below (the "Bidder Agreement"), and that clearly specifies the cash amount the Potential Purchaser is willing to pay;

(ii) the cash amount of which (with respect to the initial round of bidding) is not less than US\$120,000 in excess of the consideration payable by the Buyer under the Agreement and with respect to each subsequent round of bidding at the Auction is at least US\$50,000 in excess of the aggregate consideration contained in the highest standing Qualified Bid;

(iii) that is accompanied by reasonably satisfactory evidence of committed financing or other ability to perform the transaction and provides an earnest money deposit of US\$500,000 (the "Earnest Money Deposit") in the form of a certified check or wire transfer to the Seller in care of The Bank of New York Trust Company, N.A. as escrow agent, such Earnest Money Deposit being refundable if the bid is not approved by the Bankruptcy Court as the highest bid;

(iv) that provides sufficient indicia that such potential bidder or its representative is legally empowered, by power of attorney or otherwise, and financially capable to (A) bid on behalf of such bidder; and (B) complete and sign, on behalf of such bidder, a binding and enforceable asset purchase agreement; and (C) not contain any contingencies to the validity, effectiveness, and/or binding nature of the offer including, without limitation, contingencies for financing, due diligence, or inspection; and

(v) that meets all other requirements of these Sale Procedures.

In order for a Potential Purchaser to qualify as a "Qualified Bidder" and be permitted to bid on the Assets, in the Seller's discretion, such Potential Purchaser:

(i) must have been deemed "financially qualified" by the Seller which at a minimum shall require any such Potential Purchaser to (x) provide documentation establishing that such person has sufficient cash on hand or a binding financial commitment from an established and financially sound financial institution to ensure such Potential Purchaser's ability to meet its commitment pursuant to its bid and to close the transaction within the time frame established, and (y) demonstrate to the Seller's satisfaction that it has the legal capacity to complete the sale it is proposing and to satisfy the conditions under the Bidder Agreement;

(ii) must have delivered to the Seller a Qualified Bid; and

(iii) must meet all other requirements of the Sale Procedures.

No Potential Purchaser will be a Qualified Bidder and have its bid considered by the Seller unless such party has met the above requirements. The Seller shall promptly notify any Potential Purchaser who is selected as a Qualified Bidder of such selection. The Seller shall also notify the Buyer of such selections.

C. The Agreement and Due Diligence

The Seller shall send to each Potential Purchaser a copy of the Agreement. The Seller will provide Potential Purchasers that have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the

Confidentiality Agreement reasonable access to the Seller's books, records, facilities, key personnel, officers, independent accountants and legal counsel for the purpose of conducting due diligence. Any information provided by or on behalf of the Seller to a Potential Purchaser shall also be provided, at the same time, to Buyer if such information has not already been provided to Buyer. The Seller is not required to provide confidential or proprietary information to a competitor if the Seller reasonably believes that such disclosure would be detrimental to the interests and operation of the Seller or any of the Seller's affiliates. The Seller will permit the Buyer and Potential Purchasers who have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the Confidentiality Agreement to review agreements that contain provisions limiting or prohibiting the disclosure of certain information.

D. Submission of Bids

Any Potential Purchaser desiring to submit a Qualified Bid for the Assets (a "Bid") and to participate in the Auction shall deliver its Bid in writing to Vinson & Elkins L.L.P., Attn: William L. Wallander, 3700 Trammel Crow Center, 2001 Ross Avenue, Dallas, Texas 75201 such that the Bid is actually received not later than April 12, 2005 at 12:00 p.m. prevailing Central Time.

No Bid received at or prior to the Auction shall under any circumstances, (i) be deemed to be higher and better cash bid than the cash bid of the Buyer or (ii) be accepted by the Seller, unless, among other things, such Bid is for cash consideration of US\$120,000 more than the consideration payable by the Buyer under the Agreement.

E. The Auction and Selection of the Successful Bid

The Auction will be conducted at the offices of Vinson & Elkins L.L.P., 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, or at another location as may be timely disclosed by the Seller to Qualified Bidders, and shall commence on April 14, 2005 at 9:30 a.m. (the "Auction Date"). All Qualified Bidders must appear in person at the Auction, or through a duly authorized representative. The Seller shall consider Qualified Bids at the Auction in a single bid from a single bidder (or from two or more persons acting together pursuant to a non-collusive agreement between them). If multiple Qualified Bids satisfying all Auction requirements are received, each party shall have the right to continue to improve its bid at the Auction. The initial Bid received by the Seller from Qualified Bidders prior to the Auction must be for such cash consideration of US\$120,000 more than the consideration payable under the Agreement. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments of US\$50,000. In calculating the highest and best bid for the Assets, the Buyer shall receive full credit for the amount of the Break-Up Fee (as defined below).

The Auction shall conclude as determined by the Seller after consideration of the bids received. At the conclusion of the Auction, and subject to Court approval following the Auction, the successful bid shall be selected by the Seller (the "Successful Bid").

Within six hours of the conclusion of the Auction, the entity that made the highest and best Bid or the entities that together (non-collusively) made the highest and best Bid (the "Successful Bidder") shall complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which such Bid were made. Within forty-eight hours of the conclusion of the Auction, the Successful Bidder shall provide updated financial information showing its ability to close and it shall update and provide such additional financial information as required by the Debtors.

F. Break-Up Fee

The break-up fee in the amount of US\$20,000 (the "Break-Up Fee") shall be paid in the event the Buyer is not the Successful Bidder and a competing bidder is selected as the Successful Bidder.

G. Overbid Protection

Any Bid submitted by a party other than the Purchaser must be at least US\$120,000, in cash in excess of the consideration payable to the Seller under the Agreement.

H. Objections

Objections to the relief requested in the Motion for Authority to Sell Assets Free and Clear of All Liens, Claims, Encumbrances, and Interests and Grant Related Relief (Shares of Holding Protel S.A. de C.V. and Related Relief) [Docket No. ___] the "Sale Motion") shall be set forth in writing and shall specify with particularity the grounds for such objections or other statements of position and shall be filed with the Court by April 12, 2005 at 12:00 p.m. prevailing Central Time, and shall be served so as to be received by that same date and time on (i) the Seller at of VarTec Telecom, Inc., Attn: Michael G. Hoffman, 2440 Marsh Lane, Carrollton, Texas, 75006; (ii) the Seller's counsel at Vinson & Elkins L.L.P., Attn: William L. Wallander, 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201; (iii) the RTFC's counsel at Fulbright & Jaworski L.L.P., Attn: Toby L. Gerber, 2200 Ross Avenue, Suite 2800, Dallas, Texas 75201; (iv) the Committee's counsel at Carrington, Coleman, Sloman & Blumenthal, L.L.P., Attn: Stephen A. Goodwin, 200 Crescent Court, Suite 1500, Dallas, Texas 75201; and (v) the Buyer's counsel at J. Nihill P.C., Attn: Julian D. Nihill, 4514 Cole Avenue, Suite 806, Dallas, Texas, 75205.

I. Court Approval

A hearing on the relief requested in the Sale Motion (the "Sale Hearing") will be held before the Honorable Steven A. Felsenthal, Chief Bankruptcy Judge on April 15, 2005, at 9:30 a.m. (prevailing Central Time). The sale of the Assets will be subject to the entry of an order of the Bankruptcy Court approving the Sale reasonably acceptable to the Seller and the Successful Bidder (the "Sale Order").

J. Closing

The closing of the sale of the Assets shall occur not later than 10:00 a.m., prevailing Central Time on the second business day after the Court has entered the Sale Order.

K. Failure to Consummate Purchase

If the Successful Bidder fails to consummate the purchase of the Assets, and such failure to consummate the purchase is the result of a breach by such Successful Bidder, the Earnest Money Deposit of such Successful Bidder shall be forfeited to the Seller, no Break-Up Fee shall be payable, and the Seller shall have the right to seek all available damages from and pursue all available remedies against such defaulting Successful Bidder. In the event that the Successful Bidder fails to consummate the purchase of the Assets, the Debtors shall have the right to consummate the purchase of the Assets with any other Qualified Bidder on the terms of its final Bid.

L. Return of Earnest Money Deposit.

If a Successful Bid has been selected and the sale of the Assets to a Successful Bidder has been approved by the Court, the Earnest Money Deposit of the other Qualified Bidders, other than the Buyer (whose Earnest Money Deposit shall be governed by the Agreement), who are not successful bidders shall be returned. The Earnest Money Deposit of the Successful Bidder shall be applied to the purchase price at the closing of the transaction contemplated by the Bidder Agreement.