U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
ENTERED
TAWANA C. MARSHALL, CLERK
THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

The following constitutes the order of the Court.

Signed May 5, 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 AUTHORIZING SALE OF ASSETS FREE AND CLEAR OF ALL INTERESTS AND GRANTING RELATED RELIEF (SHARES OF VARTEC TELECOM CANADA, INC. AND EXCEL TELECOMMUNCIATIONS (CANADA) INC.) AND DIRECTING APPLICATION OF SAME

On May 5, 2005, the Court considered the Motion for Authority to Sell Assets Free and Clear of All Interests and Grant Related Relief (Shares of VarTec Telecom Canada, Inc. and Excel Telecommunications (Canada) Inc.) [Docket No. 1186] (the "Motion")[1] filed by the above-referenced debtors (the "Debtors").

[1] Capitalized terms not defined herein shall have the meaning given to them in the Motion.

THE COURT FINDS AND CONCLUDES THAT:

A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334.

B. Proper, timely, adequate and sufficient notice of the Motion has been provided in accordance with Bankruptcy Code §§ 102(1) and 363 and Bankruptcy Rules 2002, 6004 and 6006 and no other or further notice of the Motion is required.

C. A reasonable opportunity to object or to be heard regarding the relief requested in the Motion has been afforded to all interested persons and entities.

D. The terms of the Agreement, including any amendments, supplements, and modifications thereto, are fair and reasonable in all respects and the terms of the Order shall not modify the terms of the Agreement.

E. The sale of the Assets is an exercise of the Debtors' sound business judgment.

F. The purchase offer in the Agreement is the highest and best offer received for the purchase of the Assets.

G. The transfers to the Buyer pursuant to the Agreement are valid, legal and effective transfers of the Assets to the Buyer, free and clear of all interests pursuant to Bankruptcy Code § 363(f).

H. The Sale Procedures and the Auction (as such terms are defined in the Sale Procedures Motion) have been conducted in "good faith" and the Buyer is a buyer in good faith for value entitled to the protections of Bankruptcy Code § 363(m) and any applicable or similar bankruptcy and non-bankruptcy law.

I. The Buyer is not acquiring the Assets with a view toward the resale or distribution of any part thereof in violation of the Securities Act of 1933 (the "Securities Act").

J. The Buyer is experienced in evaluating and investing in securities of companies such as VarTec Canada and Excel Canada and acknowledges that it can bear the economic risk of its investment, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment in the Assets.

K. The Buyer has received all the information it considers necessary or appropriate for deciding whether to purchase the Assets. The Buyer further represents that it has had an opportunity to ask questions and receive answers from VarTec Canada and Excel Canada regarding the Assets and the business, properties, prospects and financial condition of VarTec Canada and Excel Canada.

L. The Buyer is a sophisticated investor and is, and/or is owned by investors who are, "accredited investors" as defined in Rule 501(a) under Regulation D of the Securities Act of 1933.

M. As a result of the findings in paragraphs I, J, K, and L, and without limitation as to any of the applicable exemptions under the Bankruptcy Code or applicable law, the offer (including the auction) and the sale of the Assets by the Buyer to the Seller is exempt from registration under the Securities Act of 1933.

N. The relief requested in the Motion is in the best interests of the Debtors and their creditors and estates.

THEREFORE, IT IS ORDERED THAT:

1. The Motion is granted and approved in all respects.

2. All objections to the Motion not withdrawn are overruled and denied.

3. Where appropriate herein, findings of fact shall be deemed conclusions of law and conclusions of law shall be deemed findings of fact.

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 are hereby authorized and directed to take any and all actions necessary or appropriate to:

a. consummate the proposed sale to the Buyer in accordance with the terms and conditions set forth in the Agreement and the Sale Procedures, including, without limitation, to convey the Assets to the Buyer; and

b. perform, consummate, implement and close fully the Sale to the Buyer of the Assets, and to execute and deliver all additional instruments and documents that may be reasonably necessary or desirable to implement such sale.

6. The Debtors and each other person having duties or responsibilities under the Agreement or this Order, and their respective directors, officers, general partners, agents, representatives, and attorneys, are authorized and empowered to carry out all of the provisions of the Agreement, to issue, execute, deliver, file and record, as appropriate, the Agreement, and any related agreements, and to take any action contemplated by the Agreement or this Order, and to issue, execute, deliver, file and record, as appropriate, such other contracts, instruments, releases, deeds, bills of sale, assignments, or other agreements, and to perform such other acts as are consistent

with, and necessary or appropriate to, implement, effectuate and consummate the Agreement and this Order and the transactions contemplated thereby and hereby, all without further application to, or order of, the Court or further action by their respective directors or stockholders, and with like effect as if such actions had been taken by unanimous action of the respective directors and stockholders of such entities. The Secretary or any Assistant Secretary of the Seller shall be, and hereby is, authorized to certify or attest to any of the foregoing actions. Without limiting the generality of the foregoing, this Order shall constitute all approvals and consents, if any, required by applicable business corporation, trust and other laws of applicable governmental units with respect to the implementation and consummation of the Agreement and this Order and the transactions contemplated thereby and hereby.

7. The Buyer is a good faith purchaser entitled to the protections afforded a purchaser pursuant to Bankruptcy Code § 363(m) and any applicable or similar bankruptcy and non-bankruptcy law, and there have not been any violations of Bankruptcy Code § 363(n) as a result of the approval of the sale of the Assets to the Buyer pursuant to the Agreement.

8. The sale of the Assets to the Buyer shall be, and hereby is, free and clear of any and all claims, liens, encumbrances, and interests.

9. Effective upon the transfer of the Assets to the Buyer, any claims, liens, encumbrances, and interests against the Assets shall attach to the proceeds of the Sale (the "Proceeds") with the same force, validity, priority and effect, if any, as the claims, liens, encumbrances, and interests formerly had against the Assets, if any, subject to the Debtors' ability to challenge the extent, validity, priority and effect of the claims,

liens, encumbrances, and interests and subject to and as otherwise provided in any other order of this Court in these Cases. The Proceeds shall be paid to the Seller, for the benefit of the Rural Telephone Finance Cooperative ("RTFC"), as hereinafter described, at closing, and the Net Proceeds (as defined in the First Amended and Restated Credit Agreement dated as of October 7, 2004, as amended ("DIPFA")), (with any amounts withheld from the Proceeds to be in accordance with DIPFA), less the Escrow Amount (as defined below), shall then be transferred by the Seller to RTFC and provisionally applied by RTFC, all in accordance with the terms and provisions of DIPFA, as approved in the Final Order Authorizing Post-Petition Financing, Granting Senior Liens and Priority Administrative Expense Status, Authorizing Use of Cash Collateral and Modifying the Automatic Stay, which was entered on January 12, 2005 (the "DIP Financing Order"), provided that all rights and remedies of all interested parties, if any, to object to, seek avoidance of or subordination of, and assert defenses, offsets, recoupment rights, and counterclaims to any lien, claim, right, interest, and/or encumbrance asserted against the Proceeds are hereby expressly preserved such that RTFC shall be obligated to pay such Proceeds to the Debtors, as determined by this Court, in the event of a final determination that RTFC is not entitled to receive same (the "Reservation Provision").

10. Buyer shall deposit 37% of the Purchase Price (the "Escrow Amount") into an escrow account (the "Escrow Account") with Bank of New York Trust Company, N.A. (the "Escrow Agent"), for the purpose of setting up a reserve to fund potential tax obligations of Canada (Income Tax Act (Canada)) and Quebec (Taxation Act (Quebec)) (together, the "Canadian Tax Laws") in connection with the sale of the Assets to the

Buyer (the "Tax Reserve"). Such reserve shall be subject to any claims, liens, encumbrances, and interests with the same force, validity, priority and effect, if any, as such claims, liens, encumbrances, and interests formerly had against the Assets, if any, subject to the Reservation Provision. Immediately following the Closing, Seller shall commence proceedings to obtain from the applicable taxing authorities of Canada and Quebec tax certificates showing that the sale of the Assets to Buyer is exempt from applicable Canadian Tax Laws (the "Tax Exemption Certificates"). Upon receipt of the applicable Tax Exemption Certificate, that portion of the Tax Reserve which is exempt shall be released by the Escrow Agent to the Seller, for the benefit of RTFC, and paid to RTFC for provisional application to its claims in accordance with the terms and provisions of DIPFA, as approved in the DIP Financing Order subject to the Reservation Provision. If any portion of the Tax Reserve is required to be paid to the applicable taxing authorities of Canada or Quebec, then RTFC's liens shall attach to any right of Seller right to a tax refund in connection with same, and to any proceeds thereof (the "Tax Refund"). Any recovery of the Tax Refund by the Seller shall be paid to RTFC for provisional application against its claims in accordance with the terms and provisions of DIPFA, as approved in the DIP Financing Order subject to the Reservation Provision

11. This Order is and shall be effective as a determination that, upon transfer of the Assets to the Buyer, all interests existing as to the Assets conveyed to the Buyer have been and hereby are terminated and declared to be unconditionally released, discharged and terminated, and such determination shall be binding upon and govern the acts of all entities, including all filing agents, filing officers, administrative agencies or units, governmental departments or units, secretaries of state, federal, state and local

officials and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to the Assets conveyed to the Buyer. The Buyer and the Debtors shall take such further steps and execute such further documents, assignments, instruments and papers as shall be reasonably requested by the other to implement and effectuate the transactions contemplated in this paragraph. All interests of record as of the date of this Order shall be forthwith removed and stricken as against the Assets. All entities described in this paragraph are authorized and specifically directed to strike all such recorded liens, claims, rights, interests and encumbrances against the Assets from their records, official and otherwise.

12. Subject to the provisions of this Order, if any person or entity that has filed statements or other documents or agreements evidencing claims, liens, encumbrances, or interests in any of the Assets does not deliver to the Debtors or the Buyer prior to the closing of the sale of the Assets to the Buyer, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary for the purpose of documenting the release of all interests and other interests that the person or entity has or may assert with respect to any of the Assets, the Debtors and/or the Buyer are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of such persons or entity with respect to any of the Assets.

13. On the Closing Date (as defined in the Agreement), all right, title and interest in and to the Assets shall be immediately vested in the Buyer pursuant to

Bankruptcy Code §§ 363(b) and (f) free and clear of any and all claims, liens, encumbrances, and interests. The Debtors will cooperate with the Buyer and the Buyer will cooperate with the Debtors, in each case to ensure that the transaction contemplated in the Agreement is consummated, and the Debtors will make such modifications or supplements to any bill of sale or other document executed in connection with the closing to facilitate such consummation as contemplated by the Agreement (including, without limitation, adding such specific assets, to such documents, as may be reasonably requested by the Buyer pursuant to the terms of the Agreement).

14. All entities who are presently, or on the Closing Date may be, in possession of any of the Assets are hereby directed to surrender possession of the Assets to the Buyer on the Closing Date.

15. The Debtors' creditors are authorized and directed to execute such documents and take all other actions as may be necessary to release their interests in or against the Assets on the Closing Date, if any, as such interests may have been recorded or may otherwise exist.

16. Each and every term and provision of this Order shall be binding in all respects upon the Buyer, the Debtors, the Debtors' bankruptcy estates, their creditors, all individuals or entities holding an interest in the Debtors, including, without limitation, any entity purporting to hold interests in the Assets.

17. The Agreement may be modified, amended, or supplemented by the parties thereto, in a writing signed by both parties, in accordance with the terms thereof without further order of the Court, provided that any such modification, amendment, or

supplement is not material or adverse to the interests of the estate. The terms and provisions of this Order shall inure to the benefit of and shall be fully enforceable by the Buyer's successors and assigns.

18. On the Closing Date, this Order will be construed and constitute for any and all purposes a full and complete general assignment, conveyance and transfer of the Assets or a bill of sale transferring good and marketable title in such Assets to the Buyer as set forth in the Agreement. Each and every federal, state, and local governmental agency or department shall be, and it hereby is, directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement. On the Closing Date, this Order also shall be construed and constitute for any and all purposes a complete and general assignment of all right, title and interest of the Debtors to the Buyer in and to any unpaid awards or other payments from third parties (including insurance companies) arising out of the destruction, taking or pending or threatened taking of the Assets conveyed to the Buyer free and clear of any encumbrance on such award or payments as set forth in the Agreement.

19. In accordance with Bankruptcy Code § 1146(c), the making or delivery of any instrument or transfer, including the filing of any deed or other document of transfer to evidence, effectuate or perfect the rights, transfers and interest contemplated by the Agreement, shall be in contemplation of a plan or plans of reorganization to be confirmed in these Cases, and, as such, shall be free and clear or any stamp tax, transfer tax, bulk sales tax, or similar tax. The sale contemplated hereunder shall not

be subject to any bulk sales laws. Any instruments, orders and agreements transferring the Assets to the Buyer shall contain the following endorsement:

> "Because this [instrument] has been authorized pursuant to an order of the United States Bankruptcy Court for the Northern District of Texas, in contemplation of a plan of reorganization of the grantor, it is exempt from transfer taxes, stamp taxes or similar taxes pursuant to 11 U.S.C. § 1146(c)."

20. This Court shall retain jurisdiction over any matter or dispute arising from or relating to the implementation of this Order and to:

a. interpret, implement and enforce the terms and provisions of this Order and the terms of the Agreement, all amendments thereto and any waivers and consents thereunder and of each of the agreements executed in connection therewith or related thereto;

b. compel delivery of the Assets to the Buyer; and

c. adjudicate all issues concerning alleged liens and other interests and any other alleged interests in and to the Assets or the proceeds of the sale, including the extent, validity, enforceability, priority and nature of all such alleged liens and other interests relating to the proceeds of the sale.

21. This Order shall be effective immediately upon entry pursuant to the Federal Rules of Bankruptcy Procedure. The Court also hereby waives the 10-day stays set forth in Bankruptcy Rule 6004(g) in order that the transactions described herein may be closed prior to the expiration of such 10-day periods.

 # # # END OF ORDER # # #

Upon entry, return copy to:

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ATTORNEYS FOR THE DEBTORS