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 BUDGET EXTENSION/AMENDMENT

On January 12, 2005, the Court entered its Final Order Authorizing Post-Petition Financing, Granting Senior Liens and Priority Administrative Expense Status, Authorizing Use of Cash Collateral and Modifying the Automatic Stay [Docket No. 450] (the "Final Order").[1] Paragraph 30 of the Final Order provides, "The Budget may be extended beyond the period currently contemplated by filing a notice of same with this Court, provided that the Debtors, Committee and RTFC have agreed to the terms of same." *Final Order* at 28.

Pursuant to the Final Order, the Debtors, the RTFC, and the Committee have agreed to an extended and amended Budget in the amounts as set forth on **Exhibit A** attached hereto.

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

Dated: July 5, 2005

Respectfully submitted,

VINSON & ELKINS L.L.P.
Trammell Crow Center
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
Tel: 214.661.7299
Fax: 214.220.7716

By: *<u>/s/ Richard H. London</u>*
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 July 5, 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.

<u>/s/ Richard H. London</u>
One of Counsel

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VarTec Telecom, Inc.

Forecast Period (weeks ending 06/26 - 09/04)

CASH SUMMARY	Apr-10	Apr-17	Apr-24	May-01	May-08	May-15	May-22	May-29	Jun-05	Jun-12	Jun-19	Jun-26	Jul-03	Jul-10	Jul-17	Jul-24	Jul-31	Aug-07	Aug-14	Aug-21	Aug-28	Sep-04
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
BEGINNING CASH BALANCE	$ 2,958	$ 9,088	$ 3,208	$ 2,137	$ 2,297	$ 5,301	$ 3,242	$ 2,413	$ 1,963	$ 5,891	$ 1,467	$ 1,885	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611
Receipts Assumptions																						
I. RECEIPTS																						
DIAL AROUND & PRESUB LD	11,914	3,949	3,768	2,470	8,903	7,052	3,432	2,390	2,766	9,323	2,897	3,141	3,008	4,700	6,307	3,489	5,301	3,998	5,035	3,304	3,071	4,028
LOCAL & DSL	3,733	2,867	2,917	3,443	3,251	2,841	2,782	3,063	2,462	3,737	2,478	2,814	1,608	2,627	2,609	2,381	2,663	1,878	2,024	1,852	2,006	1,736
VARTEC SOLUTIONS	1,866	981	2,022	3,194	2,097	800	798	4,135	2,024	710	1,436	1,808	2,481	2,027	1,142	1,644	3,089	1,865	639	972	1,834	2,248
ISP, PAGING & WIRELESS	287	295	180	312	456	379	307	283	260	296	230	315	295	273	373	278	454	280	240	224	269	224
MLM SALES & MARKETING	(19)	(14)	(39)	(1)	8	1	(1)	(5)	(1)	(12)	(27)	(22)	(13)	20	19	13	21	29	34	28	33	24
OTHER RECEIPTS & ADJUSTMENTS	117	157	1,656	102	5,419	1,186	31	412	1,297	33	60	96	25	25	25	25	25	25	25	25	25	25
TOTAL RECEIPTS	17,896	8,236	10,505	9,519	20,134	12,260	7,348	10,278	8,808	14,087	7,073	8,151	7,405	9,672	10,475	7,830	11,553	8,075	7,997	6,405	7,238	8,285
II. DISBURSEMENTS																						
LINE COST	(8,304)	(1,223)	(9,081)	(1,180)	(9,755)	(1,296)	(8,413)	(910)	(8,510)	(1,767)	(8,188)	(1,330)	(500)	(9,643)	(1,250)	(8,284)	(1,250)	(8,567)	(1,250)	(8,829)	(500)	(500)
ACCOUNTS PAYABLE	(401)	(1,274)	(201)	(1,137)	(624)	(335)	(599)	(1,222)	(315)	(873)	(544)	(417)	(1,012)	(755)	(755)	(755)	(1,005)	(755)	(755)	(755)	(755)	(832)
DIRECT MARKETING	(73)	(3)	-	(8)	(5)	(48)	-	-	-	(6)	(3)	-	-	(40)	-	(40)	-	(40)	-	(40)	-	-
TELEMARKETING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAYROLL	-	(1,857)	-	(1,988)	(65)	(1,888)	-	(1,750)	(10)	(1,750)	-	(1,753)	-	(1,612)	-	(1,581)	-	(1,550)	-	(1,519)	-	(1,488)
BENEFITS	(235)	(92)	(270)	(198)	(346)	(174)	(120)	(328)	(366)	(31)	(241)	(113)	(133)	(133)	(248)	(133)	(246)	(133)	(244)	(133)	(241)	(133)
SEVERANCE & VACATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COMMISSIONS (AGENT)	-	(327)	(69)	-	-	(368)	(51)	-	(7)	(2)	(418)	(48)	-	-	(400)	-	-	-	-	(400)	-	-
TAXES USAGE BASED (PASS THROUGH)	(142)	(533)	(1,048)	(1,062)	1	(670)	(876)	(943)	(12)	(554)	(1,013)	(968)	(241)	(189)	(696)	(1,117)	(886)	(87)	(591)	(1,031)	(880)	(285)
TAX EXPENSES	(61)	(1,584)	(184)	(65)	(2)	(755)	(69)	(182)	(7)	(15)	(2,081)	(84)	(41)	(66)	(1,500)	(72)	(126)	-	(66)	(1,566)	(70)	(37)
REAL ESTATE	-	(60)	(35)	(740)	(57)	(39)	(51)	(621)	(132)	(50)	(77)	(70)	(550)	(53)	(68)	(50)	(525)	(53)	(68)	(50)	(50)	(525)
LEGAL	-	(21)	(0)	0	-	0	(64)	-	(35)	(9)	(10)	(28)	(40)	-	(50)	-	(40)	-	-	(50)	-	(40)
OTHER DISBURSEMENTS	-	-	-	(127)	-	-	-	(1,713)	(655)	-	-	(124)	(312)	(118)	-	-	(300)	-	-	-	-	-
RESTRUCTURING	(1,890)	(3)	(1,360)	(484)	(159)	(2,197)	-	(829)	(263)	(670)	(260)	(545)	(671)	(1,597)	-	(728)	(824)	(797)	(500)	(280)	(530)	(1,077)
CONTINGENCY	-	-	-	-	-	-	-	-	-	-	-	-	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
STAY BONUS	(75)	-	-	(262)	-	-	-	-	-	-	-	-	(73)	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	(11,180)	(6,977)	(12,249)	(7,252)	(11,011)	(7,769)	(10,241)	(8,498)	(10,313)	(5,727)	(12,836)	(5,479)	(3,672)	(14,306)	(5,067)	(12,860)	(5,303)	(12,083)	(3,574)	(14,754)	(3,125)	(5,018)
III. INVESTING																						
CAPITAL SPENDING	-	-	-	-	-	-	(16)	-	-	-	-	-	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
CAPITAL LEASES & EQUIPMENT	-	-	(8)	(69)	-	(106)	(8)	-	-	-	(8)	-	(102)	-	-	(35)	(18)	-	-	-	(35)	(18)
SALE OF NON-CORE ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	-	-	(8)	(69)	-	(106)	(25)	-	-	-	(8)	-	(112)	(10)	(10)	(45)	(28)	(10)	(10)	(10)	(45)	(28)
IV. DEBT SERVICE																						
INTEREST PAYMENTS	-	-	-	(912)	-	-	-	-	(916)	-	-	-	(839)	-	-	(40)	(680)	-	-	-	-	(844)
RTFC TERM LOAN ONE PAYMENTS	(500)	-	(1,903)	-	(4,875)	(1,162)	-	-	-	-	-	-	-	(2,355)	-	-	-	-	-	-	-	-
RTFC TERM LOAN TWO PAYMENTS	-	-	-	-	-	(1,590)	(4,172)	-	-	(760)	(1,951)	-	(787)	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE	(500)	-	(1,903)	(912)	(4,875)	(2,752)	(4,172)	-	(916)	(760)	(1,951)	-	(1,626)	(2,355)	-	(40)	(680)	-	-	-	-	(844)
OPERATING CASH FLOW	6,216	1,259	(3,656)	1,286	4,248	1,632	(7,090)	1,780	(2,421)	7,600	(7,722)	2,672	1,994	(6,999)	5,398	(5,115)	5,543	(4,018)	4,413	(8,359)	4,068	2,395
IV. REVOLVING CREDIT LINES																						
SET ASIDE/CASH COLLATERAL ACCOUNT	-	-	-	-	-	(2,557)	2,557	-	-	(4,200)	4,200	-	-	-	-	-	-	-	-	-	-	-
WORKING CAPITAL RESERVE DRAWDOWN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FREE CASH FLOW TO FUND WORKING CAPITAL RESERVE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP BORROWINGS TO REPLENISH WORKING CAPITAL RESERVE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP BORROWINGS FOR GENERAL DISBURSEMENTS	12,100	7,900	13,100	7,900	11,100	800	5,600	7,400	13,100	3,700	5,100	5,500	4,623	16,671	5,077	12,945	6,010	12,093	3,584	14,764	3,170	5,890
DIP REPAYMENTS	(12,187)	(15,039)	(10,515)	(9,026)	(12,345)	(1,934)	(1,895)	(9,630)	(6,751)	(11,524)	(1,160)	(7,445)	(6,618)	(9,672)	(10,475)	(7,830)	(11,553)	(8,075)	(7,997)	(6,405)	(7,238)	(8,285)
TOTAL REVOLVING CREDIT LINES	(87)	(7,139)	2,585	(1,126)	(1,245)	(3,691)	6,262	(2,230)	6,349	(12,024)	8,140	(1,945)	(1,994)	6,999	(5,398)	5,115	(5,543)	4,018	(4,413)	8,359	(4,068)	(2,395)
ENDING CASH BALANCE	$ 9,088	$ 3,208	$ 2,137	$ 2,297	$ 5,301	$ 3,242	$ 2,413	$ 1,963	$ 5,891	$ 1,467	$ 1,885	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611
RTFC LOANS																						
RTFC TERM LOAN ONE	(123,156)	(123,156)	(121,253)	(121,253)	(116,378)	(115,216)	(115,216)	(115,216)	(115,216)	(115,216)	(115,216)	(115,216)	(115,216)	(112,861)	(112,861)	(112,861)	(112,861)	(112,861)	(112,861)	(112,861)	(112,861)	(112,861)
RTFC TERM LOAN TWO	(39,490)	(39,490)	(39,490)	(39,490)	(39,490)	(37,900)	(33,728)	(33,728)	(33,728)	(32,967)	(31,016)	(31,016)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)
RTFC DIP LOAN BALANCE	(8,059)	(920)	(3,505)	(2,379)	(1,134)	(0)	(3,705)	(1,474)	(7,823)	-	(3,940)	(1,994)	-	(6,999)	(1,602)	(6,716)	(1,173)	(5,191)	(778)	(9,137)	(5,069)	(2,674)
TOTAL RTFC BALANCE	(170,705)	(163,566)	(164,248)	(163,122)	(157,002)	(153,116)	(152,649)	(150,419)	(156,767)	(148,184)	(150,172)	(148,227)	(145,446)	(150,090)	(144,692)	(149,807)	(144,264)	(148,282)	(143,869)	(152,227)	(148,160)	(145,764)
SET ASIDE/CASH COLLATERAL ACCOUNT	-	-	-	-	-	2,557	-	-	-	4,200	-	-	-	-	-	-	-	-	-	-	-	-

VarTec Telecom, Inc.

Forecast Period (weeks ending 06/26 - 09/04)

PROCEEDS AVAILABLE UNDER THE DIP AND WORKING CAPITAL RESERVE	Apr-10 Actual	Apr-17 Actual	Apr-24 Actual	May-01 Actual	May-08 Actual	May-15 Actual	May-22 Actual	May-29 Actual	Jun-05 Actual	Jun-12 Actual	Jun-19 Actual	Jun-26 Actual
MAXIMUM DIP AMOUNT	22,500	22,500	22,500	22,500	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
BEGINNING DIP AVAILABILITY	14,355	14,441	21,580	18,995	20,121	18,866	20,000	16,295	18,526	12,177	20,000	16,060
CHANGE IN DIP AVAILABILITY			-	-	(2,500)	-	-	-	-	-	-	
DIP BORROWINGS TO REPLENISH WORKING CAPITAL RESERVE												
DIP BORROWINGS FOR GENERAL DISBURSEMENTS	(12,100)	(7,900)	(13,100)	(7,900)	(11,100)	(800)	(5,600)	(7,400)	(13,100)	(3,700)	(5,100)	(5,500)
REPAYMENT	12,187	15,039	10,515	9,026	12,345	1,934	1,895	9,630	6,751	11,524	1,160	7,445
ENDING DIP AVAILABILITY	14,441	21,580	18,995	20,121	18,866	20,000	16,295	18,526	12,177	20,000	16,060	18,006
BEGINNING WORKING CAPITAL RESERVE AVAILABILITY	-	-	-	-	-	-	-	-	-	-	-	-
DRAW	-	-	-	-	-	-	-	-	-	-	-	-
REPAYMENT	-	-	-	-	-	-	-	-	-	-	-	-
ENDING WORKING CAPITAL RESERVE AVAILABILITY	-	-	-	-	-	-	-	-	-	-	-	-
MAX SET ASIDE AMOUNT	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
BEGINNING SET ASIDE AVAILABILITY	-	-	-	-	-	-	2,557	-	-	-	4,200	-
DRAW	-	-	-	-	-	-	(2,557)	-	-	(800)	(9,351)	-
REPAYMENT	-	-	-	-	-	2,557	-	-	-	5,000	5,151	-
ENDING SET ASIDE AVAILABILITY	-	-	-	-	-	2,557	-	-	-	4,200	-	-
TOTAL AVAILABILITY UNDER DIP, CAPITAL RESERVE & SET ASIDE	14,441	21,580	18,995	20,121	18,866	22,557	16,295	18,526	12,177	24,200	16,060	18,006
EXPECTED DRAW AVAILABILITY BASED ON TIMING	9,630	13,009	14,600	17,730	14,328	18,133	15,614	15,691	11,768	11,477	17,427	14,607

PROCEEDS AVAILABLE UNDER THE DIP AND WORKING CAPITAL RESERVE	Jul-03 Forecast	Jul-10 Forecast	Jul-17 Forecast	Jul-24 Forecast	Jul-31 Forecast	Aug-07 Forecast	Aug-14 Forecast	Aug-21 Forecast	Aug-28 Forecast	Sep-04 Forecast
MAXIMUM DIP AMOUNT	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
BEGINNING DIP AVAILABILITY	18,006	20,000	13,001	18,398	13,284	18,827	14,809	19,222	10,863	14,931
CHANGE IN DIP AVAILABILITY	-									
DIP BORROWINGS TO REPLENISH WORKING CAPITAL RESERVE										
DIP BORROWINGS FOR GENERAL DISBURSEMENTS	(4,623)	(16,671)	(5,077)	(12,945)	(6,010)	(12,093)	(3,584)	(14,764)	(3,170)	(5,890)
REPAYMENT	6,618	9,672	10,475	7,830	11,553	8,075	7,997	6,405	7,238	8,285
ENDING DIP AVAILABILITY	20,000	13,001	18,398	13,284	18,827	14,809	19,222	10,863	14,931	17,326
BEGINNING WORKING CAPITAL RESERVE AVAILABILITY	-	-	-	-	-	-	-	-	-	-
DRAW	-	-	-	-	-	-	-	-	-	-
REPAYMENT	-	-	-	-	-	-	-	-	-	-
ENDING WORKING CAPITAL RESERVE AVAILABILITY	-	-	-	-	-	-	-	-	-	-
MAX SET ASIDE AMOUNT										
BEGINNING SET ASIDE AVAILABILITY	-	-	-	-	-	-	-	-	-	-
DRAW	-	-	-	-	-	-	-	-	-	-
REPAYMENT	-	-	-	-	-	-	-	-	-	-
ENDING SET ASIDE AVAILABILITY	-	-	-	-	-	-	-	-	-	-
TOTAL AVAILABILITY UNDER DIP, CAPITAL RESERVE & SET ASIDE	20,000	13,001	18,398	13,284	18,827	14,809	19,222	10,863	14,931	17,326
EXPECTED DRAW AVAILABILITY BASED ON TIMING	18,986	10,679	13,846	10,100	14,344	10,324	15,159	10,155	11,811	14,600

VarTec Telecom, Inc.

Forecast Period (weeks ending 06/26 - 09/04)

CASH SUMMARY	NOV. 2004	DEC. 2004	JAN. 2005	FEB 2005	MARCH 2005	APRIL 2005	MAY 2005	JUNE 2005	JULY 2005	AUG 2005	Budget Total	Total Including actual
	ACTUAL							BUDGET				
	4 WEEKS	*5 WEEKS*	*4 WEEKS*	*4 WEEKS*	*5 WEEKS*	*4 WEEKS*	*4 WEEKS*	*5 WEEKS*	*4 WEEKS*	*5 WEEKS*		
BEGINNING CASH BALANCE	$ (1,545)	$ 5,007	$ 4,613	$ 2,519	$ 3,596	$ 2,958	$ 2,297	$ 1,963	$ 2,611	$ 2,611	$ 1,963	$ (1,545)
Receipts Assumptions												
I. RECEIPTS												
DIAL AROUND & PRESUB LD	9,948	10,290	19,703	20,114	23,781	22,100	21,778	21,134	19,797	19,436	60,367	188,081
LOCAL & DSL	15,254	18,289	14,660	13,605	17,361	12,960	11,937	13,100	10,280	9,496	32,877	136,942
VARTEC SOLUTIONS	5,867	13,044	9,334	7,014	13,132	8,063	7,830	8,460	7,902	7,559	23,921	88,205
ISP, PAGING & WIRELESS	3,100	2,586	1,553	1,355	1,889	1,074	1,425	1,396	1,378	1,236	4,010	16,992
MLM SALES & MARKETING	522	352	(246)	(83)	(106)	(73)	2	(76)	73	148	145	513
OTHER RECEIPTS & ADJUSTMENTS	7,552	11,251	994	2,911	20,456	2,033	7,048	1,509	100	125	1,734	53,980
TOTAL RECEIPTS	42,243	55,812	45,997	44,917	76,513	46,156	50,020	45,524	39,531	38,001	123,055	484,714
II. DISBURSEMENTS												
LINE COST	(4,689)	(56,384)	(34,452)	(23,913)	(23,109)	(19,788)	(20,374)	(20,295)	(20,426)	(19,647)	(60,368)	(243,078)
ACCOUNTS PAYABLE	(1,268)	(3,950)	(3,275)	(3,975)	(3,667)	(3,013)	(2,779)	(3,162)	(3,270)	(3,852)	(10,284)	(32,212)
DIRECT MARKETING	(1)	(58)	(28)	(6)	(219)	(84)	(52)	(9)	(80)	(80)	(169)	(618)
TELEMARKETING	-	(12)	(25)	(90)	-	-	-	-	-	-	-	(126)
PAYROLL	(4,802)	(4,309)	(4,419)	(4,159)	(6,157)	(3,845)	(3,703)	(3,513)	(3,194)	(4,558)	(11,265)	(42,658)
BENEFITS	(1,261)	(1,982)	(1,356)	(819)	(1,495)	(795)	(968)	(884)	(760)	(885)	(2,530)	(11,205)
SEVERANCE & VACATION	-	(52)	-	-	-	-	-	-	-	-	-	(52)
COMMISSIONS (AGENT)	(599)	(496)	(480)	(514)	(447)	(396)	(419)	(474)	(400)	(400)	(1,274)	(4,626)
TAXES USAGE BASED (PASS THROUGH)	(4,157)	(4,054)	(3,823)	(2,387)	(2,991)	(2,785)	(2,487)	(2,788)	(2,889)	(2,874)	(8,551)	(31,235)
TAX EXPENSES	(1,533)	(1,450)	(1,439)	(1,930)	(1,279)	(1,893)	(1,008)	(2,228)	(1,764)	(1,739)	(5,731)	(16,264)
REAL ESTATE	(1,315)	(1,921)	(935)	(728)	(992)	(835)	(767)	(878)	(696)	(746)	(2,321)	(9,813)
LEGAL	-	(35)	(5)	(77)	(117)	(21)	(63)	(122)	(90)	(90)	(302)	(621)
OTHER DISBURSEMENTS	-	(506)	726	-	(1,252)	(127)	(1,713)	(1,091)	(418)	-	(1,509)	(4,381)
RESTRUCTURING	(6)	(923)	(1,773)	(1,598)	(2,084)	(3,737)	(3,185)	(2,409)	(3,149)	(3,184)	(8,742)	(22,048)
CONTINGENCY	-	-	-	-	-	-	-	(100)	(400)	(500)	(1,000)	(1,000)
STAY BONUS	-	-	(402)	-	-	(337)	-	(73)	-	-	(73)	(813)
TOTAL DISBURSEMENTS	(19,631)	(76,131)	(51,686)	(40,195)	(43,810)	(37,657)	(37,520)	(38,027)	(37,536)	(38,555)	(114,118)	(420,749)
III. INVESTING												
CAPITAL SPENDING	-	(151)	(46)	-	(151)	-	(16)	(10)	(40)	(50)	(100)	(464)
CAPITAL LEASES & EQUIPMENT	-	(822)	(201)	(44)	(33)	(78)	(114)	(110)	(53)	(53)	(216)	(1,508)
SALE OF NON-CORE ASSETS	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	-	(973)	(247)	(44)	(184)	(78)	(131)	(120)	(93)	(103)	(316)	(1,972)
IV. DEBT SERVICE												
INTEREST PAYMENTS	-	(989)	(1,228)	(1,113)	(2,175)	(912)	-	(1,755)	(720)	(844)	(3,318)	(9,736)
RTFC TERM LOAN ONE PAYMENTS	-	(10,450)	(715)	(393)	(18,649)	(2,403)	(6,037)	-	(2,355)	-	(2,355)	(41,002)
RTFC TERM LOAN TWO PAYMENTS	(10,511)	-	-	-	-	-	(5,762)	(3,498)	-	-	(3,498)	(19,772)
TOTAL DEBT SERVICE	(10,511)	(11,439)	(1,943)	(1,506)	(20,824)	(3,315)	(11,799)	(5,253)	(3,075)	(844)	(9,172)	(70,509)
OPERATING CASH FLOW	12,100	(32,731)	(7,879)	3,171	11,695	5,106	570	2,123	(1,173)	(1,501)	(550)	(8,517)
IV. REVOLVING CREDIT LINES												
SET ASIDE/CASH COLLATERAL ACCOUNT	(5,548)	5,549	-	-	-	-	-	-	-	-	-	1
WORKING CAPITAL RESERVE DRAWDOWN	-	12,000	-	-	-	-	-	-	-	-	-	12,000
FREE CASH FLOW TO FUND WORKING CAPITAL RESERVE	-	(2,000)	-	-	-	-	-	-	-	-	-	(2,000)
DIP BORROWINGS TO REPLENISH WORKING CAPITAL RESERVE	-	2,000	-	-	-	-	-	-	-	-	-	2,000
DIP BORROWINGS FOR GENERAL DISBURSEMENTS	-	50,356	53,833	42,664	44,000	41,000	24,900	32,023	40,704	39,501	112,228	368,981
DIP REPAYMENTS	-	(35,568)	(48,049)	(44,758)	(56,333)	(46,767)	(25,804)	(33,499)	(39,531)	(38,001)	(111,030)	(368,309)
	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVOLVING CREDIT LINES	(5,548)	32,336	5,785	(2,094)	(12,333)	(5,767)	(904)	(1,475)	1,173	1,501	1,198	12,673
ENDING CASH BALANCE	$ 5,007	$ 4,613	$ 2,519	$ 3,596	$ 2,958	$ 2,297	$ 1,963	$ 2,611	$ 2,611	$ 2,611	$ 2,611	$ 2,611
RTFC LOANS												
RTFC TERM LOAN ONE	(153,863)	(143,413)	(142,832)	(142,305)	(123,656)	(121,253)	(115,216)	(115,216)	(112,861)	(112,861)	(112,861)	(112,861)
RTFC TERM LOAN TWO	(39,490)	(39,490)	(39,490)	(39,490)	(39,490)	(39,490)	(33,728)	(30,229)	(30,229)	(30,229)	(30,229)	(30,229)
RTFC DIP LOAN BALANCE	-	(16,788)	(23,681)	(20,478)	(8,145)	(2,379)	(1,474)	-	(1,173)	(2,674)	(2,674)	(2,674)
TOTAL RTFC BALANCE	(193,353)	(199,691)	(206,003)	(202,273)	(171,292)	(163,122)	(150,419)	(145,446)	(144,264)	(145,764)	(145,764)	(145,764)
SET ASIDE/CASH COLLATERAL ACCOUNT	16,690	3,874	-	-	-	-	2,557	4,200	-	-	-	-

VarTec Telecom, Inc.

Forecast Period (weeks ending 06/26 - 09/04)

	ACTUAL							BUDGET				
PROCEEDS AVAILABLE UNDER THE DIP AND WORKING CAPITAL RESERVE	NOV. 2004	DEC. 2004	JAN. 2005	FEB 2005	MARCH 2005	APRIL 2005	MAY 2005	JUNE 2005	JULY 2005	AUG 2005	Budget Total	Total Including actual
MAXIMUM DIP AMOUNT												
BEGINNING DIP AVAILABILITY	20,000	20,000	3,212	7,428	9,522	14,355	20,121	18,526	20,001	18,828	20,121	20,000
CHANGE IN DIP AVAILABILITY	-	-	10,000	-	(7,500)	-	(2,500)	-	-	-	-	-
DIP BORROWINGS TO REPLENISH WORKING CAPITAL RESERVE	-	(2,000)	-	-	-	-	-	-	-	-	-	(2,000)
DIP BORROWINGS FOR GENERAL DISBURSEMENTS	-	(50,356)	(53,833)	(42,664)	(44,000)	(41,000)	(24,900)	(32,023)	(40,704)	(39,501)	(112,228)	(368,981)
REPAYMENT	-	35,568	48,049	44,758	56,333	46,767	25,804	33,499	39,531	38,001	111,030	368,309
ENDING DIP AVAILABILITY	20,000	3,212	7,428	9,522	14,355	20,121	18,526	20,001	18,828	17,327	18,923	17,327
BEGINNING WORKING CAPITAL RESERVE AVAILABILITY	10,000	10,000	-	-	-	-					-	10,000
DRAW	-	(12,000)	-	-	-	-	-	-	-	-	-	(12,000)
REPAYMENT	-	2,000	-	-	-	-	-	-	-	-	-	2,000
ENDING WORKING CAPITAL RESERVE AVAILABILITY	10,000	-	-	-	-	-	-	-	-	-	-	-
MAX SET ASIDE AMOUNT												
BEGINNING SET ASIDE AVAILABILITY	-	-	-	-	-	-	-				-	-
DRAW	-	-	-	-	-	-	(2,557)	(10,151)	-	-	(10,151)	(12,708)
REPAYMENT	-	-	-	-	-	-	2,557	10,151	-	-	10,151	12,708
ENDING SET ASIDE AVAILABILITY	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL AVAILABILITY UNDER DIP, CAPITAL RESERVE & SET ASIDE	30,000	3,212	7,428	9,522	14,355	20,121	18,526	20,001	18,828	17,327	18,923	17,327
EXPECTED DRAW AVAILABILITY BASED ON TIMING												