

**Monthly Operating Report**

**CASE NAME:** VarTec Telecom, Inc.

**ACCRUAL BASIS**

**CASE NUMBER:** 04-81694-SAF-11

rwd, 2/04

**JUDGE:** Steven A. Felsenthal

**UNITED STATES BANKRUPTCY COURT**

**NORTHERN DISTRICT OF TEXAS**

**DIVISION 6**

**MONTHLY OPERATING REPORT**

**MONTH ENDING:** June 30, 2005

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY): IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

**RESPONSIBLE PARTY:**

/s/ KJ Alzamora

ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

CFO

TITLE

KJ Alzamora

PRINTED NAME OF RESPONSIBLE PARTY

July 20, 2005

DATE

**PREPARER:**

/s/ Neil P. Keeter

ORIGINAL SIGNATURE OF PREPARER

Senior Director

TITLE

Neil P. Keeter

PRINTED NAME OF PREPARER

July 20, 2005

DATE

Please note that the information contained herein is unaudited and as such, does not reflect any audit adjustments that may be required.

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-1

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

COMPARATIVE BALANCE SHEET\*

ASSETS	SCHEDULE AMOUNT	MONTH	
		May	June
1. UNRESTRICTED CASH	\$ 18,100,706	\$ 6,495,218	\$ 7,304,839
2. RESTRICTED CASH	\$ 7,621,697	\$ 8,779,107	\$ 10,095,912
3. TOTAL CASH	\$ 25,722,403	\$ 15,274,325	\$ 17,400,751
4. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 106,118,060	\$ 100,915,049
5. INVENTORY	\$ 305,171	\$ 505,288	\$ 409,866
6. NOTES RECEIVABLE	\$ -	\$ -	\$ -
7. PREPAID EXPENSES	\$ 6,095,850	\$ 4,262,060	\$ 3,940,330
8. OTHER (ATTACH LIST)	\$ 49,807,463	\$ 36,598,268	\$ 36,614,656
9. TOTAL CURRENT ASSETS	\$ 179,729,592	\$ 162,758,001	\$ 159,280,652
10. PROPERTY, PLANT & EQUIPMENT	\$ 418,897,132	\$ 218,316,993	\$ 218,460,900
11. LESS: ACCUMULATED DEPRECIATION / DEPLETION	\$ (240,155,582)	\$ (142,993,764)	\$ (145,682,487)
12. NET PROPERTY, PLANT & EQUIPMENT	\$ 178,741,550	\$ 75,323,229	\$ 72,778,413
13. DUE FROM INSIDERS	\$ -	\$ -	\$ -
14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST)	\$ -	\$ -	\$ -
15. OTHER (ATTACH LIST)	\$ 464,377,677	\$ 7,880,222	\$ 7,761,889
16. TOTAL ASSETS	\$ 822,848,819	\$ 245,961,452	\$ 239,820,954
<b>POSTPETITION LIABILITIES</b>			
17. ACCOUNTS PAYABLE		\$ 2,209,976	\$ 1,926,383
18. TAXES PAYABLE		\$ 9,628,768	\$ 9,714,884
19. NOTES PAYABLE		\$ -	\$ -
20. PROFESSIONAL FEES		\$ 3,876,217	\$ 4,109,480
21. SECURED DEBT		\$ 2,058,987	\$ -
22. OTHER (ATTACH LIST)		\$ (7,743,904)	\$ (10,587,623)
23. TOTAL POSTPETITION LIABILITIES		\$ 10,030,044	\$ 5,163,124
<b>PREPETITION LIABILITIES</b>			
24. SECURED DEBT	\$ 209,595,545	\$ 151,401,554	\$ 147,529,631
25. PRIORITY DEBT	\$ 43,629,500	\$ 20,430,678	\$ 20,346,726
26. UNSECURED DEBT	\$ -	\$ -	\$ -
27. OTHER (ATTACH LIST)	\$ 390,808,736	\$ 410,470,652	\$ 411,787,278
28. TOTAL PREPETITION LIABILITIES	\$ 644,033,781	\$ 582,302,884	\$ 579,663,635
29. TOTAL LIABILITIES	\$ 644,033,781	\$ 592,332,928	\$ 584,826,759
<b>EQUITY</b>			
30. PREPETITION OWNERS' EQUITY	\$ 178,815,038	\$ (24,417,285)	\$ (24,417,285)
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		\$ (322,072,287)	\$ (320,706,616)
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)		\$ 118,096	\$ 118,096
33. TOTAL EQUITY	\$ 178,815,038	\$ (346,371,476)	\$ (345,005,805)
34. TOTAL LIABILITIES & OWNERS' EQUITY	\$ 822,848,819	\$ 245,961,452	\$ 239,820,954

\* This is the consolidated balance sheet of VarTec Telecom, Inc. and its domestic subsidiaries.

a - Translation adjustment related to foreign investment.

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-1 OTHER

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

**COMPARATIVE BALANCE SHEET\***  
**SCHEDULE OF OTHER ASSETS AND LIABILITIES**

ASSETS	SCHEDULE AMOUNT	MONTH	
		May	June
1 OTHER CURRENT ASSETS			
2 Tax Receivables	\$ 694,761	\$ 636	\$ 847
3 Non-eliminated Affil Debtor Rec	\$ 67,497	\$ -	\$ -
4 Deposits	\$ 906,215	\$ 10,043	\$ 72,543
5 A/R Other & Advances	\$ 552,837	\$ 3,491,253	\$ 3,444,930
6 Deferred Tax Asset - Current	\$ 23,168,602	\$ 30,051,742	\$ 30,051,742
7 Income Tax Receivables	\$ 14,084,221	\$ 3,044,594	\$ 3,044,594
8 Accounts Receivable, Affiliates	\$ 10,333,330	\$ -	\$ -
9 TOTAL OTHER CURRENT ASSETS	\$ 49,807,463	\$ 36,598,268	\$ 36,614,656
10 OTHER ASSETS			
11 Investments	\$ 270,627,907	\$ (594,820)	\$ (594,820)
12 Notes Receivable - Other	\$ 6,053	\$ -	\$ -
13 Deferred Tax Asset - Noncurrent	\$ 19,983,362	\$ -	\$ -
14 Deferred Assets & Intangibles	\$ 166,073,392	\$ 4,578,334	\$ 4,522,500
15 Assets Held for Sale	\$ 502,458	\$ 453,990	\$ 453,990
16 Other Non-Current Assets	\$ 7,184,505	\$ 3,442,718	\$ 3,380,219
17			
18 TOTAL OTHER ASSETS	\$ 464,377,677	\$ 7,880,222	\$ 7,761,889
<b>POSTPETITION LIABILITIES</b>			
17 OTHER POSTPETITION LIABILITIES			
18 Salaries & Benefits		\$ 3,518,819	\$ 2,894,973
19 Accrued Commissions		\$ -	\$ -
20 Line Cost Payable/(Prepaid Line Cost)		\$ (14,941,695)	\$ (16,914,577)
21 Accrued Billing & Collection Fees		\$ 2,416,185	\$ 1,831,413
22 All Other Accrued Postpetition Liabilities		\$ 1,262,787	\$ 1,600,568
23			
24			
25 TOTAL OTHER POSTPETITION LIABILITIES		\$ (7,743,904)	\$ (10,587,623)
<b>PREPETITION LIABILITIES</b>			
24 OTHER PREPETITION LIABILITIES			
25 Accounts Payable	\$ 13,555,170	\$ 12,367,341	\$ 12,766,261
26 Line Costs Payable (incl. B&C)	\$ 101,626,750	\$ 81,090,687	\$ 81,058,072
27 Unsecured Teleglobe & Other Debt	\$ 225,737,370	\$ 233,632,764	\$ 234,941,668
28 Deferred Revenue	\$ 17,329,311	\$ 14,594,911	\$ 14,268,421
29 Deferred Tax Liability - Non Current	\$ -	\$ 23,847,884	\$ 23,847,884
30 All Other Accrued Prepetition Liabilities	\$ 32,560,135	\$ 44,937,065	\$ 44,904,972
31			
32 TOTAL OTHER PREPETITION LIABILITIES	\$ 390,808,736	\$ 410,470,652	\$ 411,787,278

\* This is the consolidated balance sheet of VarTec Telecom, Inc. and its domestic subsidiaries.

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-2

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

## INCOME STATEMENT\*

OPERATING EXPENSES	MONTH	
	May	June
1. GROSS REVENUES	\$ 43,484,381	\$ 41,676,733
2. LESS: RETURNS & DISCOUNTS	\$ (1,992,318)	\$ (1,127,422)
3. NET REVENUE	\$ 41,492,063	\$ 40,549,311
<b>COST OF GOODS SOLD</b>		
4. MATERIAL	\$ 20,497,314	\$ 20,106,479
5. DIRECT LABOR	\$ 1,224,535	\$ 999,518
6. DIRECT OVERHEAD	\$ 836,989	\$ 787,530
7. TOTAL COST OF GOODS SOLD	\$ 22,558,838	\$ 21,893,527
8. GROSS PROFIT	\$ 18,933,225	\$ 18,655,784
<b>OPERATING EXPENSES</b>		
9. OFFICER / INSIDER COMPENSATION	\$ 90,171	\$ 157,661
10. SELLING & MARKETING	\$ 588,086	\$ 551,793
11. GENERAL & ADMINISTRATIVE	\$ 5,848,926	\$ 4,728,541
12. RENT & LEASE	\$ 374,975	\$ 394,290
13. OTHER (ATTACH LIST)	\$ 6,079,806	\$ 6,202,563
14. TOTAL OPERATING EXPENSES	\$ 12,981,964	\$ 12,034,848
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$ 5,951,261	\$ 6,620,936
<b>OTHER INCOME &amp; EXPENSES</b>		
16. NON-OPERATING INCOME (ATT. LIST)	\$ -	\$ -
17. NON-OPERATING EXPENSE (ATT. LIST)	\$ -	\$ -
18. INTEREST EXPENSE	\$ 2,278,245	\$ 2,175,157
19. DEPRECIATION / DEPLETION	\$ 2,860,465	\$ 2,744,556
20. AMORTIZATION	\$ -	\$ -
21. OTHER (ATTACH LIST)	\$ 11,092,712	\$ 1,251,849
22. NET OTHER INCOME & EXPENSES	\$ 5,954,002	\$ (3,667,864)
<b>REORGANIZATION EXPENSES</b>		
23. PROFESSIONAL FEES	\$ 617,593	\$ 1,577,401
24. U.S. TRUSTEE FEES	\$ 10,000	\$ 10,000
25. OTHER (ATTACH LIST)	\$ -	\$ -
26. TOTAL REORGANIZATION EXPENSES	\$ 627,593	\$ 1,587,401
27. INCOME TAX	\$ -	\$ -
28. NET PROFIT (LOSS)	\$ 11,277,670	\$ 1,365,671

## Monthly Operating Report

**CASE NAME: VarTec Telecom, Inc.**

**ACCRUAL BASIS-2 OTHER**

**CASE NUMBER: 04-81694-SAF-11**

rwd, 2/04

### INCOME STATEMENT\*

OTHER EXPENSES	MONTH	MONTH
	May	June
1. Customer Service Costs	\$ 1,400,605	\$ 1,151,582
2. Bad Debt	\$ 1,800,833	\$ 1,937,117
3. Billing & Collections	\$ 2,695,121	\$ 2,784,819
4. Call Rating & Billing	\$ -	\$ 135,269
5. Direct Billing & Postage	\$ 151,190	\$ 181,954
6. Courtesy Credits	\$ 32,057	\$ 11,822
7.		
8. TOTAL OTHER EXPENSES	\$ 6,079,806	\$ 6,202,563
<b>OTHER INCOME &amp; EXPENSES</b>		
9. Interest & Misc Income	\$ (4,858,645)	\$ 21,150 a
10. Misc Non-Operating Income (Expense)	\$ (324)	\$ -
11. Equity Earnings/(Losses) in Investments	\$ 15,954,312	\$ - a
12. PP&E Write Down	\$ (2,251,769)	\$ 11,311 a
13. Intangible & Other Asset Impairment Adj	\$ 2,249,138	\$ 1,219,388
14.		
15.		
16. TOTAL OTHER INCOME & EXPENSES	\$ 11,092,712	\$ 1,251,849
<b>OTHER REORGANIZATION EXPENSES</b>		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24. TOTAL OTHER REORG EXPENSES	\$ -	\$ -

\* This is the consolidated income statement of VarTec Telecom, Inc. and its domestic subsidiaries.

a - The May amount relates to the sale of shares of Excel Telecommunications (Canada) Inc. and VarTec Telecom Canada Inc.

# Monthly Operating Report

**CASE NAME: VarTec Telecom, Inc.**

**ACCRUAL BASIS-3**

**CASE NUMBER: 04-81694-SAF-11**

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CASH RECEIPTS AND DISBURSEMENTS*	MONTH	
	May	June
1. CASH - BEGINNING OF MONTH	\$ 17,022,356	\$ 15,274,324
<b>RECEIPTS FROM OPERATIONS</b>		
2. CASH SALES		
<b>COLLECTION OF ACCOUNTS RECEIVABLE</b>		
3. PREPETITION	\$ -	\$ -
4. POSTPETITION	\$ 44,451,037	\$ 42,262,526
5. TOTAL OPERATING RECEIPTS	\$ 44,451,037	\$ 42,262,526
<b>NON - OPERATING RECEIPTS</b>		
6. LOANS & ADVANCES (ATTACH LIST)	\$ -	\$ -
7. SALE OF ASSETS	\$ 130	\$ 9,343
8. OTHER (ATTACH LIST)	\$ 6,111,280	\$ 1,737,521
9. TOTAL NON-OPERATING RECEIPTS	\$ 6,111,410	\$ 1,746,864
10. TOTAL RECEIPTS	\$ 50,562,447	\$ 44,009,390
11. TOTAL CASH AVAILABLE	\$ 67,584,803	\$ 59,283,714
<b>OPERATING DISBURSEMENTS</b>		
12. NET PAYROLL	\$ 2,777,343	\$ 2,649,879
13. PAYROLL TAXES PAID	\$ 925,783	\$ 883,293
14. SALES, USE & OTHER TAXES PAID	\$ 3,490,682	\$ 4,979,893
15. SECURED / RENTAL / LEASES	\$ 552,319	\$ 564,690
16. UTILITIES	\$ 164,913	\$ 456,355
17. INSURANCE	\$ 1,328,459	\$ 40,980
18. INVENTORY PURCHASES	\$ 172,896	\$ 290,634
19. VEHICLE EXPENSES	\$ 2,059	\$ 2,013
20. TRAVEL	\$ 32,681	\$ 11,950
21. ENTERTAINMENT	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ 1,760,479	\$ 803,147
23. SUPPLIES	\$ 24,727	\$ 30,964
24. ADVERTISING	\$ 47,190	\$ -
25. OTHER (ATTACH LIST)	\$ 37,793,902	\$ 29,348,852
26. TOTAL OPERATING DISBURSEMENTS	\$ 49,073,433	\$ 40,062,650
<b>REORGANIZATION EXPENSES</b>		
27. PROFESSIONAL FEES ACTUALLY PAID	\$ 3,237,046	\$ 1,820,313
28. U.S. TRUSTEE FEES	\$ -	\$ -
29. OTHER (ATTACH LIST)	\$ -	\$ -
30. TOTAL REORGANIZATION EXPENSES	\$ 3,237,046	\$ 1,820,313
31. TOTAL DISBURSEMENTS	\$ 52,310,479	\$ 41,882,963
32. NET CASH FLOW	\$ (1,748,032)	\$ 2,126,427
33. CASH - END OF MONTH	\$ 15,274,324	\$ 17,400,751

\* This is the consolidated cash flow statement of VarTec Telecom, Inc. and its domestic subsidiaries.

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-3 OTHER

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

CASH RECEIPTS AND DISBURSEMENTS*		MONTH	MONTH
		May	June
<b>OTHER NON OPERATING RECEIPTS</b>			
1	eServices	\$ 301,622	\$ 310,998
2	Sales Aids	\$ 731	\$ (65,353)
3	Tax Refund	\$ 41,893	\$ 171,003
4	Reimbursement of Line Costs	\$ 409,950	\$ 1,139,369
5	From Sale of Canada shares	\$ 5,316,450	\$ -
6	Misc Receipts	\$ 40,634	\$ 101,504
7	From Europe Service Agreement	\$ -	\$ 80,000
8			
9			
10			
11	TOTAL OTHER NON OPERATING RECEIPTS	\$ 6,111,280	\$ 1,737,521
<b>OTHER OPERATING DISBURSEMENTS</b>			
12	Linecost	\$ 20,374,364	\$ 20,488,163
13	Benefits	\$ 1,082,070	\$ 800,107
14	Commissions	\$ 418,850	\$ 474,125
15	General & Administrative	\$ 1,800,784	\$ 2,537,868
16	RTFC Interest	\$ 915,811	\$ 865,971
17	Change in Cash Reclass	\$ 978,215	\$ (622,963)
18	Capital Leases and Equipment	\$ 114,334	\$ 8,265
19	Capital Spending	\$ 16,440	\$ -
20	RTFC Permanent Paydown	\$ 6,036,703	\$ -
21	RTFC LOC Paydown	\$ 294,376	\$ 2,085,707
22	RTFC Revolver Paydown	\$ 5,761,955	\$ 2,711,609
23	TOTAL OTHER OPERATING DISBURSEMENTS	\$ 37,793,902	\$ 29,348,852
<b>OTHER REORGANIZATION EXPENSES</b>			
24			
25			
26	TOTAL OTHER REORGANIZATION EXPENSES	\$ -	\$ -

\* This is the consolidated cash flow statement of VarTec Telecom, Inc. and its domestic subsidiaries.

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-4

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

ACCOUNTS RECEIVABLE AGING***	SCHEDULE AMOUNT	MONTH May	MONTH June
1. 0-30	\$ 58,476,466	\$ 40,138,961	\$ 36,361,328
2. 31-60	\$ 33,993,017	\$ 23,870,396	\$ 21,929,599
3. 61-90	\$ 7,516,346	\$ 5,309,599	\$ 6,553,418
4. 91+	\$ 9,300,438	\$ 43,014,865	\$ 42,819,858
5. TOTAL ACCOUNTS RECEIVABLE	\$ 109,286,267	\$ 112,333,821	\$ 107,664,203
6. AMOUNT CONSIDERED UNCOLLECTIBLE	\$ 11,487,562	\$ 6,215,761	\$ 6,749,154
7. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 106,118,060	\$ 100,915,049

## AGING OF POSTPETITION TAXES AND PAYABLES

MONTH: June 2005

TAXES PAYABLE***	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 2,060,928				\$ 2,060,928
2. STATE	\$ 7,650,209				\$ 7,650,209
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 9,711,137	\$ -	\$ -	\$ -	\$ 9,711,137

6. ACCOUNTS PAYABLE***	\$ 1,926,383				\$ 1,926,383
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## STATUS OF POSTPETITION TAXES

MONTH: June 2005

	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
<b>FEDERAL ***</b>				
1. WITHHOLDING**	\$ (362)	\$ 482,929	\$ 482,783	\$ (216)
2. FICA-EMPLOYEE**	\$ 47,163	\$ 252,424	\$ 252,439	\$ 47,148
3. FICA-EMPLOYER**	\$ 47,163	\$ 252,424	\$ 252,439	\$ 47,148
4. UNEMPLOYMENT	\$ 4,311	\$ 410	\$ -	\$ 4,721
5. INCOME	\$ -	\$ -	\$ -	\$ -
6. EXCISE	\$ 2,062,192	\$ 1,034,051	\$ 1,134,116	\$ 1,962,127
7. TOTAL FEDERAL TAXES	\$ 2,160,467	\$ 2,022,238	\$ 2,121,777	\$ 2,060,928
<b>STATE AND LOCAL ***</b>				
8. WITHHOLDING	\$ 6,581	\$ 9,301	\$ 8,678	\$ 7,204
9. SALES	\$ 3,503,508	\$ 1,460,322	\$ 1,705,334	\$ 3,258,496
10. 911 TAX	\$ 351,765	\$ 127,291	\$ 116,638	\$ 362,418
11. UNEMPLOYMENT	\$ 66,207	\$ 11,814	\$ -	\$ 78,021
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -
14. OTHER (ATTACH LIST)	\$ 3,543,193	\$ 2,624,879	\$ 2,224,002	\$ 3,944,070
15. TOTAL STATE & LOCAL	\$ 7,471,254	\$ 4,233,607	\$ 4,054,652	\$ 7,650,209
16. TOTAL TAXES	\$ 9,631,721	\$ 6,255,845	\$ 6,176,429	\$ 9,711,137

\* The beginning tax liability should represent the liability from the prior month or, if this is the first operating report, the amount should be zero.

\*\* Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit

\*\*\* These are consolidated A/R, Tax, and A/P schedules of VarTec Telecom, Inc. and its domestic subsidiaries.



Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.
CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-4 OTHER

rwd, 2/04

STATUS OF POSTPETITION TAXES

MONTH: June 2005

OTHER STATE AND LOCAL***	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1 FRANCHISE	\$ 57,061	\$ 2,234	\$ 120	\$ 59,175
2 PROPERTY	\$ 406,580	\$ 81,418	\$ (59)	\$ 488,057
3 GR, REG, PUC, USF, TRS	\$ 3,081,775	\$ 2,541,227	\$ 2,223,550	\$ 3,399,452
4 INCOME	\$ (2,223)	\$ -	\$ 391	\$ (2,614)
5	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -
8 TOTAL OTHER STATE & LOCAL	\$ 3,543,193	\$ 2,624,879	\$ 2,224,002	\$ 3,944,070

\*\*\* These are consolidated A/R, Tax, and A/P schedules of VarTec Telecom, Inc. and its domestic subsidiaries.

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-4

VarTec Telecom - Stand Alone

rwd, 2/04

ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	MONTH May	MONTH June
1. 0-30			
2. 31-60			
3. 61-90			
4. 91+			
5. TOTAL ACCOUNTS RECEIVABLE	\$ -	\$ -	\$ -
6. AMOUNT CONSIDERED UNCOLLECTIBLE			
7. ACCOUNTS RECEIVABLE (NET)	\$ -	\$ -	\$ -

## AGING OF POSTPETITION TAXES AND PAYABLES

MONTH: June 2005

TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 872,951				\$ 872,951
2. STATE	\$ 4,636,988				\$ 4,636,988
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 5,509,939	\$ -	\$ -	\$ -	\$ 5,509,939

6. ACCOUNTS PAYABLE					\$ -
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## STATUS OF POSTPETITION TAXES

MONTH: June 2005

	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
<b>FEDERAL</b>				
1. WITHHOLDING**	\$ -	\$ -	\$ -	\$ -
2. FICA-EMPLOYEE**	\$ -	\$ -	\$ -	\$ -
3. FICA-EMPLOYER**	\$ -	\$ -	\$ -	\$ -
4. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -
5. INCOME	\$ -	\$ -	\$ -	\$ -
6. EXCISE	\$ 933,014	\$ 534,593	\$ 594,656	\$ 872,951
7. TOTAL FEDERAL TAXES	\$ 933,014	\$ 534,593	\$ 594,656	\$ 872,951
<b>STATE AND LOCAL</b>				
8. WITHHOLDING	\$ -	\$ -	\$ -	\$ -
9. SALES	\$ 2,329,527	\$ 1,139,926	\$ 1,356,207	\$ 2,113,246
10. 911 TAX	\$ 183,725	\$ 59,834	\$ 57,830	\$ 185,729
11. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -
14. OTHER (ATTACH LIST)	\$ 2,057,810	\$ 1,567,567	\$ 1,287,364	\$ 2,338,013
15. TOTAL STATE & LOCAL	\$ 4,571,062	\$ 2,767,327	\$ 2,701,401	\$ 4,636,988
16. TOTAL TAXES	\$ 5,504,076	\$ 3,301,920	\$ 3,296,057	\$ 5,509,939

\* The beginning tax liability should represent the liability from the prior month or, if this is the first operating report, the amount should be zero.

\*\* Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.
CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-4 OTHER  
VarTec Telecom - Stand Alone  
rwd, 2/04

STATUS OF POSTPETITION TAXES

MONTH: June 2005

OTHER STATE AND LOCAL	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1 FRANCHISE	\$ (20,401)	\$ 850	\$ 60	\$ (19,611)
2 PROPERTY	\$ 249,341	\$ 50,661	\$ -	\$ 300,002
3 GR, REG, PUC, USF, TRS	\$ 1,828,870	\$ 1,516,056	\$ 1,287,304	\$ 2,057,622
4 INCOME	\$ -	\$ -	\$ -	\$ -
5	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -
8 TOTAL OTHER STATE & LOCAL	\$ 2,057,810	\$ 1,567,567	\$ 1,287,364	\$ 2,338,013

Monthly Operating Report

ACCRUAL BASIS-5  
VarTec Telecom, Inc.  
rwd, 2/04

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BOA	UMB	UMB	UMB	Bank One	Bank One	
B. ACCOUNT NUMBER:	12-3342-6568	50-0800-9716	50-0800-9368	98-7048-9813	18-8986-0407	18-8986-0399	SUB - TOTAL Page 1
C. PURPOSE (TYPE):	Operating Acct	Controlled Disb	Controlled Disb	Concentration Acct	Impress	Impress	
1. BALANCE PER BANK STATEMENT	\$0	\$0	\$0	\$1,939	\$1,000	\$1,000	\$3,939
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$2,624,549	\$305,925	\$0	\$0	\$0	\$2,930,474
4. OTHER RECONCILING ITEMS	\$0	(\$129,504)	(\$108,311)	\$2,929,929	\$0	\$0	\$2,692,114
5. MONTH END BALANCE PER BOOKS	\$0	(\$2,754,053)	(\$414,236)	\$2,931,868	\$1,000	\$1,000	(\$234,421)
6. NUMBER OF LAST CHECK WRITTEN		11476, 5503106, 6608146, 8502829	607540, 719310				

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS						\$0	\$0

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	(\$234,421)

Monthly Operating Report

ACCRUAL BASIS-5, page 2  
VarTec Telecom, Inc.  
rwd, 2/04

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	Bank One	UMB	Bank One	UMB	UMB	SUB - TOTAL Page 2
B. ACCOUNT NUMBER:	18-8482-7880	662647965	98-7048-9821	18-8482-7898	98-7048-9813	98-7149-9561	
C. PURPOSE (TYPE):	Operating	Collateral	Collateral	CC Receipt	Repo Sweep	Escrow	
1. BALANCE PER BANK STATEMENT	\$510,744	\$472,154	\$1,503,070	\$0	\$3,298,000	\$1,419,000	
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$359,264	\$0	\$0	\$0	\$359,264
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$10,625)	\$1,032	\$481,515	(\$154)	\$0	\$0	\$471,768
5. MONTH END BALANCE PER BOOKS	\$500,119	\$473,186	\$2,343,849	(\$154)	\$3,298,000	\$1,419,000	\$8,034,000
6. NUMBER OF LAST CHECK WRITTEN							

INVESTMENT ACCOUNTS

BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS						\$0	\$0

CASH

12. CURRENCY ON HAND	\$0
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13. TOTAL CASH - END OF MONTH	\$8,034,000
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Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-5, pg 3

VarTec Telecom, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL Pages 1 - 3
A. BANK:		Bank One	UMB					
B. ACCOUNT NUMBER:		657895728	98-7149-996-0					
C. PURPOSE (TYPE):			Escrow					
1. BALANCE PER BANK STATEMENT		\$1,023,750	\$1,192,854					9,423,511
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0					359,264
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0					2,930,474
4. OTHER RECONCILING ITEMS		\$0	\$0					3,163,882
5. MONTH END BALANCE PER BOOKS		\$1,023,750	\$1,192,854					\$10,016,183
6. NUMBER OF LAST CHECK WRITTEN								

INVESTMENT ACCOUNTS		DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
BANK, ACCOUNT NAME & NUMBER								
7. UMB-90 Day T-Bills								16,698
8. UMB Restricted Funds 0691-0051623562								5,978,653
9.								
10.								
11. TOTAL INVESTMENTS							\$0	\$5,995,351

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$ 16,011,534

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-5

VarTec Resource Services, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL
A. BANK:		BOA	BOA	Citibank				
B. ACCOUNT NUMBER:		47933454613	317411250	30491082				
C. PURPOSE (TYPE):		Payroll Acct	Emp Benefits-FSA	401(K)				
1. BALANCE PER BANK STATEMENT		\$488,776	\$4,244	\$0				\$493,020
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0	\$0				\$0
3. SUBTRACT: OUTSTANDING CHECKS		\$76,471	\$0	\$0				\$76,471
4. OTHER RECONCILING ITEMS		(\$35,612)	(\$3,431)	\$146,000				\$106,957
5. MONTH END BALANCE PER BOOKS		\$376,693	\$813	\$146,000	\$0	\$0	\$0	\$523,506
6. NUMBER OF LAST CHECK WRITTEN		54337	1852					

## INVESTMENT ACCOUNTS

BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS						\$0	\$0

## CASH

12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$523,506

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-5

Excel Telecommunications, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	Bank One	Bank One	First Union	Bank One	Bank One	
B. ACCOUNT NUMBER:	15-7793-7036	15-7793-0728	18-8986-0431	2000002922650	18-8986-0464	29553338	
C. PURPOSE (TYPE):	Escrow	Escrow	Escrow	Escrow	Receipt	Receipt	
1. BALANCE PER BANK STATEMENT	\$243,419	\$180,277	\$58,040	\$12,217	\$0	\$401	\$494,354
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0	\$24,955	\$97,298	\$122,253
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$81)	\$0	\$0	\$0	\$3,417	\$0	\$3,336
5. MONTH END BALANCE PER BOOKS	\$243,338	\$180,277	\$58,040	\$12,217	\$28,372	\$97,699	\$619,943
6. NUMBER OF LAST CHECK WRITTEN							

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS						\$0	\$0

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$619,943



Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-5, pg 2

Excel Telecommunications, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL Page 1 & 2
A. BANK:		Bank One	Bank One					
B. ACCOUNT NUMBER:		18-8986-0423	20284979					
C. PURPOSE (TYPE):		Deposit	Lockbox Receipt					
1. BALANCE PER BANK STATEMENT		\$0	\$198,104					\$692,458
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0					\$122,253
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0					\$0
4. OTHER RECONCILING ITEMS		\$409	(\$68)					\$3,677
5. MONTH END BALANCE PER BOOKS		\$409	\$198,036					\$818,388
6. NUMBER OF LAST CHECK WRITTEN								

INVESTMENT ACCOUNTS		DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
BANK, ACCOUNT NAME & NUMBER								
7.								
8.								
9.								
10.								
11. TOTAL INVESTMENTS							\$0	\$0

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$818,388

**Monthly Operating Report**

<b>CASE NAME: VarTec Telecom, Inc.</b>
<b>CASE NUMBER: 04-81694-SAF-11</b>

**ACCRUAL BASIS-5**  
**Excel Communications Marketing, Inc**  
rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One							TOTAL
B. ACCOUNT NUMBER:	18-8986-0415							
C. PURPOSE (TYPE):	Deposit							
1. BALANCE PER BANK STATEMENT	\$0							\$0
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$2,908							\$2,908
3. SUBTRACT: OUTSTANDING CHECKS	\$0							\$0
4. OTHER RECONCILING ITEMS	\$0							\$0
5. MONTH END BALANCE PER BOOKS	\$2,908							\$2,908
6. NUMBER OF LAST CHECK WRITTEN								

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS						\$0	\$0

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$2,908

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-SAF-11

ACCRUAL BASIS-5

VarTec Solutions, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: June 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL
A. BANK:		BOA	Bank One					
B. ACCOUNT NUMBER:		37-5101-3631	29571894					
C. PURPOSE (TYPE):		Depository						
1. BALANCE PER BANK STATEMENT		\$43,716	\$0					\$43,716
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0					\$0
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0					\$0
4. OTHER RECONCILING ITEMS		\$831	(\$132)					\$699
5. MONTH END BALANCE PER BOOKS		\$44,547	(\$132)					\$44,415
6. NUMBER OF LAST CHECK WRITTEN								

INVESTMENT ACCOUNTS		DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
BANK, ACCOUNT NAME & NUMBER								
7.								
8.								
9.								
10.								
11. TOTAL INVESTMENTS							\$0	\$0

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$44,415

# Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-6

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

MONTH: \_\_\_\_\_ June 2005

## PAYMENTS TO INSIDERS AND PROFESSIONALS

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (AS DEFINED IN SECTION 101 (31) (A)-(F) OF THE U.S. BANKRUPTCY CODE) AND TO PROFESSIONALS. ALSO, FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g. SALARY, BONUS, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, CAR ALLOWANCE, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSIDERS			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1. Michael Hoffman	Salary & Expenses		
2. KJ Alzamora	Alvarez & Marsal		
3. Joe D'Angelo	Alvarez & Marsal		
4. John Schissler	Alvarez & Marsal		
5. Stan Springel	Alvarez & Marsal		
6. Rolando Sanchez	Alvarez & Marsal		
7			
8 TOTAL PAYMENTS TO INSIDERS		\$ 493,805	\$ 3,228,214

PROFESSIONALS**					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID *
1. Alvarez & Marsal	November 5, 2004	\$ 339,120	\$ 339,120	\$ 2,468,885	\$ 343,388
2. Vinson & Elkins	November 5, 2004	\$ 576,036	\$ 576,036	\$ 3,912,087	\$ 824,631
3. Houlihan Lokey	November 5, 2004	\$ -	\$ -	\$ 373,861	\$ 35,180
4. FTI	November 5, 2004	\$ 506,791	\$ 506,791	\$ 1,665,646	\$ 400,000
5. Fulbright & Jaworski	November 5, 2004	\$ -	\$ -	\$ 1,141,627	\$ 316,658
6. Xroads Solutions	November 5, 2004	\$ 102,605	\$ 102,605	\$ 987,451	\$ 387,073
7. Carrington Coleman	November 5, 2004	\$ 156,418	\$ 156,418	\$ 1,220,073	\$ 685,460
8. Scouler Andrews	November 5, 2004	\$ -	\$ -	\$ 117,557	\$ 57,168
9. White & Case	November 5, 2004	\$ -	\$ -	\$ 431,062	\$ 910,572
10. Other	November 5, 2004	\$ 19,103	\$ 19,103	\$ 39,914	\$ 97,350
11 TOTAL PAYMENTS TO PROFESSIONALS		\$ 1,700,073	\$ 1,700,073	\$ 12,358,163	\$ 4,057,480

\* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

## POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1. See Attached.			
2.			
3 TOTAL	\$ -	\$ -	\$ -

\*\* Estimated

VarTec Telecom, Inc. and Subsidiaries  
Case No. 04-81697-SAF-11  
Monthly Operating Report Accrual Basis - 6

Adequate Assurance Payment Summary  
June 2005

Vendor	Semi-Monthly Adequate Assurance Agreement	Adequate Assurance Payments in May	Total Unpaid Post- Petition Payments
Alltel	\$ -	\$ 262,625.96	\$ -
AT & T	\$ 1,050,000.00	\$ -	\$ -
BellSouth	\$ 2,227,500.00	\$ 2,370,087.00	\$ -
Broadwing	\$ 179,923.00	\$ 169,474.88	\$ -
Century Tel	\$ 198,687.35	\$ 375,712.37	\$ -
Focal	\$ 4,038.00	\$ -	\$ -
GCI	\$ 26,825.00	\$ 6,468.36	\$ -
Grande	\$ 16,333.00	\$ 170,000.00	\$ -
Level 3	\$ 170,735.00	\$ 1,004,846.00	\$ -
MCI	\$ 1,001,057.00	\$ 1,001,057.00	\$ -
MCI Escrow	\$ 129,000.00	\$ -	\$ -
McLeod	\$ 298,500.00	\$ 404,532.26	\$ -
Norlight	\$ 40,777.00	\$ 35,757.32	\$ -
NTS	\$ 278,672.00	\$ 250,000.00	\$ -
Pacific Net	\$ 27,202.00	\$ -	\$ -
PalmettoNet	\$ 27,753.00	\$ 34,563.97	\$ -
Qwest Corporation	\$ 672,600.00	\$ 1,003,717.85	\$ -
Qwest Communication	\$ 906,500.00	\$ 1,204,517.00	\$ -
SBC	\$ 2,725,000.00	\$ 3,950,119.64	\$ -
Sprint	\$ 1,426,500.00	\$ 1,141,900.00	\$ -
UniPoint	\$ 340,000.00	\$ 400,000.00	\$ -
Valor	\$ 46,043.00	\$ 92,086.00	\$ -
Verizon	\$ 2,180,168.00	\$ 3,086,743.07	\$ -
WilTel	\$ 131,273.00	\$ 216,991.36	\$ -
<b>Total</b>		<u>\$ 17,181,200.04</u>	<u>\$ -</u>

**Monthly Operating Report**

**CASE NAME:** VarTec Telecom, Inc.

**ACCRUAL BASIS-7**

**CASE NUMBER:** 04-81694-SAF-11

rwd, 2/04

**MONTH:** June 2005

**QUESTIONNAIRE**

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?	X (a)	
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?		X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?		X
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X (b)	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?	X (c)	
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?	X (d)	
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

(a) As authorized by the Court.

(b) Prepetition payments made as authorized by the Court.

(c) Postpetition loans have been received as authorized by the Court.

(d) Prepetition taxes as authorized by the Court.

**INSURANCE**

	YES	NO
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?	X	
3. PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

**INSTALLMENT PAYMENTS**

TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY
See Attached.			

VarTec Telecom, Inc. and Subsidiaries  
Case No. 04-81697-SAF-11  
Monthly Operating Report Accrual Basis - 7  
Schedule of Insurance Policies

Type Coverage	Company	Effective Date	Exp Date	Policy Number	Annual Premium	Payment Frequency
Worker's Compensation Required	Federal Insurance Company	8/1/2004	8/1/2005	71700219	\$448,470	Monthly
Property/Inland Marine/Boiler & Machinery	Great Northern Insurance Company	8/1/2004	8/1/2005	35753111	\$409,704	Monthly
General Liability (Covers injuries to Reps)	Great Northern Insurance Company	8/1/2004	8/1/2005	35753111	\$195,337	Monthly
Auto - Texas	Federal Insurance Company	8/1/2004	8/1/2005	73501059	\$42,280	Monthly
World Network	Great Northern Insurance Company	8/1/2004	8/1/2005	35381451	\$48,000	Annually
Flood Policy (Required by Lease)	Travelers (NFIP)	NFIP		6002871603	\$2,951	Annually
Fuel Tank Policy (Required by County)	Commerce & Industry Ins. Co.	7/19/2004	7/19/2005	FPL7512374	\$590	Annually
Employment Practices Liability	Zurich	5/28/2005	5/28/2006	EOC9029608-00	\$49,000	Annually
Directors and Officers	Illinois National Insurance Company	5/28/2005	5/28/2006	4919752	\$303,000	Annually
Earthquake	Westchester	8/1/2004	8/1/2005	120636348	\$10,106	Annually
Umbrella	Zurich	8/1/2004	8/1/2005	AUC -9300787-02	\$134,730	Annually
Excess Umbrella	Great America	8/1/2004	8/1/2005	EXE5663931	\$41,686	Annually
Excess Umbrella	St. Paul	8/1/2004	8/1/2005	Q106800642	\$32,042	Annually
Crime	National Union Fire Insurance Company	5/28/2005	5/28/2006	4919277	\$33,220	Annually
Fiduciary	Twin City Fire Insurance Company	5/28/2005	5/28/2006	00IA022483405	\$35,000	Annually
Directors and Officers - 3 yr Runoff added to 5/28/05 expiring policy	National Union Fire Insurance Company	5/28/2005	5/28/2008	347-73-62	\$395,653	One-time
Excess Directors and Officers - 3 yr Runoff added to 5/28/05 expiring policy	Twin City Fire Insurance Company	5/28/2005	5/28/2008	6800-9170	\$235,507	One-time
Fiduciary - 1 yr Discovery added to 5/28/05 expiring policy	Federal Insurance Company	5/28/2005	5/28/2006	8127-6337	\$40,978	One-time