

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: July 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

CFO

ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

TITLE

KJ Alzamora

August 20, 2005

PRINTED NAME OF RESPONSIBLE PARTY

DATE

PREPARER:

/s/ Neil P. Keeter

Senior Director

ORIGINAL SIGNATURE OF PREPARER

TITLE

Neil P. Keeter

August 20, 2005

PRINTED NAME OF PREPARER

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	
		June	July
1. UNRESTRICTED CASH	\$ 18,100,706	\$ 7,304,839	\$ 7,522,750
2. RESTRICTED CASH	\$ 7,621,697	\$ 10,095,912	\$ 8,903,133
3. TOTAL CASH	\$ 25,722,403	\$ 17,400,751	\$ 16,425,883
4. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 100,915,049	\$ 100,269,241
5. INVENTORY	\$ 305,171	\$ 409,866	\$ 329,657
6. NOTES RECEIVABLE	\$ -	\$ -	\$ -
7. PREPAID EXPENSES	\$ 6,095,850	\$ 3,940,330	\$ 3,340,228
8. OTHER (ATTACH LIST)	\$ 49,807,463	\$ 36,614,656	\$ 36,449,697
9. TOTAL CURRENT ASSETS	\$ 179,729,592	\$ 159,280,652	\$ 156,814,706
10. PROPERTY, PLANT & EQUIPMENT	\$ 418,897,132	\$ 218,460,900	\$ 219,409,870
11. LESS: ACCUMULATED DEPRECIATION / DEPLETION	\$ (240,155,582)	\$ (145,682,487)	\$ (148,204,306)
12. NET PROPERTY, PLANT & EQUIPMENT	\$ 178,741,550	\$ 72,778,413	\$ 71,205,564
13. DUE FROM INSIDERS	\$ -	\$ -	\$ -
14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST)	\$ -	\$ -	\$ -
15. OTHER (ATTACH LIST)	\$ 464,377,677	\$ 7,761,889	\$ 6,902,875
16. TOTAL ASSETS	\$ 822,848,819	\$ 239,820,954	\$ 234,923,145
POSTPETITION LIABILITIES			
17. ACCOUNTS PAYABLE		\$ 1,926,383	\$ 467,627
18. TAXES PAYABLE		\$ 9,714,884	\$ 9,632,240
19. NOTES PAYABLE		\$ -	\$ -
20. PROFESSIONAL FEES		\$ 4,109,480	\$ 3,964,026
21. SECURED DEBT		\$ -	\$ 3,552,669
22. OTHER (ATTACH LIST)		\$ (10,587,623)	\$ (3,413,998)
23. TOTAL POSTPETITION LIABILITIES		\$ 5,163,124	\$ 14,202,564
PREPETITION LIABILITIES			
24. SECURED DEBT	\$ 209,595,545	\$ 147,529,631	\$ 138,269,639
25. PRIORITY DEBT	\$ 43,629,500	\$ 20,346,726	\$ 20,189,614
26. UNSECURED DEBT	\$ -	\$ -	\$ -
27. OTHER (ATTACH LIST)	\$ 390,808,736	\$ 411,787,278	\$ 410,731,746
28. TOTAL PREPETITION LIABILITIES	\$ 644,033,781	\$ 579,663,635	\$ 569,190,999
29. TOTAL LIABILITIES	\$ 644,033,781	\$ 584,826,759	\$ 583,393,563
EQUITY			
30. PREPETITION OWNERS' EQUITY	\$ 178,815,038	\$ (24,417,285)	\$ (24,417,285)
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		\$ (320,706,616)	\$ (324,171,229)
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)		\$ 118,096	\$ 118,096
33. TOTAL EQUITY	\$ 178,815,038	\$ (345,005,805)	\$ (348,470,418)
34. TOTAL LIABILITIES & OWNERS' EQUITY	\$ 822,848,819	\$ 239,820,954	\$ 234,923,145

* 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

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COMPARATIVE BALANCE SHEET*
SCHEDULE OF OTHER ASSETS AND LIABILITIES

ASSETS	SCHEDULE AMOUNT	MONTH	
		June	July
1 OTHER CURRENT ASSETS			
2 Tax Receivables	\$ 694,761	\$ 847	\$ 1,060
3 Non-eliminated Affil Debtor Rec	\$ 67,497	\$ -	\$ -
4 Deposits	\$ 906,215	\$ 72,543	\$ 892,543
5 A/R Other & Advances	\$ 552,837	\$ 3,444,930	\$ 2,459,758
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	\$ 36,614,656	\$ 36,449,697
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	\$ 4,522,500	\$ 4,466,667
15 Assets Held for Sale	\$ 502,458	\$ 453,990	\$ 453,990
16 Other Non-Current Assets	\$ 7,184,505	\$ 3,380,219	\$ 2,577,038
17			
18 TOTAL OTHER ASSETS	\$ 464,377,677	\$ 7,761,889	\$ 6,902,875
POSTPETITION LIABILITIES			
17 OTHER POSTPETITION LIABILITIES			
18 Salaries & Benefits		\$ 2,894,973	\$ 3,026,758
19 Accrued Commissions		\$ -	\$ -
20 Line Cost Payable/(Prepaid Line Cost)		\$ (16,914,577)	\$ (15,481,485)
21 Accrued Billing & Collection Fees		\$ 1,831,413	\$ 6,464,519
22 All Other Accrued Postpetition Liabilities		\$ 1,600,568	\$ 2,576,210
23			
24			
25 TOTAL OTHER POSTPETITION LIABILITIES		\$ (10,587,623)	\$ (3,413,998)
PREPETITION LIABILITIES			
24 OTHER PREPETITION LIABILITIES			
25 Accounts Payable	\$ 13,555,170	\$ 12,766,261	\$ 15,274,153
26 Line Costs Payable (incl. B&C)	\$ 101,626,750	\$ 81,058,072	\$ 81,325,078
27 Unsecured Teleglobe & Other Debt	\$ 225,737,370	\$ 234,941,668	\$ 236,294,202
28 Deferred Revenue	\$ 17,329,311	\$ 14,268,421	\$ 14,038,592
29 Deferred Tax Liability - Non Current	\$ -	\$ 23,847,884	\$ 23,847,884
30 All Other Accrued Prepetition Liabilities	\$ 32,560,135	\$ 44,904,972	\$ 39,951,837
31			
32 TOTAL OTHER PREPETITION LIABILITIES	\$ 390,808,736	\$ 411,787,278	\$ 410,731,746

* 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	
	June	July
1. GROSS REVENUES	\$ 41,676,733	\$ 39,714,546
2. LESS: RETURNS & DISCOUNTS	\$ (1,127,422)	\$ (823,908)
3. NET REVENUE	\$ 40,549,311	\$ 38,890,638
COST OF GOODS SOLD		
4. MATERIAL	\$ 20,106,479	\$ 22,247,337
5. DIRECT LABOR	\$ 999,518	\$ 987,518
6. DIRECT OVERHEAD	\$ 787,530	\$ 756,377
7. TOTAL COST OF GOODS SOLD	\$ 21,893,527	\$ 23,991,232
8. GROSS PROFIT	\$ 18,655,784	\$ 14,899,406
OPERATING EXPENSES		
9. OFFICER / INSIDER COMPENSATION	\$ 157,661	\$ 80,715
10. SELLING & MARKETING	\$ 551,793	\$ 313,722
11. GENERAL & ADMINISTRATIVE	\$ 4,728,541	\$ 4,829,141
12. RENT & LEASE	\$ 394,290	\$ 378,488
13. OTHER (ATTACH LIST)	\$ 6,202,563	\$ 5,753,424
14. TOTAL OPERATING EXPENSES	\$ 12,034,848	\$ 11,355,490
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$ 6,620,936	\$ 3,543,916
OTHER INCOME & EXPENSES		
16. NON-OPERATING INCOME (ATT. LIST)	\$ -	\$ -
17. NON-OPERATING EXPENSE (ATT. LIST)	\$ -	\$ -
18. INTEREST EXPENSE	\$ 2,175,157	\$ 2,149,727
19. DEPRECIATION / DEPLETION	\$ 2,744,556	\$ 2,734,683
20. AMORTIZATION	\$ -	\$ -
21. OTHER (ATTACH LIST)	\$ 1,251,849	\$ (702,960)
22. NET OTHER INCOME & EXPENSES	\$ (3,667,864)	\$ (5,587,370)
REORGANIZATION EXPENSES		
23. PROFESSIONAL FEES	\$ 1,577,401	\$ 1,421,159
24. U.S. TRUSTEE FEES	\$ 10,000	\$ -
25. OTHER (ATTACH LIST)	\$ -	\$ -
26. TOTAL REORGANIZATION EXPENSES	\$ 1,587,401	\$ 1,421,159
27. INCOME TAX	\$ -	\$ -
28. NET PROFIT (LOSS)	\$ 1,365,671	\$ (3,464,613)

Monthly Operating Report

ACCRUAL BASIS-2 OTHER

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

INCOME STATEMENT*		
	MONTH	MONTH
OTHER EXPENSES	June	July
1. Customer Service Costs	\$ 1,151,582	\$ 893,166
2. Bad Debt	\$ 1,937,117	\$ 1,932,796
3. Billing & Collections	\$ 2,784,819	\$ 2,717,022
4. Call Rating & Billing	\$ 135,269	\$ 50,205
5. Direct Billing & Postage	\$ 181,954	\$ 110,835
6. Courtesy Credits	\$ 11,822	\$ 49,400
7.		
8. TOTAL OTHER EXPENSES	\$ 6,202,563	\$ 5,753,424
OTHER INCOME & EXPENSES		
9. Interest & Misc Income	\$ 21,150	\$ (108,871)
10. Misc Non-Operating Income (Expense)	\$ -	\$ -
11. Equity Earnings/(Losses) in Investments	\$ -	\$ -
12. PP&E Write Down	\$ 11,311	\$ 853,530
13. Intangible & Other Asset Impairment Adj	\$ 1,219,388	\$ (1,447,619)
14.		
15.		
16. TOTAL OTHER INCOME & EXPENSES	\$ 1,251,849	\$ (702,960)
OTHER REORGANIZATION EXPENSES		
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.

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	
	June	July
1. CASH - BEGINNING OF MONTH	\$ 15,274,324	\$ 17,400,751
RECEIPTS FROM OPERATIONS		
2. CASH SALES		
COLLECTION OF ACCOUNTS RECEIVABLE		
3. PREPETITION	\$ -	\$ -
4. POSTPETITION	\$ 42,262,526	\$ 37,630,913
5. TOTAL OPERATING RECEIPTS	\$ 42,262,526	\$ 37,630,913
NON - OPERATING RECEIPTS		
6. LOANS & ADVANCES (ATTACH LIST)	\$ -	\$ -
7. SALE OF ASSETS	\$ 9,343	\$ -
8. OTHER (ATTACH LIST)	\$ 1,737,521	\$ 2,089,708
9. TOTAL NON-OPERATING RECEIPTS	\$ 1,746,864	\$ 2,089,708
10. TOTAL RECEIPTS	\$ 44,009,390	\$ 39,720,621
11. TOTAL CASH AVAILABLE	\$ 59,283,714	\$ 57,121,372
OPERATING DISBURSEMENTS		
12. NET PAYROLL	\$ 2,649,879	\$ 2,589,054
13. PAYROLL TAXES PAID	\$ 883,293	\$ 863,018
14. SALES, USE & OTHER TAXES PAID	\$ 4,979,893	\$ 4,481,286
15. SECURED / RENTAL / LEASES	\$ 564,690	\$ 568,877
16. UTILITIES	\$ 456,355	\$ 424,732
17. INSURANCE	\$ 40,980	\$ -
18. INVENTORY PURCHASES	\$ 290,634	\$ 60,490
19. VEHICLE EXPENSES	\$ 2,013	\$ 687
20. TRAVEL	\$ 11,950	\$ 9,435
21. ENTERTAINMENT	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ 803,147	\$ 697,837
23. SUPPLIES	\$ 30,964	\$ 17,552
24. ADVERTISING	\$ -	\$ -
25. OTHER (ATTACH LIST)	\$ 29,348,852	\$ 28,871,284
26. TOTAL OPERATING DISBURSEMENTS	\$ 40,062,650	\$ 38,584,252
REORGANIZATION EXPENSES		
27. PROFESSIONAL FEES ACTUALLY PAID	\$ 1,820,313	\$ 2,097,236
28. U.S. TRUSTEE FEES	\$ -	\$ 14,000
29. OTHER (ATTACH LIST)	\$ -	\$ -
30. TOTAL REORGANIZATION EXPENSES	\$ 1,820,313	\$ 2,111,236
31. TOTAL DISBURSEMENTS	\$ 41,882,963	\$ 40,695,488
32. NET CASH FLOW	\$ 2,126,427	\$ (974,867)
33. CASH - END OF MONTH	\$ 17,400,751	\$ 16,425,884

* 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

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CASH RECEIPTS AND DISBURSEMENTS*		MONTH	MONTH
		June	July
OTHER NON OPERATING RECEIPTS			
1	eServices	\$ 310,998	\$ 260,683
2	Sales Aids	\$ (65,353)	\$ 11,715
3	Tax Refund	\$ 171,003	\$ 1,025,676
4	Reimbursement of Line Costs	\$ 1,139,369	\$ 17,818
5	Comdisco Settlement	\$ -	\$ 690,000
6	Misc Receipts	\$ 101,504	\$ 83,816
7	From Europe Service Agreement	\$ 80,000	\$ -
8			
9			
10			
11	TOTAL OTHER NON OPERATING RECEIPTS	\$ 1,737,521	\$ 2,089,708
OTHER OPERATING DISBURSEMENTS			
12	Linecost	\$ 20,488,163	\$ 20,686,166
13	Benefits	\$ 800,107	\$ 716,635
14	Commissions	\$ 474,125	\$ 373,807
15	General & Administrative	\$ 2,537,868	\$ 2,752,748
16	RTFC Interest	\$ 865,971	\$ -
17	Change in Cash Reclass	\$ (622,963)	\$ (172,941)
18	Capital Leases and Equipment	\$ 8,265	\$ 8,265
19	RTFC LOC Paydown	\$ 2,085,707	\$ 1,141,588
20	RTFC Revolver Paydown	\$ 2,711,609	\$ 3,365,016
21		\$ -	
22		\$ -	
23	TOTAL OTHER OPERATING DISBURSEMENTS	\$ 29,348,852	\$ 28,871,284
OTHER REORGANIZATION EXPENSES			
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

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ACCOUNTS RECEIVABLE AGING***	SCHEDULE AMOUNT	MONTH June	MONTH July
1. 0-30	\$ 58,476,466	\$ 36,361,328	\$ 34,791,369
2. 31-60	\$ 33,993,017	\$ 21,929,599	\$ 21,763,169
3. 61-90	\$ 7,516,346	\$ 6,553,418	\$ 5,837,810
4. 91+	\$ 9,300,438	\$ 42,819,858	\$ 43,026,329
5. TOTAL ACCOUNTS RECEIVABLE	\$ 109,286,267	\$ 107,664,203	\$ 105,418,677
6. AMOUNT CONSIDERED UNCOLLECTIBLE	\$ 11,487,562	\$ 6,749,154	\$ 5,149,435
7. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 100,915,049	\$ 100,269,242

AGING OF POSTPETITION TAXES AND PAYABLES

MONTH: July 2005

TAXES PAYABLE***	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 2,062,982				\$ 2,062,982
2. STATE	\$ 7,565,511				\$ 7,565,511
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 9,628,493	\$ -	\$ -	\$ -	\$ 9,628,493

6. ACCOUNTS PAYABLE***	\$ 467,627				\$ 467,627
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STATUS OF POSTPETITION TAXES

MONTH: July 2005

	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
FEDERAL ***				
1. WITHHOLDING**	\$ (216)	\$ 457,866	\$ 457,480	\$ 170
2. FICA-EMPLOYEE**	\$ 47,148	\$ 246,485	\$ 246,119	\$ 47,514
3. FICA-EMPLOYER**	\$ 47,148	\$ 246,485	\$ 246,119	\$ 47,514
4. UNEMPLOYMENT	\$ 4,721	\$ 321	\$ 4,720	\$ 322
5. INCOME	\$ -	\$ -	\$ -	\$ -
6. EXCISE	\$ 1,962,127	\$ 740,639	\$ 735,304	\$ 1,967,462
7. TOTAL FEDERAL TAXES	\$ 2,060,928	\$ 1,691,796	\$ 1,689,742	\$ 2,062,982
STATE AND LOCAL ***				
8. WITHHOLDING	\$ 7,204	\$ 5,829	\$ 9,778	\$ 3,255
9. SALES	\$ 3,258,496	\$ 1,287,409	\$ 1,503,962	\$ 3,041,943
10. 911 TAX	\$ 362,418	\$ 121,496	\$ 133,081	\$ 350,833
11. UNEMPLOYMENT	\$ 78,021	\$ 11,363	\$ 78,200	\$ 11,184
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -
14. OTHER (ATTACH LIST)	\$ 3,944,070	\$ 2,243,980	\$ 2,029,754	\$ 4,158,296
15. TOTAL STATE & LOCAL	\$ 7,650,209	\$ 3,670,077	\$ 3,754,775	\$ 7,565,511
16. TOTAL TAXES	\$ 9,711,137	\$ 5,361,873	\$ 5,444,517	\$ 9,628,493

* 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

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STATUS OF POSTPETITION TAXES

MONTH: July 2005

OTHER STATE AND LOCAL***	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1 FRANCHISE	\$ 59,175	\$ 2,234	\$ -	\$ 61,409
2 PROPERTY	\$ 488,057	\$ 76,475	\$ -	\$ 564,532
3 GR, REG, PUC, USF, TRS	\$ 3,399,452	\$ 2,165,271	\$ 2,029,754	\$ 3,534,969
4 INCOME	\$ (2,614)	\$ -	\$ -	\$ (2,614)
5	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -
8 TOTAL OTHER STATE & LOCAL	\$ 3,944,070	\$ 2,243,980	\$ 2,029,754	\$ 4,158,296

*** 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
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ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	MONTH June	MONTH July
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: July 2005
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 885,422				\$ 885,422
2. STATE	\$ 4,577,734				\$ 4,577,734
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 5,463,156	\$ -	\$ -	\$ -	\$ 5,463,156
6. ACCOUNTS PAYABLE					\$ -

STATUS OF POSTPETITION TAXES					MONTH: July 2005
FEDERAL	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY	
1. WITHHOLDING**	\$ -	\$ -	\$ -	\$ -	
2. FICA-EMPLOYEE**	\$ -	\$ -	\$ -	\$ -	
3. FICA-EMPLOYER**	\$ -	\$ -	\$ -	\$ -	
4. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -	
5. INCOME	\$ -	\$ -	\$ -	\$ -	
6. EXCISE	\$ 872,951	\$ 444,264	\$ 431,793	\$ 885,422	
7. TOTAL FEDERAL TAXES	\$ 872,951	\$ 444,264	\$ 431,793	\$ 885,422	
STATE AND LOCAL					
8. WITHHOLDING	\$ -	\$ -	\$ -	\$ -	
9. SALES	\$ 2,113,246	\$ 1,126,005	\$ 1,168,363	\$ 2,070,888	
10. 911 TAX	\$ 185,729	\$ 61,635	\$ 73,312	\$ 174,052	
11. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -	
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -	
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -	
14. OTHER (ATTACH LIST)	\$ 2,338,013	\$ 1,316,128	\$ 1,321,347	\$ 2,332,794	
15. TOTAL STATE & LOCAL	\$ 4,636,988	\$ 2,503,768	\$ 2,563,022	\$ 4,577,734	
16. TOTAL TAXES	\$ 5,509,939	\$ 2,948,032	\$ 2,994,815	\$ 5,463,156	

* 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.

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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: July 2005

OTHER STATE AND LOCAL		BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1	FRANCHISE	\$ (19,611)	\$ 850	\$ -	\$ (18,761)
2	PROPERTY	\$ 300,002	\$ 50,000	\$ -	\$ 350,002
3	GR, REG, PUC, USF, TRS	\$ 2,057,622	\$ 1,265,278	\$ 1,321,347	\$ 2,001,553
4	INCOME	\$ -	\$ -	\$ -	\$ -
5		\$ -	\$ -	\$ -	\$ -
6		\$ -	\$ -	\$ -	\$ -
7		\$ -	\$ -	\$ -	\$ -
8	TOTAL OTHER STATE & LOCAL	\$ 2,338,013	\$ 1,316,128	\$ 1,321,347	\$ 2,332,794

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: July 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	\$1,229	\$1,000	\$1,000	\$3,229
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$2,732,397	\$371,018	\$0	\$0	\$0	\$3,103,415
4. OTHER RECONCILING ITEMS	\$0	(\$130,928)	(\$142,746)	\$3,103,215	\$0	\$0	\$2,829,541
5. MONTH END BALANCE PER BOOKS	\$0	(\$2,863,325)	(\$513,764)	\$3,104,444	\$1,000	\$1,000	(\$270,645)
6. NUMBER OF LAST CHECK WRITTEN		11517, 5503899, 6610514, 8504127	70634, 725738				

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	(\$270,645)

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: July 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	\$731,236	\$460,009	\$1,683,905	\$0	\$4,259,000	\$1,419,000	
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$795,780	\$0	\$0	\$0	\$795,780
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$21,508)	\$5,782	(\$938,131)	(\$154)	\$0	\$0	(\$954,011)
5. MONTH END BALANCE PER BOOKS	\$709,728	\$465,791	\$1,541,554	(\$154)	\$4,259,000	\$1,419,000	\$8,394,919
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	\$8,394,919

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: July 2005

BANK RECONCILIATIONS	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	UMB					TOTAL Pages 1 - 3
B. ACCOUNT NUMBER:	657895728	98-7149-996-0					
C. PURPOSE (TYPE):		Escrow					
1. BALANCE PER BANK STATEMENT	\$1,023,750	\$0					9,580,129
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0					795,780
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0					3,103,415
4. OTHER RECONCILING ITEMS	\$0	\$0					1,875,530
5. MONTH END BALANCE PER BOOKS	\$1,023,750	\$0					\$9,148,024
6. NUMBER OF LAST CHECK WRITTEN							

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
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	\$ 15,143,375

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: July 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BOA	BOA	Citibank				TOTAL
B. ACCOUNT NUMBER:	47933454613	317411250	30491082				
C. PURPOSE (TYPE):	Payroll Acct	Emp Benefits-FSA	401(K)				
1. BALANCE PER BANK STATEMENT	\$401,669	\$7,237	\$0				\$408,906
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0				\$0
3. SUBTRACT: OUTSTANDING CHECKS	\$20,970	\$0	\$0				\$20,970
4. OTHER RECONCILING ITEMS	(\$13,922)	\$18,576	\$146,000				\$150,654
5. MONTH END BALANCE PER BOOKS	\$366,777	\$25,813	\$146,000	\$0	\$0	\$0	\$538,590
6. NUMBER OF LAST CHECK WRITTEN	54608	1957					

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	\$538,590

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: July 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	SUB - TOTAL
C. PURPOSE (TYPE):	Escrow	Escrow	Escrow	Escrow	Receipt	Receipt	Page 1
1. BALANCE PER BANK STATEMENT	\$243,419	\$180,277	\$58,040	\$11,987	\$0	\$564	\$494,287
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0	\$16,840	\$29,812	\$46,652
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$6)	\$0	\$0	\$66	\$14,175	\$2,528	\$16,763
5. MONTH END BALANCE PER BOOKS	\$243,413	\$180,277	\$58,040	\$12,053	\$31,015	\$32,904	\$557,702
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	\$557,702

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: July 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	Bank One					TOTAL Page 1 & 2
B. ACCOUNT NUMBER:	18-8986-0423	20284979					
C. PURPOSE (TYPE):	Deposit	Lockbox Receipt					
1. BALANCE PER BANK STATEMENT	\$0	\$136,338					\$630,625
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0					\$46,652
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0					\$0
4. OTHER RECONCILING ITEMS	\$538	\$1,841					\$19,142
5. MONTH END BALANCE PER BOOKS	\$538	\$138,179					\$696,419
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	\$696,419

Monthly Operating Report

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

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: July 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	\$3,116							\$3,116
3. SUBTRACT: OUTSTANDING CHECKS	\$0							\$0
4. OTHER RECONCILING ITEMS	\$0							\$0
5. MONTH END BALANCE PER BOOKS	\$3,116							\$3,116
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		\$3,116

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: July 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		\$43,684	\$0					\$43,684
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		\$44,515	(\$132)					\$44,383
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		\$44,383

Monthly Operating Report

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

ACCRUAL BASIS-6

rwd, 2/04

MONTH: _____ July 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		\$ 400,944	\$ 3,629,159

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	\$ 343,388	\$ 343,388	\$ 2,812,273	\$ 330,773
2. Vinson & Elkins	November 5, 2004	\$ 535,199	\$ 535,199	\$ 4,447,286	\$ 971,581
3. Houlihan Lokey	November 5, 2004	\$ -	\$ -	\$ 373,861	\$ 41,412
4. FTI	November 5, 2004	\$ 188,551	\$ 188,551	\$ 1,854,197	\$ 388,551
5. Fulbright & Jaworski	November 5, 2004	\$ 164,263	\$ 164,263	\$ 1,305,890	\$ 330,000
6. Xroads Solutions	November 5, 2004	\$ 98,354	\$ 98,354	\$ 1,085,805	\$ 414,609
7. Carrington Coleman	November 5, 2004	\$ 269,762	\$ 269,762	\$ 1,489,835	\$ 715,734
8. Scouler Andrews	November 5, 2004	\$ -	\$ -	\$ 117,557	\$ 57,168
9. White & Case	November 5, 2004	\$ 296,272	\$ 296,272	\$ 727,334	\$ 624,738
10. Other	November 5, 2004	\$ -	\$ -	\$ 39,914	\$ 51,461
11 TOTAL PAYMENTS TO PROFESSIONALS		\$ 1,895,789	\$ 1,895,789	\$ 14,253,952	\$ 3,926,027

* 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
July 2005

Vendor	Semi-Monthly Adequate Assurance Agreement	Adequate Assurance Payments in July	Total Unpaid Post- Petition Payments
Alltel	\$ -	\$ 231,311.88	\$ -
AT & T	\$ 1,050,000.00	\$ 884,000.00	\$ -
BellSouth	\$ 2,227,500.00	\$ 3,284,822.00	\$ -
Broadwing	\$ 179,923.00	\$ 198,493.02	\$ -
Century Tel	\$ 198,687.35	\$ 217,225.23	\$ -
Focal	\$ 4,038.00	\$ -	\$ -
GCI	\$ 26,825.00	\$ 71,355.50	\$ -
Grande	\$ 16,333.00	\$ 292,065.49	\$ -
Level 3	\$ 170,735.00	\$ 536,284.67	\$ -
MCI	\$ 1,001,057.00	\$ 1,222,000.00	\$ -
MCI Escrow	\$ 129,000.00	\$ -	\$ -
McLeod	\$ 298,500.00	\$ 322,801.53	\$ -
Norlight	\$ 40,777.00	\$ -	\$ -
NTS	\$ 278,672.00	\$ 210,215.44	\$ -
Pacific Net	\$ 27,202.00	\$ 28,000.00	\$ -
PalmettoNet	\$ 27,753.00	\$ 43,458.38	\$ -
Qwest Corporation	\$ 672,600.00	\$ 985,362.30	\$ -
Qwest Communication	\$ 906,500.00	\$ 505,000.00	\$ -
SBC	\$ 2,725,000.00	\$ 3,770,729.41	\$ -
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	\$ 3,370,000.00	\$ -
WilTel	\$ 131,273.00	\$ 197,079.69	\$ -
Total		\$ 18,004,190.54	\$ -

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-7

CASE NUMBER: 04-81694-SAF-11

rwd, 2/04

MONTH: July 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