- 1.5% of the Sale Transaction Value in excess of $50,000,000 up to $100,000,000;
- 1.0% of the Sale Transaction Value in excess of $100,000,000 up to $150,000,000; and
- 0.75% of the Sale Transaction Value above $150,000,000.

For the purpose of calculating the Sale Fee, the Sale Transaction Value shall be the total proceeds and other consideration paid or received, or to be paid or received, in connection with a Sale Transaction (which consideration shall be deemed to include amounts in escrow; provided, however that any fee relating to amounts in escrow shall be withheld and paid only upon final distribution of the escrow amounts and then only with respect to the amount in escrow finally received by the Company in the Sale Transaction), including, without limitation, cash, notes, securities, and other property received or to be received by the Company, its creditors and/or equity holders (including holders of warrants and convertible securities, and holders of options or stock appreciation rights, whether or not vested); deferred non-contingent payments (such as installments payments); amounts payable under consulting agreements, above-market employment contracts, non-compete agreements, employee benefit plans or similar arrangements; and Contingent Payments (as defined below) (collectively, "Total Consideration"). The Sale Transaction Value shall include any interest bearing current liabilities and any long-term indebtedness of the Company (including the principal amount of any debt for borrowed money) (i) repaid or retired in connection with or anticipation of a Sale Transaction (to the extent not duplicative of other amounts deemed consideration received in the Sale Transaction, i.e., no double counting of cash paid but promptly used to retire debt) and (ii) existing on the Company's balance sheet at the time of a Sale Transaction (if such Sale Transaction takes the form of a merger or a sale of stock) or assumed by a buyer in connection with a Sale Transaction (if such Sale Transaction takes the form of a sale of assets). Contingent Payments shall be defined as the fair market value of consideration received or receivable by the Company, its employees, former or current equity holders and/or any other parties in the form of deferred performance or retention-based payments, "earn-outs", or other contingent payments based upon the occurrence of future events, in each case, where the agreements providing for such payments are prepared as a condition precedent to or part and parcel with the Sale Transaction and not otherwise part of the services provided by Houlihan Lokey to the Company hereunder.

For the purpose of calculating the consideration received in the Sale Transaction, as applicable, any securities (other than a promissory note) will be valued at the time of the closing of the applicable Transaction as follows: (i) if such securities are traded on a stock exchange, the securities will be valued at the average last sale or closing price for the ten trading days immediately prior to the closing of the applicable Transaction; (ii) if such securities are traded primarily in over-the-counter transactions, the securities will be valued at the mean of the closing bid and ask quotations similarly averaged over a ten trading day period immediately prior to the closing of the applicable Transaction; and (iii) if such securities have not been traded prior to the closing of the applicable Transaction, Houlihan Lokey will prepare a valuation of the securities (considering any restrictions on transferability and minority discounts), and Houlihan Lokey and the Company will negotiate in good faith to agree on a fair valuation thereof for the purposes of calculating the Sale Fee. The value of any purchase money or other promissory notes, installment sales contracts or other deferred non-contingent consideration shall be deemed to be the face amount thereof. In the event the Sale Transaction Value includes any Contingent Payments, the Company and Houlihan Lokey will negotiate in good faith to agree on that portion of the Sale Fee to be paid to Houlihan Lokey upon the consummation of the Sale Transaction in consideration thereof. If the parties cannot reach such an agreement, an additional Sale Fee(s) shall be paid to Houlihan Lokey in the same proportions and at the same times as the Contingent Payments are paid or received.

The Sale Fee shall be paid to Houlihan Lokey by withholding such fee from the sale proceeds by instructing the payor(s) of the Sale Transaction Value to wire transfer the same directly to Houlihan Lokey upon the consummation of the Transaction, or, if there is a dispute regarding the payment or the amount of the fee, the disputed portion of the Sale Fee shall be held by the Company pending resolution of the dispute.

The Restructuring Fee, Financing Fee, and Sale Fee are collectively referred to herein as "Transaction Fees".

(e) Payment of Fees. If this Agreement is terminated for any reason, and the Company consummates, a Transaction within six (6) months after such termination date (the "Tail Period"), or during the Tail Period enters into an agreement in principle to engage in a Transaction that subsequently closes during the six months after the Tail Period, Houlihan Lokey shall be entitled to receive its Transaction Fee upon the consummation of such Transaction as if no such termination had occurred.

For the avoidance of doubt, in the event the Company and Houlihan Lokey are unable to agree in good faith upon the classification of any single Transaction as a Restructuring Transaction, Financing Transaction, or Sale Transaction, or if a single Transaction with only one third party (or a group of related third parties) shall consist of two or more types of Transactions (or elements thereof), Houlihan Lokey shall receive only one Transaction Fee not to exceed the greater of the Restructuring Fee, Financing Fee, or Sale Fee as calculated in accordance with the terms of this Agreement.

The parties acknowledge that a substantial commitment of time and effort will be required by Houlihan Lokey and its professionals hereunder, and that such commitment may deprive it of certain other business opportunities. Moreover, the actual time and commitment required for this engagement may vary substantially from month to month, thereby creating "peak load" issues for Houlihan Lokey. Given the numerous issues which may arise in these types of engagements, Houlihan Lokey's commitment to the variable level of time and effort necessary to address these issues, the professional services that will be required in connection with this engagement, and the market rate for these services, the parties agree that the fee arrangement set forth herein is reasonable, fairly compensates Houlihan Lokey, and provides certainty for the Company.

Notwithstanding anything to the contrary contained in this Agreement, upon the successful restructuring of the Company and the payment of the Transaction Fees related thereto, the Company will not have any further obligations to pay fees and expenses under this Agreement, including under this Section 2(e).

(f) Expenses. Additionally, and regardless of whether any Transaction is consummated, Houlihan Lokey shall be entitled to reimbursement of its necessary and reasonable out-of-pocket expenses incurred from time to time during the term hereof in connection with the services to be provided under this Agreement, promptly after invoicing the Company therefore. Notwithstanding the forgoing, such out-of-pocket expenses shall not exceed $20,000 per month or $50,000 in the aggregate without the prior written approval of the Chief Executive Officer of the Company. Houlihan Lokey's out-of-pocket expenses, including for travel-related expenses, and research, database and similar information charges paid to third party vendors, and postage, telecommunication and duplicating expenses, will be billed to the Company on a net cost to Houlihan Lokey, without any premium, upcharge or markup; provided, however, that research, database and similar information charges paid to third party vendors, and postage, telecommunication and duplicating expenses that are incapable of being identified with, or charged to a particular client or assignment in a reasonably practicable manner may be based upon a uniformly applied monthly assessment or percentage of the fees due to Houlihan Lokey. All travel will be reimbursed on a coach class basis as First and Business class travel will not be reimbursed. The Company will not reimburse any airline or hotel VIP club membership costs. Hotel stays will be at reasonable, respectable and convenient lodging facilities.

3. **Information.** The Company will furnish Houlihan Lokey with such information regarding the business and financial condition of the Company as is reasonably requested, all of which will be, to the Company's best knowledge, accurate and complete in all material respects at the time furnished. The Company will promptly notify Houlihan Lokey if it learns of any material misstatement in, or material omission from, any information previously delivered to Houlihan Lokey. Houlihan Lokey may rely, without independent verification, on the accuracy and completeness of all information furnished by the Company or any other potential party to a Transaction. The Company understands that Houlihan Lokey will not be responsible for independently verifying the accuracy of such information, and shall not be liable for any inaccuracies therein. Except as may be required by law or court process, any opinions or advice (whether written or oral) rendered by Houlihan Lokey are intended solely for the benefit and use of the Company, and may not be publicly disclosed in any manner or made available to third parties (other than the Company's management, directors, affiliates, advisors, accountants and attorneys, and other than in connection with a Transaction) without the prior written consent of Houlihan Lokey, which consent shall not be unreasonably withheld. Upon the request of the Company, Houlihan Lokey will, to the extent feasible, provide the Company with (i) any final or presented financial models or tools, (ii) to the extent identified and requested by the Company, any work in progress financial models, tools and reports related to services requested by the Company to be performed, and (iii) other information and materials developed in the course of the engagement hereunder and presented, including, in each case, soft copies thereof. Except as contemplated by the terms hereof or as required by applicable law or legal process, Houlihan Lokey will keep confidential all material non-public information regarding the Company and its subsidiaries and affiliates provided to it by or at the request of the Company, and shall not disclose such information to any third party or to any of its employees or advisors except to its employees and advisors who have a need to know such information in connection with Houlihan Lokey's performance of its responsibilities hereunder, who are advised of the confidential nature of the information and who agree to keep such information confidential. All such non-public information will be used solely in the course of the performance of services hereunder. Notwithstanding anything in this Agreement to the contrary, the parties agree that the terms of the Confidentiality Agreement entered into by the parties as of January 23, 2004 shall remain in full force and effect for a period of three years from the termination date of this Agreement.

4. **Indemnification; Standard of Care.** The Company agrees to provide indemnification, contribution and reimbursement to Houlihan Lokey and certain other parties in accordance with, and further agrees to be bound by the other provisions set forth in, Schedule A attached hereto.

5. **Other Services.** To the extent Houlihan Lokey is requested by the Company to perform any financial advisory or investment banking services which are not within the scope of this assignment, such fees shall be mutually agreed upon by Houlihan Lokey and the Company in writing, in advance, depending on the level and type of services required, shall be in addition to the fees and expenses described hereinabove, and shall be approved by the United States Bankruptcy Court for the Northern District of Texas. If Houlihan Lokey is required by subpoena, court order or similar demand to render services directly or indirectly relating to the subject matter of this Agreement (including, but not limited to, producing documents, answering interrogatories, and giving depositions or other testimony), the Company will reimburse Houlihan Lokey for the reasonable legal fees and expenses of their Houlihan Lokey's counsel incurred in connection therewith. In addition, if Houlihan Lokey is required by subpoena, court order or similar demand to render services not directly or indirectly relating to the subject matter of this Agreement, the Company will pay the then current hourly rates of the persons involved for

the time expended in rendering such services, including travel and all related reasonable out of pocket costs and expenses, and the reasonable legal fees and expenses of Houlihan Lokey's counsel incurred in connection therewith.

6. Attorneys' Fees. If any party to this Agreement brings an action directly or indirectly based upon this Agreement or the matters contemplated hereby against any other party, the prevailing party shall be entitled to recover, in addition to any other appropriate amounts, its reasonable costs and expenses in connection with such proceeding, including, but not limited to, reasonable attorneys' fees and court costs.

7. Credit. Upon the consummation of a Transaction, Houlihan Lokey may, at its own expense, place announcements in financial and other newspapers and periodicals (such as a customary "tombstone" advertisement) describing their services in connection therewith, subject to prior review and approval by the Company.

8. Miscellaneous. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, however, is intended to confer or does confer on any person or entity, other than the parties hereto and their respective successors and permitted assigns and, to the extent expressly set forth in this Agreement (including Schedule A attached hereto), the other Indemnified Parties, any rights or remedies under or by reason of this Agreement or as a result of the services to be rendered by Houlihan Lokey hereunder.

The Company shall use its reasonable best efforts to seek an order authorizing the employment of Houlihan Lokey pursuant to the terms of this Agreement as a professional person pursuant to, and subject to the standard of review of, Section 328 (a) of the Bankruptcy Code, the Bankruptcy Rules and all applicable local rules. The Company will supply Houlihan Lokey with a draft of such application and any proposed order authorizing Houlihan Lokey's retention in advance of the filing of such application and proposed order to enable Houlihan and its counsel to review and comment thereon, and such application will be mutually acceptable to Houlihan Lokey and the Company. If such an order is not obtained (or is later reversed or set aside for any reason), Houlihan Lokey may terminate this Agreement and the Company shall pay all fees due hereunder, and all reasonable expenses incurred prior to such termination date, in accordance with the terms of this Agreement. Houlihan Lokey represents that (i) its officers, employees and principals involved or likely to be involved in the engagement contemplated by this Agreement do not currently and will not during the term of this Agreement represent, advise or counsel any party seeking to purchase any assets of the Company or any material stakeholder of the Company, including RTFC, Teleglobe Inc. and its affiliates, Regions Bank, United Missouri Bank, or Telephone Electronics Corporation ("TEC"), without the prior written consent of the Company and (ii) it can and shall execute such declarations and affidavits as may be required under section 327 of the Bankruptcy Code to support Houlihan Lokey's application for employment. If Houlihan Lokey at any time is disqualified from employment because it is not disinterested, or if it is found to hold or represent an interest adverse to the estate, the Company shall have no further obligation to pay any fees or expenses otherwise due hereunder. The Company shall have no obligation to pay any of Houlihan Lokey's fees or expenses otherwise due hereunder, except as approved by the Bankruptcy Court.

The parties understand that Houlihan Lokey is being engaged hereunder to provide the services described above solely to the Company, and that Houlihan Lokey is not acting as an agent of, and shall have no duty of loyalty to, the owners or creditors of the Company or any other third parties in connection with this assignment.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect pursuant to the terms hereof.

The Company agrees that it will be solely responsible for ensuring that any Transaction complies with applicable law.

This Agreement, together with the Confidentiality Agreement incorporates the entire understanding of the parties regarding the subject matter hereof and thereof, and supersedes all previous agreements or understandings regarding the same, whether written or oral.

This Agreement may not be amended, and no portion hereof may be waived, except in a writing duly executed by the parties.

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO SUCH STATE'S RULES CONCERNING CONFLICTS OF LAWS. EACH OF HOULIHAN LOKEY AND THE COMPANY (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS EQUITY HOLDERS) WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THE ENGAGEMENT OF HOULIHAN LOKEY PURSUANT TO, OR THE PERFORMANCE BY HOULIHAN LOKEY OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT. ANY SUIT, ACTION OR PROCEEDING SEEKING TO ENFORCE ANY PROVISION OF, OR BASED ON ANY MATTER ARISING OUT OF OR IN CONNECTION WITH, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE BROUGHT IN ANY COURT OF COMPETENT JURISDICTION IN DALLAS COUNTY, TEXAS OR THE UNITED STATES FEDERAL COURT SITTING IN THE NORTHERN DISTRICT OF TEXAS AND EACH OF THE PARTIES HEREBY CONSENTS TO THE JURISDICTION OF SUCH COURTS (AND OF THE APPROPRIATE APPELLATE COURTS THEREFROM) IN ANY SUCH SUIT, ACTION OR PROCEEDING AND IRREVOCABLY WAIVES, TO THE FULL EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT ANY SUCH SUIT, ACTION OR PROCEEDING WHICH IS BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE SERVED ON ANY PARTY ANYWHERE IN THE WORLD, WHETHER WITHIN OR WITHOUT THE JURISDICTION OF ANY SUCH COURT.

We look forward to continuing to work with you on this engagement. Please confirm that the foregoing terms are in accordance with your understanding by signing and returning the enclosed copy of this Agreement. The Effective Date of this Agreement shall be deemed to be November 1, 2004.

Very truly yours,

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

Adam Dunayer

By: ______________________________
Mr. Adam L. Dunayer
Director

Accepted and agreed to as of 11/18/04:

VarTec Telecom, Inc.

By: Michael G. Hoff
Mr. Michael G. Hoffman
Chief Executive Officer

SCHEDULE A

This Schedule is attached to, and constitutes a material part of, that certain letter agreement dated November 1, 2004, addressed to **VarTec Telecom, Inc.** by Houlihan Lokey (the "Agreement"). Unless otherwise noted, all capitalized terms used herein shall have the meaning set forth in the Agreement.

As a material part of the consideration for the agreement of Houlihan Lokey to furnish its services under the Agreement, the Company agrees to indemnify and hold harmless Houlihan Lokey and its affiliates, and their directors, officers, shareholders, employees, and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party (including acts or omissions constituting ordinary negligence) in connection with the Agreement, or any Transaction or proposed Transaction contemplated thereby. In addition, the Company agrees to reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by them in respect thereof at the time such expenses are incurred; provided, however, the Company shall not be liable under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined to have resulted from the willful misconduct, fraud, bad faith or gross negligence of any Indemnified Party.

If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold it harmless, the Company shall contribute to the amount paid or payable by the Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and Houlihan Lokey, on the other hand, in connection with the actual or potential Transaction and the services rendered by Houlihan Lokey. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, then the Company shall contribute to such amount paid or payable by any Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Company, on the one hand, and Houlihan Lokey, on the other hand, in connection therewith, as well as any other relevant equitable considerations. Notwithstanding the foregoing, the aggregate contribution of all Indemnified Parties to any such losses, claims, damages, liabilities and expenses shall not exceed the amount of fees actually received by Houlihan Lokey pursuant to the Agreement.

The Company shall not effect any settlement or release from liability in connection with any matter for which an Indemnified Party would be entitled to indemnification from the Company, unless such settlement or release contains a release of the Indemnified Parties reasonably satisfactory in form and substance to Houlihan Lokey. The Company shall not be required to indemnify any Indemnified Party for any amount paid or payable by such party in the settlement or compromise of any claim or action without the Company's prior written consent.

The Company further agrees that neither Houlihan Lokey nor any other Indemnified Party shall have any liability, regardless of the legal theory advanced, to the Company or any other person or entity (including the Company's equity holders and creditors) related to or arising out of Houlihan Lokey's engagement, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Company which are finally judicially determined to have resulted from the willful misconduct, fraud, bad faith or gross negligence of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Company set forth herein shall apply to any modifications of the Agreement, shall be in addition to any liability which the Company may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company and each Indemnified Party. The foregoing provisions shall survive the consummation of any Transaction and any termination of the relationship established by the Agreement.

EXHIBIT D

Professional Biographies

PROFESSIONAL BIOGRAPHIES

Irwin N. Gold

Mr. Gold is a Senior Managing Director and member of the Board of Directors of Houlihan Lokey, and is Global Co-Director of the Firm's Financial Restructuring Group, which he co-founded in 1988. Mr. Gold has led many of the Group's largest and most complex financial restructuring engagements, both in bankruptcy and out-of-court.

Currently, Mr. Gold leads the Group's telecommunications industry efforts, including advising Covad Communications with respect to its successful restructuring, advising Global TeleSystems regarding its global recapitalization, advising GST Telecommunications in its sale to Time Warner Telecom, advising NorthPoint Communications in its sale to AT&T, advising XO Communications with respect to its restructuring, and advising the creditors committees of WorldCom, Inc., Williams Communications, ICG Communications, Asia Global Crossing and Allegiance Telecom.

Mr. Gold is a member of a variety of organizations, including the Financial Lawyers Conference, the Bankruptcy Study Group and the American Bankruptcy Institute. He has testified on numerous occasions as an expert witness on restructuring matters, has spoken publicly on a variety of financial restructuring topics and is the author of Valuation of the Restructured Enterprise and Its Effect on Negotiating Leverage.

Prior to joining Houlihan Lokey, Mr. Gold was associated with the Corporate Department of Gibson Dunn & Crutcher from 1982 through 1985. Mr. Gold was also vice president and director of corporate finance of Wood Bros. Homes, Inc., a Denver-based real estate and mortgage banking company, from 1985 to 1986, where he helped negotiate a workout and sale of the company. In addition, Mr. Gold was a principal of The Seneca Group, an investment banking and financial advisory firm, from 1986 to 1988.

Mr. Gold holds a J.D. from the University of Virginia School of Law and a B.A. in economics, summa cum laude and Phi Beta Kappa, from Duke University. Mr. Gold is registered with the NASD as a General Securities Principal (Series 7, 24 and 63).

Adam L. Dunayer

Mr. Dunayer is a Director in the Financial Restructuring Group in Houlihan Lokey's Dallas office. Mr. Dunayer leads the firm's Distressed Company Mergers and Acquisitions and Financial Restructuring practices in Dallas, and has over 15 years of experience in providing advice to clients in connection with financial restructuring, mergers, acquisitions and dispositions, leveraged buyouts, and capital-raising activities. Prior to joining Houlihan Lokey, Mr. Dunayer was a managing director with Bear, Stearns & Co. Inc., where he was co-head of their semiconductor and wireless software sectors within the Technology Group. He was also an executive vice president and chief financial officer with Miller Industries, Inc., where he served as president of the company's largest subsidiary. In this position, Mr. Dunayer led the acquisition of over 100 companies and an organization charged with operating a 3,000-employee, 2,000-vehicle fleet company with locations in 50 markets across the United States. In addition, Mr. Dunayer was with Bear, Stearns & Co. Inc.'s Southwest Investment Banking Group, working with numerous companies in both advisory and capital-raising capacities. Mr. Dunayer holds a B.B.A. from the University of Texas at Austin.

Christopher A. Wilson

Mr. Wilson is a Director in the Telecom Group in the Los Angeles office of Houlihan Lokey.

Mr. Wilson was previously in Houlihan Lokey's Financial Restructuring Group where he specialized in the telecommunications industry, and he played a key role in the restructurings of WorldCom, ICG Communications, Asia Global Crossing, William Communications Group and Covad Communications, and the sale of the Latin American fiber assets of 360networks. Prior to joining Houlihan Lokey, Mr. Wilson was with Montgomery Securities (now Banc of America Securities), specializing in media and telecommunications M&A and corporate finance. While at Montgomery Securities, he completed such transactions as Paul Allen's acquisition of Charter Communications for $4.5 billion and Helicon Communications for $550 million, and the $2.8 billion IPO of Fox Entertainment Group. Mr. Wilson was also a member of the Consumer Group of EVEREN Securities and in corporate finance with the Media and Telecommunications Group of Union Bank of California. In addition, he was a senior foreign exchange option trader at Drexel Burnham Lambert. In total, Mr. Wilson has completed M&A transactions with an aggregate consideration of approximately $6 billion, debt financings totaling approximately $21 billion and equity financings totaling approximately $4.6 billion. Mr. Wilson holds an M.B.A., with honors, from the Anderson Graduate School of Management at UCLA and a degree in engineering sciences from Harvard University.

Matthew D. Gates

Mr. Gates is a Vice President in the Telecom Group in the Los Angeles office of Houlihan Lokey. Mr. Gates was previously in Houlihan Lokey's Financial Restructuring Group, and prior to joining the Firm, Mr. Gates was an investment banker with Thomas Weisel Partners in San Francisco, where he focused on the communications equipment sector. Also, he was with Montgomery Securities and Bear Stearns, specializing in mergers and acquisitions and corporate finance for companies in the healthcare, consumer and financial services sectors. Mr. Gates holds an M.B.A. in financial management, strategy and accounting from the University of Chicago Graduate School of Business and a B.A. in economics, with departmental and college honors, from the University of Chicago. Mr. Gates is registered with the NASD as a General Securities Representative (Series 7, 63).

Brett A. Lowrey

Mr. Lowrey is a Vice President in the Financial Restructuring Group in the Dallas office of Houlihan Lokey. Since joining Houlihan Lokey, Mr. Lowrey has completed numerous debtor and creditor side restructuring assignments involving businesses in various industries including telecommunications, manufacturing, energy, retail and healthcare. Prior to joining the Firm, Mr. Lowrey was an associate in the Investment Banking Group of BMO Nesbitt Burns, specializing in mergers and acquisitions, divestitures, raising capital, and structured finance, primarily for companies in the oil and gas industry. He was also an associate in the Corporate Finance Group at KPMG, specializing in mergers and acquisitions, divestitures, and private placements, primarily in the healthcare industry. Mr. Lowrey holds an M.B.A. from the Southern Methodist University Cox School of Business and a B.S. from Oklahoma State University. Mr. Lowrey has completed additional graduate work in the area of accounting and is registered with the NASD as a General Securities Representative (Series 7, 63).

Michael H. Boone

Mr. Boone is an Associate in the Dallas office of Houlihan Lokey. Prior to joining Houlihan Lokey, Mr. Boone was a consultant with FTI Consulting where he was involved in restructuring assignments on both the debtor and creditor side in the telecommunications, distribution, and manufacturing industries. In addition, Mr. Boone was formerly with Arthur Andersen in its restructuring group where he primarily focused on creditor side restructuring engagements in a wide range of industries. Mr. Boone holds a M.B.A. from the University of Texas McCombs School of Business and a B.A. from Vanderbilt University. Mr. Boone also maintains a CFA designation.

J. Benjamin Baldwin

Mr. Baldwin is a Financial Analyst in Houlihan Lokey's Dallas office. Mr. Baldwin has experience in several areas of corporate finance including mergers and acquisitions, public and private placements of debt and equity, fairness and solvency opinions, restructuring services and business valuations. Prior to joining Houlihan Lokey, Mr. Baldwin worked for Bear, Stearns & Co. Inc. as an analyst in its Southwest Investment Banking Group. Mr. Baldwin received a B.A. from Harvard College in 2000.

Bellamy Suhendra

Mr. Suhendra is a Financial Analyst in the Financial Restructuring Group in the Los Angeles office of Houlihan Lokey. Prior to joining the Firm, Mr. Suhendra was a summer analyst in the Technology Group of Banc of America Securities. He was also a research assistant in the Directorate of Economic Research and Monetary Policy of the Central Bank of Indonesia and a Corporate Finance/Equity Research intern at Bahana Securities. Mr. Suhendra holds a B.A. in economics, with distinction and Phi Beta Kappa, from Cornell University. He is fluent in Bahasa Indonesia.

Benjamin C. Williams

Mr. Williams is a Financial Analyst in Houlihan Lokey's Dallas office. Prior to joining Houlihan Lokey, Mr. Williams worked as an investment banking intern at Cogent Partners and served as the economist for the William C. Connor Foundation at Texas Christian University. Mr. Williams graduated with a *magna cum laude* B.B.A. in Finance and Accounting from Texas Christian University in 2004.

<u>EXHIBIT E</u>

Fee and Expense Detail

DECEMBER 2004

MONTHLY STATEMENT

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

INVESTMENT BANKERS

www.hlhz.com

VIA EMAIL
January 12, 2005

VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, TX 75006

Attn: Mr. Michael Hoffman, Chief Executive Officer

Re: In re VarTec Telecom, et al ("VarTec", the "Debtors" or the "Company").

Dear Mr. Hoffman:

Pursuant to the Amended Order Establishing Procedure for Monthly and Interim Compensation and Reimbursement of Expenses for Case Professionals (the "Administrative Order") entered by the United States Bankruptcy Court for the Northern District of Texas (the "Court") on November 5, 2004, I am enclosing the Monthly Statement for Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") for the monthly period of December 8, 2004 through January 7, 2005 (the "Monthly Compensation Period")[1], which includes an itemized list of all reimbursable out-of-pocket expenses.

As detailed in the Final Order Approving Application to Employ Houlihan Lokey Howard and Zukin Capital as Investment Bankers, Houlihan Lokey is being compensated on a flat monthly basis plus, as applicable, Sale Fees pursuant to a formula described in the Houlihan Lokey employment application. Houlihan Lokey is not required to maintain or provide detailed time records but shall provide a narrative description of the services performed during the Monthly Compensation Period. Accordingly, a description of the services performed by Houlihan Lokey on behalf of the Debtors are attached hereto in support of this Monthly Statement and all interim and final fee applications, which will be filed with the Court pursuant to the Administrative Order.

[1] The anniversary date of the Houlihan Lokey Engagement Agreement is on the 8th day of each month.

Los Angeles • 1930 Century Park West • Los Angeles, California 90067 • tel.310.553.8871 • fax.310.553.2173
New York Chicago San Francisco Washington, D.C. Minneapolis Dallas Atlanta

In accordance with the Administrative Order, Houlihan Lokey is requesting the interim payment of 80% of its fees ($346,400.00) and 100% of its out-of-pocket expenses ($55,882.60). Pursuant to the Administrative Order, after the expiration of the fifteen (15) day objection period and the filing of the Certificate of No Objection, VarTec is authorized to promptly pay the amount requested. For your convenience, wire transfer instructions are included on the invoice.

Please call me if you have any questions (214) 220-8483.

Sincerely,

Adam Dunayer

Adam Dunayer
Director
Houlihan Lokey Howard & Zukin Capital

Enclosure(s)

cc: **Notice Parties** (see attached list)

EXHIBIT A

INVOICE

HOULIHAN LOKEY HOWARD & ZUKIN

INVESTMENT BANKING SERVICES

www.hlhz.com

INVOICE: 5792

Client 34729
Case 80454

PERSONAL & CONFIDENTIAL

January 11, 2005

VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, TX 75006

Attn: Mr. Michael Hoffman, Chief Executive Officer

Fees and Expenses incurred in connection with terms of Engagement Agreement executed on November 18, 2004 and Final Retention Order dated December 16, 2004

PROFESSIONAL FEES:

Total Gross Transaction Fee	$383,000.00	
less: Monthly Fee Offset	-$50,000.00	
Total Net Transaction Fee		**$333,000.00**
December ' 04 Monthly Fee		**$100,000.00**
Total Fees		**$433,000.00**
less: 20% holdback		**-$86,600.00**
Total Net Fees Due		**$346,400.00**

Out-of-Pocket Expenses:

Any expenses not yet posted by our Accounting Department will be included in a subsequent invoice.

Parking	$768.89	
Overtime Meals	415.24	
Meals & Entertainment	1,859.55	
Hotel and Taxes	5,003.25	
Airfare	41,457.40	
Travel-Miscellaneous	3,738.57	
Telephone Charges	666.81	
Cellular Telephone Charges	1,328.72	
Messenger Service	29.70	
Delivery (Fed Ex)	32.17	
Computer Information Services	582.30	
Total Out-of-Pocket Expenses:		**$55,882.60**
TOTAL AMOUNT DUE AND PAYABLE:		**$402,282.60**

PAYMENT DUE UPON RECEIPT
Wire Transfer Instructions:
Union Bank of California
Transit & ABA #122000496
Bank Account #3030160796
Federal ID #95-4024056

EXHIBIT B

SERVICES PERFORMED

<u>Summary Of Services Provided By Houlihan Lokey</u>

1. Houlihan Lokey has been active so as to be able to advise and assist the Company in respect of these chapter 11 cases.

2. In aggregate, in the month of December 2004, Houlihan Lokey's work involved four separate categories, which included:

(a) Strategic Discussions, Planning and Review;

(b) Sale Process;

(c) Financial Analysis and Operational Review; and

(d) Correspondence, Meetings and Discussions with Parties-in-interest.

(a) **Strategic Discussions, Planning and Review.** Houlihan Lokey assisted the Company and its' other advisors in the contemplation of various strategic issues and alternatives. Some of the major strategic discussions, planning and review activities, included the following: the sale of VarTec Europe, the potential sale of other non-core assets, evaluation of numerous operational alternatives and the Company's Key Employee Retention Plan. Houlihan Lokey professionals routinely met with Company management as well as the Company's other professionals in order to plan and discuss general tactics related to the case.

(b) **Sale Process.** Houlihan Lokey conducted a full marketing process to sell the stock of VarTec Europe ("VTE"), which involved the following:

1) Negotiating the terms of a stock purchase agreement to serve as a stalking horse bid for VTE;
2) Reviewed and analyzed VTE's financial condition, operations, competitive environment, business plans, historical and projected financial results;

3) Developed a strategy to compress a full marketing process for VTE into an approximately 30 day time period;

4) Developed a list of and contacted approximately 65 potential acquirers of VTE;

5) Facilitated and conducted numerous meetings and site visits with potential acquirers at VTE's offices in Northampton, England, which included facilitating management presentations and due diligence;

6) Established a data room containing relevant documentation and information necessary for the due diligence investigations by potential acquirers;

7) Prepared a comprehensive information memorandum on the VTE business to provide critical Company and industry information and investment rationale to interested acquirers. The information memorandum was provided to approximately 20 potential acquirers.

8) Provided regular marketing process updates to the Rural Telephone Finance Cooperative (the "RTFC") and their financial advisors and The Official Committee of Unsecured Creditors (the "Committee") and their financial advisors;

9) Worked with approximately five potential acquirers on a regular basis to assist with their due diligence investigations of VTE;

10) Solicited and evaluated two additional Stock Purchase Agreements from qualified bidders; and

11) Conducted an auction between the staking horse bidder and two additional qualified bidders, which increased transaction proceeds to the Debtors from $5.5 million (net of a $500,000 holdback) to $10.9 million (net of a

$200,000 break-up fee paid to the stalking horse bidder).

(c) **Financial Analysis and Operational Review.** Houlihan Lokey continued to be involved in the development of the Company's business plan and financial projections as well as evaluation of the key assumptions driving the projections. Additionally, Houlihan Lokey continued to analyze and monitor recent operational results and near term financial projections.

(d) **Correspondence, Meeting and Preparation with Parties-In-Interest.** Houlihan Lokey expended significant time and effort (both in-person and via conference call) in correspondence and meetings with potential buyers of VarTec Europe, the RTFC, the RTFC's advisors, the Committee, the Committee's advisors, The Official Committee of Excel Independent Representatives (the "IR Committee") and various other parties-in-interest in these chapter 11 cases.

NOTICE PARTIES

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