



HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

INVESTMENT BANKERS

www.hlh.com

VIA EMAIL

July 19, 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 June 8, 2005 through July 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 & Zukin Capital as Investment Bankers, Houlihan Lokey is being compensated on a flat monthly basis plus, as applicable, a 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.

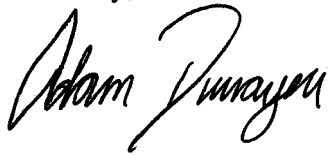
July 19, 2005

-2-

In accordance with the Administrative Order, Houlihan Lokey is requesting the interim payment of 80% of its fees (\$40,000.00) and 100% of its out-of-pocket expenses (\$6,901.06). Pursuant to the Administrative Order, after the expiration of the fifteen (15) day objection period and receiving no objections, 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,

A handwritten signature in black ink that reads "Adam Dunayer". The signature is written in a cursive, flowing style.

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.hlh.com

INVOICE: 6246

Client 34729
Case 80454

PERSONAL & CONFIDENTIAL

July 18, 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:

June 2005 Monthly Fee	\$	100,000.00	
less: Transaction Fee Offset	\$	(50,000.00)	
Net Fees Due	\$	50,000.00	
less: 20% holdback	\$	(10,000.00)	
Total Fees Due	\$		40,000.00

Out-of-Pocket Expenses:

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

Parking	\$	130.89	
Overtime Meals		153.67	
Meals & Entertainment		2,516.98	
Hotel and Taxes		173.18	
Airfare		1,371.30	
Travel-Miscellaneous		30.00	
Telephone Charges		1,532.82	
Cellular Telephone Charges		896.22	
Computer Information Services		96.00	
Total Out-of-Pocket Expenses:	\$		6,901.06

TOTAL AMOUNT DUE AND PAYABLE: \$ 46,901.06

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

Summary Of Services Provided By Houlihan Lokey

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 June 2005, Houlihan Lokey's work involved four separate categories, which included:

- (a) Strategic Discussions, Planning and Review;
- (b) U.S. Operations 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 sale of the U.S. operations. 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) **U.S. Operations Sale Process.** Houlihan Lokey continued in its marketing process for the assets of the Company's U.S. Operations. To this end, Houlihan Lokey performed the following tasks during this monthly period:

- 1) Continued to contact and solicit interest from a number of potential acquirers of the U.S. assets;
- 2) Continued to update and compile materials and post them into the online data room for the due diligence investigations by potential acquirers;
- 3) Arranged for management presentations and on-site due diligence

meetings with several interested parties;

- 4) Assisted interested parties in completing their necessary due diligence;
- 5) Managed negotiations with several potential acquirers of the U.S. assets;
and
- 6) Led and negotiated a stalking horse agreement with Leucadia National Corporation.

(c) **Financial Analysis and Operational Review.** During June 2005, Houlihan Lokey spent a significant amount of time analyzing and studying the business for the purpose of preparing due diligence material for potential acquirers and assisting these buyers in understanding VarTec's business. These activities included compiling operational and financial data that would be relevant to potential acquirers, and meeting with management personnel to understand certain key issues that are critical to the buyers' due diligence. 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 the RTFC, the RTFC's advisors, the Committee, the Committee's advisors and various other parties-in-interest in these chapter 11 cases to keep them apprised of the progress on the U.S. sales process.

NOTICE PARTIES

Michael G. Hoffman
VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, TX 75006
mhoffman@vartec.net

William L. Wallander
Vinson & Elkins L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, TX 75201
bwallander@velaw.com

Toby L. Gerber
Fulbright & Jaworski L.L.P.
2200 Ross Avenue
Suite 2800
Dallas, TX 75201
tgerber@fulbright.com

George McElreath
Office of the United States Trustee
1100 Commerce Street
Room 976
Dallas, TX 75242
ustpreion06.da.ecf@usdoj.gov

Stephen A. Goodwin
Carrington Coleman Sloman & Blumenthal
200 Crescent Court, Suite 1500
Dallas, TX 75201
sgoodwin@ccsb.com

JULY 2004

MONTHLY STATEMENT



HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

INVESTMENT BANKERS

www.hlh.com

VIA EMAIL

August 22, 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 July 8, 2005 through August 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 & Zukin Capital as Investment Bankers, Houlihan Lokey is being compensated on a flat monthly basis plus, as applicable, a 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.

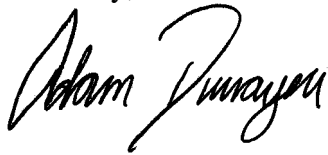
August 22, 2005

-2-

In accordance with the Administrative Order, Houlihan Lokey is requesting the interim payment of 80% of its fees (\$40,000.00) and 100% of its out-of-pocket expenses (\$5,455.89). Pursuant to the Administrative Order, after the expiration of the fifteen (15) day objection period and receiving no objections, 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,

A handwritten signature in black ink that reads "Adam Dunayer". The signature is written in a cursive, flowing style.

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.hlh.com

INVOICE: 6302

Client 34729
Case 80454

PERSONAL & CONFIDENTIAL

August 15, 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:

July 2005 Monthly Fee	\$	100,000.00	
less: Transaction Fee Offset	\$	(50,000.00)	
Net Fees Due	\$	50,000.00	
less: 20% holdback	\$	(10,000.00)	
Total Fees Due	\$		40,000.00

Out-of-Pocket Expenses:

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

Overtime Meals	14.88	
Meals & Entertainment	1,442.98	
Airfare	1,875.49	
Travel-Miscellaneous	270.60	
Telephone Charges	546.25	
Cellular Telephone Charges	377.55	
Messenger Service	339.03	
Delivery (Fed Ex)	483.24	
Computer Information Services	105.87	

Total Out-of-Pocket Expenses: **\$ 5,455.89**

TOTAL AMOUNT DUE AND PAYABLE: **\$ 45,455.89**

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

Summary Of Services Provided By Houlihan Lokey

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 July 2005, Houlihan Lokey's work involved four separate categories, which included:

- (a) Strategic Discussions, Planning and Review;
- (b) U.S. Operations 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 sale of the U.S. operations. 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) **U.S. Operations Sale Process.** Houlihan Lokey continued in its marketing process for the assets of the Company's U.S. Operations. To this end, Houlihan Lokey performed the following tasks during this monthly period:

- 1) Continued to contact and solicit interest from a number of potential acquirers of the U.S. assets;
- 2) Continued to update and compile materials and post them into the online data room for the due diligence investigations by potential acquirers;
- 3) Arranged for management presentations and on-site due diligence

meetings with several interested parties;

- 4) Assisted interested parties in completing their necessary due diligence;
- 5) Managed negotiations with several potential acquirers of the U.S. assets;
- 6) Solicited competing bids to the stalking horse agreement with Leucadia National Corporation, negotiated and evaluated Asset Purchase Agreements from qualified bidders; and
- 7) Conducted an auction between the stalking horse bidder and one additional qualified bidder, which increased transaction proceeds to the Debtors from \$61.5 million to \$82.1 million.

(c) **Financial Analysis and Operational Review.** During July 2005, Houlihan Lokey spent a significant amount of time analyzing and studying the business for the purpose of preparing due diligence material for potential acquirers and assisting these buyers in understanding VarTec's business. These activities included compiling operational and financial data that would be relevant to potential acquirers, and meeting with management personnel to understand certain key issues that are critical to the buyers' due diligence. 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 the RTFC, the RTFC's advisors, the Committee, the Committee's advisors and various other parties-in-interest in these chapter 11 cases to keep them apprised of the progress on the U.S. sales process.

NOTICE PARTIES

Michael G. Hoffman
VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, TX 75006
mhoffman@vartec.net

William L. Wallander
Vinson & Elkins L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, TX 75201
bwallander@velaw.com

Toby L. Gerber
Fulbright & Jaworski L.L.P.
2200 Ross Avenue
Suite 2800
Dallas, TX 75201
tgerber@fulbright.com

George McElreath
Office of the United States Trustee
1100 Commerce Street
Room 976
Dallas, TX 75242
ustpreion06.da.ecf@usdoj.gov

Stephen A. Goodwin
Carrington Coleman Sloman & Blumenthal
200 Crescent Court, Suite 1500
Dallas, TX 75201
sgoodwin@ccsb.com

AUGUST 2004

INVOICE



HOULIHAN LOKEY HOWARD & ZUKIN

INVESTMENT BANKING SERVICES

www.hlh.com

INVOICE: 6337

Client 34729
Case 80454

PERSONAL & CONFIDENTIAL

August 24, 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:

Monthly Fee of \$100,000 pro-rated for 10 days (1/3)	\$33,333.33
less: Transaction Fee Offset	<u>-\$16,666.66</u>

Net Monthly Fee for August 8-18, 2005

\$16,666.67

TOTAL AMOUNT DUE AND PAYABLE:

\$16,666.67

PAYMENT DUE UPON RECEIPT

Wire Transfer Instructions:

Union Bank of California
Transit & ABA #122000496
Bank Account #3030160796
Federal ID #95-4024056

SALE OF CANADIAN OPERATIONS

INVOICE



HOULIHAN LOKEY HOWARD & ZUKIN

INVESTMENT BANKING SERVICES

www.hlh.com

INVOICE: 6099

Client 34729
Case 80454

PERSONAL & CONFIDENTIAL

May 11, 2005

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

Attn: Mr. Michael Hoffman, Chief Executive Officer

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

PROFESSIONAL FEES:

Sale of Canadian Operations (<i>\$8.55 million x 3.5%</i>)	\$ 299,250.00	
less: 20% holdback	<u>\$ (59,850.00)</u>	
		\$ 239,400.00

TOTAL AMOUNT DUE AND PAYABLE:

\$ 239,400.00

PAYMENT DUE UPON RECEIPT

Wire Transfer Instructions:

Union Bank of California
Transit & ABA #122000496
Bank Account #3030160796
Federal ID #95-4024056

SALE OF MEXICAN OPERATIONS

INVOICE



HOULIHAN LOKEY HOWARD & ZUKIN

INVESTMENT BANKING SERVICES

www.hlhz.com

INVOICE: 6303

Client 34729

Case 80454

PERSONAL & CONFIDENTIAL

August 12, 2005

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

Attn: Mr. Michael Hoffman, Chief Executive Officer

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

PROFESSIONAL FEES:

Sale of Mexico Operations:

Cash Purchase Price	\$1,600,000.00	
Cure Assumed by Buyer	644,583.50	
Total Transaction Consideration	\$2,244,583.50	
x 3.5% up to \$10 million	3.50%	
Total Transaction Fee		\$78,560.42
Less: 20% Holdback		<u>(15,712.08)</u>

TOTAL AMOUNT DUE AND PAYABLE:

\$62,848.34

PAYMENT DUE UPON RECEIPT

Wire Transfer Instructions:

Union Bank of California
Transit & ABA #122000496
Bank Account #3030160796
Federal ID #95-4024056

SALE OF U.S. OPERATIONS

INVOICE



HOULIHAN LOKEY HOWARD & ZUKIN

INVESTMENT BANKING SERVICES

www.hlhz.com

INVOICE: 6329

Client 34729

Case 80454

PERSONAL & CONFIDENTIAL

August 23, 2005

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

Attn: Mr. Michael Hoffman, Chief Executive Officer

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

PROFESSIONAL FEES:

Trans Fee for the Sale of United States Operations

\$ 1,731,500.00

TOTAL AMOUNT DUE AND PAYABLE:

\$1,731,500.00

PAYMENT DUE UPON RECEIPT

Wire Transfer Instructions:

Union Bank of California
Transit & ABA #122000496
Bank Account #3030160796
Federal ID #95-4024056