

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.
CASE NUMBER: 04-81694-HDH-11
JUDGE: Harlin D. Hale

ACCRUAL BASIS

rwd, 2/04

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF TEXAS

DIVISION 6

MONTHLY OPERATING REPORT

MONTH ENDING: August 31, 2005

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

**RESPONSIBLE PARTY:**

/s/ KJ Alzamora  
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

CFO  
TITLE

KJ Alzamora  
PRINTED NAME OF RESPONSIBLE PARTY

September 20, 2005  
DATE

**PREPARER:**

/s/ Neil P. Keeter  
ORIGINAL SIGNATURE OF PREPARER

Senior Director  
TITLE

Neil P. Keeter  
PRINTED NAME OF PREPARER

September 20, 2005  
DATE

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

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-1

CASE NUMBER: 04-81694-HDH-11

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COMPARATIVE BALANCE SHEET\*

ASSETS	SCHEDULE AMOUNT	MONTH	
		July	August
1. UNRESTRICTED CASH	\$ 18,100,706	\$ 7,522,750	\$ 8,797,247
2. RESTRICTED CASH	\$ 7,621,697	\$ 8,903,133	\$ 8,756,996
3. TOTAL CASH	\$ 25,722,403	\$ 16,425,883	\$ 17,554,243
4. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 100,269,241	\$ 95,118,304
5. INVENTORY	\$ 305,171	\$ 329,657	\$ 202,419
6. NOTES RECEIVABLE	\$ -	\$ -	\$ -
7. PREPAID EXPENSES	\$ 6,095,850	\$ 3,340,228	\$ 3,937,889
8. OTHER (ATTACH LIST)	\$ 49,807,463	\$ 36,449,697	\$ 38,780,804
9. TOTAL CURRENT ASSETS	\$ 179,729,592	\$ 156,814,706	\$ 155,593,659
10. PROPERTY, PLANT & EQUIPMENT	\$ 418,897,132	\$ 219,409,870	\$ 208,949,242
11. LESS: ACCUMULATED DEPRECIATION / DEPLETION	\$ (240,155,582)	\$ (148,204,306)	\$ (140,312,750)
12. NET PROPERTY, PLANT & EQUIPMENT	\$ 178,741,550	\$ 71,205,564	\$ 68,636,492
13. DUE FROM INSIDERS	\$ -	\$ -	\$ -
14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST)	\$ -	\$ -	\$ -
15. OTHER (ATTACH LIST)	\$ 464,377,677	\$ 6,902,875	\$ 6,642,443
16. TOTAL ASSETS	\$ 822,848,819	\$ 234,923,145	\$ 230,872,594
<b>POSTPETITION LIABILITIES</b>			
17. ACCOUNTS PAYABLE		\$ 467,627	\$ 805,722
18. TAXES PAYABLE		\$ 9,632,240	\$ 10,277,531
19. NOTES PAYABLE		\$ -	\$ -
20. PROFESSIONAL FEES		\$ 3,964,026	\$ 5,629,935
21. SECURED DEBT		\$ 3,552,669	\$ 1
22. OTHER (ATTACH LIST)		\$ (4,372,168)	\$ 28,359,526
23. TOTAL POSTPETITION LIABILITIES		\$ 13,244,394	\$ 45,072,715
<b>PREPETITION LIABILITIES</b>			
24. SECURED DEBT	\$ 209,595,545	\$ 138,269,639	\$ 104,426,488
25. PRIORITY DEBT	\$ 43,629,500	\$ 20,189,614	\$ 20,017,228
26. UNSECURED DEBT	\$ -	\$ -	\$ -
27. OTHER (ATTACH LIST)	\$ 390,808,736	\$ 410,731,746	\$ 411,280,709
28. TOTAL PREPETITION LIABILITIES	\$ 644,033,781	\$ 569,190,999	\$ 535,724,425
29. TOTAL LIABILITIES	\$ 644,033,781	\$ 582,435,393	\$ 580,797,140
<b>EQUITY</b>			
30. PREPETITION OWNERS' EQUITY	\$ 178,815,038	\$ (24,417,285)	\$ (24,417,285)
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		\$ (323,213,059)	\$ (325,625,357)
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)		\$ 118,096	\$ 118,096
33. TOTAL EQUITY	\$ 178,815,038	\$ (347,512,248)	\$ (349,924,546)
34. TOTAL LIABILITIES & OWNERS' EQUITY	\$ 822,848,819	\$ 234,923,145	\$ 230,872,594

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

a - Translation adjustment related to foreign investment.

Note: The July balance sheet has been restated to adjust UNE-P linecost. Line Cost Payable has decreased \$958,170.

Monthly Operating Report

ACCRUAL BASIS-1 OTHER

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

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COMPARATIVE BALANCE SHEET\*  
 SCHEDULE OF OTHER ASSETS AND LIABILITIES

ASSETS	SCHEDULE AMOUNT	MONTH	
		July	August
1 OTHER CURRENT ASSETS			
2 Tax Receivables	\$ 694,761	\$ 1,060	\$ 1,271
3 Non-eliminated Affil Rec/Deferred Chg	\$ 67,497	\$ -	\$ 2,367,765 a
4 Deposits	\$ 906,215	\$ 892,543	\$ 830,043
5 A/R Other & Advances	\$ 552,837	\$ 2,459,758	\$ 2,485,389
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	\$ 36,449,697	\$ 38,780,804
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	\$ 4,466,667	\$ 4,411,014
15 Assets Held for Sale	\$ 502,458	\$ 453,990	\$ 453,990
16 Other Non-Current Assets	\$ 7,184,505	\$ 2,577,038	\$ 2,372,259
17			
18 TOTAL OTHER ASSETS	\$ 464,377,677	\$ 6,902,875	\$ 6,642,443
<b>POSTPETITION LIABILITIES</b>			
17 OTHER POSTPETITION LIABILITIES			
18 Salaries & Benefits		\$ 3,026,758	\$ 3,260,602
19 Accrued Commissions		\$ -	\$ -
20 Line Cost Payable/(Prepaid Line Cost)		\$ (16,439,655)	\$ (16,771,834)
21 Accrued Billing & Collection Fees		\$ 6,464,519	\$ 5,721,559
22 All Other Accrued Postpetition Liabilities		\$ 2,576,210	\$ 1,849,199
23 Deferred Income/Credits		\$ -	\$ 34,300,000 a
24			
25 TOTAL OTHER POSTPETITION LIABILITIES		\$ (4,372,168)	\$ 28,359,526
<b>PREPETITION LIABILITIES</b>			
24 OTHER PREPETITION LIABILITIES			
25 Accounts Payable	\$ 13,555,170	\$ 15,274,153	\$ 15,600,593
26 Line Costs Payable (incl. B&C)	\$ 101,626,750	\$ 81,325,078	\$ 80,628,113
27 Unsecured Teleglobe & Other Debt	\$ 225,737,370	\$ 236,294,202	\$ 237,646,736
28 Deferred Revenue	\$ 17,329,311	\$ 14,038,592	\$ 13,804,985
29 Deferred Tax Liability - Non Current	\$ -	\$ 23,847,884	\$ 23,847,884
30 All Other Accrued Prepetition Liabilities	\$ 32,560,135	\$ 39,951,837	\$ 39,752,398
31			
32 TOTAL OTHER PREPETITION LIABILITIES	\$ 390,808,736	\$ 410,731,746	\$ 411,280,709

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

a - Relates to the sale of the US assets.

**Monthly Operating Report**

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

**ACCRUAL BASIS-2**

rwd, 2/04

<b>INCOME STATEMENT*</b>		
	<b>MONTH</b>	
<b>OPERATING EXPENSES</b>	July	August
1. GROSS REVENUES	\$ 39,714,546	\$ 38,676,696
2. LESS: RETURNS & DISCOUNTS	\$ (823,908)	\$ (1,264,876)
3. NET REVENUE	\$ 38,890,638	\$ 37,411,820
<b>COST OF GOODS SOLD</b>		
4. MATERIAL	\$ 21,289,167	\$ 18,978,647
5. DIRECT LABOR	\$ 987,518	\$ 1,455,837
6. DIRECT OVERHEAD	\$ 756,377	\$ 774,981
7. TOTAL COST OF GOODS SOLD	\$ 23,033,062	\$ 21,209,465
8. GROSS PROFIT	\$ 15,857,576	\$ 16,202,355
<b>OPERATING EXPENSES</b>		
9. OFFICER / INSIDER COMPENSATION	\$ 80,715	\$ 215,089
10. SELLING & MARKETING	\$ 313,722	\$ 336,711
11. GENERAL & ADMINISTRATIVE	\$ 4,829,141	\$ 5,746,762
12. RENT & LEASE	\$ 378,488	\$ 341,936
13. OTHER (ATTACH LIST)	\$ 5,753,424	\$ 5,424,286
14. TOTAL OPERATING EXPENSES	\$ 11,355,490	\$ 12,064,784
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$ 4,502,086	\$ 4,137,571
<b>OTHER INCOME &amp; EXPENSES</b>		
16. NON-OPERATING INCOME (ATT. LIST)	\$ -	\$ -
17. NON-OPERATING EXPENSE (ATT. LIST)	\$ -	\$ -
18. INTEREST EXPENSE	\$ 2,149,727	\$ 1,436,236
19. DEPRECIATION / DEPLETION	\$ 2,734,683	\$ 2,672,259
20. AMORTIZATION	\$ -	\$ -
21. OTHER (ATTACH LIST)	\$ (702,960)	\$ (698,986)
22. NET OTHER INCOME & EXPENSES	\$ (5,587,370)	\$ (4,807,481)
<b>REORGANIZATION EXPENSES</b>		
23. PROFESSIONAL FEES	\$ 1,421,159	\$ 1,742,388
24. U.S. TRUSTEE FEES	\$ -	\$ -
25. OTHER (ATTACH LIST)	\$ -	\$ -
26. TOTAL REORGANIZATION EXPENSES	\$ 1,421,159	\$ 1,742,388
27. INCOME TAX	\$ -	\$ -
28. NET PROFIT (LOSS)	\$ (2,506,443)	\$ (2,412,298)

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

The July income statement has been restated to adjust UNE-P linecost. Cost of Sales has decreased \$958,170

**Monthly Operating Report**

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

**ACCRUAL BASIS-2 OTHER**

rwd, 2/04

**INCOME STATEMENT\***

<b>OTHER EXPENSES</b>	<b>MONTH</b>	
	July	August
1. Customer Service Costs	\$ 893,166	\$ 1,171,856
2. Bad Debt	\$ 1,932,796	\$ 1,506,858
3. Billing & Collections	\$ 2,717,022	\$ 2,507,498
4. Call Rating & Billing	\$ 50,205	\$ 46,369
5. Direct Billing & Postage	\$ 110,835	\$ 154,770
6. Courtesy Credits	\$ 49,400	\$ 36,935
7.		
8. TOTAL OTHER EXPENSES	\$ 5,753,424	\$ 5,424,286
<b>OTHER INCOME &amp; EXPENSES</b>		
9. Interest & Misc Income	\$ (108,871)	\$ 46,865
10. Misc Non-Operating Income (Expense)	\$ -	\$ -
11. Equity Earnings/(Losses) in Investments	\$ -	\$ -
12. PP&E Write Down	\$ 853,530	\$ (60,417)
13. Intangible & Other Asset Impairment Adj	\$ (1,447,619)	\$ (685,394)
14. Other	\$ -	\$ (40)
15.		
16. TOTAL OTHER INCOME & EXPENSES	\$ (702,960)	\$ (698,986)
<b>OTHER REORGANIZATION EXPENSES</b>		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24. TOTAL OTHER REORG EXPENSES	\$ -	\$ -

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

**Monthly Operating Report**

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

**ACCRUAL BASIS-3**

rwd, 2/04

CASH RECEIPTS AND DISBURSEMENTS*	MONTH	
	July	August
1. CASH - BEGINNING OF MONTH	\$ 17,400,751	\$ 16,425,884
<b>RECEIPTS FROM OPERATIONS</b>		
2. CASH SALES		
<b>COLLECTION OF ACCOUNTS RECEIVABLE</b>		
3. PREPETITION	\$ -	\$ -
4. POSTPETITION	\$ 37,630,913	\$ 38,683,744
5. TOTAL OPERATING RECEIPTS	\$ 37,630,913	\$ 38,683,744
<b>NON - OPERATING RECEIPTS</b>		
6. LOANS & ADVANCES (ATTACH LIST)	\$ -	\$ -
7. SALE OF ASSETS	\$ -	\$ -
8. OTHER (ATTACH LIST)	\$ 2,089,708	\$ 38,281,454
9. TOTAL NON-OPERATING RECEIPTS	\$ 2,089,708	\$ 38,281,454
10. TOTAL RECEIPTS	\$ 39,720,621	\$ 76,965,198
11. TOTAL CASH AVAILABLE	\$ 57,121,372	\$ 93,391,082
<b>OPERATING DISBURSEMENTS</b>		
12. NET PAYROLL	\$ 2,589,054	\$ 3,471,898
13. PAYROLL TAXES PAID	\$ 863,018	\$ 1,157,299
14. SALES, USE & OTHER TAXES PAID	\$ 4,481,286	\$ 4,059,403
15. SECURED / RENTAL / LEASES	\$ 568,877	\$ 541,866
16. UTILITIES	\$ 424,732	\$ 336,331
17. INSURANCE	\$ -	\$ 106,088
18. INVENTORY PURCHASES	\$ 60,490	\$ 36,206
19. VEHICLE EXPENSES	\$ 687	\$ 1,386
20. TRAVEL	\$ 9,435	\$ 16,062
21. ENTERTAINMENT	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ 697,837	\$ 554,059
23. SUPPLIES	\$ 17,552	\$ 17,376
24. ADVERTISING	\$ -	\$ -
25. OTHER (ATTACH LIST)	\$ 28,871,284	\$ 63,769,465
26. TOTAL OPERATING DISBURSEMENTS	\$ 38,584,252	\$ 74,067,439
<b>REORGANIZATION EXPENSES</b>		
27. PROFESSIONAL FEES ACTUALLY PAID	\$ 2,097,236	\$ 1,769,400
28. U.S. TRUSTEE FEES	\$ 14,000	\$ -
29. OTHER (ATTACH LIST)	\$ -	\$ -
30. TOTAL REORGANIZATION EXPENSES	\$ 2,111,236	\$ 1,769,400
31. TOTAL DISBURSEMENTS	\$ 40,695,488	\$ 75,836,839
32. NET CASH FLOW	\$ (974,867)	\$ 1,128,359
33. CASH - END OF MONTH	\$ 16,425,884	\$ 17,554,243

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

**Monthly Operating Report**

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

**ACCRUAL BASIS-3 OTHER**

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CASH RECEIPTS AND DISBURSEMENTS*	MONTH	MONTH
	July	August
<b>OTHER NON OPERATING RECEIPTS</b>		
1 eServices	\$ 260,683	\$ 284,030
2 Sales Aids	\$ 11,715	\$ -
3 Tax Refund	\$ 1,025,676	\$ 18,522
4 Reimbursement of Line Costs	\$ 17,818	\$ 10,348
5 Comdisco Settlement	\$ 690,000	\$ -
6 Misc Receipts	\$ 83,816	\$ 158,569
7 Partial Proceeds from Sale of Domestic Assets	\$ -	\$ 35,663,735
8 Refund of Sowood Deposit (by RTFC)	\$ -	\$ 2,000,000
9 Chase Escrow	\$ -	\$ 146,250
10		
11 TOTAL OTHER NON OPERATING RECEIPTS	\$ 2,089,708	\$ 38,281,454
<b>OTHER OPERATING DISBURSEMENTS</b>		
12 Linecost	\$ 20,686,166	\$ 18,150,326
13 Benefits	\$ 716,635	\$ 1,226,656
14 Commissions	\$ 373,807	\$ 336,794
15 General & Administrative	\$ 2,752,748	\$ 2,674,458
16 RTFC Interest	\$ -	\$ 883,056
17 Change in Cash Reclass	\$ (172,941)	\$ 751,036
18 Capital Leases and Equipment	\$ 8,265	\$ 234,216
19 RTFC LOC Paydown	\$ 1,141,588	\$ 1,215,269
20 RTFC Revolver Paydown	\$ 3,365,016	\$ 33,960,255
21 Refund of Sowood Deposit (by RTFC)	\$ -	\$ 2,000,000
22 Sowood LOC Paydown	\$ -	\$ 2,337,399
23 TOTAL OTHER OPERATING DISBURSEMENTS	\$ 28,871,284	\$ 63,769,465
<b>OTHER REORGANIZATION EXPENSES</b>		
24		
25		
26 TOTAL OTHER REORGANIZATION EXPENSES	\$ -	\$ -

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

**Monthly Operating Report**

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

**ACCRUAL BASIS-4**

rwd, 2/04

ACCOUNTS RECEIVABLE AGING***	SCHEDULE AMOUNT	MONTH	
		July	August
1. 0-30	\$ 58,476,466	\$ 34,791,369	\$ 34,607,416
2. 31-60	\$ 33,993,017	\$ 21,763,169	\$ 19,830,226
3. 61-90	\$ 7,516,346	\$ 5,837,810	\$ 5,196,195
4. 91+	\$ 9,300,438	\$ 43,026,329	\$ 42,479,383
5. TOTAL ACCOUNTS RECEIVABLE	\$ 109,286,267	\$ 105,418,677	\$ 102,113,220
6. AMOUNT CONSIDERED UNCOLLECTIBLE	\$ 11,487,562	\$ 5,149,435	\$ 6,994,916
7. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 100,269,242	\$ 95,118,304

**AGING OF POSTPETITION TAXES AND PAYABLES**

MONTH: August 2005

TAXES PAYABLE***	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 2,344,702				\$ 2,344,702
2. STATE	\$ 7,929,080				\$ 7,929,080
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 10,273,782	\$ -	\$ -	\$ -	\$ 10,273,782
6. ACCOUNTS PAYABLE***	\$ 805,722				\$ 805,722

**STATUS OF POSTPETITION TAXES**

MONTH: August 2005

	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
<b>FEDERAL ***</b>				
1. WITHHOLDING**	\$ 170	\$ 639,021	\$ 428,276	\$ 210,915
2. FICA-EMPLOYEE**	\$ 47,514	\$ 344,825	\$ 233,586	\$ 158,753
3. FICA-EMPLOYER**	\$ 47,514	\$ 344,825	\$ 233,586	\$ 158,753
4. UNEMPLOYMENT	\$ 322	\$ 315	\$ -	\$ 637
5. INCOME	\$ -	\$ -	\$ -	\$ -
6. EXCISE	\$ 1,967,462	\$ 588,821	\$ 740,639	\$ 1,815,644
7. TOTAL FEDERAL TAXES	\$ 2,062,982	\$ 1,917,807	\$ 1,636,087	\$ 2,344,702
<b>STATE AND LOCAL ***</b>				
8. WITHHOLDING	\$ 3,255	\$ 13,835	\$ 8,097	\$ 8,993
9. SALES	\$ 3,041,943	\$ 1,559,810	\$ 1,465,870	\$ 3,135,883
10. 911 TAX	\$ 350,833	\$ 113,631	\$ 121,616	\$ 342,848
11. UNEMPLOYMENT	\$ 11,184	\$ 13,007	\$ -	\$ 24,191
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -
14. OTHER (ATTACH LIST)	\$ 4,158,296	\$ 1,995,758	\$ 1,736,889	\$ 4,417,165
15. TOTAL STATE & LOCAL	\$ 7,565,511	\$ 3,696,041	\$ 3,332,472	\$ 7,929,080
16. TOTAL TAXES	\$ 9,628,493	\$ 5,613,848	\$ 4,968,559	\$ 10,273,782

\* 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-HDH-11

ACCRUAL BASIS-4 OTHER

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STATUS OF POSTPETITION TAXES

MONTH: August 2005

OTHER STATE AND LOCAL***	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1 FRANCHISE	\$ 61,409	\$ 2,234	\$ 675	\$ 62,968
2 PROPERTY	\$ 564,532	\$ 76,417	\$ -	\$ 640,949
3 GR, REG, PUC, USF, TRS	\$ 3,534,969	\$ 1,917,107	\$ 1,736,214	\$ 3,715,862
4 INCOME	\$ (2,614)	\$ -	\$ -	\$ (2,614)
5	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -
8 TOTAL OTHER STATE & LOCAL	\$ 4,158,296	\$ 1,995,758	\$ 1,736,889	\$ 4,417,165

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

**Monthly Operating Report**

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

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

ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	MONTH	
		July	August
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: August 2005			
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 835,039				\$ 835,039
2. STATE	\$ 4,811,057				\$ 4,811,057
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 5,646,096	\$ -	\$ -	\$ -	\$ 5,646,096
6. ACCOUNTS PAYABLE					\$ -

STATUS OF POSTPETITION TAXES		MONTH: August 2005			
	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY	
<b>FEDERAL</b>					
1. WITHHOLDING**	\$ -	\$ -	\$ -	\$ -	
2. FICA-EMPLOYEE**	\$ -	\$ -	\$ -	\$ -	
3. FICA-EMPLOYER**	\$ -	\$ -	\$ -	\$ -	
4. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -	
5. INCOME	\$ -	\$ -	\$ -	\$ -	
6. EXCISE	\$ 885,422	\$ 393,895	\$ 444,278	\$ 835,039	
7. TOTAL FEDERAL TAXES	\$ 885,422	\$ 393,895	\$ 444,278	\$ 835,039	
<b>STATE AND LOCAL</b>					
8. WITHHOLDING	\$ -	\$ -	\$ -	\$ -	
9. SALES	\$ 2,070,888	\$ 1,153,169	\$ 1,160,159	\$ 2,063,898	
10. 911 TAX	\$ 174,052	\$ 57,900	\$ 73,255	\$ 158,697	
11. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -	
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -	
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -	
14. OTHER (ATTACH LIST)	\$ 2,332,794	\$ 1,454,303	\$ 1,198,635	\$ 2,588,462	
15. TOTAL STATE & LOCAL	\$ 4,577,734	\$ 2,665,372	\$ 2,432,049	\$ 4,811,057	
16. TOTAL TAXES	\$ 5,463,156	\$ 3,059,267	\$ 2,876,327	\$ 5,646,096	

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

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

Monthly Operating Report

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

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

STATUS OF POSTPETITION TAXES

MONTH: August 2005

OTHER STATE AND LOCAL		BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1	FRANCHISE	\$ (18,761)	\$ 850	\$ 110	\$ (18,021)
2	PROPERTY	\$ 350,002	\$ 50,000	\$ -	\$ 400,002
3	GR, REG, PUC, USF, TRS	\$ 2,001,553	\$ 1,403,453	\$ 1,198,525	\$ 2,206,481
4	INCOME	\$ -	\$ -	\$ -	\$ -
5		\$ -	\$ -	\$ -	\$ -
6		\$ -	\$ -	\$ -	\$ -
7		\$ -	\$ -	\$ -	\$ -
8	TOTAL OTHER STATE & LOCAL	\$ 2,332,794	\$ 1,454,303	\$ 1,198,635	\$ 2,588,462

Monthly Operating Report

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

CASE NAME: VarTec Telecom, Inc.
CASE NUMBER: 04-81694-HDH-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: August 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
C. PURPOSE (TYPE):	Operating Acct	Controlled Disb	Controlled Disb	Concentration Acct	Impress	Impress	Page 1
1. BALANCE PER BANK STATEMENT	\$0	\$0	\$0	\$2,344	\$1,000	\$1,000	\$4,344
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$507	\$0	\$0	\$507
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$2,096,488	\$269,096	\$0	\$0	\$0	\$2,365,584
4. OTHER RECONCILING ITEMS	\$0	(\$130,061)	(\$141,372)	\$2,352,271	\$0	\$0	\$2,080,838
5. MONTH END BALANCE PER BOOKS	\$0	(\$2,226,549)	(\$410,468)	\$2,355,122	\$1,000	\$1,000	(\$279,895)
6. NUMBER OF LAST CHECK WRITTEN		45000234, 11527, 6611819, 8504623, 5504350	607542, 729168				

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	(\$279,895)

Monthly Operating Report

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

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

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: August 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	
B. ACCOUNT NUMBER:	18-8482-7880	662647965	98-7048-9821	18-8482-7898	98-7048-9813	98-7149-9561	SUB - TOTAL
C. PURPOSE (TYPE):	Operating	Collateral	Collateral	CC Receipt	Repo Sweep	Escrow	Page 2
1. BALANCE PER BANK STATEMENT	\$62,542	\$390,979	\$0	\$0	\$2,870,000	\$1,419,000	\$4,742,521
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$707,804	\$0	\$0	\$0	\$707,804
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$21,508)	\$7,095	\$0	(\$231)	\$0	\$0	(\$14,644)
5. MONTH END BALANCE PER BOOKS	\$41,034	\$398,074	\$707,804	(\$231)	\$2,870,000	\$1,419,000	\$5,435,681
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	\$5,435,681

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.  
 CASE NUMBER: 04-81694-HDH-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: August 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	UMB	UMB	UMB			
B. ACCOUNT NUMBER:	657895728	98-7149-996-0	98-7149-996-0	98-7149-996-0			
C. PURPOSE (TYPE):		Escrow	Repo Sweep	Funding			
1. BALANCE PER BANK STATEMENT	\$877,500	\$0	\$3,834,000	\$126,509			9,584,874
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0			708,311
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0			2,365,584
4. OTHER RECONCILING ITEMS	\$0	\$0	\$0	\$0			2,066,194
5. MONTH END BALANCE PER BOOKS	\$877,500	\$0	\$3,834,000	\$126,509			\$9,993,795
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	\$ 15,989,146

Monthly Operating Report

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

**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: August 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	\$616,859	\$7,237	\$0				\$624,096
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0				\$0
3. SUBTRACT: OUTSTANDING CHECKS	\$19,907	\$0	\$0				\$19,907
4. OTHER RECONCILING ITEMS	(\$19,026)	\$18,576	\$146,000				\$145,550
5. MONTH END BALANCE PER BOOKS	\$577,926	\$25,813	\$146,000	\$0	\$0	\$0	\$749,739
6. NUMBER OF LAST CHECK WRITTEN	55001	1979					

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	\$749,739

Monthly Operating Report

**CASE NAME: VarTec Telecom, Inc.**  
**CASE NUMBER: 04-81694-HDH-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: August 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		\$243,632	\$180,277	\$58,040	\$11,757	\$0	\$203	\$493,909
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0	\$0	\$0	\$16,840	\$32,454	\$49,294
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS		(\$106)	\$0	\$0	\$296	\$21,360	\$3,462	\$25,012
5. MONTH END BALANCE PER BOOKS		\$243,526	\$180,277	\$58,040	\$12,053	\$38,200	\$36,119	\$568,215
6. NUMBER OF LAST CHECK WRITTEN								

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

CASH		
12.	CURRENCY ON HAND	\$0
13.	TOTAL CASH - END OF MONTH	\$568,215



Monthly Operating Report

**CASE NAME: VarTec Telecom, Inc.**  
**CASE NUMBER: 04-81694-HDH-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: August 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	\$198,546					\$692,455
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0					\$49,294
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0					\$0
4. OTHER RECONCILING ITEMS		\$538	\$1,802					\$27,352
5. MONTH END BALANCE PER BOOKS		\$538	\$200,348					\$769,101
6. NUMBER OF LAST CHECK WRITTEN								

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

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$769,101

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.  
 CASE NUMBER: 04-81694-HDH-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: August 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	\$1,875							\$1,875
3. SUBTRACT: OUTSTANDING CHECKS	\$0							\$0
4. OTHER RECONCILING ITEMS	\$0							\$0
5. MONTH END BALANCE PER BOOKS	\$1,875							\$1,875
6. NUMBER OF LAST CHECK WRITTEN								

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

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$1,875

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.  
 CASE NUMBER: 04-81694-HDH-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: August 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BOA	Bank One					
B. ACCOUNT NUMBER:	37-5101-3631	29571894					TOTAL
C. PURPOSE (TYPE):	Depository						
1. BALANCE PER BANK STATEMENT	\$43,654	\$0					\$43,654
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0					\$0
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0					\$0
4. OTHER RECONCILING ITEMS	\$861	(\$132)					\$729
5. MONTH END BALANCE PER BOOKS	\$44,515	(\$132)					\$44,383
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	\$44,383

**Monthly Operating Report**

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

**ACCRUAL BASIS-6**

rwd, 2/04

MONTH: \_\_\_\_\_ August 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.

<b>INSIDERS</b>				
	<b>NAME</b>	<b>TYPE OF PAYMENT</b>	<b>AMOUNT PAID</b>	<b>TOTAL PAID TO DATE</b>
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.	<b>TOTAL PAYMENTS TO INSIDERS</b>		<b>\$ 397,160</b>	<b>\$ 4,026,318</b>

<b>PROFESSIONALS**</b>						
	<b>NAME</b>	<b>DATE OF COURT ORDER AUTHORIZING PAYMENT</b>	<b>AMOUNT APPROVED</b>	<b>AMOUNT PAID</b>	<b>TOTAL PAID TO DATE</b>	<b>TOTAL INCURRED &amp; UNPAID *</b>
1.	Alvarez & Marsal	November 5, 2004	\$ -	\$ -	\$ 2,812,273	\$ 254,293
2.	Vinson & Elkins	November 5, 2004	\$ -	\$ -	\$ 4,447,286	\$ 1,725,170
3.	Houlihan Lokey	November 5, 2004	\$ -	\$ -	\$ 373,861	\$ 158,384
4.	FTI	November 5, 2004	\$ -	\$ -	\$ 1,854,197	\$ 588,551
5.	Fulbright & Jaworski	November 5, 2004	\$ -	\$ -	\$ 1,305,890	\$ 490,097
6.	Xroads Solutions	November 5, 2004	\$ -	\$ -	\$ 1,085,805	\$ 544,480
7.	Carrington Coleman	November 5, 2004	\$ -	\$ -	\$ 1,489,835	\$ 1,189,881
8.	Scouler Andrews	November 5, 2004	\$ -	\$ -	\$ 117,557	\$ 32,137
9.	White & Case	November 5, 2004	\$ -	\$ -	\$ 727,334	\$ 503,856
10.	Other	November 5, 2004	\$ -	\$ -	\$ 39,914	\$ 143,086
11.	<b>TOTAL PAYMENTS TO PROFESSIONALS</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,253,952</b>	<b>\$ 5,629,935</b>

\* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

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

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

\*\* Estimated

VarTec Telecom, Inc. and Subsidiaries  
Case No. 04-81694-HDH-11  
Monthly Operating Report Accrual Basis - 6

Adequate Assurance Payment Summary  
August 2005

Vendor	Semi-Monthly Adequate Assurance Agreement	Adequate Assurance Payments in August	Total Unpaid Post- Petition Payments
Alltel	\$ -	\$ 247,937.69	\$ -
AT & T	\$ 1,050,000.00	\$ 760,297.60	\$ -
BellSouth	\$ 2,227,500.00	\$ 3,144,804.00	\$ -
Broadwing	\$ 179,923.00	\$ 212,000.00	\$ -
Century Tel	\$ 198,687.35	\$ 289,742.00	\$ -
Focal	\$ 4,038.00	\$ -	\$ -
GCI	\$ 26,825.00	\$ 71,355.50	\$ -
Grande	\$ 16,333.00	\$ 136,000.00	\$ -
Level 3	\$ 170,735.00	\$ 214,762.73	\$ -
MCI	\$ 1,001,057.00	\$ 962,500.00	\$ -
MCI Escrow	\$ 129,000.00	\$ -	\$ -
McLeod	\$ 298,500.00	\$ 343,652.69	\$ -
Norlight	\$ 40,777.00	\$ 35,757.32	\$ -
NTS	\$ 278,672.00	\$ 230,130.93	\$ -
Pacific Net	\$ 27,202.00	\$ 28,000.00	\$ -
PalmettoNet	\$ 27,753.00	\$ 39,799.14	\$ -
Qwest Corporation	\$ 672,600.00	\$ 1,090,000.00	\$ -
Qwest Communication	\$ 906,500.00	\$ 460,000.00	\$ -
SBC	\$ 2,725,000.00	\$ 3,411,615.97	\$ -
Sprint	\$ 1,426,500.00	\$ 570,950.00	\$ -
UniPoint	\$ 340,000.00	\$ 200,000.00	\$ -
Valor	\$ 46,043.00	\$ 92,086.00	\$ -
Verizon	\$ 2,180,168.00	\$ 2,664,804.79	\$ -
Teleglobe	\$ -	\$ 50,000.00	\$ -
WillTel	\$ 131,273.00	\$ 207,405.71	\$ -
<b>Total</b>		<u>\$ 15,463,602.07</u>	<u>\$ -</u>

**Monthly Operating Report**

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

**ACCRUAL BASIS-7**

rwd, 2/04

**MONTH:** August 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. 04-81694-HDH-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	8/1/2005	8/1/2006	71700219	\$577,166	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Property/Inland Marine/Boiler & Machinery	Great Northern Insurance Company	8/1/2005	8/1/2006	35753111	\$273,845	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
General Liability	Great Northern Insurance Company	8/1/2005	8/1/2006	35753111	\$99,525	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Auto - Texas	Federal Insurance Company	8/1/2005	8/1/2006	73501059	\$27,423	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Exporters Package	Great Northern Insurance Company	8/1/2005	8/1/2006	70212320	\$3,500	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Flood Policy (Required by Lease)	Travelers (NFIP)	NFIP	2/13/2006	6002871603	\$2,884	Annually
Earthquake	Westchester	8/1/2005	8/1/2006		\$15,000	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Umbrella	Zurich	8/1/2005	8/1/2006	AUC -9300787-03	\$106,088	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
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
Storage Tank Third-Party Liability	Commerce & Industry Ins. Co.	2/10/2005	2/10/2006	15430	\$1,539	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
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