

EXHIBIT A

**RTFC ADMINISTRATIVE
DEBTOR IN POSSESSION CREDIT AGREEMENT**

dated as of

September __, 2005

by and among

VARTEC TELECOM, INC.,
a Texas corporation and
a Chapter 11 Debtor-in-Possession (“**Borrower**”)

and

the Subsidiaries of Borrower named herein (“**Guarantors**”)

and

Rural Telephone Finance Cooperative,
a District of Columbia cooperative association (“**Lender**”)

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RTFC ADMINISTRATIVE DEBTOR IN POSSESSION CREDIT AGREEMENT

THIS RTFC ADMINISTRATIVE DEBTOR IN POSSESSION CREDIT AGREEMENT dated as of September __, 2005 (this "Agreement"), by and among VARTEC TELECOM, INC., a Texas corporation and a Chapter 11 debtor-in-possession ("Borrower"); each of the Subsidiaries of Borrower listed on the signature pages hereof (collectively, "Guarantors"; and together with the Borrower, "Debtors") and Rural Telephone Finance Cooperative, a District of Columbia cooperative association ("Lender"). Capitalized terms used in this Agreement and not otherwise defined herein have the meanings assigned to them in Appendix A, General Definitions.

RECITALS:

A. Borrower and Guarantors are debtors-in-possession under Chapter 11 of the Bankruptcy Code in cases (the "Chapter 11 Cases") pending in the United States Bankruptcy Court for the Northern District of Texas (the "Court"). Borrower has requested that Lender extend financing for limited uses in connection with the Chapter 11 Cases in accordance with the provisions of this Agreement, and Lender is willing to provide such financing.

B. Debtors have agreed to sell substantially all of their assets to Comtel Investments LLC (the "Purchaser") pursuant to that certain Asset Purchase Agreement dated July 25, 2005 (the "Purchase Agreement").

C. Each of the Guarantors has agreed to guaranty the obligations of Borrower hereunder, and each Debtor has agreed to secure its obligations to Lender with Liens on all of the Excluded Assets, whether real, personal or mixed, tangible or intangible, now existing or hereafter acquired or arising, all as more fully provided herein.

D. In addition to the Obligations of Borrower hereunder, the Borrower also owes obligations to Lender pursuant to (i) First Amended and Restated Credit Agreement, dated as of October 7, 2004 (as amended, supplemented, restated and/or modified from time-to-time, exclusive of "DIPFA" (as defined below), "FARCA"), between Borrower and Lender; and (ii) First Amended and Restated Credit Agreement, dated as of October 7, 2004, between Borrower and Lender, as amended by that certain DIP Financing Amendment to RTFC-VarTec First Amended and Restated Credit Agreement dated November 1, 2004 among Borrower, certain subsidiaries of Borrower (collectively, the "Borrower Subsidiaries") and Lender and as further amended by that certain First Amendment to and Waiver of Default under DIP Financing Agreement, dated January 12, 2005, between Borrower and Lender (each agreement listed in clause (ii) of this Recital, as amended, supplemented, restated and/or modified from time-to-time, collectively referred to as "DIPFA"). Borrower secured its obligations under FARCA and DIPFA through among other things, the Amended and Restated Security Agreement, dated as October 7, 2004 (the "Other Borrower Security Agreement"), between Borrower and Lender.

E. Each Borrower Subsidiary guaranteed the Other Obligations of Borrower pursuant to the Amended and Restated Secured Guaranty, dated October 7, 2004, to which it is a

party (the **Other Guarantees**). Each Borrower Subsidiary secured its obligations under the Other Guarantees to which it is a party, through, among other things, the Amended and Restated Security Agreement, dated as October 7, 2004 (the **Other Borrower Subsidiary Security Agreement**) and together with the Other Borrower Security Agreement, the **Other Security Agreements**), to which it is a party along with Lender.

F. Borrower's Other Obligations shall be secured by the Collateral to the limited extent provided for herein.

G. Each Borrower Subsidiary's obligations created under the Other Guarantees, the Other Borrower Subsidiary Security Agreement or any other Loan Document, in all instances, specifically excluding obligations relating to the DIPFA Participation (collectively, the **Borrower Subsidiary's Other Obligations**), shall also be secured by the Collateral to the limited extent provided for herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

**ARTICLE 1
ADMINISTRATIVE DIP FACILITY**

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other Administrative DIP Financing Documents, Lender agrees to make the Administrative DIP Facility available to Borrower, in an aggregate amount up to the Commitment, as follows:

Section 1.1 Administrative Post-Petition Loans.

(a) **General**. Subject to the terms and conditions of this Agreement, Lender agrees to make Administrative Post-Petition Loans to Borrower, on any Business Day during the period from the date hereof through the day before the last day of the DIP Term, in an aggregate principal amount outstanding at any time which does not exceed the Commitment at such time. The Administrative Post-Petition Loans shall bear interest as set forth in Section 2.1 hereof, shall be guaranteed by the Guarantors and secured by all of the Excluded Assets and shall be evidenced by the Administrative DIP Note.

(b) **Use of Proceeds**. The proceeds of the Administrative Post-Petition Loans shall be used by Borrower and Guarantors during the pendency of their Chapter 11 Cases exclusively for one or more of the following purposes: (i) to pay Professional Fee Expenses of Borrower and Guarantors, but in each case subject to approval by the Court and limited in amount in strict accordance with the Budget; (ii) to pay any of the Obligations; and (iii) to pay other expenses as may be approved by Lender from time to time.

(c) **Administrative DIP Note**. The Administrative Post-Petition Loans made by Lender and interest accruing thereon shall be evidenced by the records of Lender and by the Administrative DIP Note payable to Lender (or the assignee of Lender), which shall be executed by Borrower, completed in conformity with this Agreement and delivered to Lender on the

Closing Date. All outstanding principal amounts and accrued interest under the Administrative DIP Note shall be due and payable as set forth in Section 4.2 hereof.

**ARTICLE 2
INTEREST, FEES AND CHARGES**

Section 2.1 Interest.

(a) Rates of Interest. Borrower agrees to pay interest on all unpaid principal amounts of the Administrative Post-Petition Loans from the respective dates such principal amounts are advanced until paid (whether at stated maturity, on acceleration or otherwise) at the Variable Rate.

(b) Default Rate of Interest. From and after the occurrence of any Event of Default, but only so long as such Event of Default is continuing, the principal amount of the Obligations (and, to the extent permitted by Applicable Law, all past due interest) shall bear interest at the Default Rate.

(c) Computation of Interest. Interest shall be calculated on a daily basis, commencing on the date of funding of the initial Administrative Post-Petition Loan. If Borrower does not make an interest payment on the due date and no Event of Default has previously occurred and is continuing on such date, Lender is hereby authorized and shall cause a Borrowing (if and to the extent there is Availability) to be made on the next succeeding Business Day (or thereafter if there was insufficient Availability) in the amount of the interest due, to pay such accrued interest from the proceeds of such Borrowing and increase the aggregate outstanding principal on the Administrative Post-Petition Loans by such amount. Interest on the Administrative Post-Petition Loans will be computed for the actual number of days elapsed on the basis of a year of 365 days. All fees shall be computed on the basis of a 30-day month and 360-day year. Interest shall be payable for the day an Obligation is incurred but not for the day of any payment on the amount paid if payment is received prior to 2:00 p.m. (Eastern time) at the place of payment.

Section 2.2 Reimbursement Obligations. Borrower shall reimburse Lender for all reasonable legal and other out-of-pocket fees and expenses incurred by Lender in connection with (i) any amendment or modification to any of the Administrative DIP Financing Documents, any waiver of any Default or Event of Default thereunder, or any restructuring or forbearance with respect thereto; (ii) any action taken to perfect or maintain the perfection or priority of any of Lender's Liens with respect to any of the Collateral; (iii) the protection or enforcement of any rights or remedies of Lender relating to the Obligations in any Insolvency Proceeding; and (iv) any other action taken by Lender to enforce any of the rights or remedies of Lender against any Obligor or any Account debtors to enforce collection of any of the Obligations or to collect, sell, liquidate or otherwise dispose of or realize upon any of the Collateral. All amounts chargeable to Borrower under this Section 2.2 shall constitute Obligations that are secured by all of the Collateral and shall be payable to Lender on demand. The foregoing shall be in addition to, and shall not be construed to limit, any other provision of any of the Administrative DIP Financing Documents regarding the reimbursement by Borrower of costs, expenses or liabilities suffered or incurred by Lender.

Section 2.3 Maximum Interest. In no event whatsoever shall the aggregate of all amounts deemed interest hereunder or under the Administrative DIP Note and charged or collected pursuant to the terms of this Agreement or pursuant to the Administrative DIP Note exceed the Maximum Rate, nor shall any provisions hereof be construed as a contract to pay for the use, forbearance or detention of money with interest at a rate or in an amount in excess of the Maximum Rate. If any provisions of this Agreement or the Administrative DIP Note contravene any Applicable Law, such provisions shall be deemed amended to conform to such Applicable Law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement or the Administrative DIP Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Agreement, the Administrative DIP Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither Borrower nor the sureties, guarantors, successors or assigns of Borrower shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Agreement and the Administrative DIP Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, Borrower and Lender shall, to the extent permitted by Applicable Law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Agreement and the Administrative DIP Note so that the interest for the entire term does not exceed the Maximum Rate.

ARTICLE 3 LOAN ADMINISTRATION

Section 3.1 Manner of Borrowing and Funding Administrative Post-Petition Loans. Borrowings under the Commitment established pursuant to Article 1 hereof shall be made and funded as follows:

(a) Notice of Borrowing. Whenever Borrower desires to make a Borrowing under this Agreement, Borrower shall give Lender prior written notice of such Borrowing request (a "**Notice of Borrowing**"), which shall be in the form of Exhibit B annexed hereto and signed by a Senior Officer. Each Notice of Borrowing shall be given by Borrower no later than 8:00 a.m., Herndon, Virginia time, at the office of Lender, as designated by Lender from time to time on the Business Day of the requested funding date of such Borrowing. Notices received after 8:00 a.m., Herndon, Virginia time shall be deemed received on the next Business Day. Each Administrative Post-Petition Loan shall be in the minimum amount of [\$_____] (unless otherwise agreed by Lender). Each Notice of Borrowing shall be irrevocable and shall specify (A) the principal amount of the Borrowing, (B) the date of Borrowing (which shall be a Business Day), and (C) the proposed use of the proceeds thereof.

(b) Fundings by Lender. Subject to its receipt of a timely Notice of Borrowing as provided in Section 3.1(a), and if Lender is otherwise obligated under the Administrative DIP Financing Documents to honor such funding request hereunder, Lender shall initiate the Borrowing so requested no later than noon (Virginia time) on such Business Day and otherwise in accordance with Borrower's disbursement instructions set forth in the applicable Notice of Borrowing.

**ARTICLE 4
PAYMENTS**

Section 4.1 General Payment Provisions. All payments (including all prepayments) of principal of and interest on the Administrative Post-Petition Loans and other Obligations that are payable to Lender shall be made to Lender in Dollars, without any offset or counterclaim and free and clear of (and without deduction for) any present or future Taxes, by wire transfer of immediately available funds not later than 2:00 p.m., Herndon, Virginia time, on the due date.

Section 4.2 Repayment of Administrative Post-Petition Loans.

(a) Payment of Principal. The outstanding principal amounts with respect to the Administrative Post-Petition Loans shall be due and payable on the Commitment Termination Date.

(b) Payment of Interest. Interest accrued on each Administrative Post-Petition Loan shall be due and payable monthly in arrears on the last day of each month, computed through, but excluding such payment date (unless not timely paid). Accrued but unpaid interest shall also be paid by Borrower on the Commitment Termination Date.

(c) Payment Not Due on Business Day. If any payment of principal of or interest on an Administrative Post-Petition Loan or any payment of any other Obligations shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, interest shall continue to accrue during such extension of time.

Section 4.3 Payment of Other Obligations. The balance of the Obligations requiring the payment of money shall be repaid by Borrower to Lender as and when provided in the Administrative DIP Financing Documents, or, if no date of payment is otherwise specified in the Administrative DIP Financing Documents, on demand.

Section 4.4 Receipt of Payments and Collections. All payments received by Lender by 2:00 p.m., Herndon, Virginia time, on any Business Day shall be deemed received on that Business Day. All payments received by Lender after 2:00 p.m., Herndon, Virginia time, on any Business Day shall be deemed received on the next Business Day. Except to the extent that the manner of application to the Obligations and Other Obligations of payments or proceeds of Collateral are expressly governed by other provisions of this Agreement, Borrower irrevocably waives the right to direct the application of any and all payments and Collateral proceeds at any time or times received by Lender from or on behalf of Borrower, and Borrower hereby irrevocably agrees that Lender shall have the continuing exclusive right to apply and reapply any and all such payments and Collateral proceeds received at any time or times hereafter by Lender

or its agent against the Obligations and Other Obligations, in such manner as Lender may deem advisable, notwithstanding any entry by Lender upon any of its books and records.

Section 4.5 Prepayments.

(a) Voluntary Prepayments. Borrower may, upon at least one (1) Business Day notice to Lender, prepay at any time without premium or penalty all or any part of outstanding Administrative Post-Petition Loans.

(b) Mandatory Prepayments. A mandatory prepayment of the Administrative Post-Petition Loans shall be due upon any Debtor's receipt of proceeds of the Collateral in the gross amount of such proceeds minus only the reasonable selling costs and reasonable out-of-pocket expenses actually incurred by a Debtor in connection with the sale of any such Collateral; provided, that such permitted expenses shall be without duplication of the Professional Fee Expenses for the payment of which funds have been borrowed hereunder.

ARTICLE 5
ADMINISTRATIVE DIP TERM AND TERMINATION OF COMMITMENT

Section 5.1 Term of Commitment. Subject to Lender's right to cease making Administrative Post-Petition Loans to Borrower when any Default exists and is continuing or upon the Commitment Termination Date, the Commitment shall be in effect for the Administrative DIP Term. The Administrative DIP Term may be extended by written agreement between Borrower and Lender without further notice or hearing or order by the Court.

Section 5.2 Termination.

(a) Termination by Lender. Lender may terminate the Administrative DIP Facility (and any Commitment thereunder) at any time, upon notice to Debtors and other parties in accordance with the Administrative DIP Financing Order, after the occurrence and during the continuance of an Event of Default.

(b) Termination by Borrower. Borrower may terminate the Administrative DIP Facility at any time upon 10 days prior written notice to Lender; provided, however, no such termination by Borrower shall be effective until Full Payment of the Obligations. Any notice of termination given by Borrower shall be irrevocable unless Lender otherwise agrees in writing. Borrower may elect to terminate the Administrative DIP Facility in its entirety only.

(c) Effect of Termination. On the Commitment Termination Date, all of the Obligations shall be immediately due and payable, and Lender shall have no further obligation to make any Administrative Post-Petition Loans. All undertakings, agreements, covenants, warranties and representations of Borrower contained in the Administrative DIP Financing Documents shall survive any such termination and Lender shall retain its Liens in the Collateral and all of its rights and remedies under the Administrative DIP Financing Documents notwithstanding such termination until Full Payment of the Obligations and, to the extent such Liens serve as security therefor, the Other Obligations. The provisions of Section 2.2 and this Section 5.2(c) and shall in all events survive any termination of the Commitment.

ARTICLE 6
COLLATERAL SECURITY, GUARANTEE AND SUPER-PRIORITY

Section 6.1 Grant of Security Interest in Collateral. To secure the prompt and Full Payment and performance of (i) all of the Obligations and (ii) all of the Other Obligations and the Borrower Subsidiary's Other Obligations, but only to the extent that the value of Lender's interest in the Other Collateral has been diminished by application of the proceeds of the Collateral to the Obligations, Borrower and each Guarantor, respectively, hereby grant to Lender a continuing post-petition superpriority security interest in and Lien upon all of the following Property and interests in Property of Borrower or such Guarantor, whether now owned or existing or hereafter created, acquired or arising (irrespective of whether the same existed on or was created or acquired after the Petition Date), but only to the extent that any of the same consists of Excluded Assets:

- (a) all Accounts;
- (b) all Inventory;
- (c) all Equipment;
- (d) all General Intangibles (including all intellectual property);
- (e) all Instruments;
- (f) all Chattel Paper;
- (g) all Documents;
- (h) all other goods and tangible personal property;
- (i) the BCE Commercial Tort Claims and all rights of each Debtor with respect thereto;
- (j) the D&O Claims and all rights of each Debtor with respect thereto;
- (k) all causes of action, including Chapter 5 Actions owned by any of the Debtors, but excluding all Chapter 5 Actions by or on behalf of a Debtor against Lender;
- (l) all real property;
- (m) all cash and non-cash proceeds of (a) through (hl) above, including proceeds of and unearned premiums with respect to insurance policies insuring any of the Collateral; and
- (n) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs, and other computer materials records, legal files and evidence subject to the preservation of any privileged materials contained therein) of Borrower or such Guarantor pertaining to any of (a) through (m) above.

In no event shall the Lien granted above (i) attach to any of the Acquired Assets nor (ii) extend to the Carve-Out. Lender agrees that so long as no Default or Event of Default shall have occurred and be continuing, Debtors shall be permitted to pay Professional Fee Expenses in accordance with the Budget, as the same may be allowed and payable, and the amount so paid shall not reduce the Carve-Out.

Section 6.2 Other Collateral. In addition to the items of Property referred to in Section 6.1 above, the Obligations shall also be secured by all of the other items of Property from time to time described in the Financing Order as security for all of the Obligations, other than any Acquired Assets.

Section 6.3 Lien on Administrative Disbursement Account. As additional security for the Full Payment and performance of the Obligations, Borrower hereby grants to Lender a continuing security interest in and Lien upon, and hereby collaterally assigns to Lender, Borrower's right, title and interest in and to any deposits or other sums at any time credited to the Administrative Disbursement Account. In connection with the foregoing, Borrower hereby authorizes and directs any bank or other depository to pay or deliver to Lender upon its written demand therefor made at any time upon the occurrence and during the continuation of an Event of Default and without further notice to such Borrower (such notice being hereby expressly waived), all balances in the Administrative Disbursement Account maintained by Borrower with such depository for application to the Obligations then outstanding, and the rights given Lender in this Section shall be cumulative with and in addition to Lender's other rights and remedies in regard to the foregoing Property as proceeds of Collateral.

Section 6.4 Lien Perfection; Further Assurances. Promptly after Lender's request therefor, Borrower or any Guarantor shall execute or cause to be executed and deliver to Lender such instruments, assignments, title certificates or other documents as are necessary under the UCC or other Applicable Law (including any motor vehicle certificates of title act) to perfect (or continue the perfection of) Lender's Lien upon the Collateral, and shall take such other action as may be requested by Lender to give effect to or carry out the intent and purposes of this Agreement. Borrower and each Guarantor hereby authorize Lender to file any financing statements, amendments thereto (including continuation statements) which may be necessary under the UCC to effectuate the intent of the Administrative DIP Financing Documents. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

Section 6.5 Lien Priority; Application of Collateral.

(a) The Liens and security interests granted to Lender pursuant to the provisions of this Article 6 and pursuant to any of the Administrative DIP Financing Documents shall be post-petition superpriority Liens and security interests in the Collateral.

(b) The proceeds of the Collateral granted to Lender pursuant to the provisions of this Article 6 and pursuant to any of the other Administrative DIP Financing Documents shall be applied in satisfaction of the Obligations and the Other Obligations in following order:

first, to satisfy all the Obligations, if any; then

second, to satisfy all the Other Obligations and Borrower Subsidiary's Other Obligations relating to DIPFA, if any, to the extent that Lender has a Lien therein pursuant to the First DIP Financing Facility Order; and then

third, to satisfy all the Other Obligations and Borrower Subsidiary's Other Obligations relating to FARCA to the extent that Lender has a valid and enforceable prior Lien therein pursuant to the Loan Documents.

Section 6.6 Guarantee.

(a) Each of the Guarantors unconditionally and irrevocably guarantees the due and punctual payment and performance by Borrower of the Obligations. Each of the Guarantors further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and it will remain bound upon this guarantee notwithstanding any extension or renewal of any of the Obligations. The Obligations of the Guarantors shall be joint and several.

(b) Each of the Guarantors further agrees that the guarantee provided for hereunder constitutes a guarantee of payment when due and not just of collection, and waives any right to require that any resort be had by Lender to any security held for payment of the Obligations or to any balance of any deposit, account or credit on the books of Lender in favor of Borrower or any other Guarantor, or to any other Person.

(c) Lender may, at the Lender's option, proceed to enforce the guarantee provided for hereunder directly against any Guarantor without first proceeding against Borrower, any other Guarantor, or any other person liable for payment or performance under the Administrative DIP Financing Documents and without first proceeding against or exhausting any Collateral or any other Property Lender has a Lien on.

(d) Each Guarantor waives diligence, presentment, protest, notice of dishonor, demand for payment, notice of nonpayment or nonperformance, notice of the incurrence of Obligations by Borrower, notice of acceptance of the guarantee provided for hereunder and all other notices of any nature in connection with the exercise of Lender's rights hereunder, under any other Administrative DIP Financing Document. Performance by a Guarantor hereunder will not entitle such Guarantor to any payment by Borrower under any claim for contribution, indemnification, subrogation or otherwise, until such time as Borrower shall have paid in full all amounts owing to Lender and performed all of Borrower's Obligations. Each Guarantor waives the right to require suit against Borrower or any other party before enforcing the guarantee provided for hereunder, and all rights to setoffs and counterclaims against Lender with respect to the Obligations and agrees that any rights which such Guarantor might now or hereafter hold against Borrower and any co-guarantors will be subordinate, junior and inferior to all rights which Lender might now or hereafter hold against Borrower and any other Guarantors. Each Guarantor agrees that it will not assert any right of contribution against any other Guarantor until such time as all of the Obligations have been paid in full to Lender and/or have been performed.

Each Guarantor expressly waives any rights available to such Guarantor under Sections 49-25 and 49-26 of the Code of Virginia of 1950, as amended.

(e) Each Guarantor hereby consents and agrees that renewals and extensions of time of payment, surrender, release, exchange, substitution, dealing with or taking of additional collateral security, taking or release of other guarantees, abstaining from taking advantage of or realizing upon any collateral security or other guarantees and any and all other forbearances or indulgences granted by Lender to Borrower or any other party may be made, granted and effected by Lender without notice to Guarantor and without in any manner affecting its liability hereunder.

(f) Nothing herein contained shall limit Lender in exercising any rights held under any one or more of the Administrative DIP Financing Documents or Loan Documents. In the event of any Event of Default hereunder or under any other Administrative DIP Financing Document, Lender will be entitled to selectively and successively enforce any one or more of the rights held by Lender and such action will not be deemed a waiver of any other rights held by Lender. All of the remedies of Lender hereunder or under any other Administrative DIP Financing Document are cumulative and not alternative. If Lender elects to foreclose any Lien created by the Administrative DIP Financing Documents, Lender is authorized to purchase for Lender's account all or any part of the collateral covered by such Lien at a public sale or, to the extent permitted by Applicable Law, private sale and to credit the amount recovered first against any portion of the Obligations for which such Guarantor is or may not be liable with any balance remaining to be applied in reduction of the liability of such Guarantor hereunder.

(g) If an Event of Default has occurred, then Lender shall have the right to declare the Obligations guaranteed hereunder immediately due and payable in full, without notice to Borrower or any Guarantor, regardless of whether Lender has accelerated all or any part of the Obligations.

(h) Lender is hereby authorized at any time and from time to time, without prior notice to a Guarantor, to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by Lender or owed to a Guarantor or for the credit or account of such Guarantor against any and all of the obligations of such Guarantor now or hereafter existing hereunder or under any other Administrative DIP Financing Document. Lender agrees to notify any such Guarantor promptly after any such setoff or recoupment and the application thereof; provided however, that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of Lender under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which Lender may have.

(i) Upon the Obligations becoming due and payable (by acceleration or otherwise), Lender shall be entitled to immediate payment of such Obligations by the Guarantors upon written demand by Lender without further application to or order of the Court.

(j) The Debtors agree to pay Lender any and all costs, expenses and reasonable attorneys' fees paid or incurred by Lender in enforcing or endeavoring to enforce the guaranty provided for hereunder.

(k) If any payment or thing of value should be received and accepted by Lender in payment of any Obligation and it should subsequently be determined or adjudged that such payment be void or voidable under any Applicable Law now or hereafter in effect, the receipt of such payment by Lender shall, as to such Guarantor, be deemed a provisional receipt and if any such payment should be avoided or set aside under any such Applicable Law, Guarantors shall be and remain liable to Lender in respect thereof as if such payment had not been received by Lender notwithstanding any release or discharge of this Agreement or the guaranty provided for hereunder to a Guarantor issued or granted by Lender in the belief or assumption that its receipt of such payment was absolute and not subject to any avoidance.

Section 6.7 Super Priority Administrative Expense. With respect to the Administrative Post-Petition Loans and to further assure the full payment and performance of the Obligations, Borrower agrees that Lender shall be entitled to be granted (and Borrower shall make reasonable efforts to obtain all necessary Court approval and allowance for) a super priority administrative claim in the amount of the Obligations in accordance with Section 364(c)(1) of the Bankruptcy Code, having priority in right of payment over any and all obligations, liabilities and indebtedness of the Debtors' estates, now in existence or hereafter incurred by the Debtors' estates and over any and all administrative expenses or priority claims of any kind specified in, or ordered pursuant to Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 of the Bankruptcy Code; provided that such super priority administrative expense claim shall be subject to the Carve-Out.

ARTICLE 7 COLLATERAL ADMINISTRATION

Section 7.1 Locations of Collateral. All tangible items of Collateral, other than Inventory in transit, shall at all times be kept by an Obligor at one or more of the business locations of Obligors described in Schedule 7.1 hereof and shall not be moved therefrom, without the prior written approval of Lender.

Section 7.2 Insurance of Collateral; Condemnation Proceeds. Borrower shall maintain and pay for insurance on all Collateral, wherever located, covering casualty, hazard, public liability, and such other risks in such amounts and with such insurance companies as are reasonably satisfactory to Lender. All proceeds payable under each such policy shall be payable to Lender for application to the Obligations and the Other Obligations. Borrower shall deliver the originals or certified copies of such policies to Lender with loss payable endorsements reasonably satisfactory to Lender, naming Lender as loss payee or additional insured, as appropriate. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 30 days prior written notice to Lender in the event of cancellation of the policy for any reason. If Borrower fails to provide and pay for such insurance, Lender may, at its option, but shall not be required to, procure the same and charge Borrower therefor. For so long as no Event of Default exists and is continuing, Borrower shall have the right to settle, adjust and compromise any claim with respect to any insurance maintained by Borrower provided that all proceeds thereof are applied in the manner specified in this Agreement, and Lender agrees promptly to provide any necessary endorsement to any checks or drafts issued in payment of any such claim. At any time that an Event of Default exists and is continuing, only Lender shall be authorized to settle, adjust and compromise such claims. Lender shall have all rights and

remedies with respect to such policies of insurance as are provided for in this Agreement and the other Administrative DIP Financing Documents.

Section 7.3 Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes imposed under any Applicable Law on any of the Collateral or in respect of the sale thereof, and all other payments required to be made by Lender to any Person to realize upon any Collateral shall be borne and paid by Obligors. If any Obligor fails to pay promptly any portion thereof when due, Lender may, at its option, but shall not be required to, pay the same and charge Borrower therefor. Lender shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Lender's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other Person whomsoever, but the same shall be at Obligors' sole risk.

Section 7.4 Defense of Title to Collateral. Each Obligor shall at all times defend its title to the Collateral and Lender's Liens therein against all Persons and all claims and demands whatsoever.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES

Section 8.1 General Representations and Warranties. To induce Lender to enter into this Agreement and to make available the Commitment, each Obligor warrants and represents to Lender that:

(a) Power and Authority. The execution, delivery and performance by each Obligor of the DIP Financing Documents are in the best interest of such Obligor, are within such Obligor's corporate power, have been duly authorized by all necessary or proper corporate action and, on the date of initial funding of Administrative Post-Petition Loans hereunder, will be authorized by the Administrative DIP Financing Order pursuant to Section 364 of the Bankruptcy Code; are not in contravention of any provision of its own organizational documents; will not violate any Applicable Law (following entry of the Administrative DIP Financing Order); does not require the consent or approval of any Authority or any other Person other than the entry by the Court of the Administrative DIP Financing Order.

(b) Enforceable Agreements. Each of the Administrative DIP Financing Documents has been duly executed and delivered by such Obligor and constitutes a legal, valid and binding obligation of such Obligor, enforceable against such Obligor in accordance with its terms (including with respect to the Administrative DIP Financing Order).

(c) Priority of Liens. Upon entry of the Administrative DIP Financing Order, the security interests granted pursuant to the Administrative DIP Financing Documents constitute valid, enforceable, perfected and first priority Liens on the Collateral owned by the Obligors, except to the extent otherwise expressly provided in the Administrative DIP Financing Order.

(d) Not a Regulated Entity. No Obligor is (i) an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within

the meaning of the Investment Company Act of 1940; or (ii) a “holding company,” or a “subsidiary company” of a “holding company,” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935.

(e) Margin Stock. Neither Borrower nor any of its Subsidiaries is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock.

Section 8.2 Reaffirmation of Representations and Warranties. All of the foregoing representations and warranties made by any Obligor in this Agreement or in any of the other Administrative DIP Financing Documents shall survive the execution and delivery of this Agreement and such other Administrative DIP Financing Documents, and shall be deemed to have been remade and reaffirmed on each day that Borrower requests the funding of an Administrative Post-Petition Loan under the Administrative DIP Facility.

ARTICLE 9 COVENANTS

Section 9.1 Covenants. During the Administrative DIP Term and thereafter until Full Payment of the Obligations, each Obligor covenants that it shall, and shall cause each of its Subsidiaries to, comply with the following covenants:

(a) Budget Reporting. Cause to be prepared and furnished to Lender on or before the 10th day of each month, (i) a report in form reasonably acceptable to Lender setting forth any variances in actual cash receipts and expenditures from those projected in the Budget and (ii) an update to the Budget setting forth any changes therein reasonably anticipated by Debtors (it being understood that no such changes shall become part of the Budget unless approved by Lender in writing).

(b) Budget Compliance. Not make or commit or agree to make any expenditures in any given month or on a cumulative basis which are not set forth in the Budget, subject to cumulative variances not to exceed 5% of such aggregate expenditures.

(c) Notice of Default. Promptly upon an Authorized Officer or any other officer of any Obligor obtaining actual knowledge of any condition or event which constitutes a Default or Event of Default, Borrower shall deliver to Lender a notice specifying (i) the nature and period of existence of any such claimed Default or Event of Default, (b) the notice given or action taken by such Person in connection therewith, and (c) what action Borrower or another Debtor has taken, is taking and proposes to take with respect thereto.

(d) Other Indebtedness. Promptly after receipt thereof by an Obligor, Borrower shall deliver to Lender (i) a copy of each notice or communication regarding potential or actual defaults (including any accompanying officer's certificate) delivered by or on behalf of any Debtor to the holders of funded indebtedness pursuant to the terms of the agreements governing such indebtedness, such delivery to be made at the same time and by the same means as such notice or other communication is delivered to such holders, and (ii) a copy of each notice or other communication regarding potential or actual defaults received by any Debtor from the

holders of funded indebtedness pursuant to the terms of such indebtedness, such delivery to be made promptly after such notice or other communication is received by such Debtor.

(e) Insurance. Borrower shall maintain for itself and the Guarantors, or shall cause each of the Guarantors to maintain in full force and effect, insurance policies and programs reflecting coverage that is reasonably consistent with prudent industry practice and will notify Lender of any material change to the coverage described in Section 7.2.

(f) Inspection of Property; Books and Records; Discussions. Each Debtor at any time after the occurrence and during the continuance of a Default shall permit any authorized representative(s) designated by Lender to visit and inspect any of the properties of any Debtor, to examine, audit, check and make and take away copies of their respective financial, accounting and other records, books, journals, orders, contracts, receipts and any correspondence and other data relating to their respective businesses or the transactions contemplated hereby, and to discuss their affairs, finances and accounts with their officers and independent certified public accountants, all upon reasonable notice and at such reasonable times during normal business hours, as often as may be reasonably requested, all of which shall be at the expense of Borrower. Borrower shall keep and maintain, and cause each Guarantor to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with GAAP shall be made of all dealings and transactions in relation to their respective businesses and activities. If a Default has occurred and is continuing, Borrower, upon Lender's request, shall promptly provide complete copies of any such records to Lender or its representatives.

(g) Liens. No Debtor shall directly or indirectly create, incur or assume after the Closing Date any Lien on or with respect to any of the Collateral; provided, that Lender's Liens created hereunder on the Collateral shall be subject to the Carve-Out. In addition, no Debtor shall become a party to any agreement, note, indenture or other instrument, or take any other action, which would prohibit the creation of a Lien on any of its properties or other assets in favor of Lender or other holders of the Obligations, as collateral for the Obligations.

(h) BCE Commercial Tort Claim. If a Default or Event of Default has occurred and is continuing, Borrower will not enter into any binding settlement of the BCE Commercial Tort Claims or the D&O Claims unless otherwise approved by the Court.

(i) Other Information. Promptly upon receiving a request therefor from Lender, Borrower shall prepare and deliver to Lender such other information with respect to any Debtor or the Collateral as from time to time may be reasonably requested by Lender.

(j) Further Assurances. From time to time, each Debtor, upon request by Lender, shall take such additional actions and execute such additional documents as Lender may deem necessary or appropriate to more adequately effectuate the provisions of this Agreement and the other Administrative DIP Financing Documents.

ARTICLE 10 CONDITIONS PRECEDENT

Section 10.1 Conditions Precedent to Effectiveness. Notwithstanding any other provision of this Agreement or any of the other Administrative DIP Financing Documents, and

without affecting in any manner the rights of Lender under other sections of this Agreement, this Agreement shall not become effective, and Lender shall have no obligation to fund any Administrative Post-Petition Loan requested by Borrower, unless and until each of the following conditions has been and continues thereafter to be satisfied or specifically waived in writing by Lender:

(a) All of the Administrative DIP Financing Documents shall have been executed in form and substance reasonably satisfactory to Lender by each of the signatories thereto and accepted by Lender, and each Obligor shall be in compliance with all of the terms thereof, and all representations and warranties contained therein shall be true and correct in all material respects.

(b) No Default or Event of Default shall exist at the time of, and would not result from the funding of, any requested Administrative Post-Petition Loan.

(c) The Purchase Agreement shall not have been terminated for any reason.

(d) The Administrative DIP Financing Order shall have been entered, shall be in full force and effect and shall not have been vacated, reversed, amended, modified or stayed in any respect (and, if such order is the subject of a pending appeal, no performance of any obligation of any party shall have been stayed pending such appeal).

(e) The Administrative DIP Financing Order shall be reasonably acceptable in substance to Lender.

(f) Lender shall have received satisfactory proof of insurance by Obligors, in accordance with the terms of this Agreement, and evidence of loss payable endorsements naming Lender as loss payee with respect to each policy and certified copies of Obligors' liability insurance policies, together with endorsements naming Lender as an additional insured.

(g) No law, regulation, order, judgment or decree of any Authority shall, and Lender shall not have received any notice that litigation is pending which is likely to, enjoin, prohibit or restrain the transactions contemplated hereby.

(h) Lender shall have received such other documents, agreements, certificates and instruments as Lender may reasonably request.

Section 10.2 Additional Conditions Precedent To Each Administrative Post-Petition Loan. Lender shall not have an obligation to make any Administrative Post-Petition Loan unless, on each Borrowing Date, in addition to the conditions in Section 10.3 being satisfied, the following conditions have been satisfied or specifically waived in writing by Lender:

(a) The Commitment Termination Date shall not have occurred.

(b) The proceeds of the Administrative Post-Petition Loan shall be used only for the purposes set forth in Section 1.1(b).

(c) Lender shall have received a Borrowing Notice with respect to the requested Administrative Post-Petition Loan in accordance with Section 3.1 and the information, representations and warranties contained in such Borrowing Notice or in a schedule thereto shall be true and correct.

(d) The amount of the requested Administrative Post-Petition Loan, if funded by Lender, would not cause the aggregate amount of the then outstanding principal on the Administrative Post-Petition Loans to exceed the Commitment or the amount reflected in the Budget on a cumulative line by line basis.

Section 10.3 Limited Waiver of Conditions Precedent. If Lender shall make any Administrative Post-Petition Loan or otherwise extend any credit to Borrower under this Agreement at a time when any of the foregoing conditions precedent are not satisfied (regardless of whether the failure of satisfaction of any of such conditions precedent is known or unknown to Lender), the funding of such Administrative Post-Petition Loan shall not operate as a waiver of the right of Lender to insist upon the satisfaction of all conditions precedent with respect to each subsequent Borrowing requested by Borrower or a waiver of any Default or Event of Default as a consequence of the failure of any such conditions to be satisfied.

ARTICLE 11 EVENTS OF DEFAULT; RIGHTS AND REMEDIES ON DEFAULT

Section 11.1 Events of Default. The occurrence of any one or more of the following events shall constitute an “Event of Default”:

(a) Failure to Make Payments When Due. Borrower shall fail to pay within five (5) Business Days of when due, any of the Obligations consisting of principal or interest with respect to the Administrative Post-Petition Loans.

(b) Breach of Covenants. Borrower or any other Obligor shall fail or refuse to duly and punctually perform or observe any agreement, covenant or obligation in this Agreement or any other Administrative DIP Financing Document which is binding on Borrower or any Obligor and which is not encompassed by Section 11.1(a) and such failure or refusal shall continue unremedied for fifteen (15) days after notice from Lender to Borrower.

(c) Breach of Representation or Warranty. Any representation or warranty made or deemed made by a Debtor herein, in any of the other Administrative DIP Financing Documents or in any written statement or certificate at any time given by any such Person pursuant to any of the Administrative DIP Financing Documents shall be false or misleading in any material respect on the date as of which made (or deemed made).

(d) Certain Bankruptcy Events. Any Obligor shall fail to comply with any of the provisions of the Administrative DIP Financing Order in any material respect; a trustee shall be appointed in any Chapter 11 Case; an examiner shall be appointed in any Chapter 11 Case with enlarged powers (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1106(b) of the Bankruptcy Code; any Chapter 11 Case shall be dismissed or converted to a case under Chapter 7; any Obligor shall file any motion to alter,

amend, vacate, supplement, modify, or reconsider, in any material respect, the Administrative DIP Financing Order or, without Lender's prior written consent, the Administrative DIP Financing Order is amended, vacated, stayed, reversed or otherwise modified.

An Event of Default shall be deemed "continuing" until cured or until waived in writing by Lender.

Section 11.2 Acceleration of the Obligations. Upon or at any time after the occurrence of such Event of Default, Lender may, in its discretion and subject to the Administrative DIP Financing Order, (i) declare the principal of and any accrued interest on the Administrative Post-Petition Loans and all other Obligations owing under any of the Administrative DIP Financing Documents to be, whereupon the same shall become, without further notice or demand (all of which notice and demand each Obligor expressly waives), forthwith due and payable and Borrower shall forthwith pay to Lender the entire principal of and accrued and unpaid interest on the Administrative Post-Petition Loans and other Obligations plus reasonable attorneys' fees and expenses if such principal and interest are collected by or through an attorney-at-law; and (ii) terminate the Commitment.

Section 11.3 Remedies. Upon or at any time after the occurrence of an Event of Default and subject to any limitations contained in the Administrative DIP Financing Order, Lender may, in its discretion, exercise from time to time the following rights and remedies to enforce collection of the Obligations (without prejudice to the rights of Lender to enforce its claims against any or all Obligors):

(a) All of the rights and remedies of a secured party under the UCC or under other Applicable Law, and all other legal and equitable rights to which Lender may be entitled under any of the Administrative DIP Financing Documents or the Administrative DIP Financing Order, all of which rights and remedies shall be cumulative and shall be in addition to any other rights and remedies contained in this Agreement or any of the other Administrative DIP Financing Documents, and none of which shall be exclusive.

(b) The right to collect Accounts, Chattel Paper, Instruments and General Intangibles and all other rights of any Obligor to the payment of money from any Person obligated therefor; and the right to assume control of and prosecute any cause of action included as part of the Collateral.

(c) The right to take immediate possession of all tangible items of the Collateral and (i) to require any Obligor to assemble such Collateral, at such Obligor's expense, and make it available to Lender at a place designated by Lender that is reasonably convenient to both parties and (ii) to enter any of the premises of any Obligor or wherever any of the Collateral shall be located, and to keep and store the same on said premises until sold (and if said premises be the Property of any Obligor, such Obligor agrees not to charge Lender for storage thereof).

(d) The right to sell or otherwise dispose of all or any Inventory in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, all as Lender, in its sole discretion, may deem advisable; each Obligor agrees that 10 days written

notice to such Obligor of any public or private sale or other disposition of such Collateral shall be reasonable notice thereof, and such sale shall be at such locations as Lender may designate in said notice. Lender shall have the right to conduct such sales on any Obligor's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with Applicable Law; Lender may sell, lease or otherwise dispose of such Collateral, or any part thereof, for cash, credit or any combination thereof, and Lender may purchase all or any part of such Collateral at public or, if permitted by Applicable Law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations and the Other Obligations.

Section 11.4 Setoff Remedy. In addition to any Liens granted under any of the Administrative DIP Financing Documents and any rights now or hereafter available under Applicable Law, Lender is hereby authorized by each Obligor at any time that an Event of Default exists, without notice, except as required by the Administrative DIP Financing Order, to such Obligor or any other Person (any such notice being hereby expressly waived) to set off and to appropriate and to apply any and all deposits, general or special) and any other indebtedness at any time held or owing by Lender to or for the credit or the account of such Obligor against and on account of the Obligations of such Obligor arising under the Administrative DIP Financing Documents to Lender including all Administrative Post-Petition Loans and all claims of any nature or description arising out of or in connection with this Agreement, irrespective of whether or not (i) Lender shall have made any demand hereunder, (ii) Lender shall have declared the principal of and interest on the Administrative Post-Petition Loans and other amounts due hereunder to be due and payable as permitted by this Agreement and even though such Obligations may be contingent or unmatured or (iii) the Collateral for the Obligations is adequate.

Section 11.5 Remedies Cumulative; No Waiver.

(a) All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Obligors contained in this Agreement and the other Administrative DIP Financing Documents, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule given to Lender or contained in any other agreement between Lender and any Obligor, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Obligors herein contained. The rights and remedies of Lender under this Agreement and the other Administrative DIP Financing Documents shall be cumulative and not exclusive of any rights or remedies that Lender would otherwise have.

(b) The failure or delay of Lender to require strict performance by any Obligor of any provision of any of the Administrative DIP Financing Documents or to exercise or enforce any rights, Liens, powers or remedies under any of the Administrative DIP Financing Documents or with respect to any Collateral shall not operate as a waiver of such performance, Liens, rights, powers and remedies, but all such requirements, Liens, rights, powers, and remedies shall continue in full force and effect until all Administrative Post-Petition Loans, and all other Obligations owing or to become owing from Obligors to Lender shall have been fully satisfied. None of the undertakings, agreements, warranties, covenants and representations of any Obligor contained in this Agreement or any of the other Administrative DIP Financing

Documents and no Event of Default by Borrower under this Agreement or any other Administrative DIP Financing Documents shall be deemed to have been suspended or waived by Lender, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Lender and directed to Borrower.

(c) If Lender shall accept performance by any Obligor, in whole or in part, of any obligation that such Obligor is required by any of the Administrative DIP Financing Documents to perform only when a Default or Event of Default exists, or if Lender shall exercise any right or remedy under any of the Administrative DIP Financing Documents that may not be exercised other than when a Default or Event of Default exists, Lender's acceptance of such performance by such Obligor or Lender's exercise of any such right or remedy shall not operate to waive any such Event of Default or to preclude the exercise by Lender of any other right or remedy, unless otherwise expressly agreed in writing by Lender, as the case may be.

**ARTICLE 12
MISCELLANEOUS**

Section 12.1 Survival of Representations. All representations and warranties of each Debtor contained in this Agreement or any other Administrative DIP Financing Document shall survive delivery of the Administrative DIP Notes and the making of the Administrative Post-Petition Loans herein contemplated.

Section 12.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, Lender shall not be obligated to extend credit to Borrower in violation of any limitation or prohibition included in any Law which becomes applicable after the date hereof.

Section 12.3 Performance of Obligations. Borrower agrees that Lender may, but shall have no obligation to (i) at any time, pay or discharge Taxes, liens, security interests or other encumbrances levied or placed on or threatened against any Collateral and (ii) after the occurrence and during the continuance of an Event of Default, make any other payment or perform any act required of any Obligor under any Administrative DIP Financing Document or take any other action which Lender in its discretion deems necessary or desirable to protect or preserve the Collateral or enhance the likelihood of repayment of the Obligations. Lender shall use its reasonable efforts to give Borrower notice of any action taken under this Section 12.3 prior to the taking of such action or promptly thereafter provided the failure to give such notice shall not affect the obligations of Lender or the Obligors in respect thereof. Borrower agrees to pay Lender, upon demand, the principal amount of all funds advanced by Lender under this Section 12.3, together with interest thereon at the Variable Rate from the date of such advance until the outstanding principal balance thereof is paid in full.

Section 12.4 Headings. Section headings in the Administrative DIP Financing Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Administrative DIP Financing Documents.

Section 12.5 Entire Agreement; Amendments. Without effect on Section 12.20, the Administrative DIP Financing Documents embody the entire agreement and understanding among Borrower, Lender and the Guarantors and supersede all prior agreements and understandings among Borrower, Lender and the Guarantors relating to the Administrative DIP Credit Facility. Any amendment or modification to this Agreement shall not be binding unless executed by Borrower, Lender and the Guarantors.

Section 12.6 Benefits of this Agreement. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

Section 12.7 Expenses; Indemnification; Release.

(a) Expenses. Borrower shall reimburse Lender for any reasonable fees, costs and out of pocket expenses (including reasonable fees and expenses of consulting firms, accounting firms, attorneys and paralegals) paid or incurred by Lender in connection with the preparation, negotiation, execution, delivery, review, amendment, modification and administration of the Administrative DIP Financing Documents, or, at the request of Lender, Borrower will pay any invoice presented by Lender directly to the Person to whom such fees, costs and expenses are owed. Borrower also agrees to reimburse Lender for any reasonable fees, costs and out of pocket expenses (including reasonable fees and expenses of consulting firms, accounting firms, expert witnesses, attorneys and paralegals) paid or incurred by Lender in connection with the collection of the Obligations and enforcement of the Administrative DIP Financing Documents. Lender shall provide Borrower with a reasonably detailed statement of all reimbursements requested under this Section 12.7(a).

(b) Waiver of Certain Claims; Settlement of Claims. Borrower further agrees to assert no claim against any of the Benefited Parties (as defined below) on any theory of liability for consequential, special, indirect, exemplary or punitive damages arising out of or relating to the Administrative DIP Financing Documents. No settlement shall be entered into by the any Debtor with respect to any claim, litigation, arbitration or other proceeding relating to or arising out of the transactions evidenced by this Agreement or the other Administrative DIP Financing Documents unless such settlement releases all Benefited Parties from any and all liability with respect thereto.

(c) Release of All Post-Petition Claims. Borrower, and each Guarantor by executing this Agreement, hereby, jointly and severally, unconditionally release and forever discharge Lender, and its successors, assigns, agents, directors, officers, employees, affiliates and attorneys (collectively, the “**Benefited Parties**”), from all Post-Petition Claims (as defined below). As used herein, the term “**Post-Petition Claims**” means any and all possible claims, demands, actions, causes of actions, costs, expenses, and liabilities whatsoever, known or unknown, at law or in equity, which any Debtor, or any of their agents, employees or Affiliates may now or hereafter have or claim against any of the Benefited Parties, if any, and irrespective of whether any such claims arise out of contract, tort, violation of Applicable Laws or otherwise in connection with any of the Loan Documents, in each case to the extent any of the same first arise or accrue subsequent to the Petition Date and prior to the date of this Agreement; provided, that no release shall be effective for a Benefited Party, if and to the extent any Post-Petition

Claim is caused by or results from the willful misconduct or gross negligence of such Benefited Party, as determined by the final non-appealed judgment of a court of competent jurisdiction. This release is accepted by Lender pursuant to this Agreement and shall not be construed as an admission of liability by Lender.

(d) General Indemnity. Borrower, and each Guarantor by executing this Agreement, hereby jointly and severally agree to indemnify the Benefited Parties and hold them harmless from any and all claims, losses, causes of action, costs, expenses and liabilities suffered or incurred by or asserted against any of the Benefited Parties arising out of or relating to any of the Administrative DIP Financing Documents or any of the transactions contemplated thereby; provided that neither Borrower nor any Guarantor shall have any indemnity obligation to a Benefited Party if and to the extent any such claim, demand, action, cause of action, cost, expense or liability is caused by or results from the willful misconduct or gross negligence of such Benefited Party, as determined by the final non-appealed judgment of a court of competent jurisdiction.

(e) Survival of Agreements. The obligations and agreements of Borrower under this Section 12.7 shall survive the payment in full of all of the indebtedness under this Agreement and the termination of this Agreement.

Section 12.8 Severability of Provisions. Any provision in any Administrative DIP Financing Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Administrative DIP Financing Documents are declared to be severable.

Section 12.9 Nonliability of Lender. The relationship between Borrower and Lender shall be solely that of borrower and lender. Lender shall have no fiduciary responsibilities to any Debtor. Lender does not undertake any responsibility to any Debtor to review or inform any Debtor of any matter in connection with any phase of the business or operations of any Debtor.

Section 12.10 Governing Law. The internal laws of the Commonwealth of Virginia and the applicable federal laws of the United States shall govern the validity, construction, enforcement and interpretation of this Agreement and the other Administrative DIP Financing Documents, except to the extent the laws of any jurisdiction where Collateral is located require application of such laws with respect to such Collateral.

Section 12.11 Waiver of Damages Other Than Actual Damages. Except as prohibited by law, Borrower hereby waives any right it may have to claim or recover in any litigation, arbitration or other proceeding any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Borrower certifies that no representative, agent or attorney of Lender has represented, expressly or otherwise, that Lender would not, in the event of litigation, seek to enforce the foregoing waiver. This waiver constitutes a material inducement for Lender to enter into this Agreement.

Section 12.12 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 12.13 Business Loans. Borrower warrants and represents that the Administrative Post-Petition Loans are and shall be for business, commercial, investment or other similar purposes and not primarily for personal, family, household or agricultural use, as such terms are used in Chapter One (“**Chapter One**”) of the Texas Credit Code. At all such times, if any, as Chapter One shall establish a Maximum Rate, the Maximum Rate shall be the “indicated rate ceiling” (as such term is defined in Chapter One) from time to time in effect.

Section 12.14 No Responsibility for Loans, Creditworthiness, Collateral, Recitals, Etc. Neither Lender nor any of its directors, officers, agents, attorneys or employees shall be responsible to any Person for, or have any duty to any Person to ascertain, inquire into or verify, (i) any statement, warranty or representation made in connection with any Administrative DIP Financing Document, (ii) the performance or observance of any of the covenants or agreements of any Obligor under any Administrative DIP Financing Document, (iii) the satisfaction of any condition specified herein, (iv) the existence or possible existence of any Default or Event of Default or (v) the validity, effectiveness or genuineness of any Administrative DIP Financing Document or any other instrument or writing furnished in connection therewith. Neither Lender nor any of its directors, officers, agents, attorneys or employees shall be responsible to any Person for any recitals, statements, representations or warranties herein or in any of the other Administrative DIP Financing Documents, for the perfection or priority of any of the Liens on any of the Collateral, or for the execution, effectiveness, genuineness, validity, legality, enforceability, collectability or sufficiency of this Agreement or any of the other Administrative DIP Financing Documents or the transactions contemplated thereby, or for the financial condition of any Obligor.

Section 12.15 Reliance on Documents; Counsel. Lender shall be entitled to rely upon any note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by Lender, which counsel may be employees of Lender.

Section 12.16 Notices. All notices, requests and other communications provided for herein, including any modifications of, or waivers, requests or consents under, this Agreement and the other Administrative DIP Financing Documents shall be given or made in writing (including by telecopy) and delivered to the intended recipient at the “Address for Notices” specified below; or, as to any party, at such other address as shall be designated by such party in a notice to the other party. All such communications shall be deemed to have been duly given (i) when personally delivered, including by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof; provided, that such transmission is promptly confirmed by either of the methods set forth in

clauses (i) or (ii) above in each case given or addressed as provided for herein. The address for notices of each of the parties is:

LENDER:

Rural Telephone Finance Cooperative
Woodland Park
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President, RTFC
Fax: 703-709-6780

With copies to:

Rural Telephone Finance Cooperative
Woodland Park
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Deputy General Counsel
Fax: 703-709-6774

Fulbright & Jaworski L.L.P.
2200 Ross Avenue
Suite 2800
Dallas, Texas 75201
Attention: Toby L. Gerber
Fax: 214-855-8200

BORROWER:

VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, Texas 75006
Attn: Michael G. Hoffman
Fax: 972-478-3340

With copy to:

Vinson & Elkins LLP
2001 Ross Avenue
Suite 3700
Dallas, Texas 75201
Attn: Daniel C. Stewart
Fax: 214-999-7761

ANY GUARANTOR:

[Name of Debtor]
c/o VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, Texas 75006
Attn: Michael G. Hoffman
Fax: 972-478-3340

With copy to:

Vinson & Elkins LLP
2001 Ross Avenue
Suite 3700
Dallas, Texas 75201
Attn: Daniel C. Stewart
Fax: 214-999-7761

With copy to:

VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, Texas 75006
Attn: Michael G. Hoffman
Fax: 972-478-3340

Section 12.17 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective as when (i) it has been executed by Borrower, Lender and each Guarantor and (ii) Section 10.1 has been complied with.

Section 12.18 Patronage Capital Allocations. Borrower acknowledges that Lender will make no further patronage capital allocations to any Obligor under, by virtue of or related to this Agreement, the other Administrative DIP Financing Documents and the Obligations and that no Obligor has any further claims to any patronage capital allocations from Lender. Lender acknowledges and represents that the discontinuation of patronage capital allocations to Borrower does not affect or impair Lender's authority to make Administrative Post-Petition Loans to Borrower hereunder.

Section 12.19 Successor and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns; provided that:

(a) Assignment by Debtors. Neither Borrower nor any other Debtor may assign any of their rights or obligations under this Agreement or any other Administrative DIP Financing Document without the consent of Lender, and, to the extent required, Court Approval;

(b) Assignments by Lender. All or any part of the Administrative DIP Note, and any rights or Liens of Lender under this Agreement or any other Administrative DIP Financing Document, shall be freely assignable, in whole or in part, at any time by Lender.

Upon the consummation of any assignment by Lender to a purchaser, Borrower shall promptly after a request by Lender with necessary details, issue replacement Administrative DIP Notes to Lender and the transferee to reflect the amounts of the Administrative DIP Notes owned by each after the assignment.

Section 12.20 DIPFA, FARCA and Other Obligations. FARCA and DIPFA remain unchanged by this Agreement and the other DIP Financing Documents, and the Other Obligations remain due and owing (whether currently or contingently) in accordance with DIPFA and FARCA.

[The remainder of this page is intentionally left blank. Signature pages follow.]

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year specified at the beginning of this Agreement.

BORROWER

VARTEC TELECOM, INC., a Texas corporation

By: _____
Name: _____
Title: _____

GUARANTORS:

EXCEL COMMUNICATIONS MARKETING, INC.
EXCEL MANAGEMENT SERVICE, INC.
EXCEL PRODUCTS, INC.
EXCEL TELECOMMUNICATIONS, INC.
EXCEL TELESERVICES, INC.
EXCELCOM, INC.
TELCO COMMUNICATIONS GROUP, INC.
TELCO NETWORK SERVICES, INC.
VARTEC BUSINESS TRUST
VARTEC PROPERTIES, INC.
VARTEC RESOURCE SERVICES, INC.
VARTEC SOLUTIONS, INC.
VARTEC TELECOM HOLDING COMPANY
VARTEC TELECOM INTERNATIONAL HOLDING
COMPANY

By: _____
Name: _____
Title: _____

LENDER:

Rural Telephone Finance Cooperative

By: _____
Name: _____
Title: _____

APPENDIX A GENERAL DEFINITIONS

When used in the RTFC Administrative Debtor In Possession Credit Agreement dated as of September __, 2005 (as at any time amended, the "**Agreement**"), by and among **VARTEC TELECOM, INC.**, a Texas corporation and a Chapter 11 debtor-in-possession ("**Borrower**"), each Guarantor listed on the signature pages thereto and Rural Telephone Finance Cooperative, a District of Columbia cooperative association ("**Lender**"), the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

Account - shall have the meaning ascribed to "account" in the UCC as such definition may be amended from time to time and shall include a right to payment for goods sold or leased or for services rendered that is not evidenced by an Instrument or Chattel Paper, whether or not any such right to payment has been earned by performance.

Acquired Assets - shall have the meaning ascribed to it in the Purchase Agreement.

Administrative DIP Facility - the \$[_____] credit facility established by Lender in favor of Borrower under Article 1 of the Agreement.

Administrative DIP Financing Documents - the Agreement, the Administrative DIP Notes, the Security Documents, the Administrative DIP Financing Order and any and all other agreements, instruments and documents now or hereafter executed by Borrower or any Guarantor in favor of Lender with respect to any of the transactions contemplated by the Agreement.

Administrative DIP Financing Order - an order which is entered by the Court pursuant to Section 364 of the Bankruptcy Code and Bankruptcy Rule 4001(c), which is in form and substance acceptable to Lender in all respects, which authorizes the incurrence by Borrower and guarantee by the Guarantors of post-petition secured and superpriority indebtedness under the Administrative DIP Facility in accordance with the Administrative DIP Financing Documents and which includes a good faith finding pursuant to Section 364(e) of the Bankruptcy Code.

Administrative DIP Note - a promissory note to be executed by Borrower in favor of Lender in the form of Exhibit A to the Agreement, which shall be in the face amount of the Commitment and which shall evidence all Administrative Post-Petition Loans made by Lender to Borrower pursuant to the Agreement.

Administrative DIP Term - a period commencing on the date of entry of the Financing Order and ending on January 31, 2006.

Administrative Disbursement Account - the bank account established by Borrower, on behalf of the Obligors, at a nationally recognized banking institution reasonably acceptable to Lender into which proceeds of Administrative Post-Petition Loans will be disbursed.

Administrative Post-Petition Loan - a Loan made by Lender as provided in Section 1.1 of the Agreement.

Affiliate - of (a) any Person (including any Debtor) means any other Person directly or indirectly controlling, controlled by or under common control with such Person and (b), in addition, of any Debtor means any Person who is, or during the twenty-four (24) months preceding the date of determination has been, an officer or director (or any person who is at the time in question or was during such period a relative (by consanguinity or marriage) of any such officer or director), of any Debtor or any Affiliate of any Debtor and any Entity directly or indirectly controlled by any such Person or by any such relative or in which any such Person or any such relative owns, beneficially or of record, five percent (5%) or more of any class of voting securities (or other voting interests). A Person shall be deemed to control another Person if the controlling Person is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of Equity Interests, by contract or otherwise.

Applicable Law - all laws, rules and regulations applicable to the Person, conduct, transaction, covenant or Administrative DIP Financing Documents in question, including all applicable common law and equitable principles; all provisions of all applicable state and federal constitutions, statutes, rules, regulations and orders of governmental bodies; and orders, judgments and decrees of all courts and arbitrators.

Authority - any (i) local, state, territorial, federal or foreign judicial, executive, regulatory, administrative, legislative or governmental agency, board, bureau, authority, intellectual property registry, adjudicatory forum, tribunal, commission, department or other instrumentality, (ii) arbitrator or arbitration board or panel or (iii) central bank.

Availability - The amount by which the Commitment exceeds the then aggregate outstanding principal on the Administrative Post-Petition Loans.

BCE Commercial Tort Claims - all right, title and interest of any Debtor in, to and under those certain commercial tort claims against BCE, Inc., BCE Ventures, Inc. and William D. Anderson, described in that certain civil case captioned “VarTec Telecom, Inc. and VarTec Telecom Holding Company, Plaintiffs, v. BCE, Inc., BCE Ventures, Inc., and William D. Anderson, Defendants,” originally filed in the United States District Court of the Northern District of Texas, Dallas Division, as Case No. 3:02-CV-2585-M, now pending in the United States District Court for the District of Columbia, as Civil Case No. 03-2203 (RJL), and all proceeds thereof.

Borrower Subsidiaries - shall have the meaning ascribed to it in the Recitals.

Borrower Subsidiary’s Other Obligations – shall have the meaning ascribed to it in the Recitals.

Borrowing - a borrowing consisting of one or more Administrative Post-Petition Loans made or deemed made on the same day by Lender.

Borrowing Dates - each date that a Administrative Post-Petition Loan is made or deemed made.

Budget - the Budget attached as Exhibit C to the Agreement, together with any revisions thereto approved in writing by Lender.

Business Day - any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Texas or is a day on which banking institutions located in such state are closed.

Carve-Out – as defined in the Administrative DIP Financing Order.

Chapter 5 Actions – all claims, causes of action, remedies or recoveries arising under Chapter 5 of Title 11, U.S.C. (Bankruptcy Code), including but not limited to Sections 542, 543, 544, 545, 547, 548, 549, or 550 of 11 U.S.C., brought by or on behalf of Debtors, Debtors' estates (or any of them) or by any official committee, other fiduciary, or entity authorized by the Court, a confirmed plan, or other applicable law to pursue such claim, cause of action, remedy or recovery.

Chapter 11 Cases - as defined in the Recitals hereto.

Chattel Paper - shall have the meaning ascribed to the term "chattel paper" in the UCC, as such definition may be amended from time to time.

Claims - as defined in Section 12.7 of the Agreement.

Closing Date - the date on which all of the conditions precedent in Section 10.1 of the Agreement are satisfied.

Collateral - all of the Property and interests in Property of Obligors that are described in Article 6 of the Agreement, whether or not such Property or interest in Property was in existence on or acquired by a Borrower or any other Obligor prior to or after the Petition Date; provided that the Collateral is limited to Excluded Assets and expressly excludes all Acquired Assets and Chapter 5 Actions by or on behalf of a Debtor against Lender.

Commitment - at any date, the obligation of Lender to make Administrative Post-Petition Loans pursuant to the terms and conditions of the Agreement, the maximum amount of which shall be \$[_____].

Commitment Termination Date - the date that is the soonest to occur of: (a) the last day of the Administrative DIP Term, (b) the date Lender terminates the Administrative DIP Facility pursuant to Section 5.2(a) of the Agreement, or (c) the date on which Borrower elects to terminate the Agreement pursuant to Section 5.2(b) of the Agreement.

Court - as defined in the Recitals to the Agreement.

D&O Claims - all right, title and interest of any Debtor in, to and under those certain commercial tort claims and other claims against officers and directors of any Debtor or any Affiliate of any Debtor and all proceeds thereof.

Default - an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

Default Rate - a rate per annum which shall from day to day be equal to the Variable Rate plus two percent (2%), but never more than the Maximum Rate, if any Maximum Rate exists and is applicable.

DIPFA - as defined in the Recitals to this Agreement.

DIPFA Participation - the 100% participation sold by Lender to Participant of Lender's interest in certain post-petition loans contemplated by DIPFA, as set forth in the Participation Agreement.

Document - shall have the meaning ascribed to the term "document" in the UCC, as such definition may be amended from time to time.

Dollars and the sign \$ - lawful money of the United States of America.

Entity - a corporation, limited liability company, association, partnership of any kind, organization, trust, estate, sole proprietorship, benefit plan, joint venture or other entity.

Equipment - shall have the meaning ascribed to the term "equipment" in the UCC, as such definition may be amended from time to time.

Event of Default - as defined in Article 11 of the Agreement.

Exchange Act - the Securities Exchange of 1934, as amended from time to time including (unless the context otherwise requires) any rules and regulations promulgated thereunder.

Excluded Assets - shall have the meaning ascribed to it in the Purchase Agreement.

FARCA - as defined in the Recitals to the Agreement.

First DIP Financing Facility Order - as defined in the Administrative DIP Financing Order.

Full Payment - full, final and indefeasible payment of all Obligations which are then due and payable in cash or immediately available funds.

General Intangible - shall have the meaning ascribed to the term "general intangible" in the UCC, as such definition may be amended from time to time, and shall include all interests in intellectual property.

Guarantors - all of Borrower's Subsidiaries which are signatories to the Agreement, and each other Person who guarantees payment or performance of the whole or any part of the Obligations.

Insolvency Proceeding - any action, case or proceeding commenced by or against a Person, or any agreement of such Person, for (a) the entry of an order for relief under any chapter of the Bankruptcy Code or other insolvency or debt adjustment law (whether state, federal or foreign), (b) the appointment of a receiver, trustee, liquidator or other custodian for such Person

or any part of its Property, (c) an assignment or trust mortgage for the benefit of creditors of such Person, or (d) the liquidation, dissolution or winding up of the affairs of such Person.

Instrument - shall have the meaning ascribed to the term “instrument” in the UCC, as such definition may be amended from time to time.

Inventory - shall have the meaning ascribed to “inventory” in the UCC, as such definition may be amended from time to time including, in the case of any Obligor: (a) all goods intended for sale or lease by such Obligor, or for display or demonstration; (b) all work in process; (c) all raw materials and other materials and supplies of every nature and description used or which might be used in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in such Obligor’s business; and (d) all Documents evidencing any General Intangibles relating to any of the foregoing, whether now owned or hereafter acquired by such Obligor.

Lender - Rural Telephone Finance Cooperative, a District of Columbia cooperative association and any other Person who may from time to time become a “Lender” under the Agreement, and their respective successors and permitted assigns.

Lien - any lien (statutory or other), mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, security interest or security agreement or preferential arrangements of any kind or nature whatsoever (including the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

Loan Documents - has the meaning given such term under the FARCA and/or the DIPFA, as the circumstance requires.

Maximum Rate - the maximum nonusurious interest rate that Lender is permitted to contract for, charge, take, reserve or receive on or with respect to the indebtedness in question under Applicable Law. To the extent Texas law may apply to this Agreement, the maximum lawful rate under this Agreement shall be the weekly indicated rate ceiling under Section 303.201 and Section 303.301 of the Texas Credit Title of the Texas Finance Code, unless any other lawful rate ceiling exceeds the rate ceiling so determined, and then the higher rate ceiling shall apply.

Notice of Borrowing - as defined in Section 3.1(a) of the Agreement.

Obligations - in each case, whether now in existence or hereafter arising, (a) the principal of, and interest on, the Administrative Post-Petition Loans; and (b) all other debts, covenants, duties and obligations now or at any time or times hereafter owing by any Obligor to Lender under or pursuant to the Agreement or any of the other Administrative DIP Financing Documents, whether evidenced by any note or other writing, whether arising from any extension of credit, opening of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several, including all interest, charges, expenses, fees or other sums chargeable to any or all Obligors hereunder or under any of the other Administrative DIP Financing Documents.

Obligor - Borrower, each Guarantor, and any other Person that is at any time liable for the payment of the whole or any part of the Obligations or that has granted in favor of Lender a Lien upon any of any of such Person's assets to secure payment of any of the Obligations.

Other Collateral - the "Collateral" as defined in FARCA and DIPFA.

Other Guarantees - as defined in the Recitals to the Agreement.

Other Obligations - the "Obligations" as defined in FARCA and DIPFA, but specifically excluding obligations relating to the DIPFA Participation.

Other Security Agreements - as defined in the Recitals to the Agreement.

Participant – Comtel Telcom Assets LP.

Participation Agreement - the Participation Agreement entered into as of August 1, 2005, between Lender and Participant, as modified by that certain letter agreement, dated August 29, 2005, among Borrower, Lender and Participant.

Person - a person, trustee, custodian, executor, administrator, nominee, representative, tribunal, an Authority or an Entity.

Petition Date - the date of the commencement of the first Chapter 11 Case.

Prevailing Bank Prime Rate – the "Prime Rate" published in the "Money Rates" column of the eastern edition of the Wall Street Journal on the publication date immediately preceding the day on which an adjustment in the interest rate hereof shall become effective. If the Wall Street Journal shall cease publishing the Prevailing Bank Prime Rate, the "Prevailing Bank Prime Rate" hereunder shall be determined by Lender by reference to another publication reporting bank prime rates in a similar manner.

Professional Fee Expenses - fees and costs for and of professionals, including without limitation, legal fees and costs (i) which any Debtor is obligated to pay and (ii) which are contemplated by the Budget.

Property - any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Purchase Agreement - as defined in the Recitals to the Agreement.

Purchaser - shall have the meaning ascribed to it in the Recitals.

Security Documents - any and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

Senior Officer - the president, or the chief financial officer of, or in-house legal counsel to, each Borrower.

Subsidiary - any Person a majority of the Equity Interests of which is at the time owned, directly or indirectly, by another Person or by one or more other Subsidiaries or by such other Person and one or more other Subsidiaries.

Taxes - all taxes, charges, fees, duties, levies, penalties or other assessments imposed by any Authority, including income, unrelated business income, gross receipts, excise, property, sales, gains, use, license, capital stock, transfer, franchise, payroll, withholding, social security or other taxes, including any interest, penalties or additions attributable thereto (whether or not disputed).

UCC - the Uniform Commercial Code (or any successor statute) as adopted and in force in the State of Texas or, when the laws of any other state govern the method or manner of the creation or perfection of any security interest in any of the Collateral, the Uniform Commercial Code (or any successor statute) of such state.

Variable Rate. - a per annum interest rate equal to the sum of (a) the Prevailing Bank Prime Rate, plus (b) one and one-half percent (1-1/2%) or such lesser total rate per annum as may be fixed by Lender from time to time. The interest rate may be adjusted as determined from time to time by Lender with notice to Borrower, *provided* that (a) no adjustment may be effective on a date other than the first or sixteenth day of any month, (b) each adjustment will remain in effect until a subsequent change in rate occurs, and (c) a delay by Lender in giving or Borrower in receiving notice will not delay the effectiveness of any adjustment, but if a notice of adjustment is not given by Lender to Borrower until after the date an interest payment is due which is calculated using the adjusted rate.

Other Terms. All other terms contained in the Agreement shall have, when the context so indicates, the meanings provided for by the UCC to the extent the same are used or defined therein.

Certain Matters of Construction The terms “herein,” “hereof” and “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding.” The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of the Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations; to any of the Administrative DIP Financing Documents shall include any and all amendment or modifications thereto and any and all restatements, extensions or renewals thereof; to any Person shall mean and include the successors and permitted assigns of such Person; to “including” and “include” shall be understood to mean “including, without limitation;” and to the time of day shall mean the time of day on the day in question in Herndon, Virginia, unless otherwise expressly provided in the Agreement.

[The remainder of this page is intentionally left blank.]

EXHIBIT A

FORM OF ADMINISTRATIVE DIP NOTE

U.S. \$ _____, 2005

FOR VALUE RECEIVED, the undersigned **VARTEC TELECOM, INC.**, a Texas corporation ("**Borrower**"), hereby unconditionally promises to pay to the order of Rural Telephone Finance Cooperative, a District of Columbia cooperative association (herein, together with any subsequent holder hereof, called "**Lender**"), on or prior to _____, [2006,] the principal sum of _____ AND 00/100 DOLLARS (\$_____), or such lesser sum as may constitute the outstanding principal amount of all Administrative Post-Petition Loans pursuant to the terms of the RTFC Administrative DIP Credit Agreement referred to below. Borrower likewise unconditionally promises to pay to Lender interest from and after the date hereof on the outstanding principal amount of Administrative Post-Petition Loans at such interest rates, payable at such times, and computed in such manner as are specified in the RTFC Administrative DIP Credit Agreement, in strict accordance with the terms thereof.

This Note ("**Note**") is issued pursuant to, and is the "Administrative DIP Note" referred to in, the RTFC Administrative Debtor in Possession Credit Agreement dated September __, 2005 among Borrower, certain subsidiaries of Borrower that are parties thereto and Lender (as the same may be amended from time to time, the "**Credit Agreement**"), and Lender is and shall be entitled to all benefits thereof and of all Administrative DIP Financing Documents executed and delivered in connection therewith. The provisions of the Credit Agreement are incorporated herein by this reference. All capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Credit Agreement.

The repayment of the principal balance of this Note is subject to the provisions of Section 4.5 and Section 5.2(c) of the Credit Agreement. The entire unpaid principal balance and all accrued interest on this Note shall be due and payable immediately upon the termination of the Commitment as set forth in Section 5.2(c) of the Credit Agreement.

All payments of principal and interest shall be made in Dollars in immediately available funds as specified in the Credit Agreement.

Upon or after the occurrence of an Event of Default, the principal balance and all accrued interest of this Note may be declared due and payable in the manner and with the effect provided in the Credit Agreement, and the unpaid principal balance hereof shall bear interest at the Default Rate as provided in Section 2.1(b) of the Credit Agreement. Borrower agrees to pay, and save Lender harmless against, any liability for the payment of, all costs and expenses, including, but not limited to, reasonable attorneys' fees, arising in connection with the enforcement by Lender of any of its rights under this Administrative DIP Note, the Credit Agreement or any of the other Administrative DIP Financing Documents.

All principal amounts of Administrative Post-Petition Loans made by Lender to Borrower pursuant to the Credit Agreement, and all accrued and unpaid interest thereon, shall be deemed outstanding under this Administrative DIP Note and shall continue to be owing by

Borrower in accordance with the terms of this Administrative DIP Note and the Credit Agreement.

In no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of money advanced hereunder exceed the Maximum Rate; and, in the event of any such payment inadvertently paid by Borrower or inadvertently received by Lender, such situation shall be dealt with in accordance with Section 12.17 of the Credit Agreement.

To the fullest extent permitted by Applicable Law, Borrower, for itself and its legal representatives, successors and assigns, expressly waive presentment, demand, protest, notice of dishonor, notice of non-payment, notice of acceleration and intent to accelerate, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and the benefit of any exemption or insolvency laws.

Wherever possible each provision of this Note shall be interpreted in such a manner as to be effective and valid under Applicable Law, but if any provision of this Note shall be prohibited or invalid under Applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Lender in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Lender of any right or remedy preclude any other right or remedy. Lender, at its option, may enforce its rights against any Collateral securing this Administrative DIP Note without enforcing its rights against Borrower, any guarantor of the indebtedness evidenced hereby or any other property or indebtedness due or to become due to Borrower. Borrower agrees that, without releasing or impairing Borrower's liability hereunder, Lender may at any time release, surrender, substitute or exchange any Collateral securing this Administrative DIP Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Administrative DIP Note.

The rights and obligations of Lender and Borrower hereunder shall be construed in accordance with and governed by the laws (without giving effect to the conflict of law principles thereof) of the Commonwealth of Virginia.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered in [Herndon, Virginia], by their duly authorized officers on the date first above written.

VARTEC TELECOM, INC., a Texas corporation

By: _____
Name: _____
Title: _____

EXHIBIT B

FORM OF NOTICE OF BORROWING

_____, 2005

RE: RTFC Administrative Debtor in Possession Credit Agreement dated September __, 2005, by and among **VARTEC TELECOM, INC.** ("**Borrower**"), certain subsidiaries of Borrower that are parties thereto, and Rural Telephone Finance Cooperative (as at any time amended, the "**Credit Agreement**")

Ladies and Gentlemen:

This Notice of Borrowing is delivered to you pursuant to Section 3.1(a) of the Credit Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Credit Agreement. Borrower hereby requests an Administrative Post-Petition Loan in the principal amount of \$_____ to be made on _____, 2005, and to be used for the following purposes:

[SPECIFY PROPOSED USE OF PROCEEDS]

Borrower hereby certifies that (i) all representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date hereof, (ii) no Default or Event of Default exists on the date hereof, and (iii) upon your receipt of this Notice of Borrowing, all the conditions precedent to a funding of an Administrative Post-Petition Loan pursuant to Article 10 of the Credit Agreement have been met or waived. Borrower hereby ratifies and reaffirms all of the Administrative DIP Financing Documents and all Obligations arising thereunder.

IN WITNESS WHEREOF, Borrower has caused this Notice of Borrowing to be executed and delivered this _____ day of _____, 200_.

BORROWER

VARTEC TELECOM, INC.

By: _____
Name: _____
Title: _____

SCHEDULE 7.1

LOCATION OF COLLATERAL

[To be provided.]