

Daniel C. Stewart, SBT # 19206500
William L. Wallander, SBT # 20780750
Richard H. London, SBT # 24032678
VINSON & ELKINS L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201-2975
Tel: 214-661-7299
Fax: 214-220-7716
VarTec@velaw.com

ATTORNEYS FOR THE DEBTORS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:	§	
	§	
VARTEC TELECOM, INC., et al.,	§	CASE NO. 04-81694
	§	
DEBTORS.	§	(Chapter 11)
	§	(Jointly Administered)
	§	
	§	Hearing Requested for November
	§	22, 2004, at 9:30 a.m.

MOTION FOR ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN ASSETS OWNED BY THE DEBTORS; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE; (C) APPROVING NOTICE OF CERTAIN DATES, TIMES AND PLACES; AND (D) GRANTING RELATED RELIEF (SHARES OF VARTEC EUROPE)

TO THE HONORABLE STEVEN A. FELSENTHAL, UNITED STATES CHIEF BANKRUPTCY JUDGE:

MOTION FOR ORDER (A) APPROVING SALE PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH SALE OF CERTAIN ASSETS OWNED BY THE DEBTORS; (B) SCHEDULING AN AUCTION AND HEARING TO CONSIDER APPROVAL OF THE SALE; (C) APPROVING NOTICE OF CERTAIN DATES, TIMES AND PLACES; AND (D) GRANTING RELATED RELIEF (SHARES OF VARTEC EUROPE)

The above-referenced debtors and debtors in possession (collectively, the “Debtors”)¹ file this Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets Owned by the Debtors, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief (Shares of VarTec Europe) (the “Motion”) and in support thereof the Debtors would show as follows:

INTRODUCTION

1. By this Motion, the Debtors seek entry of an Order (a) approving the proposed sale procedures and bidding protections substantially in the form set forth below (the “Sale Procedures”) in connection with the proposed sale by VarTec Telecom International Holding Company (the “Seller”) to Ventelo Sverige AB (the “Buyer”), or another bidder, of all of the outstanding ordinary shares of VarTec Telecom Europe Limited (the “Company”) owned by the Seller and all of the outstanding ordinary shares of VarTec Telecom Belgium SPRL (“VarTec Belgium”) owned by the Seller (collectively, the “Shares” or the “Assets”) as set forth in that certain Share Purchase Agreement dated November 16, 2004 (the “SPA”) by and among the Seller, the Buyer, the Company, and VarTec Telecom, Inc., pursuant to Bankruptcy Code § 363; (b) setting December 15, 2004 at 9:30 a.m. as the date of the auction (the “Auction”) for the sale of the Assets and December 17, 2004 at 1:30 p.m. as the date of the hearing to consider approval of the sale (the “Sale Hearing”); (c) approving the Seller’s

¹ The Debtors include VarTec Telecom, Inc., Excel Communications Marketing, Inc., Excel Management Service, Inc., Excel Products, Inc., Excel Telecommunications, Inc., Excel Telecommunications of Virginia, 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, and VarTec Telecom of Virginia, Inc.

proposed notice of the respective dates, times and places for the Auction and the Sale Hearing (the "Notice of the Auction and Sale Hearing") substantially in the form attached hereto as **Exhibit A**; (d) providing the Buyer with expense reimbursement or a break-up fee and other bid protections; and (e) granting such other relief as is fair and equitable. A copy of the SPA is attached hereto as **Exhibit B**.

JURISDICTION AND PROCEDURAL BACKGROUND

2. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion concerns the administration of the estate; and therefore, it is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

3. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

4. On November 1, 2004 (the "Petition Date"), the Debtors each filed a voluntary petition for relief (collectively, the "Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

5. Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

6. On November 9, 2004, the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee").

7. The Debtors' Cases are jointly administered under Case No. 04-81694-SAF-11.

STATEMENT OF FACTS

VarTec and Its Business

8. VarTec Telecom, Inc., a Texas corporation, (“VarTec”) along with its sixteen direct and indirect domestic subsidiaries, each of which is a Debtor, and eighteen non-debtor direct and indirect foreign subsidiaries (collectively, the “VarTec Entities”), is among the largest privately held companies providing telecommunications services in North America and Europe. The VarTec Entities, founded in DeSoto, Texas in February 1989, with current employees totaling over 1,300 worldwide (including approximately 1,000 in the Dallas metroplex), sell a full range of telecommunication products and services to customers. In 2003, the VarTec Entities had revenues of approximately \$1,260,000,000, and anticipate 2004 revenue in the approximate amount of \$900,000,000. VarTec’s revenues have been derived primarily from three sale distribution channels: (a) Direct Marketing; (b) Commercial Services; and (c) Multi-Level Marketing.

9. The Direct Marketing channel, managed by VarTec and certain of its subsidiaries offers telecommunications services to small business and residential consumers, including local and long distance telephone services, wireless telephone services, and internet access. VarTec pioneered the “10-10 dial-around” long distance market by offering customers the opportunity to access VarTec’s discounted long distance services on a call-by-call basis by dialing “10-10” then a three-digit unique carrier access code. Under the “dial-around” model, a customer’s long distance usage is billed on her local phone service provider’s invoice, the local phone service provider collects the billed amounts, and the local phone service provider remits those collected amounts to VarTec.

10. While experiencing tremendous success with the “dial-around” model, VarTec began to offer other telecommunication services, including local and traditional long distance telephone services, wireless telephone service, and internet access, directly to small business and residential customers. VarTec is licensed to provide local and longdistance telephone services in all fifty states, and markets its products and services through, among other means, direct mail and magazine insert campaigns composed of several hundred million items to persons in a targeted market each year. VarTec also uses outbound telemarketing for targeted campaigns to attract new customers of existing products and to offer new and/or additional products to existing customers.

11. The Commercial Services channel, managed by VarTec Solutions, Inc. (formerly known as eMeritus Communications, Inc.) and certain of its subsidiaries (collectively, “VarTec Solutions”), provides customized voice, data, and internet services to commercial and wholesale carrier customers throughout the U.S. VarTec Solutions’ voice product offerings include switched and dedicated access, domestic and international toll-free service, calling cards, audio conferencing, and other specialized products. In addition, VarTec Solutions offers high-capacity data services that provide access to frame relay and IP networks. For carrier customers, VarTec Solutions offers the ability to co-locate their equipment inside carrier-class facilities, saving the cost and complications involved with building their own facilities.

12. Through the Multi-Level Marketing channel, which is managed by Excelcom, Inc. and certain of its subsidiaries (collectively, “Excel”), Excel offers telecommunications products and services to small business and residential consumers similar to those offered by VarTec

to its customers. Excel, which was acquired by VarTec in 2002, has an international network of over 130,000 independent representatives who market Excel's products and services to small business and residential consumers and recruit new independent representatives to market such products and services. Each independent representative receives commissions and bonuses based on, among other things, the success of the independent representatives recruited and a portion of the success of their recruits (referred to as a "downline"), the usage of Excel products and services by customers of the independent representative and a portion of their downline. On November 1, 2004, the Debtors filed their motion to reject agreements with these independent representatives. The hearing on that motion has been set for November 22, 2004.

Secured Debt

13. VarTec is a borrower and the other Debtors (except VarTec Telecom of Virginia, Inc. and Excel Telecommunications of Virginia, Inc.) are guarantors under that certain First Amended and Restated Credit Agreement with the Rural Telephone Finance Cooperative (the "RTFC"), pursuant to which the existing secured indebtedness owing to the RTFC was restructured in the form of a secured term loan and a secured line of credit to the Debtor.² The secured line of credit is in the form of a revolving credit facility, for the working capital, credit, and liquidity needed by the Debtor to conduct general business operations. As of the Petition Date, the total outstanding obligation to the RTFC consist of (a) a term loan of approximately \$154,000,000 and (b) a revolving line of credit with a total commitment of \$70,000,000.

The Industry

14. Prior to 1996, local telecommunications services were provided exclusively by traditional, monopoly providers, or incumbent local exchange carriers (the “ILECs”). Pursuant to the Telecommunications Act of 1996 (the “Telecommunications Act”), which was enacted to promote competition in the local telecommunications industry, ILECs were required to provide competitors, such as the Debtors, access to their networks to allow those competitive local exchange carriers (the “CLECs”) to offer local telecommunications services. The terms, conditions, and prices charged by ILECs to CLECs are provided in agreements— referenced as interconnection agreements – governed by rules and regulations promulgated by the FCC and various state agencies or public utility commissions. As consideration for relinquishing their monopoly positions, the ILECs were authorized to offer long distance telecommunications services, both out-of-region and in-region (where they were an ILEC) provided certain terms and conditions were satisfied.

15. ILECs, CLECs, and long distance carriers utilize each other’s networks to transmit the voice and data traffic of their customers. The framework and pricing of the exchange of voice and data traffic between ILECs and CLECs, on the one hand, and long distance carriers, on the other hand, is governed by multiple laws, regulations, tariffs, and interconnection agreements. For example, if a n ILEC or a CLEC’s customer originates a call that is carried to its destination by one of the Debtors, the respective Debtor will bill the CLEC or ILEC on a minute of use basis; if a customer of one of the Debtors originates a call that is

² The capital stock of VarTec Telecom of Virginia, Inc. and Excel Telecommunications of Virginia, Inc. was pledged to the Rural Telephone Finance Cooperative under transactions completed in conjunction with the Credit Agreement.

carried to its destination by an ILEC or a CLEC, the ILEC or CLEC will bill the respective Debtor on a minute of use basis. This is known as reciprocated or intercarrier compensation.³

16. To effectuate the billing, collection, and maintenance of account information, the Debtors often entered into agreements with various ILEC and CLEC, under which such ILEC or CLEC bills customers for the services provided by the Debtors, collects the billed amount for the Debtors, and pays or remits to the Debtors the collected amounts periodically.

17. The deregulation of local and long distance telecommunication services pursuant to the Telecommunications Act resulted in increased competition and decreased local and long distance rates. Despite successfully competing in the telecommunications industry for almost fifteen years, (i) VarTec's lack of brand name recognition comparable to some of its competitors in the more intensively competitive telecommunications market, (ii) customer attrition exacerbated by aggressive customer win-back campaigns by the dominant telco providers, and (iii) the margin compromises caused by increasing wholesale rates while retail rates are suffering, have all made it difficult for VarTec to maintain its historical revenue and profitability levels.

Challenges

18. In the weeks preceding the Petition Date, several ILECs, CLECs, and long distance carriers with whom the Debtors have interconnection or access agreements have (i) threatened to terminate services provided to the Debtors, (ii) requested security deposits, and/or (iii) offset amounts owed to the Debtors. The actions of the ILECs, CLECs, and long distance carriers have impaired the Debtors' liquidity.

19. In addition to the matters discussed above, because of various disputes⁴ with Teleglobe Inc. (“Teleglobe”) regarding VarTec’s acquisition of certain of the companies now associated with Excel and VarTec Solutions (the “Acquired Companies”), VarTec has had to spend millions of dollars in the past several years supporting the Excel companies (for which it had anticipated reimbursement), which has financially weakened the Debtors.

20. The combination of these economic and financial events has impaired the Debtors’ liquidity and compelled the Debtors to commence these Cases in order to maximize the value of their assets for the benefit of their creditors and other constituencies under chapter 11 of the Bankruptcy Code.

Proposed Sale of VarTec Europe

21. The Seller, a Debtor in these Cases, owns all of the outstanding ordinary shares of the Company and 1% of the outstanding ordinary shares of VarTec Belgium. The remaining 99% of the outstanding ordinary shares of VarTec Belgium are owned by the Company.

22. Under the SPA, the Buyer agrees to purchase the Assets for consideration in the approximate amount of \$6,500,000.

23. Contemporaneous herewith, the Debtors filed their Motion for Authority to Sell Assets Free and Clear of All Liens, Claims, Rights, Interests and Encumbrances and Grant Related Relief (Shares of VarTec Europe) (the “Sale Motion”).

³ A long distance carrier can also be an ILEC or a CLEC.

⁴ Such disputes have spawned considerable litigation, including an arbitration between VarTec and Teleglobe’s bankruptcy estate.

RELIEF REQUESTED

24. By this Motion, the Debtors respectfully request that, pursuant to Bankruptcy Code §§ 105, 363, 365 and 1146 and Rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Court enter an Order (a) approving the Sale Procedures as set forth below in connection with the Seller's proposed sale of the Assets; (b) setting December 15, 2004 at 9:30 a.m. as the date for the Auction; (c) setting December 17, 2004 at 1:30 p.m. as the date for the Sale Hearing in connection with the Sale Motion; (d) approving the Notice of the Auction and Sale Hearing; (e) providing the Buyer with expense reimbursement and bidder protections; and (f) granting such other relief as is fair and equitable.

The Sale Procedures

25. Pursuant to Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or by auction. The Seller believes that good cause exists to expose the Assets to sale at auction and to approve the procedures proposed therefor. An Auction conducted substantially in accordance with the Sale Procedures will enable the Seller to obtain the highest and best offers for the Assets, thereby maximizing the value of its estate.

26. The proposed Sale Procedures follow:

Assets to be Sold

The Assets to be sold consist of 100% of the Shares of the Company and 1% of the Shares of VarTec Belgium. The Assets shall be sold free and clear of all liens, claims, rights, interests and encumbrances except that the Seller's Shares of VarTec Belgium shall be subject to the liens of Barclays Bank PLC. The Seller shall consider at the Auction bids for the Assets in a single bid from a single bidder (or from two or more persons acting together pursuant to a non-collusive agreement between them).

An initial bid in the amount of \$6,500,000 in cash for the Assets has been received from the Buyer, the terms of which are set forth in the SPA.

Selection of Qualified Bidders

Of the parties willing to submit a cash bid subject to the minimum overbid requirement set forth below (the "Potential Purchasers"), the Seller shall select the parties who possess the necessary qualifications to bid. In order to qualify as a Potential Purchaser, such bidder shall have demonstrated its willingness to bid in accordance with these Sale Procedures and shall have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the confidentiality agreement by and between the Seller and the Buyer (the "Confidentiality Agreement") (except that such agreement shall permit disclosure of the bidder's interest and proposal (but not identity) to the Buyer). The Seller shall send a form of confidentiality agreement to any Potential Purchaser.

To be a "Qualified Bid," it must be a bid:

(i) that is an all cash bid that consists of an executed version of the SPA acceptable to the Seller (with any alterations clearly marked) except for the purchase price which is subject to the overbid requirement set forth below (the "Bidder SPA"), and that clearly specifies the cash amount the Potential Purchaser is willing to pay;

(ii) the cash amount of which (with respect to the initial round of bidding) is not less than \$300,000 in excess of the consideration payable by the Buyer under the SPA and with respect to each subsequent round of bidding at the Auction is at least \$100,000 in excess of the aggregate consideration contained in the highest standing Qualified Bid;

(iii) that is accompanied by reasonably satisfactory evidence of committed financing or other ability to perform the transaction and provides an earnest money deposit of \$500,000 (the "Earnest Money Deposit") in the form of a certified check or wire transfer to the Seller in care of The Bank of New York, N.A., as escrow agent, such Earnest Money Deposit being refundable if the bid is not approved by the Bankruptcy Court as the highest bid;

(iv) that provides sufficient indicia that such potential bidder or its representative is legally empowered, by power of attorney or otherwise, and financially capable to (A) bid on behalf of such bidder; and (B) complete and sign, on behalf of such bidder, a binding and enforceable asset purchase agreement; and (C) not contain any contingencies to the validity, effectiveness, and/or binding nature of the offer including, without limitation, contingencies for financing, due diligence, or inspection; and

- (v) that meets all other requirements of the Sale Procedures.

In order for a Potential Purchaser to qualify as a "Qualified Bidder" and be permitted to bid on the Assets, in the Seller's sole discretion, such Potential Purchaser:

- (i) must have been deemed "financially qualified" by Seller which at a minimum shall require any such Potential Purchaser to (x) provide documentation establishing that such person has sufficient cash on hand or a binding financial commitment from an established and financially sound financial institution to ensure such Potential Purchaser's ability to meet its commitment pursuant to its bid and to close the transaction within the time frame established, and (y) demonstrate to the Seller's satisfaction that it has the legal capacity to complete the sale it is proposing and to satisfy the conditions under the Bidder SPA;

- (ii) must have delivered to the Seller a Qualified Bid; and

- (iii) must meet all other requirements of the Sale Procedures.

No Potential Purchaser will be a Qualified Bidder and have its bid considered by the Seller unless such party has met the above requirements. The Seller shall promptly notify any Potential Purchaser who is selected as a Qualified Bidder of such selection. The Seller shall also notify the Buyer of such selections. Notwithstanding anything to the contrary herein or elsewhere, for purposes of the Sale Motion, any Order entered in connection with the Sale Motion or in connection with this Motion, and the Sale, the RTFC shall be deemed a Potential Purchaser and a Qualified Bidder and shall be permitted to bid in accordance with 11 U.S.C. § 363(k).

The SPA and Due Diligence

The Seller shall send to each Potential Purchaser a copy of the SPA. The Seller will provide Potential Purchasers that have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the Confidentiality Agreement reasonable access to the Seller's books, records, facilities, key personnel, officers, independent accountants and legal counsel for the purpose of conducting due diligence. Any information provided by or on behalf of the Seller to a Potential Purchaser shall also be provided, at the same time, to Buyer if such information has not already been provided to Buyer. The Seller is not required to provide confidential or proprietary information to a competitor if the Seller reasonably believes that such disclosure would be detrimental to the interests and operations of the Seller or any of the Seller's affiliates.

Submission of Bids

Any Potential Purchaser desiring to submit a Qualified Bid for the Assets (a "Bid") and to participate in the Auction shall deliver its Bid in writing to Vinson & Elkins

L.L.P., Attn: William L. Wallander, 3700 Trammel Crow Center, 2001 Ross Avenue, Dallas, Texas 75201 such that the Bid is actually received not later than December 13, 2004 at 4:00 p.m. prevailing Central Time.

No Bid received at or prior to the Auction shall under any circumstances, (i) be deemed to be higher and better cash bid than the cash bid of the Buyer or (ii) be accepted by the Seller, unless, among other things, such Bid would, if accepted by the Seller, result in the Seller receiving aggregate cash consideration (or, in the case of the RTFC, a credit against its secured claim) for the Assets of not less than \$300,000 in excess of the consideration payable by the Buyer under the SPA.

The Auction and Selection of the Successful Bid

The Auction will be conducted at the offices of Vinson & Elkins L.L.P., 3700 Trammel Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, or at another location as may be timely disclosed by the Seller to Qualified Bidders, and shall commence on December 15, 2004 at 9:30 a.m. (the "Auction Date"). All Qualified Bidders must appear in person at the Auction, or through a duly authorized representative. The Seller shall consider Qualified Bids at the Auction in a single bid from a single bidder (of from two or more persons acting together pursuant to a non-collusive agreement between them). If multiple Qualified Bids satisfying all Auction requirements are received, each party shall have the right to continue to improve its bid at the Auction. Each initial Bid received by the Seller from Qualified Bidders prior to the Auction must be for such cash consideration that would, if accepted by the Seller, result in the Seller receiving aggregate cash consideration for the Assets of not less than \$300,000 in excess of the consideration payable under the SPA. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments of \$100,000. In calculating the highest and best bid for the Assets, the Buyer shall receive full credit for the amount of the Break-Up Fee (as defined below).

The Auction shall conclude as determined by the Seller after consideration of the bids received. At the conclusion of the Auction, and subject to Court approval following the Auction, the successful bid shall be selected by the Seller (the "Successful Bid").

Within six hours of the conclusion of the Auction, the entity that made the highest and best Bid or the entities that together (non-collusively) made the highest and best Bid (the "Successful Bidder") shall complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which such Bid were made.

Break-Up Fee

The break-up fee in the amount of \$200,000 (the "Break-Up Fee") shall be paid in the event the Buyer is not the Successful Bidder and a competing bidder is selected as the Successful Bidder and as otherwise provided for in the SPA.

Overbid Protection

Any Bid submitted by a party other than the Purchaser must be at least \$300,000, in cash in excess of the consideration payable to the Seller under the SPA.

Objections

Objections to the relief requested by the Sale Motion shall be set forth in writing and shall specify with particularity the grounds for such objections or other statements of position and shall be filed with the Court by December 16, 2004 at 12:00 p.m. prevailing Central Time, and shall be served so as to be received by that same date and time on (i) the Seller at VarTec Telecom International Holding Company, c/o VarTec Telecom, Inc., Attn: Michael G. Hoffman, 1600 Viceroy Drive, Dallas, Texas, 75235-2306; (ii) the Seller's counsel at Vinson & Elkins L.L.P., Attn: William L. Wallander, 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201; (iii) the RTFC's counsel at Fulbright & Jaworski L.L.P., Attn: Toby L. Gerber, 2200 Ross Avenue, Suite 2800, Dallas, Texas 75201; (iv) the Committee's counsel at Carrington, Coleman, Sloman & Blumenthal, L.L.P., Attn: Stephen A. Goodwin, 200 Crescent Court, Suite 1500, Dallas, Texas 75201; and (v) the Buyer's counsel at Bingham McCutchen LLP, Attn: Scott A. Falk; One State Street, Hartford, Connecticut 06103.

Court Approval

A hearing on the relief requested in the Sale Motion (the "Sale Hearing") will be held before the Honorable Steven A. Felsenthal, United States Chief Bankruptcy Judge on December 17, 2004 at 1:30 p.m. (prevailing Central Time) or at such time thereafter as counsel may be heard. The sale of the Assets will be subject to the entry of an order of the Bankruptcy Court approving the sale (the "Sale Order").

Closing

The closing of the sale of the Assets shall occur at 10:00 a.m., prevailing Central Time on the second business day after the Court has entered the Sale Order. If the Court does not enter the Sale Order on or before December 22, 2004, the SPA may be terminated.

Failure to Consummate Purchase

If the Successful Bidder fails to consummate the purchase of the Assets, and such failure to consummate the purchase is the result of a breach by such Successful

Bidder, the Earnest Money Deposit of such Successful Bidder shall be forfeited to the Seller, and the Seller specifically reserves the right to seek all available damages from such defaulting Successful Bidder.

Return of Earnest Money Deposit.

If a Successful Bid has been selected and the sale of the Assets to a Successful Bidder has been approved by the Court, the Earnest Money Deposit of the other Qualified Bidders, other than the Buyer (whose Earnest Money Deposit shall be governed by the SPA), who are not successful bidders shall be returned. The Earnest Money Deposit of the Successful Bidder shall be applied to the purchase price at the closing of the transaction contemplated by the Bidder SPA.

27. The Seller believes that the foregoing Sale Procedures provide an appropriate framework for selling the Assets and will enable the Seller to review, analyze and compare all bids received to determine which bid is in the best interests of the Seller's estate and creditors. Therefore, the Seller respectfully requests that this Court approve the Sale Procedures.

Notice of the Auction and Sale Hearing and Notice of Motion

28. Under Bankruptcy Rule 2002(a) and (c), the Seller is required to notify its creditors of the proposed sale of the Assets, including a disclosure of the time and place of the Auction, the terms and conditions of the Sale, and the deadline for filing any objections thereto. The Notice of the Auction and Sale Hearing (a form of which is attached hereto as Exhibit A) contains the type of information required under Bankruptcy Rule 2002(c), and also includes information on the Sale Procedures and the bidding protections. This information will enable interested parties to participate in the Auction and Sale Hearing if they choose. The Seller accordingly requests that this Court approve the form and content of the Notice of the Auction and Sale Hearing.

29. The Seller shall serve this Motion by overnight delivery on the parties listed on the Master Service List. The Seller proposes to serve Notice of the Auction and Sale Hearing together with the Sale Procedures within 2 days of the entry of the Order approving the relief requested herein (the "Sale Procedures Order"), by first-class mail, postage prepaid on the parties listed on the Debtors' Master Service List and all parties asserting a security interest in the Assets.

30. The Seller submits that the notices to be provided and the method of service proposed herein constitutes good, proper and adequate notice of the sale of the Assets and the proceedings to be had with respect thereto (including, but not limited to, the Auction and the Sale Hearing). Therefore, the Seller respectfully requests that this Court approve the foregoing notice procedures.

Bidding Protections Are Fair And Reasonable

31. The Seller has been aggressively marketing the Assets. Although the Seller has determined in its reasonable business judgment that an auction sale of the Assets at this time will result in the highest and best price for the Assets, the Auction would be of little value absent the Buyer setting the minimum purchase price for the Assets.

32. The Seller requests that the Court approve certain bidding protections for the Buyer that are customary in similar circumstances as set forth in the bidding procedures set forth above. The Break-Up Fee shall be (i) an administrative expense, and (ii) allowed and payable as set forth above.

33. There are several compelling business justifications for the proposed Sale pursuant to the SPA, the most important of which is that the SPA enables the Seller to preserve and maximize the value of the Shares.

34. The Seller believes that the payment of the Break-Up Fee and the establishment of Bidding Protections are both reasonable and necessary to induce the Buyer to enter into the transactions encompassed by the SPA and to obtain the highest price possible for the Assets.

35. The payment of a break-up fee is normal and customary in transactions of this nature. Such fees frequently have been approved in connection with asset sales in other chapter 11 cases. Break-up fees are a vital means by which a debtor in possession is enabled to manage value maximization risk by setting a value floor for assets to be conveyed; this is a key benefit to the Debtors and their estates and weigh heavily in favor of approving the Break-Up Fee. Moreover, without prompt approval of the Break-Up Fee, the Seller believes that the sale process would be substantially hampered. Such fees encourage an initial purchaser to invest the time, effort and money necessary to consummate the purchase of the Assets, despite the possibility that such purchaser may not ultimately acquire the property. A break-up fee is an important tool to be used to encourage bidding. Court approval of the Break-Up Fee is necessary, reasonable, and in the best interests of the Seller, its estate and creditors.

36. The determination of whether a break-up fee should be allowed is made based on whether the fees and expenses are necessary to preserve the value of the estate. *In re O'Brien Environmental Energy, Inc.*, 181 F.3d 527, 534 (3d Cir. 1999). The considerations

that underlie a debtor's business judgment to pay a break-up fee are relevant to the Court's determination of the request. *Id.* Indeed, courts have evaluated break-up fee arrangements under the business judgment rule standard. *Cottle v. Storer Communications, Inc.*, 849 F.2d 570 (11th Cir. 1988); *CRTF Corp. v. Federated Dep't Stores*, 683 F.Supp. 422 (S.D.N.Y. 1988); *In re Integrated Res., Inc.*, 147 B.R. 650, 657 (S.D.N.Y. 1992), *appeal dismissed by 3 F.3d 49* (2d Cir. 1993).

37. It is well-established that “[a] bankruptcy court should uphold a break-up fee which was not tainted by self-dealing and was the product of arm’s-length negotiations.” *In re Integrated Res., Inc.*, 147 B.R. at 658. In the instant case, the proposed Break-Up Fee is the product of good faith, arm’s-length negotiations between the Seller and the Buyer. The Break-Up Fee is approximately 3% of the consideration to the Seller pursuant to the SPA. It is the Seller’s business judgment that the Break-Up Fee is fair and reasonable in the perspective of the time, effort, cost and expense that the Buyer has incurred in negotiating the SPA and will continue to incur and the aggregate consideration to be paid by the Buyer.

38. Further, the Seller believes that the Break-Up Fee is necessary to enhance and preserve the value of the Assets for the Seller’s estate and to allow it to obtain the best “stalking horse” bid possible. The Seller also reasonably believes that without the “stalking horse” bid, the amount received by the estate from the Assets would be minimized. If higher and better bids for the Assets are received, it will be because the Buyer has served as a “stalking horse” for such offers.

39. The Break-Up Fee of approximately 3% is within the spectrum of termination fees approved by bankruptcy courts in chapter 11 cases. *See e.g., In re Ameriserve*, Case

No. 00-0358 (PJW) (Bankr. D. Del., September 27, 2000) (Court approved a break-up fee of 3.64% or \$4,000,000 in connection with \$110,000,000 sale); *In re Montgomery Ward Holding Corp.*, et al., Case No. 97-1409 (PJW) (Bankr. D. Del., June 15, 1998) (Court approved termination fee of 2.7%, or \$3,000,000, in connection with \$110,000,000 sale of real estate Shares); see also *Integrated Res.*, 147 B.R. at 648; *In re Crowthers McCall Pattern, Inc.*, 113 B.R. 877, 879 (Bankr. S.D.N.Y. 1990); *In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989).

40. As stated, the SPA is subject to higher and better offers. The Seller will consider any higher and better offers received pursuant to the Sales Procedures. If higher and better offers emerge, they will be considered with reference and by comparison to the terms of the SPA. The Break-Up Fee will be paid from the overbid amount received so that there will be no loss or prejudice to the estate or its creditors if this Motion is approved. Therefore, the Break-Up Fee should be approved because it is necessary to maximize the value of the Assets, and it does not prejudice the estate.

Acceptance of Back-up Bid

41. If the Qualified Bidder with the highest and best bid, whether the Buyer or other Successful Bidder, fails and refuses to close the transaction, the Debtors also seek the authority of this Court to accept, in their sole discretion, the bid of, and close the sale transaction with, the Qualified Bidder that submitted the second highest and best bid.

No Prior Request

42. No prior request for the relief sought herein has been requested from this Court or any other court.

PRAYER

The Seller respectfully requests that the Court (a) approve the Sale Procedures as set forth herein; (b) set December 15, 2004 at 9:30 a.m. as the date for the Auction; (c) set December 17, 2004 at 1:30 p.m. as the date for the Sale Hearing; (d) approve the Notice of the Auction and Sale Hearing; (e) provide the Buyer with bidder protections; and (f) grant such other relief as is fair and equitable.

Dated: November 16, 2004.

Respectfully submitted,

VINSON & ELKINS L.L.P.

2001 Ross Avenue
3700 Trammell Crow Center
Dallas, Texas 75201
Tel: (214) 661-7299
Fax: (214) 220-7716

By: /s/ William L. Wallander
Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
Richard H. London, SBT #24032678

ATTORNEYS FOR THE DEBTORS

888742_7.DOC

EXHIBIT A

Daniel C. Stewart, SBT # 19206500
William L. Wallander, SBT # 20780750
Richard H. London, SBT # 24032678
VINSON & ELKINS L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201-2975
Tel: 214-661-7299
Fax: 214-220-7716
VarTec@velaw.com

ATTORNEYS FOR THE DEBTORS

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:	§	
	§	
VARTEC TELECOM, INC., et al.,	§	CASE NO. 04-81694
	§	
DEBTORS.	§	(Chapter 11)
	§	(Jointly Administered)

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

On November 16, 2004, the above-referenced debtors and debtors in possession (collectively, the “Debtors”)¹ filed their Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets Owned by the Debtors, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief (Shares of VarTec Europe) [Docket No. ____] (the “Sale Procedure Motion”) and their Motion for Authority to Sell Assets Free and Clear of All Liens, Claims, Rights, Interests and Encumbrances and Grant Related Relief (Shares of VarTec Europe) [Docket No. ____] (the “Sale Motion”). In the

¹ The Debtors include VarTec Telecom, Inc., Excel Communications Marketing, Inc., Excel Management Service, Inc., Excel Products, Inc., Excel Telecommunications, Inc., Excel Telecommunications of Virginia, 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

Sale Motion, the Debtors request the entry of an Order authorizing the sale by VarTec Telecom International Holding Company (the "Seller") to Ventelo Sverige AB (the "Buyer"), or another bidder, of all of the outstanding ordinary shares of VarTec Telecom Europe Limited (the "Company") owned by the Seller and all of the outstanding ordinary shares of VarTec Telecom Belgium SPRL ("VarTec Belgium") owned by the Seller (collectively, the "Shares" or the "Assets") as set forth in that certain Share Purchase Agreement dated November 16, 2004 (the "SPA") by and among the Seller, the Buyer, the Company, and VarTec Telecom, Inc., pursuant to Bankruptcy Code § 363.

In the Sale Procedure Motion, the Debtors sought approval of, among other things, certain sale procedures and bidding protections (the "Sale Procedures"). On November __, 2004, the Court entered its Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets Owned by the Debtors, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice of Certain Dates, Times and Places; and (D) Granting Related Relief (Shares of VarTec Europe) [Docket No. __] (the "Sale Procedures Order"). In the Sale Procedure Order, the Court approved the Sales Procedures that are attached hereto as **Attachment 1**.

All requests for information concerning the Assets or the Sale Procedures should be directed in writing to Vinson & Elkins L.L.P., Attn.: William L. Wallander, 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas, 75201

Dated: November __, 2004

Telecom Holding Company, VarTec Telecom International Holding Company, and VarTec Telecom of Virginia, Inc.

Respectfully submitted,

VINSON & ELKINS L.L.P.

2001 Ross Avenue
3700 Trammell Crow Center
Dallas, Texas 75201
Tel: (214) 661-7299
Fax: (214) 220-7716

By: _____
Daniel C. Stewart, SBT #19206500
William L. Wallander, SBT #20780750
Richard H. London, SBT #24032678

ATTORNEYS FOR THE DEBTORS

890399_4

ATTACHMENT 1

A. Assets to be Sold

The Assets to be sold consist of 100% of the Shares of the Company and 1% of the Shares of VarTec Belgium. The Assets shall be sold free and clear of all liens, claims, rights, interests and encumbrances except that the Seller's Shares of VarTec Belgium shall be subject to the liens of Barclays Bank PLC. The Seller shall consider at the Auction bids for the Assets in a single bid from a single bidder (or from two or more persons acting together pursuant to a non-collusive agreement between them). An initial bid in the amount of \$6,500,000 in cash for the Assets has been received from the Buyer, the terms of which are set forth in the SPA.

B. Selection of Qualified Bidders

Of the parties willing to submit a cash bid subject to the minimum overbid requirement set forth below (the "Potential Purchasers"), the Seller shall select the parties who possess the necessary qualifications to bid. In order to qualify as a Potential Purchaser, such bidder shall have demonstrated its willingness to bid in accordance with these Sale Procedures and shall have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the confidentiality agreement by and between the Seller and the Buyer (the "Confidentiality Agreement") (except that such agreement shall permit disclosure of the bidder's interest and proposal (but not identity) to the Buyer). The Seller shall send a form of confidentiality agreement to any Potential Purchaser.

To be a "Qualified Bid," it must be a bid:

a. that is an all cash bid that consists of an executed version of the SPA acceptable to the Seller (with any alterations clearly marked) except for the purchase price which is subject to the overbid requirement set forth below (the "Bidder SPA"), and that clearly specifies the cash amount the Potential Purchaser is willing to pay;

b. the cash amount of which (with respect to the initial round of bidding) is not less than \$300,000 in excess of the consideration payable by the Buyer under the SPA and with respect to each subsequent round of bidding at the Auction is at least \$100,000 in excess of the aggregate consideration contained in the highest standing Qualified Bid;

c. that is accompanied by reasonably satisfactory evidence of committed financing or other ability to perform the transaction and provides an earnest money deposit of \$500,000 (the "Earnest Money Deposit") in the form of a certified check or wire transfer to the Seller in care of The Bank of New York, N.A., as escrow agent, such Earnest Money Deposit being refundable if the bid is not approved by the Bankruptcy Court as the highest bid;

d. that provides sufficient indicia that such potential bidder or its representative is legally empowered, by power of attorney or otherwise, and financially capable to (A) bid on behalf of such bidder; and (B) complete and sign, on behalf of such

bidder, a binding and enforceable asset purchase agreement; and (C) not contain any contingencies to the validity, effectiveness, and/or binding nature of the offer including, without limitation, contingencies for financing, due diligence, or inspection; and

- e. that meets all other requirements of the Sale Procedures.

In order for a Potential Purchaser to qualify as a “Qualified Bidder” and be permitted to bid on the Assets, in the Seller’s sole discretion, such Potential Purchaser:

- a. must have been deemed “financially qualified” by Seller which at a minimum shall require any such Potential Purchaser to (x) provide documentation establishing that such person has sufficient cash on hand or a binding financial commitment from an established and financially sound financial institution to ensure such Potential Purchaser’s ability to meet its commitment pursuant to its bid and to close the transaction within the time frame established; and (y) demonstrate to the Seller’s satisfaction that it has the legal capacity to complete the sale it is proposing and to satisfy the conditions under the Bidder SPA;

- b. must have delivered to the Seller a Qualified Bid; and

- c. must meet all other requirements of the Sale Procedures.

No Potential Purchaser will be a Qualified Bidder and have its bid considered by the Seller unless such party has met the above requirements. The Seller shall promptly notify any Potential Purchaser who is selected as a Qualified Bidder of such selection. The Seller shall also notify the Buyer of such selections. Notwithstanding anything to the contrary herein or elsewhere, for purposes of the Sale Motion, any Order entered in connection with the Sale Motion or in connection with this Motion, and the Sale, the RTFC shall be deemed a Potential Purchaser and a Qualified Bidder and shall be permitted to bid in accordance with 11 U.S.C. § 363(k).

C. The SPA and Due Diligence

The Seller shall send to each Potential Purchaser a copy of the SPA. The Seller will provide Potential Purchasers that have delivered to the Seller an executed confidentiality agreement in form and substance substantially the same as the Confidentiality Agreement reasonable access to the Seller’s books, records, facilities, key personnel, officers, independent accountants and legal counsel for the purpose of conducting due diligence. Any information provided by or on behalf of the Seller to a Potential Purchaser shall also be provided, at the same time, to Buyer if such information has not already been provided to Buyer. The Seller is not required to provide confidential or proprietary information to a competitor if the Seller reasonably believes that such disclosure would be detrimental to the interests and operations of the Seller or any of the Seller’s affiliates.

D. Submission of Bids

Any Potential Purchaser desiring to submit a Qualified Bid for the Assets (a "Bid") and to participate in the Auction shall deliver its Bid in writing to Vinson & Elkins L.L.P., Attn: William L. Wallander, 3700 Trammel Crow Center, 2001 Ross Avenue, Dallas, Texas 75201 such that the Bid is actually received not later than December 13, 2004 at 4:00 p.m. prevailing Central Time.

No Bid received at or prior to the Auction shall under any circumstances, (i) be deemed to be higher and better cash bid than the cash bid of the Buyer or (ii) be accepted by the Seller, unless, among other things, such Bid would, if accepted by the Seller, result in the Seller receiving aggregate cash consideration (or, in the case of the RTFC, a credit against its secured claim) for the Assets of not less than \$300,000 in excess of the consideration payable by the Buyer under the SPA.

E. The Auction and Selection of the Successful Bid

The Auction will be conducted at the offices of Vinson & Elkins L.L.P., 3700 Trammel Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, or at another location as may be timely disclosed by the Seller to Qualified Bidders, and shall commence on December 15, 2004 at 9:30 a.m. (the "Auction Date"). All Qualified Bidders must appear in person at the Auction, or through a duly authorized representative. The Seller shall consider Qualified Bids at the Auction in a single bid from a single bidder (of from two or more persons acting together pursuant to a non-collusive agreement between them). If multiple Qualified Bids satisfying all Auction requirements are received, each party shall have the right to continue to improve its bid at the Auction. Each initial Bid received by the Seller from Qualified Bidders prior to the Auction must be for such cash consideration that would, if accepted by the Seller, result in the Seller receiving aggregate cash consideration for the Assets of not less than \$300,000 in excess of the consideration payable under the SPA. Bidding increments for the Assets at the Auction shall be in aggregate minimum monetary increments of \$100,000. In calculating the highest and best bid for the Assets, the Buyer shall receive full credit for the amount of the Break-Up Fee (as defined below).

The Auction shall conclude as determined by the Seller after consideration of the bids received. At the conclusion of the Auction, and subject to Court approval following the Auction, the successful bid shall be selected by the Seller (the "Successful Bid").

Within six hours of the conclusion of the Auction, the entity that made the highest and best Bid or the entities that together (non-collusively) made the highest and best Bid (the "Successful Bidder") shall complete and sign all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which such Bid were made.

F. Break-Up Fee

The break-up fee in the amount of \$200,000 (the "Break-Up Fee") shall be paid in the event the Buyer is not the Successful Bidder and a competing bidder is selected as the Successful Bidder and as otherwise provided for in the SPA.

G. Overbid Protection

Any Bid submitted by a party other than the Purchaser must be at least \$300,000, in cash in excess of the consideration payable to the Seller under the SPA.

H. Objections

Objections to the relief requested by the Sale Motion shall be set forth in writing and shall specify with particularity the grounds for such objections or other statements of position and shall be filed with the Court by December 16, 2004 at 12:00 p.m. prevailing Central Time, and shall be served so as to be received by that same date and time on (i) the Seller at VarTec Telecom International Holding Company, c/o VarTec Telecom, Inc., Attn: Michael G. Hoffman, 1600 Viceroy Drive, Dallas, Texas, 75235-2306; (ii) the Seller's counsel at Vinson & Elkins L.L.P., Attn: William L. Wallander, 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201; (iii) the RTFC's counsel at Fulbright & Jaworski L.L.P., Attn: Toby L. Gerber, 2200 Ross Avenue, Suite 2800, Dallas, Texas 75201; (iv) the Committee's counsel at Carrington, Coleman, Sloman & Blumenthal, L.L.P., Attn: Stephen A. Goodwin, 200 Crescent Court, Suite 1500, Dallas, Texas 75201; and (v) the Buyer's counsel at Bingham McCutchen LLP, Attn: Scott A. Falk; One State Street, Hartford, Connecticut 06103.

I. Court Approval

A hearing on the relief requested in the Sale Motion (the "Sale Hearing") will be held before the Honorable Steven A. Felsenthal, United States Chief Bankruptcy Judge on December 17, 2004 at 1:30 p.m. (prevailing Central Time) or at such time thereafter as counsel may be heard. The sale of the Assets will be subject to the entry of an order of the Bankruptcy Court approving the sale (the "Sale Order").

J. Closing

The closing of the sale of the Assets shall occur at 10:00 a.m., prevailing Central Time on the second business day after the Court has entered the Sale Order. If the Court does not enter the Sale Order on or before December 22, 2004, the SPA may be terminated.

K. Failure to Consummate Purchase

If the Successful Bidder fails to consummate the purchase of the Assets, and such failure to consummate the purchase is the result of a breach by such Successful Bidder, the Earnest Money Deposit of such Successful Bidder shall be forfeited to the Seller, and the

Seller specifically reserves the right to seek all available damages from such defaulting Successful Bidder.

L. Return of Earnest Money Deposit.

If a Successful Bid has been selected and the sale of the Assets to a Successful Bidder has been approved by the Court, the Earnest Money Deposit of the other Qualified Bidders, other than the Buyer (whose Earnest Money Deposit shall be governed by the SPA), who are not successful bidders shall be returned. The Earnest Money Deposit of the Successful Bidder shall be applied to the purchase price at the closing of the transaction contemplated by the Bidder SPA.

EXHIBIT B

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (this "Agreement") is made and entered into as of November 16, 2004, by and among VarTec Telecom International Holding Company, a Delaware corporation ("Seller"), Ventelo Sverige AB, a private company incorporated in Sweden ("Buyer"), VarTec Telecom Europe Limited, a private limited company incorporated under the laws of England (the "Company"), and, for the limited purposes set forth herein, VarTec Telecom, Inc., a Texas corporation and the ultimate parent entity of the Company ("Parent").

RECITALS

WHEREAS, each of the entities listed on Exhibit A attached hereto is a subsidiary of the Company (each a "Subsidiary" and, together, the "Subsidiaries") and the Company owns, directly or indirectly, all of the outstanding equity interests of each of the Subsidiaries;

WHEREAS, Parent, Seller, and all of the other domestic subsidiaries of Parent have filed voluntary petitions (collectively, the "Petitions") for reorganization relief pursuant to Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"), in the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court"), all of which are being jointly administered pursuant to Order of the Bankruptcy Court under Case No. 04-81694-SAF-11 (the "Bankruptcy Case");

WHEREAS, upon the terms and subject to the conditions set forth herein and as authorized under Sections 105, 363 and 365 of the Bankruptcy Code, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, (a) all of the outstanding ordinary shares, par value £1.0 per share, of the Company (the "VTE Shares") and (b) all of the outstanding ordinary shares, nominal value €10.0 per share, of VarTec Telecom Belgium SPRL, a private limited company incorporated under the laws of Belgium ("VarTec Belgium"), owned by Seller (the "Belgium Shares" and, together with the VTE Shares, the "Shares") in consideration of the Purchase Price (as hereinafter defined), upon the terms and subject to the conditions set forth herein. Buyer shall, directly or indirectly, own all of the issued and outstanding shares of capital stock or other equity securities of the Company, VarTec Belgium and each of the Subsidiaries upon the consummation of the transactions contemplated by this Agreement; and

WHEREAS, in connection with the purchase and sale of the Shares, Ventelo Holding AB, the Parent company of the Buyer ("Assignee"), shall receive and Parent shall sell, assign and transfer to Buyer (a) the Revolving Credit Note, dated March 10, 2004, made by the Company in favor of Parent in the initial outstanding principal amount of US\$1,000,000 (the "Revolving Credit Note"). which would otherwise have been repaid and extinguished in connection with the Transaction (as defined below), and (b) the Assigned Other Intercompany Amounts (as defined below).

AGREEMENTS

NOW, THEREFORE, in consideration of the respective representations, warranties, agreements, and conditions hereinafter set forth, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Purchase and Sale of Shares.

(a) On the date (the "Closing Date") of the consummation of the purchase and sale contemplated by this Agreement (the "Closing"), Buyer shall purchase from Seller, and Seller shall sell to Buyer (together, the "Transaction"), all of the VTE Shares and all of the Belgium Shares, which VTE Shares represent all of the issued and outstanding equity interests of the Company and which Belgium Shares, together with all of the outstanding ordinary shares, nominal value €10.0 per share, of VarTec Belgium that are owned by the Company, represent all of the outstanding equity interests of VarTec Belgium. Seller shall seek authority via a Sale Order of the Bankruptcy Court that is reasonably acceptable to Buyer to convey the Shares to Buyer free and clear of all interests pursuant to Sections 105, 363 and 365 of the Bankruptcy Code (the "Sale Order"). Contemporaneously with seeking the Sale Order, Seller shall seek approval of bid procedures, the terms of which are reasonably acceptable to Seller and Buyer and which promote competitive bidding (the "Bid Procedures"), pursuant to Order of the Bankruptcy Court (the "Bid Procedures Order").

(b) Buyer and Seller hereby specifically agree and acknowledge that the Shares are being sold on an "as is, where is" basis. Seller shall not be deemed to have made any representations or warranties regarding the Shares, the business, assets or financial condition of the Company, VarTec Belgium or any of the Subsidiaries or any other matter other than as specifically set forth herein, and any claims to the contrary shall be null and void.

Section 2. Purchase Price.

(a) The total purchase price for the Shares (the "Purchase Price") shall be US\$6,500,000, which Purchase Price shall be payable as follows:

(i) US\$500,000 payable to Seller in cash or wire transfer in immediately available same-day funds from the escrow account established on the date of this Agreement pursuant to the Deposit Escrow Agreement (as defined below) as set forth in Section 3;

(ii) an amount equal to the outstanding principal balance of and accrued interest on the Revolving Credit Note (which amount equals \$1,036,625.30 as of the date of this Agreement and accrues additional interest at the rate of US\$173.61 per day subsequent to the date of this Agreement (the aggregate amount of such principal and accrued interest as of the Closing Date, the "Note Payment")), such Note Payment to be payable in cash or wire transfer in immediately available same-day funds to Parent at the Closing; and

(iii) US\$6,000,000, less the amount of the Note Payment, payable to Seller in cash or wire transfer in immediately available same-day funds to Seller at the Closing, subject to Section 2(b).

In consideration of the payment by Buyer referenced in clause (ii) above, and contemporaneously therewith, Parent shall sell, transfer and assign to Assignee all of its right, title and interest in and to the Revolving Credit Note and the Assigned Other Intercompany Amounts set forth on Exhibit C.

(b) Notwithstanding anything to the contrary contained herein (including, without limitation, Section 2(a) hereof), an amount of the cash Purchase Price payable at the Closing equal to US\$500,000 (the “Indemnity Escrow Amount”) shall, on the Closing Date, be placed into an escrow account established and governed pursuant to an escrow agreement in a form reasonably agreeable to each of Seller and Buyer and that will be entered into at the Closing (the “Indemnity Escrow Agreement”) by and among Buyer, Seller and The Bank of New York Trust Company, N.A.. Pursuant to and in accordance with the terms of Section 16 and the Indemnity Escrow Agreement, the Indemnity Escrow Amount shall be retained in such account until the first Business Day (defined to mean any day other than a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York) that is 90 days after the Closing Date.

Section 3. Escrow Agreement for Earnest Money.

(a) Simultaneously with the execution hereof, Buyer, Seller and The Bank of New York, N.A., as escrow agent, are executing an escrow agreement in the form of Exhibit B attached hereto (the “Deposit Escrow Agreement”) and Buyer is depositing US\$500,000 (the “Deposit Escrow Amount”) as earnest money into an escrow account to be governed by the terms of the Escrow Agreement and this Agreement. At the Closing, the Deposit Escrow Amount shall be paid to Buyer as part of the Purchase Price in accordance with the Deposit Escrow Agreement and this Agreement.

(b) If, prior to the Closing, Buyer should breach this Agreement in a manner that gives rise to a termination right pursuant to Section 15(b) on the part of Seller (which breach shall include a wrongful termination of this Agreement by Buyer), then Seller shall have the right to terminate this Agreement pursuant to Section 15(b) and to receive payment of the entire Deposit Escrow Amount, plus any accrued interest thereon. The parties agree that actual damages are difficult and impractical to estimate or calculate and that any payment required to be made pursuant to this Section 3(b) is reasonable considering all the circumstances existing as of the date of this Agreement, constitutes the parties’ good faith estimate of the actual damages reasonably expected to result from the termination of this Agreement pursuant to Section 15(b), shall represent liquidated damages and not a penalty for all costs, expenses, and damages (including opportunity costs) incurred by Seller and, when paid, shall be the exclusive remedy for the breach of any representation, warranty, covenant or agreement of Buyer contained herein and Buyer its respective affiliates shall be deemed fully released and discharged from any liability or obligation arising under or resulting from this Agreement.

(c) In the event the parties fail to close this transaction for any reason other than termination of this Agreement by Seller pursuant to Section 15(b), then the Escrow Agent shall return the Deposit Escrow Amount and any accrued interest thereon to Buyer as promptly as possible after the termination of this Agreement pursuant to Section 15.

Section 4. Closing and Further Actions.

(a) Subject to the prior or contemporaneous satisfaction or waiver of the conditions contained in this Agreement, the Closing shall take place at the offices of Vinson & Elkins L.L.P., in Dallas, Texas, at 10:00 a.m., local time on the second Business Day after the

Bankruptcy Court has entered the Sale Order. At the Closing, Buyer, Seller and the Company, as applicable, shall execute and deliver the Collateral Agreements (as defined herein) set forth in Section 12(d).

(b) At the Closing, the Company will have obligations in respect of the Sales Ledger Financing Agreement, dated April 19, 2004, by and between Barclays Bank PLC and the Company (the "Sales Ledger Financing Agreement") existing on the Closing Date; for the avoidance of doubt, such obligations identified in this Section 4(b) shall not be payment obligations of Buyer at the Closing but rather a continuation of liabilities of the Company.

(c) At the Closing, Parent shall, in consideration of the agreements contained herein and other good and valuable consideration, including the payment by Buyer to Parent of US\$1.00, assign to Assignee all of the right, title and interest of Parent and its subsidiaries (other than the Company, VarTec Belgium and the Subsidiaries) in and to any intercompany amounts payable by the Company, VarTec Belgium or the Subsidiaries to Parent or its subsidiaries (other than the Company, VarTec Belgium or the Subsidiaries), the amounts of which are set forth on Exhibit C attached hereto (the "Assigned Other Intercompany Amounts").

Section 5. Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller as follows:

(a) Buyer is a wholly-owned subsidiary of Assignee and owns a substantial amount of the assets utilized in the conduct of the business operations of Assignee and the subsidiaries of Assignee. Buyer is a private company duly organized and validly existing under the laws of Sweden and has all necessary corporate power and authority to execute this Agreement and the Collateral Documents to be executed by it in connection herewith (collectively with this Agreement, the "Buyer's Agreements") and to consummate the transactions contemplated hereby and thereby.

(b) Buyer's execution, delivery and performance of the Buyer's Agreements have been duly and validly authorized by all necessary action on its part and, assuming the due execution and delivery of the Company's Agreements (as defined in Section 6(a)) by the Company and the Seller's Agreements (as defined in Section 7(b)) by Seller, will constitute the valid and binding obligations of Buyer, enforceable against it in accordance with their respective terms, except as limited by laws affecting creditors' rights or equitable principles generally.

(c) Except as set forth on Exhibit D attached hereto, the execution, delivery and performance of the Buyer's Agreements by Buyer (i) does not require the consent of any governmental entity or third party, (ii) will not conflict with or violate the provisions of Buyer's organizational or governing documents or any applicable law or any judgment, order or ruling of any government authority having jurisdiction over Buyer, and (iii) to the knowledge of Buyer, will not, directly or indirectly, conflict with or constitute a breach or default under any agreement, document, instrument, license or permit to which Buyer is a party or is subject or result in the creation of any lien on the assets of Buyer, except in the case of (i), (ii) and (iii) collectively, that would not have a material adverse effect on Buyer or a material adverse effect on the ability of Buyer to consummate the Transaction.

(d) Buyer has cash in immediately available funds or has the ability to make unrestricted draws under existing borrowing facilities that together are sufficient to enable it to pay the Purchase Price and to consummate the Transaction.

(e) Buyer has no liability to any agent, broker, investment banker or other firm or person for any broker's or finder's fee or any other commission or similar fee in connection with the Transaction for which Seller, Parent or any of their affiliates could become liable or obligated.

Section 6. Representations and Warranties of the Company. The Company hereby represents and warrants to Buyer as follows:

(a) The Company is a private limited company duly organized, validly existing and in good standing under the laws of England and has all necessary corporate power and authority to execute this Agreement and the other documents to be executed by it in connection herewith (collectively with this Agreement, the "Company's Agreements") and to consummate the transactions contemplated hereby and thereby.

(b) The Company's execution, delivery and performance of the Company's Agreements and the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary action on its part and, assuming the due execution and delivery of the Buyer's Agreements by Buyer and the Seller's Agreements by Seller, will constitute the valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except as limited by laws affecting creditors' rights or equitable principles generally.

(c) The authorized capital stock of the Company consists solely of 15,000,000 ordinary shares of stock. There are 7,050,000 ordinary shares issued and outstanding (which constitute the VTE Shares), all of which are identified in the Company's share registry as being owned beneficially and of record by Seller, in each case without lien or other encumbrance, except for a lien on 65% of the VTE Shares in favor of the Rural Telephone Finance Cooperative, which lien shall be released prior to or at the Closing. No ordinary shares are held by the Company in its treasury. No ordinary shares of the Company are reserved for issuance for any other purpose. All the issued and outstanding ordinary shares of the Company (i) are duly authorized and validly issued, have been fully paid and are nonassessable and (ii) have not been issued in violation of, and have not otherwise triggered, any preemptive or similar rights.

(d) VarTec Belgium is a private limited company duly organized, validly existing and in good standing under the laws of Belgium. The authorized share capital of VarTec Belgium is equal to €18,600. There are 1,860 ordinary shares issued and outstanding, 1,859 of which are identified in the VarTec Belgium share registry as being owned beneficially and of record by the Company and one of which is identified in the VarTec Belgium share registry as being owned beneficially and of record by Seller, in each case without lien or other encumbrance, except for the charge on such shares in favor of Barclays Bank PLC in connection with the Sales Ledger Financing Agreement (the "Barclays Charge"). No ordinary shares are held by VarTec Belgium in its treasury. No ordinary shares of VarTec Belgium are reserved for issuance for any other purpose. All the issued and outstanding ordinary shares of VarTec Belgium (i) are duly

authorized and validly issued, have been fully paid and are nonassessable and (ii) have not been issued in violation of, and have not otherwise triggered, any preemptive or similar rights.

(e) Each of the Subsidiaries is a private limited company (or the equivalent legal entity in its respective jurisdiction) duly organized, validly existing and in good standing under the laws of its respective jurisdiction of organization. The authorized and outstanding capital stock of each of the Subsidiaries is set forth opposite each Subsidiary's name on Exhibit A. No capital stock of any Subsidiary is reserved for issuance for any purpose. All the issued and outstanding shares of capital stock of each Subsidiary (i) are duly authorized and validly issued, have been fully paid and are nonassessable and (ii) have not been issued in violation of, and have not otherwise triggered, any preemptive or similar rights.

(f) Upon the consummation of the Transaction, Buyer will, directly or indirectly, acquire and possess 100% of the outstanding equity interests of the Company, VarTec Belgium and each of the Subsidiaries.

(g) Except as set forth on Exhibit D attached hereto, the execution, delivery and performance of the Company's Agreements by the Company (i) does not require the consent of any governmental entity or third party, (ii) will not conflict with or violate the provisions of the Company's or any Subsidiary's organizational or governing documents or any applicable law or any judgment, order or ruling of any government authority having jurisdiction over the Company, and (iii) to the knowledge of the Company, will not, directly or indirectly, conflict with or constitute a breach or default under any agreement, document, instrument, license or permit to which the Company or any of the Subsidiaries is a party or is subject or result in the creation of any lien on the assets of the Company or any of its Subsidiaries, except for such conflicts, breaches, defaults or liens that would not have a material adverse effect on the Company, VarTec Belgium and the Subsidiaries, taken as a whole.

(h) The outstanding and unpaid principal amount of the Revolving Credit Note on the Closing Date is US\$1,000,000, with interest accrued at a variable per annum rate set forth in the Revolving Credit Note and which has been unpaid since March 10, 2004. The Revolving Credit Note is a legal, valid and enforceable obligation of the Company, enforceable against it in accordance with its terms. A copy of the Revolving Credit Note is attached hereto as Exhibit E. The Revolving Credit Note shall be effectively assigned and transferred to Assignee as of the Closing Date and physical possession of the Revolving Credit Note shall be given to Assignee on the Closing Date.

Section 7. Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as follows:

(a) As of the date of this Agreement, Seller is the holder of record and owns beneficially all of the Shares (other than the Belgium Shares owned by the Company). At the Closing, Seller will transfer to Buyer good and valid title to the Shares owned by Seller free and clear of all liens (other than the Barclays Charge on the Belgium Shares, which shall remain outstanding after the Closing)

(b) Subject to the limitations imposed on Seller as a result of having filed the Petitions, Seller has all necessary corporate power and authority to execute this Agreement and the other documents to be executed by it in connection herewith (collectively with this Agreement, the “Seller’s Agreements”) and, subject to the entry of the Sale Order, and, with respect to Seller’s Break-Up Fee obligations under Section 15(h), the entry of the Bid Procedures Order, to consummate the transactions contemplated hereby and thereby. Seller’s execution, delivery and performance of the Seller’s Agreements and the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action its part and, assuming the due execution and delivery of the Buyer’s Agreements by Buyer and the Company’s Agreements by the Company, subject to the entry of the Sale Order, and, with respect to Seller’s obligations under Section 15(h), the entry of the Bid Procedures Order, will constitute the valid and binding obligations of Seller, enforceable against it in accordance with their respective terms, except as limited by laws affecting creditors’ rights or equitable principles generally.

(c) Except as set forth on Exhibit D attached hereto, the execution, delivery and performance of the Seller’s Agreements by Seller (i) does not require the consent of any governmental entity or third party, (ii) will not conflict with or violate the provisions of Seller’s organizational or governing documents or any applicable law or any judgment, order or ruling of any government authority having jurisdiction over Seller, and (iii) to the knowledge of Seller, will not, directly or indirectly, conflict with or constitute a breach or default under any agreement, document, instrument, license or permit to which Seller is a party or is subject or result in the creation of any lien on the assets of Seller, except for such conflicts, breaches, defaults or liens that would not have a material adverse effect on Seller.

(d) The unaudited balance sheet of the Company, VarTec Belgium and the Subsidiaries as of September 30, 2004 is attached hereto as Exhibit F (the “Closing Balance Sheet”). The specific line items on the Closing Balance Sheet marked with an asterisk (the “Represented Line Items”) are, as of September 30, 2004, complete and correct and present fairly in all material respects as of such date the respective assets and liabilities of the Company, VarTec Belgium and the Subsidiaries as are to be set forth in each respective Represented Line Item.

(e) To the knowledge of Parent, on the Closing Date, the Guarantees (as defined below) will be the only outstanding guaranty obligations of Seller, Parent or any of their direct or indirect subsidiaries (other than the Company, VarTec Belgium or a Subsidiary) to certain European governmental authorities and other third-party contracting parties on behalf of the Company, VarTec Belgium and the Subsidiaries. There are no continuing obligations for payment, investment or otherwise in respect of either (i) the €8,200,000 agreement with an effective date as of October 30, 2001 identified as item 6 on Exhibit G attached hereto and as signed by Gary Egger or (ii) the €8,000,000 agreement with an effective date as of April 6, 2000 identified as item 8 on Exhibit G and as signed by A. Joe Mitchell, Jr., all of the obligations in respect of both of which having been previously satisfied in full.