

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

JUDGE: Harlin D. Hale

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF TEXAS

DIVISION 6

MONTHLY OPERATING REPORT

MONTH ENDING: September 30, 2005

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

RESPONSIBLE PARTY:

/s/ KJ Alzamora

ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

CFO

TITLE

KJ Alzamora

PRINTED NAME OF RESPONSIBLE PARTY

October 20, 2005

DATE

PREPARER:

/s/ Neil P. Keeter

ORIGINAL SIGNATURE OF PREPARER

Senior Director

TITLE

Neil P. Keeter

PRINTED NAME OF PREPARER

October 20, 2005

DATE

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

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-1

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

COMPARATIVE BALANCE SHEET*

ASSETS	SCHEDULE AMOUNT	MONTH	
		August	September
1. UNRESTRICTED CASH	\$ 18,100,706	\$ 8,797,247	\$ 15,385,105
2. RESTRICTED CASH	\$ 7,621,697	\$ 8,756,996	\$ 8,756,986
3. TOTAL CASH	\$ 25,722,403	\$ 17,554,243	\$ 24,142,091
4. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 95,118,304	\$ 94,939,293
5. INVENTORY	\$ 305,171	\$ 202,419	\$ 206,764
6. NOTES RECEIVABLE	\$ -	\$ -	\$ -
7. PREPAID EXPENSES	\$ 6,095,850	\$ 3,937,889	\$ 3,772,853
8. OTHER (ATTACH LIST)	\$ 49,807,463	\$ 38,780,804	\$ 36,674,236
9. TOTAL CURRENT ASSETS	\$ 179,729,592	\$ 155,593,659	\$ 159,735,237
10. PROPERTY, PLANT & EQUIPMENT	\$ 418,897,132	\$ 208,949,242	\$ 200,868,121
11. LESS: ACCUMULATED DEPRECIATION / DEPLETION	\$ (240,155,582)	\$ (140,312,750)	\$ (134,366,383)
12. NET PROPERTY, PLANT & EQUIPMENT	\$ 178,741,550	\$ 68,636,492	\$ 66,501,738
13. DUE FROM INSIDERS	\$ -	\$ -	\$ -
14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST)	\$ -	\$ -	\$ -
15. OTHER (ATTACH LIST)	\$ 464,377,677	\$ 6,642,443	\$ 6,132,619
16. TOTAL ASSETS	\$ 822,848,819	\$ 230,872,594	\$ 232,369,594
POSTPETITION LIABILITIES			
17. ACCOUNTS PAYABLE		\$ 805,722	\$ 1,042,677
18. TAXES PAYABLE		\$ 10,277,531	\$ 9,051,731
19. NOTES PAYABLE		\$ -	\$ -
20. PROFESSIONAL FEES		\$ 5,629,935	\$ 4,868,371
21. SECURED DEBT		\$ 1	\$ 1
22. OTHER (ATTACH LIST)		\$ 28,359,526	\$ 30,501,998
23. TOTAL POSTPETITION LIABILITIES		\$ 45,072,715	\$ 45,464,778
PREPETITION LIABILITIES			
24. SECURED DEBT	\$ 209,595,545	\$ 104,426,488	\$ 102,304,780
25. PRIORITY DEBT	\$ 43,629,500	\$ 20,017,228	\$ 19,973,150
26. UNSECURED DEBT	\$ -	\$ -	\$ -
27. OTHER (ATTACH LIST)	\$ 390,808,736	\$ 411,280,709	\$ 412,992,075
28. TOTAL PREPETITION LIABILITIES	\$ 644,033,781	\$ 535,724,425	\$ 535,270,005
29. TOTAL LIABILITIES	\$ 644,033,781	\$ 580,797,140	\$ 580,734,783
EQUITY			
30. PREPETITION OWNERS' EQUITY	\$ 178,815,038	\$ (24,417,285)	\$ (24,417,285)
31. POSTPETITION CUMULATIVE PROFIT OR (LOSS)		\$ (325,625,357)	\$ (324,066,000)
32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION)		\$ 118,096	\$ 118,096
33. TOTAL EQUITY	\$ 178,815,038	\$ (349,924,546)	\$ (348,365,189)
34. TOTAL LIABILITIES & OWNERS' EQUITY	\$ 822,848,819	\$ 230,872,594	\$ 232,369,594

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

a - Translation adjustment related to foreign investment.

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-1 OTHER

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

COMPARATIVE BALANCE SHEET* SCHEDULE OF OTHER ASSETS AND LIABILITIES

ASSETS	SCHEDULE AMOUNT	MONTH	
		August	September
1 OTHER CURRENT ASSETS			
2 Tax Receivables	\$ 694,761	\$ 1,271	\$ 1,271
3 Non-eliminated Affil Rec/Deferred Chg	\$ 67,497	\$ 2,367,765	\$ 2,367,765
4 Deposits	\$ 906,215	\$ 830,043	\$ 830,043
5 A/R Other & Advances	\$ 552,837	\$ 2,485,389	\$ 378,821
6 Deferred Tax Asset - Current	\$ 23,168,602	\$ 30,051,742	\$ 30,051,742
7 Income Tax Receivables	\$ 14,084,221	\$ 3,044,594	\$ 3,044,594
8 Accounts Receivable, Affiliates	\$ 10,333,330	\$ -	\$ -
9 TOTAL OTHER CURRENT ASSETS	\$ 49,807,463	\$ 38,780,804	\$ 36,674,236
10 OTHER ASSETS			
11 Investments	\$ 270,627,907	\$ (594,820)	\$ (594,820)
12 Notes Receivable - Other	\$ 6,053	\$ -	\$ -
13 Deferred Tax Asset - Noncurrent	\$ 19,983,362	\$ -	\$ -
14 Deferred Assets & Intangibles	\$ 166,073,392	\$ 4,411,014	\$ 4,355,180
15 Assets Held for Sale	\$ 502,458	\$ 453,990	\$ -
16 Other Non-Current Assets	\$ 7,184,505	\$ 2,372,259	\$ 2,372,259
17			
18 TOTAL OTHER ASSETS	\$ 464,377,677	\$ 6,642,443	\$ 6,132,619
POSTPETITION LIABILITIES			
17 OTHER POSTPETITION LIABILITIES			
18 Salaries & Benefits		\$ 3,260,602	\$ 3,443,413
19 Accrued Commissions		\$ -	\$ -
20 Line Cost Payable/(Prepaid Line Cost)		\$ (16,771,834)	\$ (14,371,784)
21 Accrued Billing & Collection Fees		\$ 5,721,559	\$ 5,122,777
22 All Other Accrued Postpetition Liabilities		\$ 1,849,199	\$ 2,007,592
23 Deferred Income/Credits		\$ 34,300,000	\$ 34,300,000
24			
25 TOTAL OTHER POSTPETITION LIABILITIES		\$ 28,359,526	\$ 30,501,998
PREPETITION LIABILITIES			
24 OTHER PREPETITION LIABILITIES			
25 Accounts Payable	\$ 13,555,170	\$ 15,600,593	\$ 15,835,497
26 Line Costs Payable (incl. B&C)	\$ 101,626,750	\$ 80,628,113	\$ 80,987,015
27 Unsecured Teleglobe & Other Debt	\$ 225,737,370	\$ 237,646,736	\$ 238,955,640
28 Deferred Revenue	\$ 17,329,311	\$ 13,804,985	\$ 13,618,223
29 Deferred Tax Liability - Non Current	\$ -	\$ 23,847,884	\$ 23,847,884
30 All Other Accrued Prepetition Liabilities	\$ 32,560,135	\$ 39,752,398	\$ 39,747,816
31			
32 TOTAL OTHER PREPETITION LIABILITIES	\$ 390,808,736	\$ 411,280,709	\$ 412,992,075

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

a - Relates to the sale of the US assets.

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-2

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

INCOME STATEMENT*

	MONTH	
	August	September
OPERATING EXPENSES		
1. GROSS REVENUES	\$ 38,676,696	\$ 36,202,942
2. LESS: RETURNS & DISCOUNTS	\$ (1,264,876)	\$ (896,299)
3. NET REVENUE	\$ 37,411,820	\$ 35,306,643
COST OF GOODS SOLD		
4. MATERIAL	\$ 18,978,647	\$ 17,884,670
5. DIRECT LABOR	\$ 1,455,837	\$ 964,744
6. DIRECT OVERHEAD	\$ 774,981	\$ 731,843
7. TOTAL COST OF GOODS SOLD	\$ 21,209,465	\$ 19,581,257
8. GROSS PROFIT	\$ 16,202,355	\$ 15,725,386
OPERATING EXPENSES		
9. OFFICER / INSIDER COMPENSATION	\$ 215,089	\$ 84,536
10. SELLING & MARKETING	\$ 336,711	\$ 253,505
11. GENERAL & ADMINISTRATIVE	\$ 5,746,762	\$ 4,338,718
12. RENT & LEASE	\$ 341,936	\$ 317,770
13. OTHER (ATTACH LIST)	\$ 5,424,286	\$ 4,791,777
14. TOTAL OPERATING EXPENSES	\$ 12,064,784	\$ 9,786,306
15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$ 4,137,571	\$ 5,939,080
OTHER INCOME & EXPENSES		
16. NON-OPERATING INCOME (ATT. LIST)	\$ -	\$ -
17. NON-OPERATING EXPENSE (ATT. LIST)	\$ -	\$ -
18. INTEREST EXPENSE	\$ 1,436,236	\$ 1,309,255
19. DEPRECIATION / DEPLETION	\$ 2,672,259	\$ 2,605,667
20. AMORTIZATION	\$ -	\$ -
21. OTHER (ATTACH LIST)	\$ (698,986)	\$ (1,348,717)
22. NET OTHER INCOME & EXPENSES	\$ (4,807,481)	\$ (5,263,639)
REORGANIZATION EXPENSES		
23. PROFESSIONAL FEES	\$ 1,742,388	\$ (883,916) a
24. U.S. TRUSTEE FEES	\$ -	\$ -
25. OTHER (ATTACH LIST)	\$ -	\$ -
26. TOTAL REORGANIZATION EXPENSES	\$ 1,742,388	\$ (883,916)
27. INCOME TAX	\$ -	\$ -
28. NET PROFIT (LOSS)	\$ (2,412,298)	\$ 1,559,357

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

a - Overaccrual of professional fees related to prior periods.

Monthly Operating Report

ACCRUAL BASIS-2 OTHER

rwd, 2/04

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

INCOME STATEMENT*		
	MONTH	MONTH
OTHER EXPENSES	August	September
1. Customer Service Costs	\$ 1,171,856	\$ 915,238
2. Bad Debt	\$ 1,506,858	\$ 1,091,491
3. Billing & Collections	\$ 2,507,498	\$ 2,537,658
4. Call Rating & Billing	\$ 46,369	\$ 101,631
5. Direct Billing & Postage	\$ 154,770	\$ 106,032
6. Courtesy Credits	\$ 36,935	\$ 39,727
7.		
8. TOTAL OTHER EXPENSES	\$ 5,424,286	\$ 4,791,777
OTHER INCOME & EXPENSES		
9. Interest & Misc Income	\$ 46,865	\$ 52,459
10. Misc Non-Operating Income (Expense)	\$ -	\$ -
11. Equity Earnings/(Losses) in Investments	\$ -	\$ -
12. PP&E Write Down	\$ (60,417)	\$ (32,841)
13. Intangible & Other Asset Impairment Adj	\$ (685,394)	\$ (1,368,209)
14. Other	\$ (40)	\$ (126)
15.		
16. TOTAL OTHER INCOME & EXPENSES	\$ (698,986)	\$ (1,348,717)
OTHER REORGANIZATION EXPENSES		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24. TOTAL OTHER REORG EXPENSES	\$ -	\$ -

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

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-3

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

CASH RECEIPTS AND DISBURSEMENTS*	MONTH	
	August	September
1. CASH - BEGINNING OF MONTH	\$ 16,425,884	\$ 17,554,243
RECEIPTS FROM OPERATIONS		
2. CASH SALES		
COLLECTION OF ACCOUNTS RECEIVABLE		
3. PREPETITION	\$ -	\$ -
4. POSTPETITION	\$ 38,683,744	\$ 34,007,220
5. TOTAL OPERATING RECEIPTS	\$ 38,683,744	\$ 34,007,220
NON - OPERATING RECEIPTS		
6. LOANS & ADVANCES (ATTACH LIST)	\$ -	\$ -
7. SALE OF ASSETS	\$ -	\$ -
8. OTHER (ATTACH LIST)	\$ 38,281,454	\$ 739,903
9. TOTAL NON-OPERATING RECEIPTS	\$ 38,281,454	\$ 739,903
10. TOTAL RECEIPTS	\$ 76,965,198	\$ 34,747,123
11. TOTAL CASH AVAILABLE	\$ 93,391,082	\$ 52,301,366
OPERATING DISBURSEMENTS		
12. NET PAYROLL	\$ 3,471,898	\$ 2,597,303
13. PAYROLL TAXES PAID	\$ 1,157,299	\$ 1,010,063
14. SALES, USE & OTHER TAXES PAID	\$ 4,059,403	\$ 4,917,295
15. SECURED / RENTAL / LEASES	\$ 541,866	\$ 493,581
16. UTILITIES	\$ 336,331	\$ 200,537
17. INSURANCE	\$ 106,088	\$ 195,934
18. INVENTORY PURCHASES	\$ 36,206	\$ 30,012
19. VEHICLE EXPENSES	\$ 1,386	\$ 875
20. TRAVEL	\$ 16,062	\$ 52,785
21. ENTERTAINMENT	\$ -	\$ -
22. REPAIRS & MAINTENANCE	\$ 554,059	\$ 422,806
23. SUPPLIES	\$ 17,376	\$ 11,952
24. ADVERTISING	\$ -	\$ -
25. OTHER (ATTACH LIST)	\$ 63,769,465	\$ 17,797,121
26. TOTAL OPERATING DISBURSEMENTS	\$ 74,067,439	\$ 27,730,264
REORGANIZATION EXPENSES		
27. PROFESSIONAL FEES ACTUALLY PAID	\$ 1,769,400	\$ 429,011
28. U.S. TRUSTEE FEES	\$ -	\$ -
29. OTHER (ATTACH LIST)	\$ -	\$ -
30. TOTAL REORGANIZATION EXPENSES	\$ 1,769,400	\$ 429,011
31. TOTAL DISBURSEMENTS	\$ 75,836,839	\$ 28,159,275
32. NET CASH FLOW	\$ 1,128,359	\$ 6,587,848
33. CASH - END OF MONTH	\$ 17,554,243	\$ 24,142,091

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

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-3 OTHER

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

CASH RECEIPTS AND DISBURSEMENTS*		MONTH	MONTH
		August	September
OTHER NON OPERATING RECEIPTS			
1	eServices	\$ 284,030	\$ 239,709
2	Sales Aids	\$ -	\$ -
3	Tax Refund	\$ 18,522	\$ 37,513
4	Reimbursement of Line Costs	\$ 10,348	\$ -
5	Misc Receipts	\$ 158,569	\$ 178,820
6	Partial Proceeds from Sale of Domestic Assets	\$ 35,663,735	\$ 283,861
7	Refund of Sowood Deposit (by RTFC)	\$ 2,000,000	\$ -
8	Chase Escrow	\$ 146,250	\$ -
9		\$ -	\$ -
10			
11	TOTAL OTHER NON OPERATING RECEIPTS	\$ 38,281,454	\$ 739,903
OTHER OPERATING DISBURSEMENTS			
12	Linecost	\$ 18,150,326	\$ 14,592,614
13	Benefits	\$ 1,226,656	\$ 918,760
14	Commissions	\$ 336,794	\$ 340,151
15	General & Administrative	\$ 2,674,458	\$ 1,661,667
16	RTFC Interest	\$ 883,056	\$ 12,509
17	Change in Cash Reclass	\$ 751,036	\$ 239,410
18	Capital Leases and Equipment	\$ 234,216	\$ 32,010
19	RTFC LOC Paydown	\$ 1,215,269	\$ -
20	RTFC Revolver Paydown	\$ 33,960,255	\$ -
21	Refund of Sowood Deposit (by RTFC)	\$ 2,000,000	\$ -
22	Sowood LOC Paydown	\$ 2,337,399	\$ -
23	TOTAL OTHER OPERATING DISBURSEMENTS	\$ 63,769,465	\$ 17,797,121
OTHER REORGANIZATION EXPENSES			
24			
25			
26	TOTAL OTHER REORGANIZATION EXPENSES	\$ -	\$ -

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

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-4

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

ACCOUNTS RECEIVABLE AGING***	SCHEDULE AMOUNT	MONTH August	MONTH September
1. 0-30	\$ 58,476,466	\$ 34,607,416	\$ 33,593,885
2. 31-60	\$ 33,993,017	\$ 19,830,226	\$ 21,122,954
3. 61-90	\$ 7,516,346	\$ 5,196,195	\$ 4,602,137
4. 91+	\$ 9,300,438	\$ 42,479,383	\$ 40,463,892
5. TOTAL ACCOUNTS RECEIVABLE	\$ 109,286,267	\$ 102,113,220	\$ 99,782,868
6. AMOUNT CONSIDERED UNCOLLECTIBLE	\$ 11,487,562	\$ 6,994,916	\$ 4,843,575
7. ACCOUNTS RECEIVABLE (NET)	\$ 97,798,705	\$ 95,118,304	\$ 94,939,293

AGING OF POSTPETITION TAXES AND PAYABLES

MONTH: September 2005

TAXES PAYABLE***	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 1,662,587				\$ 1,662,587
2. STATE	\$ 7,385,401				\$ 7,385,401
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 9,047,988	\$ -	\$ -	\$ -	\$ 9,047,988

6. ACCOUNTS PAYABLE***	\$ 1,042,677				\$ 1,042,677
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STATUS OF POSTPETITION TAXES

MONTH: September 2005

	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
FEDERAL ***				
1. WITHHOLDING**	\$ 210,915	\$ 445,529	\$ 656,172	\$ 272
2. FICA-EMPLOYEE**	\$ 158,753	\$ 221,576	\$ 331,358	\$ 48,971
3. FICA-EMPLOYER**	\$ 158,753	\$ 221,576	\$ 331,358	\$ 48,971
4. UNEMPLOYMENT	\$ 637	\$ 135	\$ -	\$ 772
5. INCOME	\$ -	\$ -	\$ -	\$ -
6. EXCISE	\$ 1,815,644	\$ 661,921	\$ 913,964	\$ 1,563,601
7. TOTAL FEDERAL TAXES	\$ 2,344,702	\$ 1,550,737	\$ 2,232,852	\$ 1,662,587
STATE AND LOCAL ***				
8. WITHHOLDING	\$ 8,995	\$ 8,314	\$ 8,288	\$ 9,021
9. SALES	\$ 3,135,883	\$ 1,387,151	\$ 1,421,234	\$ 3,101,800
10. 911 TAX	\$ 342,848	\$ 107,434	\$ 105,550	\$ 344,732
11. UNEMPLOYMENT	\$ 24,191	\$ 5,247	\$ 37	\$ 29,401
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -
14. OTHER (ATTACH LIST)	\$ 4,417,165	\$ 1,957,777	\$ 2,474,495	\$ 3,900,447
15. TOTAL STATE & LOCAL	\$ 7,929,082	\$ 3,465,923	\$ 4,009,604	\$ 7,385,401
16. TOTAL TAXES	\$ 10,273,784	\$ 5,016,660	\$ 6,242,456	\$ 9,047,988

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

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

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

Monthly Operating Report

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

ACCRUAL BASIS-4 OTHER

rwd, 2/04

STATUS OF POSTPETITION TAXES

MONTH: September 2005

OTHER STATE AND LOCAL***	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1 FRANCHISE	\$ 62,968	\$ 2,234	\$ 1,418	\$ 63,784
2 PROPERTY	\$ 640,949	\$ 76,521	\$ 13,882	\$ 703,588
3 GR, REG, PUC, USF, TRS	\$ 3,715,862	\$ 1,879,022	\$ 2,447,740	\$ 3,147,144
4 INCOME	\$ (2,614)	\$ -	\$ 11,455	\$ (14,069)
5	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -
8 TOTAL OTHER STATE & LOCAL	\$ 4,417,165	\$ 1,957,777	\$ 2,474,495	\$ 3,900,447

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

Monthly Operating Report

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

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

ACCOUNTS RECEIVABLE AGING	SCHEDULE AMOUNT	MONTH August	MONTH September
1. 0-30			
2. 31-60			
3. 61-90			
4. 91+			
5. TOTAL ACCOUNTS RECEIVABLE	\$ -	\$ -	\$ -
6. AMOUNT CONSIDERED UNCOLLECTIBLE			
7. ACCOUNTS RECEIVABLE (NET)	\$ -	\$ -	\$ -

AGING OF POSTPETITION TAXES AND PAYABLES					MONTH: September 2005
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL	\$ 697,592				\$ 697,592
2. STATE	\$ 4,285,136				\$ 4,285,136
3. LOCAL					\$ -
4. OTHER (ATTACH LIST)					\$ -
5. TOTAL TAXES PAYABLE	\$ 4,982,728	\$ -	\$ -	\$ -	\$ 4,982,728
6. ACCOUNTS PAYABLE					\$ -

STATUS OF POSTPETITION TAXES					MONTH: September 2005
FEDERAL	BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY	
1. WITHHOLDING**	\$ -	\$ -	\$ -	\$ -	
2. FICA-EMPLOYEE**	\$ -	\$ -	\$ -	\$ -	
3. FICA-EMPLOYER**	\$ -	\$ -	\$ -	\$ -	
4. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -	
5. INCOME	\$ -	\$ -	\$ -	\$ -	
6. EXCISE	\$ 835,039	\$ 393,263	\$ 530,710	\$ 697,592	
7. TOTAL FEDERAL TAXES	\$ 835,039	\$ 393,263	\$ 530,710	\$ 697,592	
STATE AND LOCAL					
8. WITHHOLDING	\$ -	\$ -	\$ -	\$ -	
9. SALES	\$ 2,063,898	\$ 1,085,074	\$ 1,138,971	\$ 2,010,001	
10. 911 TAX	\$ 158,697	\$ 54,440	\$ 57,953	\$ 155,184	
11. UNEMPLOYMENT	\$ -	\$ -	\$ -	\$ -	
12. REAL PROPERTY	\$ -	\$ -	\$ -	\$ -	
13. PERSONAL PROPERTY	\$ -	\$ -	\$ -	\$ -	
14. OTHER (ATTACH LIST)	\$ 2,588,460	\$ 1,172,559	\$ 1,641,068	\$ 2,119,951	
15. TOTAL STATE & LOCAL	\$ 4,811,055	\$ 2,312,073	\$ 2,837,992	\$ 4,285,136	
16. TOTAL TAXES	\$ 5,646,094	\$ 2,705,336	\$ 3,368,702	\$ 4,982,728	

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

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

Monthly Operating Report

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

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

STATUS OF POSTPETITION TAXES

MONTH: September 2005

OTHER STATE AND LOCAL		BEGINNING TAX LIABILITY*	AMOUNT WITHHELD AND/ OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1	FRANCHISE	\$ (18,021)	\$ 850	\$ 150	\$ (17,321)
2	PROPERTY	\$ 400,002	\$ 50,000	\$ -	\$ 450,002
3	GR, REG, PUC, USF, TRS	\$ 2,206,479	\$ 1,121,709	\$ 1,640,918	\$ 1,687,270
4	INCOME	\$ -	\$ -	\$ -	\$ -
5		\$ -	\$ -	\$ -	\$ -
6		\$ -	\$ -	\$ -	\$ -
7		\$ -	\$ -	\$ -	\$ -
8	TOTAL OTHER STATE & LOCAL	\$ 2,588,460	\$ 1,172,559	\$ 1,641,068	\$ 2,119,951

Monthly Operating Report

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

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BOA	UMB	UMB	UMB	Bank One	Bank One	
B. ACCOUNT NUMBER:	12-3342-6568	50-0800-9716	50-0800-9368	98-7048-9813	18-8986-0407	18-8986-0399	SUB - TOTAL Page 1
C. PURPOSE (TYPE):	Operating Acct	Controlled Disb	Controlled Disb	Concentration Acct	Impress	Impress	
1. BALANCE PER BANK STATEMENT	\$0	\$0	\$0	\$1,529	\$1,000	\$1,000	\$3,529
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	(\$585)	\$0	\$0	(\$585)
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$1,833,483	\$279,485	\$0	\$0	\$0	\$2,112,968
4. OTHER RECONCILING ITEMS	\$0	(\$130,830)	(\$140,806)	\$2,113,360	\$0	\$0	\$1,841,724
5. MONTH END BALANCE PER BOOKS	\$0	(\$1,964,313)	(\$420,291)	\$2,114,304	\$1,000	\$1,000	(\$268,300)
6. NUMBER OF LAST CHECK WRITTEN		4500180, 11531, 6613161, 8505045, 5504722	607542, 731957				

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

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	(\$268,300)

Monthly Operating Report

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

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	Bank One	UMB	Bank One	UMB	UMB	
B. ACCOUNT NUMBER:	18-8482-7880	662647965	98-7048-9821	18-8482-7898	98-7048-9813	98-7149-9561	SUB - TOTAL Page 2
C. PURPOSE (TYPE):	Operating	Collateral	Collateral	CC Receipt	Repo Sweep	Escrow	
1. BALANCE PER BANK STATEMENT	\$21,403	\$149,841	\$0	\$0	\$2,405,000	\$1,419,000	\$3,995,244
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$767,344	\$0	\$0	\$0	\$767,344
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$21,508)	\$7,095	\$0	(\$193)	\$0	\$0	(\$14,606)
5. MONTH END BALANCE PER BOOKS	(\$105)	\$156,936	\$767,344	(\$193)	\$2,405,000	\$1,419,000	\$4,747,982
6. NUMBER OF LAST CHECK WRITTEN							

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

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$4,747,982

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

ACCRUAL BASIS-5, pg 3

VarTec Telecom, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	UMB	UMB	UMB			TOTAL Pages 1 - 3
B. ACCOUNT NUMBER:	657895728	98-7149-996-0	98-7149-996-0	98-7149-996-0			
C. PURPOSE (TYPE):		Escrow	Repo Sweep	Funding			
1. BALANCE PER BANK STATEMENT	\$877,500	\$0	\$11,347,000	\$241,260			16,464,533
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0			766,759
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0			2,112,968
4. OTHER RECONCILING ITEMS	\$0	\$0	\$0	\$0			1,827,118
5. MONTH END BALANCE PER BOOKS	\$877,500	\$0	\$11,347,000	\$241,260			\$16,945,442
6. NUMBER OF LAST CHECK WRITTEN							

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE				TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE
7. UMB-90 Day T-Bills							16,698
8. UMB Restricted Funds 0691-0051623562							5,978,653
9.							
10.							
11. TOTAL INVESTMENTS						\$0	\$5,995,351

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$ 22,940,793

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

ACCRUAL BASIS-5

VarTec Resource Services, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL
A. BANK:		BOA	BOA	Citibank				
B. ACCOUNT NUMBER:		47933454613	317411250	30491082				
C. PURPOSE (TYPE):		Payroll Acct	Emp Benefits-FSA	401(K)				
1. BALANCE PER BANK STATEMENT		\$891,387	\$3,079	\$0				\$894,466
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0	\$0				\$0
3. SUBTRACT: OUTSTANDING CHECKS		\$44,148	\$0	\$0				\$44,148
4. OTHER RECONCILING ITEMS		(\$452,221)	\$0	\$146,000				(\$306,221)
5. MONTH END BALANCE PER BOOKS		\$395,018	\$3,079	\$146,000	\$0	\$0	\$0	\$544,097
6. NUMBER OF LAST CHECK WRITTEN		55263	2018					

INVESTMENT ACCOUNTS

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

CASH

12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$544,097

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

ACCRUAL BASIS-5

Excel Telecommunications, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	Bank One	Bank One	First Union	Bank One	Bank One	
B. ACCOUNT NUMBER:	15-7793-7036	15-7793-0728	18-8986-0431	2000002922650	18-8986-0464	29553338	
C. PURPOSE (TYPE):	Escrow	Escrow	Escrow	Escrow	Receipt	Receipt	
1. BALANCE PER BANK STATEMENT	\$243,632	\$180,277	\$58,040	\$11,527	\$0	\$138	\$493,614
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0	\$0	\$0	\$24,788	\$17,590	\$42,378
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4. OTHER RECONCILING ITEMS	(\$117)	\$0	\$0	\$526	\$0	\$3,462	\$3,871
5. MONTH END BALANCE PER BOOKS	\$243,515	\$180,277	\$58,040	\$12,053	\$24,788	\$21,190	\$539,863
6. NUMBER OF LAST CHECK WRITTEN							

INVESTMENT ACCOUNTS

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

CASH

12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$539,863

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

ACCRUAL BASIS-5, pg 2

Excel Telecommunications, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS							
	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	Bank One	Bank One					TOTAL Page 1 & 2
B. ACCOUNT NUMBER:	18-8986-0423	20284979					
C. PURPOSE (TYPE):	Deposit	Lockbox Receipt					
1. BALANCE PER BANK STATEMENT	\$0	\$68,111					\$561,725
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$0	\$0					\$42,378
3. SUBTRACT: OUTSTANDING CHECKS	\$0	\$0					\$0
4. OTHER RECONCILING ITEMS	\$538	\$1,643					\$6,052
5. MONTH END BALANCE PER BOOKS	\$538	\$69,754					\$610,155
6. NUMBER OF LAST CHECK WRITTEN							

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

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$610,155

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

ACCRUAL BASIS-5

Excel Communications Marketing, Inc

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL
A. BANK:	Bank One							
B. ACCOUNT NUMBER:	18-8986-0415							
C. PURPOSE (TYPE):	Deposit							
1. BALANCE PER BANK STATEMENT	\$0							\$0
2. ADD: TOTAL DEPOSITS NOT CREDITED	\$2,660							\$2,660
3. SUBTRACT: OUTSTANDING CHECKS	\$0							\$0
4. OTHER RECONCILING ITEMS	\$0							\$0
5. MONTH END BALANCE PER BOOKS	\$2,660							\$2,660
6. NUMBER OF LAST CHECK WRITTEN								

INVESTMENT ACCOUNTS

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

CASH

12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$2,660

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

CASE NUMBER: 04-81694-HDH-11

ACCRUAL BASIS-5

VarTec Solutions, Inc.

rwd, 2/04

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Note: Due to the Debtors method of collecting cash by product line rather than entity, this account may not reflect the correct amount of cash attributable to this entity.

MONTH: September 2005

BANK RECONCILIATIONS		Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	TOTAL
A. BANK:		BOA	Bank One					
B. ACCOUNT NUMBER:		37-5101-3631	29571894					
C. PURPOSE (TYPE):		Depository						
1. BALANCE PER BANK STATEMENT		\$42,828	\$0					\$42,828
2. ADD: TOTAL DEPOSITS NOT CREDITED		\$0	\$0					\$0
3. SUBTRACT: OUTSTANDING CHECKS		\$0	\$0					\$0
4. OTHER RECONCILING ITEMS		\$1,688	(\$132)					\$1,556
5. MONTH END BALANCE PER BOOKS		\$44,516	(\$132)					\$44,384
6. NUMBER OF LAST CHECK WRITTEN								

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

CASH		
12. CURRENCY ON HAND		\$0
13. TOTAL CASH - END OF MONTH		\$44,384

Monthly Operating Report

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

ACCRUAL BASIS-6

rwd, 2/04

MONTH: _____ September 2005

PAYMENTS TO INSIDERS AND PROFESSIONALS

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (AS DEFINED IN SECTION 101 (31) (A)-(F) OF THE U.S. BANKRUPTCY CODE) AND TO PROFESSIONALS. ALSO, FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g. SALARY, BONUS, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, CAR ALLOWANCE, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSIDERS			
NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1. Michael Hoffman	Salary & Expenses		
2. KJ Alzamora	Alvarez & Marsal		
3. John Schissler	Alvarez & Marsal		
4. Rolando Sanchez	Alvarez & Marsal		
5. Michael Katzenstein	CXO		
6. Andrew Jent	CXO		
7			
8 TOTAL PAYMENTS TO INSIDERS		\$ 342,654	\$ 4,368,972

PROFESSIONALS**					
NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID *
1. Alvarez & Marsal	November 5, 2004	\$ 254,293	\$ 254,293	\$ 3,066,566	\$ 228,604
2. Vinson & Elkins	November 5, 2004	\$ -	\$ -	\$ 4,447,286	\$ 1,407,896
3. Houlihan Lokey	November 5, 2004	\$ -	\$ -	\$ 373,861	\$ 158,384
4. FTI	November 5, 2004	\$ -	\$ -	\$ 1,854,197	\$ -
5. Fulbright & Jaworski	November 5, 2004	\$ -	\$ -	\$ 1,305,890	\$ 160,097
6. Xroads Solutions	November 5, 2004	\$ -	\$ -	\$ 1,085,805	\$ 651,338
7. Carrington Coleman	November 5, 2004	\$ -	\$ -	\$ 1,489,835	\$ 1,333,819
8. Scouler Andrews	November 5, 2004	\$ -	\$ -	\$ 117,557	\$ 32,137
9. White & Case	November 5, 2004	\$ -	\$ -	\$ 727,334	\$ 544,001
10. Other	November 5, 2004	\$ -	\$ -	\$ 39,914	\$ 266,154
11 TOTAL PAYMENTS TO PROFESSIONALS		\$ 254,293	\$ 254,293	\$ 14,508,245	\$ 4,782,430

* INCLUDE ALL FEES INCURRED, BOTH APPROVED AND UNAPPROVED

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

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

** Estimated

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

Adequate Assurance Payment Summary
September 2005

Vendor	Semi-Monthly Adequate Assurance Agreement	Adequate Assurance Payments in September	Total Unpaid Post- Petition Payments
Alltel	\$ -	\$ 183,382.23	\$ -
AT & T	\$ 1,050,000.00	\$ 550,000.00	\$ -
BellSouth	\$ 2,227,500.00	\$ 1,500,000.00	\$ -
Broadwing	\$ 179,923.00	\$ 107,047.24	\$ -
Century Tel	\$ 198,687.35	\$ 198,728.45	\$ -
Focal	\$ 4,038.00	\$ -	\$ -
GCI	\$ 26,825.00	\$ 46,422.94	\$ -
Grande	\$ 16,333.00	\$ 60,000.00	\$ -
Level 3	\$ 170,735.00	\$ 439,880.77	\$ -
MCI	\$ 1,001,057.00	\$ 644,000.00	\$ -
MCI Escrow	\$ 129,000.00	\$ -	\$ -
McLeod	\$ 298,500.00	\$ 382,037.36	\$ -
Norlight	\$ 40,777.00	\$ 35,757.32	\$ -
NTS	\$ 278,672.00	\$ 64,615.61	\$ -
Pacific Net	\$ 27,202.00	\$ -	\$ -
PalmettoNet	\$ 27,753.00	\$ 41,732.24	\$ -
Qwest Corporation	\$ 672,600.00	\$ 952,116.73	\$ -
Qwest Communication	\$ 906,500.00	\$ 980,000.00	\$ -
SBC	\$ 2,725,000.00	\$ 1,856,872.88	\$ -
Sprint	\$ 1,426,500.00	\$ 395,139.54	\$ -
UniPoint	\$ 340,000.00	\$ -	\$ -
Valor	\$ 46,043.00	\$ -	\$ -
Verizon	\$ 2,180,168.00	\$ 3,250,960.10	\$ -
Teleglobe	\$ -	\$ -	\$ -
WilTel	\$ 131,273.00	\$ 159,748.92	\$ -
Total		<u>\$ 11,848,442.33</u>	<u>\$ -</u>

Monthly Operating Report

CASE NAME: VarTec Telecom, Inc.

ACCRUAL BASIS-7

CASE NUMBER: 04-81694-HDH-11

rwd, 2/04

MONTH: September 2005

QUESTIONNAIRE

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?	X (a)	
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?		X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?		X
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	X (b)	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?	X (c)	
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?	X (d)	
12. ARE ANY WAGE PAYMENTS PAST DUE?		X

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

(a) As authorized by the Court.

(b) Prepetition payments made as authorized by the Court.

(c) Postpetition loans have been received as authorized by the Court.

(d) Prepetition taxes as authorized by the Court.

INSURANCE

	YES	NO
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	X	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?	X	
3. PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSTALLMENT PAYMENTS

TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY
See Attached.			

VarTec Telecom, Inc. and Subsidiaries
Case No. 04-81694-HDH-11
Monthly Operating Report Accrual Basis - 7
Schedule of Insurance Policies

Type Coverage	Company	Effective Date	Exp Date	Policy Number	Annual Premium	Payment Frequency
Worker's Compensation Required	Federal Insurance Company	8/1/2005	8/1/2006	71700219	\$577,166	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Property/Inland Marine/Boiler & Machinery	Great Northern Insurance Company	8/1/2005	8/1/2006	35753111	\$273,845	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
General Liability	Great Northern Insurance Company	8/1/2005	8/1/2006	35753111	\$99,525	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Auto - Texas	Federal Insurance Company	8/1/2005	8/1/2006	73501059	\$27,423	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Exporters Package	Great Northern Insurance Company	8/1/2005	8/1/2006	70212320	\$3,500	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Flood Policy (Required by Lease)	Travelers (NFIP)	NFIP	2/13/2006	6002871603	\$2,884	Annually
Earthquake	Westchester	8/1/2005	8/1/2006		\$15,000	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Umbrella	Zurich	8/1/2005	8/1/2006	AUC -9300787-03	\$106,088	4 payments on 8/30/05, 9/30/05, 11/30/05, 1/31/06
Fiduciary - 1 yr Discovery added to 5/28/05 expiring policy	Federal Insurance Company	5/28/2005	5/28/2006	8127-6337	\$40,978	One-time
Storage Tank Third-Party Liability	Commerce & Industry Ins. Co.	2/10/2005	2/10/2006	15430	\$1,539	Annually
Employment Practices Liability	Zurich	5/28/2005	5/28/2006	EOC9029608-00	\$49,000	Annually
Directors and Officers	Illinois National Insurance Company	5/28/2005	5/28/2006	4919752	\$303,000	Annually
Crime	National Union Fire Insurance Company	5/28/2005	5/28/2006	4919277	\$33,220	Annually
Fiduciary	Twin City Fire Insurance Company	5/28/2005	5/28/2006	00IA022483405	\$35,000	Annually
Directors and Officers - 3 yr Runoff added to 5/28/05 expiring policy	National Union Fire Insurance Company	5/28/2005	5/28/2008	347-73-62	\$395,653	One-time
Excess Directors and Officers - 3 yr Runoff added to 5/28/05 expiring policy	Twin City Fire Insurance Company	5/28/2005	5/28/2008	6800-9170	\$235,507	One-time