

Exhibit "A"

SETTLEMENT AGREEMENT

This settlement agreement (the "Settlement Agreement"), which shall be effective upon execution by all parties hereto and approval by the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the "Bankruptcy Court") as set forth herein, is made and entered into by and among the Official Committee of Excel Independent Representatives (the "IR Committee"), VarTec Telecom, Inc. and its affiliated debtors and debtors in possession (collectively, the "Debtors"), and the Debtors' senior secured lender, the Rural Telephone Finance Cooperative ("RTFC") (collectively, the "Settlement Parties").

WHEREAS, on November 1, 2004 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (as amended, the "Bankruptcy Code") in the Bankruptcy Court, thereby commencing their respective chapter 11 cases (the "Cases");

WHEREAS, on November 1, 2004, the Debtors filed a motion (the "IR Rejection Motion") to reject all agreements (the "IR Agreements") with all independent representatives ("IRs")¹ of Excel Telecommunications, Inc. and/or Excel Communications Marketing, Inc. (collectively, "Excel");

WHEREAS, on December 8, 2004, the United States Trustee for the Northern District of Texas appointed the IR Committee in these Cases;

WHEREAS, on December 9, 2004, the Bankruptcy Court entered an order directing the IR Committee "to address the issues related to Excel IRs and attempt to negotiate a global and comprehensive settlement of all Excel IR Claims";

WHEREAS, on January 31, 2005, the Bankruptcy Court entered its Order Suspending the Bar Date for Excel Independent Representatives to File Proofs of Claim [Docket No. 872] in which it suspended indefinitely the proof of claim deadline for all IRs;

WHEREAS, by order dated March 1, 2005, the Bankruptcy Court granted the IR Rejection Motion, authorizing the rejection of all IR Agreements effective as of the Petition Date;

WHEREAS, the Settlement Parties desire to resolve, among other things, (i) all claims² (individually, an "IR Claim" and collectively, the "IR Claims") held by those IRs who were active as of the Petition Date according to the business records of the

¹ IRs, in some instances, are corporations, partnerships, or other legal entities. All references to IRs herein, will be to the individual male gender, but intended to encompass all individual IRs, regardless of gender, and all IRs acting in an entity form.

² Claim(s) shall have the meaning provided in § 101(5)(A) and (B) of the Bankruptcy Code.

Debtors (collectively, the “Eligible IRs”) and who participate in this settlement (collectively, the “Settling IRs”), against the Debtors, the RTFC, and their respective affiliates, together with each of the Debtors’ officers, directors, employees, agents, and attorneys who served in such capacity on or after the Petition Date,³ and the RTFC’s officers, directors, employees, agents, and attorneys who served in such capacity prior to or as of the IR Payment Date (as hereinafter defined) (collectively, the “Released Parties”) and (ii) certain claims of the Debtors (if any) against the Settling IRs;

NOW, THEREFORE, in consideration of the foregoing and of the terms, conditions, and mutual agreements set forth herein, the receipt and sufficiency of which as consideration are hereby acknowledged, the Settlement Parties and each Settling IR represent, covenant, and agree as follows:

Section 1. Incorporation of Recitals. The recitals set forth above are expressly incorporated herein and made an integral part of this Settlement Agreement.

Section 2. Bankruptcy Court Approval. Approval of this global compromise and settlement of the IR Claims (the “Global IR Settlement”) shall be made pursuant to a motion (the “Settlement Motion”) to be filed with the Bankruptcy Court in the Cases pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). Notwithstanding the signature of the Debtors’ authorized representative below, the Debtors’ obligation to perform and be bound by this Settlement Agreement is expressly subject to the Bankruptcy Court’s approval of same.

Section 3. The Distribution.

3.1 IR Settlement Account. On November 7, 2005, the Bankruptcy Court entered a final order approving a new debtor-in-possession financing agreement between the Debtors and the RTFC (the “New RTFC DIP Financing”) and a related budget, which, among other things, provides funding for the payments referenced herein. The Debtors shall make such payments (the “Distribution”) by checks (“Settlement Checks”) drawn on a specially established “zero balance” bank account (the “Distribution Account”), to be maintained at a federally-insured financial institution (the “Payor Bank”). The Settlement Checks shall be mailed on or before the later of (i) February 14, 2006, and (ii) such other date as is agreed to in writing by the Settlement Parties (the date of actual mailing being the “IR Payment Date”); provided that, as of the IR Payment Date, the Bankruptcy Court has entered an order approving the Settlement Agreement and such order is (A) final and non-appealable or (B) if appealed, not subject to a stay (the “Settlement Order”). The Debtors shall also establish a segregated settlement funding account (the “Funding Account”) to be maintained at the Payor Bank. The Distribution Account will be funded by the Debtors from the Funding Account on a daily basis, in an amount equal to at least the aggregate

³ The Debtors’ officers, directors, employees, and agents being released shall expressly include, but not be limited to, Michael G. Hoffman, Melissa Smith Drennan, Timothy Biggio, Stan Springel, K.J. Alzamora, David Walsh, John D. Schissler, and Joseph D’Angelo.

amount of Settlement Checks presented for payment to the Payor Bank prior to the close of business on the immediately preceding business day. The Funding Account shall be funded by advances to the Debtors from the RTFC under the New RTFC DIP Financing. Notwithstanding any order that may be entered (i) converting any of the Cases to a chapter 7 case or (ii) dismissing any of the Cases, the RTFC's obligation to fund the IR Settlement Account shall continue through and including 120 days following the IR Payment Date (the "Cutoff Date"). Neither the Debtors nor the RTFC shall be obligated to fund the Funding Account or the Distribution Account after the Cutoff Date.

3.2 De Minimis Distribution. The Debtors shall have the right, but not the obligation, to mail a Settlement Check to any Settling IR whose proposed Distribution is equal to or less than one dollar (\$1).

Section 4. Effective Date of Allowance and Release of Claims. The allowance and releases of claims provided for in this Settlement Agreement shall be effective upon the occurrence of the IR Payment Date. If, and to the extent that, the IR Payment Date does not occur, this Settlement Agreement, including, but not limited to, any allowance or release of claims contained herein, shall be null and void and of no effect.

Section 5. Schedule of IR Claims. Pursuant to sections 502 and 521(1) of the Bankruptcy Code, Bankruptcy Rules 3003(b)(1) and 9019, and Section 4 above, the IR Claims of the Settling IRs shall be deemed allowed as of the IR Payment Date in the amounts set forth in a schedule of IR Claims (the "IR Schedule") to be approved by the Settlement Parties and filed by the Debtors in the Cases on or before 2 business days prior to the hearing on the Settlement Motion; provided, however, that any IR Claim listed on the IR Schedule (a "Scheduled Claim") for an Eligible IR who properly opts out of the Global IR Settlement shall automatically be deemed an unscheduled and disputed claim without further amendment to the IR Schedule.

Section 6. Opt Out. Any Eligible IR who disputes the amount of his Scheduled Claims may either accept the scheduled amount or elect to opt out of (*i.e.*, not participate in) the Global IR Settlement and assert his claim, if any, against the Debtors via a proof of claim. Any Eligible IR with a Scheduled Claim who does not wish to participate in this settlement (i) because he disputes the amount of his Scheduled Claims, (ii) because he does not accept the treatment of his Scheduled Claims proposed under the Settlement Agreement, or (iii) for any other reason whatsoever, must elect to opt out of the Global IR Settlement by giving written notification to the Debtors in compliance with procedures to be approved by the Bankruptcy Court, including the completion and timely submission of a form evidencing an intent of opt out of the Global IR Settlement ("Opt-Out Election Form"). The Opt-Out Election Form must be received by the Debtors no later than January 11, 2006 or such other date as agreed to by the Settlement Parties and approved by the Bankruptcy Court (the "Opt-Out Deadline"). Any Eligible IR who fails to timely complete an Opt-Out Election Form and timely deliver the same to the Debtors shall be deemed to have accepted this Settlement Agreement and to be bound by its terms, including the releases contained herein. Any Eligible IR who timely delivers an Opt-Out Election Form shall not be subject to this Settlement Agreement, nor receive any Distribution, but shall be treated

as the holder of an unscheduled and disputed claim against the Debtors and shall be required to file a proof of claim in accordance with Bankruptcy Rules 3001, 3002, and 3003(c)(2) on or before February 21, 2006 (the "IR Bar Date") or be deemed to forever waive his claims against the Debtors. The Debtors and the RTFC reserve the right to object to any proofs of claim filed by any Eligible IR who opts out of this Settlement Agreement on any grounds, in accordance with section 502(b) of the Bankruptcy Code and Bankruptcy Rule 3007.

Section 7. Proofs of Claim and Plan Solicitation. No proofs of claim shall be required to be filed by the Settling IRs. Settling IRs who do not have an Allowed Unsecured Claim (as hereinafter defined) under Section 9.2 and/or 9.3 of this Settlement Agreement (after application of the Debtors' Setoff Rights (as hereinafter defined), if any) shall not be solicited for a vote upon, nor shall such Settling IRs be permitted to vote upon, any chapter 11 plan ("Plan") proposed in the Cases. Settling IRs who have an Allowed Unsecured Claim under Section 9.2 and/or 9.3 of this Settlement Agreement (after application of the Debtors' Setoff Rights, if any) shall be solicited for a vote upon, and shall be permitted to vote upon, any Plan.

Section 8. Verification by Scouler Andrews. All amounts set forth herein and in the IR Schedule are subject to verification by Scouler Andrews, L.L.C. on behalf of the IR Committee, which verification shall occur prior to the filing of the IR Schedule. If the Debtors and Scouler Andrews cannot agree on the amounts set forth in the proposed IR Schedule by November 25, 2005, the Debtors and/or the IR Committee shall have the right, but not the obligation, to terminate this Settlement Agreement.

Section 9. Treatment of Certain Claims of Settling IRs.

9.1 Class A Claims – 10-Day Rescission Period Claims. All Settling IRs who paid new enrollment or training fees, or sales associate deposits actually received by the Debtors between October 22, 2004 and October 31, 2004 inclusive (the "Class A Claims") shall receive full refunds of such payments by Settlement Checks mailed to such Settling IRs on the IR Payment Date. Settling IRs who hold Class A Claims shall be deemed to have waived, released, and forever discharged any and all other claims against the Released Parties as of the IR Payment Date, and shall not be entitled to any further distributions or other consideration on account of such other claims, whether pursuant to this Settlement Agreement or otherwise.

9.2 Class B Claims – Pre-petition Recruiting Commissions and Ambassador/ESD/SD Pool Claims. Each Settling IR who holds a Scheduled Claim on account of (i) earned, but unpaid pre-petition recruiting commissions as of October 31, 2004, and/or (ii) the right to participate in the Ambassador, Executive Senior Director, or Senior Director Pool with respect to Excel's revenues during August 2004 because such Settling IR "qualified" during October 2004⁴ (the "Class B Claims") shall have such claim

⁴ Qualification in such pools shall be determined in accordance with Excel's business rules governing same as historically applied. Eligibility for such pool participation requires, among other things, that the participating Settling IR was an active IR as of the Petition Date.

allowed as a priority claim pursuant to section 507(a)(3) of the Bankruptcy Code up to the statutory maximum of \$4,925 per Settling IR for the combined amount of all Class B Claims and Class C Claims (defined below) of such Settling IR (the "Combined Priority Amount") upon occurrence of the IR Payment Date. Each such priority claim shall be paid by Settlement Check⁵ mailed to the Settling IR on the IR Payment Date, but only up to the Combined Priority Amount. All Class B Claim amounts in excess of the Combined Priority Amount shall be allowed in full, upon the occurrence of the IR Payment Date, as pre-petition general unsecured claims and treated under any Plan as allowed general unsecured claims in accordance with the provisions of Section 11 of this Settlement Agreement (the "Class B Allowed Unsecured Claims").

9.3 Class C Claims – Pre-petition Usage Commissions. Each Settling IR that has a Scheduled Claim, based upon prepetition usage commissions (the "Class C Claims") shall have such claim allowed as a priority claim pursuant to section 507(a)(3) of the Bankruptcy Code up to the Combined Priority Amount upon occurrence of the IR Payment Date. Each such priority claim shall be paid by Settlement Check mailed to the Settling IR on the IR Payment Date, but only up to the Combined Priority Amount. All Class C Claim amounts in excess of the Combined Priority Amount shall be allowed in full, upon the occurrence of the IR Payment Date, as prepetition general unsecured claims and treated under any Plan as allowed general unsecured claims in accordance with the provisions of Section 11 of this Settlement Agreement (the "Class C Allowed Unsecured Claims," and collectively with the Class B Allowed Unsecured Claims, the "Allowed Unsecured Claims").

9.4 Class D Claims – Post-Petition Usage Commissions. Settling IRs holding claims (if any) against the Debtors for anticipated, post-petition usage commissions shall not receive any Distribution on account of such claims and such claims shall be waived, released, and forever discharged on the IR Payment Date.

9.5 Class E Claims – Unused Fee Claims for the Twelve Months prior to the Petition Date. Each Settling IR: (i) who paid enrollment, training, or renewal fees; (ii) whose enrollment date or annual renewal date was between November 1, 2003 and October 31, 2004, inclusive; and (iii) who does not hold a Class A Claim, shall be entitled to an allowed unsecured rejection damages claim for the unused portion of such fees in an amount to be determined by the following formula: $A = B \times (C \div D)$, where **A** = the amount of the Settling IR's Class E Claim ("Class E Claim"); **B** = the total amount of enrollment, training, or renewal fees paid by such Settling IR during the 365 days prior to the Petition Date; **C** = 365 minus the number of days from the date of actual enrollment or renewal by the Settling IR through the Petition Date; and **D** = 365. Each Settling IR holding a Class E Claim shall receive in full satisfaction of such Class E Claim a pro rata share of \$600,000 (the "Class E Settlement Amount") which shall be determined by the following formula: $X = (Y \div Z) \times \$600,000$, where **X** = the Settling

⁵ In the event that a Settling IR is entitled to a Distribution based upon claims in more than one class, the Debtors shall have the option to pay such Distribution in the aggregate, with a single Settlement Check, or by separate Settlement Checks on a per class basis.

IR's Class E Settlement Amount; **Y** = the amount of the Settling IR's Class E Claim (computed as "A" in the manner set forth above); and **Z** = the aggregate amount of all Settling IRs' Class E Claims. The Distribution on account of the Class E Claims shall be paid by Settlement Check mailed to the Settling IR on the IR Payment Date.

9.6 Class F Claims – Post-Petition Payments Received by Debtors (Any Fees, Deposits, etc.). To the extent not already refunded, any and all payments by Settling IRs, in their capacity as IRs, for enrollment fees, training fees, renewal fees, or other fees or deposits received by the Debtors postpetition, as set forth on the Debtors' books and records, shall be refunded, in full, and paid to such Settling IRs by Settlement Check mailed to such Settling IRs on the IR Payment Date.

9.7 Class G Claims – Miscellaneous Claims Against the Released Parties (Expense Reimbursement, Tort Claims, Breach of Contract Claims, and Any Other IR Claim Not Included in Classes A through E). All claims (other than those described in Classes A through F herein) of the IR Committee, its members, and each and every Settling IR, of whatever kind or character, whether known or unknown, whether sounding in contract or in tort, at law or in equity, against the Released Parties, whether joint or several ("Class G Claims"), are hereby waived, released, and forever discharged upon the occurrence and as of the IR Payment Date.

9.8 Failure to Timely Present Settlement Checks. As provided in Section 3.1 of this Settlement Agreement, Settlement Checks shall be valid and payable if properly presented to the Payor Bank on or before the Cutoff Date. Any Settlement Check not presented for payment to the Payor Bank by the Cutoff Date shall become null and void for purposes of (i) presentment and funding by the Debtors and RTFC, or (ii) receipt of any Distribution under the Settlement Agreement. The IR Committee and the Settling IRs expressly waive all rights, claims, and/or entitlements, if any, to any such unclaimed, unpaid, or stale Distribution or Settlement Checks. Failure of any Settling IR to timely present to the Payor Bank any Settlement Check shall not, however, alter or diminish in any way the compromises, waivers, releases, and settlements otherwise called for or embodied in the Settlement Agreement.

9.9 Setoff Rights and Conditions to Distribution. Notwithstanding anything to the contrary contained herein, the Debtors shall have the right to setoff against a Settling IR's share of the Distribution any prepetition or postpetition claim that the Debtors have against such Settling IR based upon (i) credit card chargebacks, payment reversals, credits, or other refunds in favor of such Settling IR in respect of any payments previously made by such Settling IR to the Debtors and later reversed or voided; or (ii) any outstanding loan of such Settling IR owing to the Debtors that remains unsatisfied as of the IR Payment Date (the "Setoff Rights"). To the extent that the Setoff Rights as to an individual Settling IR exceed that IR's share of the Distribution ("Excess Setoff Amount") and such Settling IR has an Allowed Unsecured Claim, the Debtors shall have the right to apply the Excess Setoff Amount against such Allowed Unsecured Claim. To the extent the Setoff Rights against a Settling IR exceed the combined amount of a Settling IR's share of the Distribution and his Allowed Unsecured Claim, the Debtors shall be entitled to seek recovery of the unpaid balance of the Excess Setoff

Amount from said Settling IR in accordance with applicable law. Excepting only the Setoff Rights, which are expressly reserved, the Debtors hereby waive (1) any right of setoff against the Settling IRs other than the Setoff Rights and (2) all other pre-petition claims held by the Debtors against the Settling IRs as of the date of entry of the Settlement Order. In addition, to the extent that any of the Debtors are obligated under a pending garnishment action, levy, or order pursuant to which a third-party creditor or governmental agency seeks to enforce a claim against a Settling IR by requiring the Debtors to pay over to such creditor any sums owing by the Debtors to said Settling IR, the Debtors shall be authorized, but not obligated, to pay to the garnishor, IRS, or other applicable person or entity any sums otherwise due such Settling IR pursuant to this Settlement Agreement in accordance with said garnishment order or other appropriate process or decree to the extent applicable, with the remainder, if any, being paid to the Settling IR.

9.10 Satisfaction of IR Claims and Injunction Against Pursuit of IR Claims. Except to the extent that a Settling IR holding an Allowed Unsecured Claim may participate *pari passu* in any distribution to holders of allowed general unsecured claims under any Plan, the Distribution shall be in full and final satisfaction of any and all IR Claims held by all Settling IRs. The Settlement Order shall contain a provision that prohibits and enjoins Settling IRs and the IR Committee from taking any action to assert or recover upon the IR Claims against the Released Parties (including, but not limited to, any self-help actions such as credit card chargebacks), except in accordance with this Settlement Agreement. Further, each Settling IR and the IR Committee covenant and agree not to sue or to take any action to assert or recover upon any IR Claim against any Released Party.

Section 10. Release of Claims. Except for any rights and obligations by and among the Settlement Parties and any Settling IR arising under or expressly preserved by the terms of this Settlement Agreement, upon the occurrence of the IR Payment Date, (i) the Debtors shall be deemed to have waived, released, and forever discharged each Settling IR from any and all pre-petition claims held by the Debtors against such Settling IR as of the date of entry of the Settlement Order and all causes of action of the Debtors arising under chapter 5 of the Bankruptcy Code against such Settling IR; and (ii) the IR Committee and the Settling IRs, acting both jointly and severally, shall be deemed to have waived, released, and forever discharged against the Released Parties any and all claims, causes of action, suits and demands for any and all damages, offsets, reimbursements, expenses, compensation, attorneys' fees, losses, or detriment of any kind or character whatsoever, whether known or unknown, arising on or before the IR Payment Date, including, but not limited to, (a) the IR Claims and those claims described in Sections 9.1 through 9.7 hereof and, (b) specifically as to the RTFC, any claims or challenges against the RTFC, or with respect to the RTFC's claims or liens asserted in the Cases. Nothing contained herein shall be construed as an admission by any Settlement Party or Settling IR of any liability or damages of any kind to any other party. Each of the Settlement Parties and each Settling IR denies any liability in connection with any claim and intends merely to avoid litigation and buy peace. Notwithstanding the foregoing releases, it is expressly understood and agreed by the

Settlement Parties that Settling IRs holding Allowed Unsecured Claims as provided herein shall be treated as set forth herein.

Section 11. Substantive Consolidation. The Plan may provide that the Debtors and their estates, collectively, shall be substantively consolidated for voting and distribution purposes. The Settling IRs and the IR Committee agree not to object to such substantive consolidation and hereby knowingly and intentionally waive any right they may have to so object. In the event the Debtors and their estates are substantively consolidated, the Allowed Unsecured Claims shall be treated under the Plan as *pari passu* with all other allowed general unsecured claims against the Debtors. In the event the Debtors and their estates are not substantively consolidated, the Allowed Unsecured Claims shall be treated *pari passu* with all other allowed general unsecured claims against the particular Excel estate or estates in which such claims arise.

Section 12. RTFC Lending Obligation. The RTFC agrees to make available to the Debtors, pursuant to the New RTFC DIP Financing, all funds necessary to make the payments required under this Settlement Agreement. The RTFC shall ensure that adequate funds exist in the Funding Account to allow the Debtors to honor all Settlement Checks properly presented to the Payor Bank by any Settling IR on or before the Cutoff Date. Notwithstanding anything to the contrary stated herein, the RTFC shall not be obligated to lend, and the Debtors shall not be obligated to pay, more than the lesser of (a) \$2,800,000 or (b) the aggregate Distribution under sections 9.1, 9.2, 9.3, 9.5, and 9.6 of this Settlement Agreement based upon the amounts set forth in the IR Schedule as approved by the Settlement Parties.

Section 13. Shaklee. Each Settling IR who executed a release with Shaklee Corporation that released claims against the Debtors shall be entitled to receive a Distribution notwithstanding such release.

Section 14. Special Notice to Certain IRs. During the 90 days preceding the Petition Date, approximately 136 IRs either voluntarily resigned or were terminated (the "Terminated IRs"). The Settlement Parties acknowledge and agree that the Terminated IRs are not eligible to participate in the Global IR Settlement, as they were not active on the Petition Date. Nonetheless, at the request of the IR Committee, the Debtors have agreed to mail a specific notice of their inability to participate in the Global IR Settlement to each of the Terminated IRs at their last known mailing address, which notice shall be sent no later than December 21, 2005.

Section 15. IR Committee Expenses. All actual, necessary and reasonable out-of-pocket and travel expenses of the members of the IR Committee shall be reimbursed promptly by the Debtors as allowed administrative claims under section 503(b)(3)(F) of the Bankruptcy Code. All requests for reimbursement shall be made within thirty (30) days after the IR Payment Date or be waived, released, and forever discharged. The Debtors and the RTFC expressly reserve the right to object to any such charges on the grounds of reasonableness and/or necessity.

Section 16. IR Committee Sunset Date. Thirty (30) days after the IR Payment Date, the appointment of the IR Committee shall terminate automatically without further order of the Bankruptcy Court, and the members of the IR Committee shall thereupon be released and discharged of and from all further authority, duties, responsibilities, and obligations relating to and arising from and in connection with the IR Committee and the Cases.

Section 17. Further Assurances. All Settlement Parties agree to work together in good faith to achieve approval of the Global IR Settlement pursuant to the Settlement Motion, to agree upon the IR Schedule, and to implement the Global IR Settlement, if approved.

Section 18. Entire Agreement. This Settlement Agreement shall constitute the entire agreement of the Settlement Parties and the Settling IRs and supersedes all other prior agreements, understandings, or discussions, both written and oral, among the Settlement Parties and the Settling IRs with respect to the subject matter of this Settlement Agreement.

Section 19. Amendment. No modifications to this Settlement Agreement made subsequent to the execution of this Settlement Agreement shall be binding or enforceable unless first reduced to writing and signed by authorized representatives of each of the Settlement Parties.

Section 20. Advice of Counsel. The Settlement Parties have had the benefit of counsel of their own choice and have been afforded an opportunity to review this Settlement Agreement with chosen counsel. The Settlement Parties, after conferring with counsel, further acknowledge and represent that they have carefully read this Settlement Agreement, understand it, and have executed it voluntarily and on their own best judgment, without fraud, duress, or undue influence.

Section 21. Neutral Construction. The preparation of this Settlement Agreement has been a joint effort of the Settlement Parties and the resulting document shall not, solely as a matter of judicial construction, be construed more severely against one of the Settlement Parties than the others.

Section 22. Binding Instrument. This Settlement Agreement shall be binding on the Settlement Parties, the Settling IRs, and their successors and assigns.

Section 23. Survival. All recitals, representations, warranties, understandings, covenants, pledges, promises and agreements contained herein shall survive the execution and delivery of this Settlement Agreement.

Section 24. Waiver. No waiver by any of the Settlement Parties of any breach by any other of the Settlement Parties of any term, condition or obligation set forth in this Settlement Agreement shall be deemed a waiver of that provision or any other provision of this Settlement Agreement or a waiver of the same or similar breach thereafter.

Section 25. Severability. If any term or condition of this Settlement Agreement is held to be invalid or unenforceable for any reason, it shall be deemed severed from this Settlement Agreement and the remaining terms and conditions of this Settlement Agreement shall not be affected thereby and shall be deemed valid and enforceable to the fullest extent permitted by law.

Section 26. Headings. The headings in this Settlement Agreement are for the convenience of the reader only and do not form a substantive part of this Settlement Agreement or in any way affect the meaning or interpretation hereof.

Section 27. Governing Law. This Settlement Agreement shall be governed, construed, enforced and interpreted in accordance with the laws of the State of Texas, without regard to its principles involving choice or conflicts of law, and has been entered into by the Settlement Parties in recognition of such laws.

Section 28. Choice of Forum. All actions, suits or proceedings, whether at law or equity or otherwise, arising out of or relating to this Settlement Agreement or the subject matter hereof shall be brought exclusively in the Bankruptcy Court. The Settlement Parties consent to personal jurisdiction in the Bankruptcy Court for purposes of such actions, and service of process for any such action shall be deemed sufficient upon the Settlement Parties if effected pursuant to the notice provisions of Section 31 herein.

Section 29. Attorneys' Fees and Costs. From and after entry of the Settlement Order, should any action, suit or proceeding be commenced by any of the Settlement Parties to enforce any provision hereof, the prevailing party shall be entitled to recover from the adverse party, in addition to obtaining other relief, reasonable attorneys' fees and costs and expenses incurred in said action, suit, or proceeding, including any appeal.

Section 30. Injunctive Relief; Specific Performance. Each of the Settlement Parties recognizes that any material breach of this Settlement Agreement will irreparably harm each of the other Settlement Parties and, accordingly, the Settlement Parties recognize that if any of the Settlement Parties breaches this Settlement Agreement and fails to cure such breach within ten (10) days of receiving written notice thereof from any non-breaching party, each of the other Settlement Parties shall be entitled to specific performance and to the immediate entry of an injunction and any other relief as may be available to remedy such breach.

Section 31. Notices. Unless otherwise indicated, all notices required or permitted hereunder shall be in writing and shall be sent via facsimile transmission, U.S. Mail, or delivered by hand and addressed as follows:

If to the IR Committee: Official Committee of Excel Independent
Representatives
c/o White & Case LLP
200 South Biscayne Boulevard, Suite 4900
Miami, Florida 33131
Telephone: 305-371-2700
Facsimile: 305-358-5744
Attention: John K. Cunningham, Esq.

If to the Debtors: VarTec Telecom, Inc. and its affiliated debtors
c/o Vinson & Elkins L.L.P.
2001 Ross Avenue
3700 Trammell Crow Center
Dallas, Texas 75201
Telephone: 214-220-7744
Facsimile: 214-999-7744
Attention: James J. Lee, Esq.

With a copy to: Michael G. Hoffman
President and Chief Executive Office
VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, Texas 75006

If to the RTFC: Rural Telephone Finance Cooperative
c/o Fulbright & Jaworski LLP
2200 Ross Avenue
Suite 2800
Dallas, Texas 75201
Telephone: 214-855-8000
Facsimile: 214-855-8200
Attention: Toby L. Gerber, Esq.

Section 32. Counterparts. This Settlement Agreement may be executed by delivery of actual or facsimile signatures and in any number of counterparts by the different Settlement Parties using different signature pages, all of which together shall constitute one and the same agreement. Any of the Settlement Parties may execute this Settlement Agreement by signing any such counterpart and each of the counterparts shall for all purposes be deemed an original.

Section 33. Authority. Each Person signing below on behalf of the Settlement Parties represent that he has authority to sign for and bind the respective Settlement Party to this Settlement Agreement. Notwithstanding the foregoing, the Settlement Parties recognize and acknowledge that regardless of the signature of the Debtors' authorized representative below, this Settlement Agreement shall not be binding upon the Debtors unless and until the Bankruptcy Court enters the Settlement Order.

Dated: _____, 2005

Official Committee of Excel Independent
Representatives

Brian R. McClure
Chairman

Dated: _____, 2005

VarTec Telecom, Inc. and each of its
affiliated Debtors

Michael G. Hoffman
President

Dated: _____, 2005

Rural Telephone Finance Cooperative

By: _____
Its: _____

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