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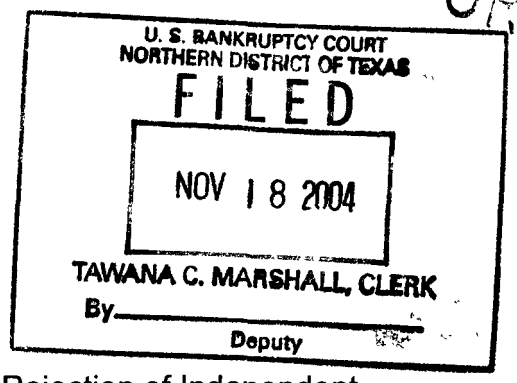


November 16, 2004

Larry Wolfson, Managing Member
Dialtone Partners, LLC
5588 Chamblee-Dunwoody Rd., Suite 2-150
Dunwoody, GA 30338

RE: Written response to Motion to Authorize Rejection of Independent Representative Agreements – Case No. 04-81694-SAF-11 (Vartec Telecom, Inc., *et al.*, debtors)

To The Honorable United States Bankruptcy Judge:

The above referenced Georgia Limited Liability Corporation is an Independent Representative of Excel Telecommunications, Inc. and is a party to two IR agreements (Category 1 and Category 2) as described in the Motion before you. I am the sole member of the LLC and represent its interest in its entirety.

The court is urged to set aside the Debtors' motion and issue a judgment for a more equitable outcome for Dialtone Partners, LLC and the more than 130,000 Independent Representatives who are impacted by the case.

Your Honor may want to consider the following facts in your evaluation of the merits of the motion:

1. In Vartec's marketing of their business to prospective independent representatives, they claim to service approximately ten (10) million residential customers. A high percentage of those customers are serviced by the Excel Telecommunications division with residential local, long distance, wireless, paging, internet hosting, and/or other products.

2. Excel Telecommunications has used the Multi-Level Marketing model exclusively to promote its products and services. Therefore, by definition, 100% of the revenue generated by the Excel Telecommunications division is the direct result of the efforts of the Independent Representatives.

3. Vartec has stated they will continue to service all Excel Telecommunications customers, which will generate a recurring income stream well into the future.

4. Assuming that Vartec provides a quality service at a fair value, they should be expected to retain these pre-existing customers, allowing for, at most, the industry average for attrition.

5. Vartec has stated that they will convert to a direct-to-consumer marketing model, which assumes they will use "traditional" paid methods of customer acquisition (e.g. media, direct mail, internet marketing).

The unique circumstance for the court to consider is that this particular group of Creditors, acting in good faith of an ongoing relationship with Vartec, has acquired millions of customers and created a sizable revenue stream for the Debtors, from which they expected to receive a commission for as long as those customers purchased the services (into perpetuity). Each Independent Representative was encouraged and rewarded for recruiting new representatives and building a downline; commissions were paid on customers acquired by representatives up to seven levels downline.

If the motion is granted, Vartec will move forward with their plans to acquire new customers by the "traditional" paid marketing methods as described above. However, they will also continue to receive a large and profitable revenue (approaching $1 Billion) on the *very same customers that existed prior to the filing of the motion*; customers that were originally acquired, at no marketing cost to Vartec, by the direct energy and efforts made by the Independent Representatives and would require no additional, future marketing cost for Vartec to retain them.

Vartec is not only asking the court to allow them to get relief from their financial obligations for *past* revenue received, but also to be allowed to continue to receive 100% of the *future* revenue generated by the agreements they seek to terminate. If the IRs were contracted suppliers of products or services to Vartec, they would not be expected to continue to provide products or services to the company into the future without proper compensation.

Your Honor may also consider a compromise; that Vartec may be granted the rejection of the IR agreement they seek, but that the IR group receive an equitable, one-time commission on the future value of the customer base existing as of November 1, 2004. An example might be to take the total amount of usage commission paid to each IR, for all seven levels, in the last monthly pay period (October 15, 2004) and extend it out for a number of months (e.g. six, nine, twelve or more).

For Dialtone Partners, LLC, the total 7 level usage commission received in the October 15, 2004 pay period was $109.99.

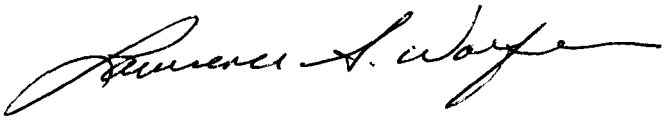
- The full seven-level calculation is important because the Multi-level Marketing system used by Vartec was designed to encourage and reward Excel Independent Representatives for spending more of their time and effort assisting other IRs in their downline acquire customers rather than concentrate on building their own personal customer base. For example, only about $12.00 of Dialtone

Partners, LLC's October 15 commission payment is attributable to personal customers.

- For Dialtone Partners, LLC, I personally spent approximately 550 hours of my time and invested about $2,000 in travel and other expenses in 2004 to assist just one of my Level 7 downline Independent Representatives (Domino's Franchisee Association, a party to a Category 1 IR agreement) acquire customers for their Excel Fundraising program. Both the DFA and I did so with the expectation that our upfront effort and investment would generate an annuity income stream for years into the future.

The Debtors' representatives may tell you that Vartec has made an "arrangement" with another Multi-level Marketing Company (Shaklee Corporation) to absorb the Excel Representatives and pay usage commissions on existing customers for 3 months. However, they may not tell you that Shaklee will only pay commissions on the personal customers acquired by the Excel IR, not downline customers. In addition, Excel Representatives seeking to receive those limited-term commissions must sign a new representative agreement with Shaklee, pay an application fee, and spend a minimum of $375.00 on Shaklee products in order to receive them.

Thank you for your consideration of this response.



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