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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.,

DEBTORS.**

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CASE NO. 04-81694-SAF-11

**(Chapter 11)
(Jointly Administered)**

**NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING
(SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS)**

The above-referenced debtors and debtors in possession (collectively, the "Debtors")¹ filed their Expedited Motion for Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Assets; (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice Relating to Sale; and (D) Granting Related Relief (Sale of Substantially All of the Debtors' Remaining Assets)

[Docket No. 1401] (the "Procedures Motion") and their Motion for Authority to Sell Assets Free and Clear of All Liens, Claims, Rights, Interests, and Encumbrances and for Related Relief (Substantially All of the Debtors' Remaining Assets) [Docket No. 1399] (the "Sale

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.

NOTICE OF SALE PROCEDURES, AUCTION DATE, AND SALE HEARING

DOCUMENT NUMBER-DATE

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Motion”). In the Sale Procedures Motion, the Debtors requested the entry of an Order (a) approving certain sale procedures and bidding protections in connection with the proposed sale (the “Sale”) of certain assets (the “Assets”), by the Debtors to Leucadia National Corporation (the “Buyer”); (b) setting a date for an auction of the Assets; (c) setting a date for the hearing on the Sale Motion; (d) approving this proposed 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.

After a hearing on the Sale Procedures Motion on June 27 and 28, 2005, the Court entered the Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Certain Acquired Assets, (B) Scheduling an Auction and Hearing to Consider Approval of the Sale; (C) Approving Notice Relating to Sale; and (D) Granting Related Relief (Substantially All of the Debtors’ Remaining Assets) [Docket No. 1446] (the “Procedures Order”), approving the Sales Procedures that are attached hereto as **Attachment 1**.

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

Dated: July 1, 2005

Respectfully submitted,

VINSON & ELKINS L.L.P.
Trammell Crow Center
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
Tel: 214.661.7299
Fax: 214.220.7716

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

ATTORNEYS FOR THE DEBTORS

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CERTIFICATE OF SERVICE

This is to certify that on July 1, 2005, a copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Northern District of Texas. A separate certificate of service shall be filed with respect to those parties on the Clerk's list who do not receive electronic e-mail service. Further, the foregoing document will be served by first class United States mail, postage prepaid on all creditors (except independent representatives), counterparties to the Debtors' executory contracts as set forth on the various Schedule G filed by each of the Sellers, parties requesting notice, official committees and their counsel, and parties asserting liens, claims or encumbrances against any of the Debtors' assets including any and all of the Acquired Assets (as defined in the Agreement).

 /s/ Richard H. London
One of Counsel

ATTACHMENT 1

Assets to be Sold

The assets of the Debtors to be sold consist of the "Acquired Assets" as defined in Section 2.1 of the Asset Purchase Agreement dated June 28, 2005 (the "Agreement") by and among the Debtors and Leucadia National Corporation (the "Buyer"). The Acquired Assets shall be sold free and clear of all claims, encumbrances, liens, and interests with such claims, encumbrances, liens, and interests attaching to the proceeds of the contemplated sale. Per the Sale Procedures set forth herein, the Debtors shall consider at the auction, bids for the Acquired Assets in a single bid from a single bidder (or from two or more persons acting together pursuant to a non-collusive agreement between or among them). As more particularly set forth in the Agreement, in consideration for the Acquired Assets, Buyer agrees to, among other things, pay the sum of \$61,500,000.00 subject to a working capital adjustment and assume certain liabilities.

Potential Purchasers

In order to qualify as a "Potential Purchaser", a bidder must demonstrate its willingness to bid in accordance with these Sale Procedures and deliver to the Debtors an executed confidentiality agreement in form and substance substantially the same as the confidentiality agreement by and between the Debtors and Buyer (the "Confidentiality Agreement"). The Debtors shall disclose the Potential Purchaser's interest and proposal (but not identity) to the Buyer within two business days after the Debtors receive the respective bid(s).

The Agreement and Due Diligence

The Debtors shall send to each Potential Purchaser a copy of the Agreement. The Debtors will provide Potential Purchasers that have delivered to the Debtors an executed Confidentiality Agreement reasonable access to the Debtors' 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 Debtors to a Potential Purchaser shall also be provided, at the same time, to Buyer if such information has not already been provided to Buyer. Notwithstanding the foregoing, the Debtors are not required to provide confidential or proprietary information to a competitor if the Debtors reasonably believe that such disclosure would be detrimental to the interests and operation of the Debtors or any of the Debtors' affiliates.

Submission of Bids by Potential Purchasers

Any Potential Purchaser desiring to submit a bid for the Acquired 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, Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201 such that the Bid is actually received not later than July 20, 2005 at 12:00 p.m., Central time.

No Bid received at or prior to the Auction shall, under any circumstances, (i) be deemed to be higher and better bid than the bid of the Buyer or (ii) be accepted by the Debtors unless, among other things, such Bid would, if accepted by the Debtors, result in the Debtors receiving aggregate consideration (or, in the case of the RTFC, a credit against its secured claim) for the Acquired Assets of not less than \$2,500,000 in excess of the consideration bid by the Buyer under the Agreement; provided that if the RTFC credit bids, it must also authorize, consent to, and provide funding to the Debtors for the payment of the Termination Fee (as defined in the Agreement).

Determination of Qualified Bids

To be a "Qualified Bid", it must be a bid that, in the Debtors' discretion:

- a. that is a bid that consists of an executed version of the Agreement acceptable to the Debtors (with any alterations clearly marked), subject to the minimum overbid requirement set forth below (the "Bidder Agreement"), and that clearly specifies the amount the Potential Purchaser is willing to pay and that provides for the payment of the Termination Fee from the Earnest Money Deposit (as defined below) as necessary under these Sale Procedures;
- b. the amount of which is not less than US\$2,500,000 in excess of the consideration offered by the Buyer under the Agreement;
- 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 US\$7,500,000 (the "Earnest Money Deposit") in the form of a certified check or wire transfer to the Debtors in care of The Bank of New York Trust Company, 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 Purchaser or its representative is legally empowered, by power of attorney or otherwise, and financially capable to (i) bid on behalf of such bid Potential Purchaser; and (ii) complete and sign, on behalf of such Potential Purchaser, a binding and enforceable asset purchase agreement; and (iii) agree that the bid will contain no contingencies to the validity, effectiveness, and/or binding nature of the offer including, without limitation, contingencies for financing, due diligence, or inspection;
- e. that meets all other requirements of these Sale Procedures; and

Determination of Qualified Bidders

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

- a. have been deemed "financially qualified" by the Debtors which at a minimum shall require any such Potential Purchaser to (i) 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 (ii) demonstrate to the Debtors' satisfaction that it has the legal capacity to complete the sale it is proposing and to satisfy the conditions under the Bidder Agreement;

- b. have delivered to the Debtors a Qualified Bid; and
- c. meet all other requirements of the Sale Procedures.

No Potential Purchaser will be a Qualified Bidder and have its bid considered by the Debtors unless such party has met the above requirements as determined by the Debtors. The Debtors shall promptly notify any Potential Purchaser who is selected as a Qualified Bidder of such selection. The Debtors shall also promptly notify the Buyer of such selections by number of Qualified Bidders but not identity of Qualified Bidders.

Treatment of Carrier Contracts

Verizon, MCI, Bell South, SBC, and Qwest have raised objections to the Agreement on the basis that it does not identify the Debtors' carrier contracts that will be assumed and assigned, or rejected, in connection with the sale. The Bankruptcy Court has carried those objections to be heard at the Sale Hearing. Potential Purchasers may want to identify the carrier contracts that will be assumed and assigned, or rejected, in any bid they submit for the Acquired Assets. The inclusion of this information in a bid for the Acquired Assets could be a factor in the Debtors' determination of Qualified Bids.

The Auction and Selection of the Successful Bid

The auction (the "Auction") will be conducted at the offices of Vinson & Elkins L.L.P., Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201, or at another location as may be timely disclosed by the Debtors to Qualified Bidders, and shall commence on July 25, 2005 at 1:00 p.m., Central time (the "Auction Date"). Parties in interest (other than Qualified Bidders) may attend the Auction, but they may not interfere with or participate in the Auction.

All Qualified Bidders must appear in person at the Auction, or through a duly authorized representative present in person. By making a Qualified Bid at the Auction, a Qualified Bidder shall be deemed to have agreed to keep its final Qualified Bid made at the Auction open until three business days after the entry of an Order approving a Sale of the Acquired Assets.

The Debtors shall consider Qualified Bids at the Auction in a single bid from a single bidder (or 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 and all Qualified Bidders shall be present in a single room for an open auction at which each Qualified Bidder is allowed to hear all bids from all other Qualified Bidders.

With respect to each round of bidding at the Auction following the overbid of the Buyer's initial bid, each successive bid must be at least US\$100,000 in excess of the aggregate consideration contained in the then highest standing Qualified Bid.

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

Unless otherwise agreed to by the Sellers, within six hours of the conclusion of the Auction, the entity that made the Successful Bid or the entities that together (non-collusively) made the Successful 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 Qualified Bid was made. Within forty-eight hours of the conclusion of the Auction, the Successful Bidder shall provide updated financial information showing its ability to close and shall update and provide such additional financial information as required by the Debtors.

Termination Fee

The Termination Fee shall be payable as an allowed administrative expense pursuant to Bankruptcy Code § 503(b) (i) on the third Business Day following the date that the Bankruptcy Court enters an Order approving an Alternative Transaction in accordance with the Sale Procedures or (ii) within three Business Days following the Debtor's termination of the Auction or the Court's entry of an Order denying approval of the Sale as provided below, as applicable. In the event the RTFC (i) does not exercise its right to terminate the Auction, or (ii) exercises its right to terminate the Auction and (A) the Debtors determine to terminate the Auction and withdraw the Sale Motion or (B) the Debtors determine not to terminate the Auction, proceed with the Sale Motion, and the Court enters an Order denying approval of the Sale, the RTFC shall be deemed to agree to provide funding to the Debtors for, authorize, and consent to the payment of the Termination Fee. In the event the RTFC exercises its right to terminate the Auction, the Debtors determine not to terminate the Auction and not to withdraw the Sale Motion, the Buyer is not the Successful Bidder, and the Court enters an Order approving the Sale, the Termination Fee shall be funded from the deposit of the Successful Bidder.

Objections

Objections to the relief requested in the Motion for Authority to Sell Assets Free and Clear of All Liens, Claims, Rights, Interests, and Encumbrances and for Related Relief (Substantially All of the Debtors' Remaining Assets) (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 July 20, 2005 at 12:00 p.m., Central time, and shall be served so as to be received by that same date and time on (i) the Debtors at VarTec Telecom, Inc., Attn: Michael G. Hoffman, 2440 Marsh Lane, Carrollton, Texas, 75006; (ii) the Debtors' counsel at Vinson & Elkins L.L.P., Attn: William L. Wallander, Trammell Crow Center, 2001 Ross Avenue, Suite 3700, 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 Stutman, Treister & Glatt P.C., Attn: Jeffrey C. Krause, 1901 Avenue of the Stars # 1200, Los Angeles, California 90067 with copies to Patton Boggs LLP, Attn: Thomas R. Nelson, 2001 Ross Avenue, Suite 3000, Dallas, TX 75201 and Brown McCarroll, L.L.P., Attn: Patricia Tomasco, 111 Congress, Suite 1400, Austin, TX 78701 (Counsel to Unipoint Holdings, Inc.). An objecting party may supplement its timely filed objection to raise issues relating only as to events that transpire at the Auction if that supplement is filed by July 26, 2005 at 4:00 p.m.

Court Approval

A hearing on the relief requested in the Sale Motion (the "Sale Hearing") will be held before the Honorable Harlin D. Hale, Chief Bankruptcy Judge on July 27, 2005 at 9:00 a.m., Central time. The sale of the Acquired Assets will be subject to the entry of an order of the Bankruptcy Court approving the Sale (the "Sale Order").

Closing

All closing transactions contemplated to take place Early Funding Date, Closing Date and Final Closing Date (each as defined in the Agreement) shall be held at the offices of Vinson & Elkins L.L.P., Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas, 75201 at 10:00 a.m. on the date required under the Agreement or at such other place or on such other date and time upon which the Parent and Buyer may agree.

Failure to Consummate Purchase

If, prior to the entry of a Sale Order, the Successful Bidder breaches the Agreement in a manner that gives rise to a termination right pursuant to Section 7.1(a)(v) of the Agreement on the part of the Parent, then the Parent shall have the right to terminate the Agreement pursuant to Section 7.1(a)(v) of the Agreement and to retain the Earnest Money Deposit as liquidated damages. If, after the entry of a Sale Order and prior to the Closing, the Successful Bidder breaches the Agreement in a manner that gives rise to a termination right pursuant to Section 7.1(a)(v) of the Agreement on the part of the Parent, then the Parent shall have the right to terminate the Agreement pursuant to Section 7.1(a)(v) of the Agreement and to pursue its rights and remedies under the Agreement and applicable law including, without limitation, the right to retain the Earnest Money Deposit and the recovery of damages for a breach of contract. In the event that the Successful Bidder fails to consummate the purchase of the Acquired Assets, the Debtors shall have the right to consummate the purchase of the Acquired Assets with any other Qualified Bidder on the terms of its final Bid.

Return of Earnest Money Deposit

If a Successful Bid has been selected and the sale of the Acquired Assets to a Successful Bidder has been approved by the Court, the Earnest Money Deposit of all other

Qualified Bidders who are not successful bidders, including the Buyer if the Buyer is not the Successful Bidder, shall be returned within three Business Days after the entry of the Sale Order. 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 Agreement.

RTFC Credit Bid and Auction Termination Right

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), and any such bid shall be deemed to be a Qualified Bid. The RTFC (or its assigns) shall have the right to provide the Debtors notice of the RTFC's (or its assigns') desire that the Debtors terminate the Auction, provided that the Debtors shall have final authority to determine whether to terminate and withdraw the Sale Motion, provided further that, (i) in the event the RTFC (A) does not exercise its right to terminate the Auction, or (B) exercises its right to terminate the Auction and (I) the Debtors determine to terminate the Auction and withdraw the Sale Motion or (II) the Debtors determine not to terminate the Auction, proceed with the Sale Motion, and the Court enters an Order denying approval of the Sale, the RTFC shall be deemed to agree to provide funding to the Debtors for, authorize, and consent to the payment of the Termination Fee; and (ii) in the event the RTFC exercises its right to terminate the Auction, the Debtors determine not to terminate the Auction and not to withdraw the Sale Motion, the Buyer is not the Successful Bidder, and the Court enters an Order approving the Sale, the Termination Fee shall be funded from the deposit of the Successful Bidder.