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Affidavit of J. Randall Catoe

1. I am Vice President for Internet Engineering, Solutions and Support for Cable & Wireless USA, Inc. I was Executive Director of Internet Engineering for MCI Telecommunications Corporation ("MCI") from December 1997 until the sale of MCI's Internet business to Cable & Wireless in September of 1998. I previously worked in MCI's network group since it was formed in September of 1994 and was employed in similar positions since 1978. I have personal knowledge of the matters set forth in this affidavit.

2. An MCI Senior Vice President stated in my presence, before the closing of the sale, that he was keeping dedicated Internet security personnel rather than offering or transferring them to Cable & Wireless so that he would have them to continue working on Internet business as part of MCI WorldCom. Such personnel were in fact withheld from Cable & Wireless.

3. An MCI Vice President who was in charge of coordinating the transfer of Internet Architecture and Engineering personnel to Cable & Wireless also stated in the presence of myself and other MCI executives prior to the closing that the criterion for selecting what people would be transferred to Cable & Wireless is whether the selection would "pass the red face test."

4. MCI in fact did not present Cable & Wireless with a complete listing of the employees (or groups of employees) necessary to support the iMCI business to be transferred. Nor did MCI invite Cable & Wireless to add any employees, or permit Cable & Wireless to add more than a few lower level employees, to the incomplete list that MCI did provide to Cable & Wireless. Instead, MCI intentionally failed to transfer employees who were key to the MCI Internet business.

5. MCI's supposed process for permitting Cable & Wireless "due diligence" access to necessary Internet personnel was limited by the actions of MCI executives to ensure that knowledge of the inadequacy of the proposed transfers was not recognized. MCI management took great care to ensure that the incomplete lists of Internet personnel whom MCI was identifying and offering to Cable & Wireless were not available to individuals able to recognize

and object to their inadequacy. When such individuals did become aware of the inadequacy of the proposed transfer lists, they were prevented from making this knowledge available to Cable & Wireless. As part of this effort, MCI senior management ordered that there shall be no meetings between offered personnel and Cable & Wireless without a designated non-transferring MCI official present. Furthermore, MCI senior management took care to assure that I and others would not know that MCI was not identifying or offering to Cable & Wireless many necessary employees to support the iMCI business to be transferred outside each of the discrete groups that each of us managed.

6. For example, during a meeting I attended in the summer of 1998 with representatives of Cable & Wireless to review the 94 people who worked under me at MCI, I was "chaperoned" by Mr. Vint Cerf's chief of staff, Carla LaFever, and MCI's Chuck Trusty, Vice President of Human Resources. During the meeting I was asked by Cable & Wireless representatives if I believed that the transferring employees were adequate to run the Internet business. I answered that I did not have complete knowledge of those transferring outside of my group. I was then provided by a Cable & Wireless representative with a copy of MCI's proposed master transferee list and was asked by Cable & Wireless to go away and mark it up as to persons not on the list who should be added (and anyone on the list whom Cable & Wireless should not take). Ms. LaFever and Mr. Trusty were present at this event.

7. MCI's Ms. LaFever then told Leo Cyr, who was leading MCI's transfer/non-transfer of Internet engineering personnel to Cable & Wireless, that I had the proposed master list. Mr. Cyr then engaged in a frantic effort to contact me, paging me repeatedly and then dispatching employees to instruct me to return his calls. When Mr. Cyr finally reached me, he was very agitated. He stated that some MCI senior executives, including John Gerdleman, were aggressively adamant that the list, which any manager at MCI would recognize was materially incomplete, not "get out" to anyone else at MCI, much less to Cable & Wireless. At this point Mr. Cyr advised me that I "risked my employment" if I shared the list with anyone at MCI or

Cable & Wireless. Mr. Cyr knew that I had substantial (for me) MCI stock options that would not vest unless I worked for MCI until the divestiture closing date.

8. Mr. Cyr recounted Mr. Gerdleman's claim that the reason Mr. Gerdleman was so adamant was that he did not want to risk people finding out they were on the list to be offered to Cable & Wireless but end up not being accepted by Cable & Wireless. This claim was not credible, because the intensity of the desire to prevent the list from disclosure far exceeded even the care taken with "layoff lists" at MCI, in my direct experience. Further, even if this concern were the motivation for guarding the list, it means that MCI put at risk their obligation to transfer sufficient employees as a result by preventing "due diligence" rather than supporting it.

9. Ms. LaFever then instructed me not to comment as to any group on the list except the 94 personnel who worked directly under me, and to convey these comments only through her as an intermediary. The pressure that MCI exerted on me prevented me from expressing doubts about the completeness of the transfer list and from actively participating in any "due diligence" process.

10. In the end, I complied with Ms. LaFever's instruction and Mr. Cyr's "advice," made no comments on the proposed list, and returned it to Ms. LaFever.

11. The full-time MCI employees who reported to me as of July 20, 1998 who were not transferred included Scott Huddle, a Senior Engineer on the Internet Design Management team who spent 100% of his time supporting the Internet business to be transferred to Cable & Wireless. Mr. Huddle was necessary to support MCI's Internet business to be transferred because he had rich technical knowledge of the inner workings of MCI's Internet backbone; he also had a keen understanding of, and represented MCI's Internet business before state and local boards and the like with respect to, the relationship of technical backbone issues to Internet pricing, economic and political issues that are important to MCI's former Internet business. Mr. Huddle was also Mr. Cerf's "sounding board" on iMCI business matters.

12. The other full-time MCI employees who reported to me as of July 20, 1998 who were not offered or transferred were characterized by MCI as necessary to support the vBNS

private research network and the Internet II network research and construction project for the U.S. government, which I understood MCI convinced the European Commission that MCI did not have to divest. Some of these non-transferred individuals, however, were directly engaged in activities necessary to the transferring business. Senior Manager Randy Nicklas, for example, spent virtually all his time from January through May of 1998 overseeing the process for creating a request for information ("RFI") to the vendor community for replacing the routers on MCI's Internet backbone with a next generation of routers. Mr. Nicklas thus acted as a key architect of necessary expansion of MCI's Internet backbone.

13. As to the incomplete list of offered employees who did not report to me and whom I was directed by MCI not to attempt to amend, I do not recall Cable & Wireless deciding not to accept any of the engineering or operations employees offered by MCI.

14. MCI withheld from the transfer to Cable & Wireless numerous necessary personnel in (among others) network engineering, network management, trouble management, dial engineering and the network operations and security areas, as set forth below.

15. *Internet Backbone Network Security Team.* MCI's pre-closing Internet Security team consisted of 16 persons and was headed by Senior Manager Dale Drew. All of this team was necessary to provide security support for MCI's Internet business. Two of the team (Yong-Gon Chon and Richard Ring) worked on classified government contracts; at least the other 14 members of the group spent virtually all their time on, and were necessary to support, vital security activities for the iMCI business to be transferred to Cable & Wireless. MCI identified and offered only three of these fourteen people but should have provided all fourteen -- especially the core group of nine managers and engineers who were most necessary to provide Internet backbone security for the network (of which MCI provided no one).

16. The nine employees withheld was necessary literally to keep MCI's entire Internet backbone running and free from ever-changing security interruptions and threats. These employees were responsible for protecting against denial-of-service attacks that could take down MCI's entire Internet network or render it unuseable, and to protect the entire network from

random or malicious hackers. To do so, they had to research constantly and develop new security tools and techniques, including new algorithms to find people before they attack or hack into the network. They also had to also maintain strong relations with the security enforcement community and the “secret” community (*i.e.*, informants) in order to keep up to date on ever-changing tools and methods of intrusion and to receive advance notice from these communities of security threats (sometimes on only a few minutes’ notice). They were also responsible for developing Internet security products, building Internet managed firewall exposure analysis, developing Internet intrusion detection systems, running authentication for all business and consumer Internet dial-up products, and handling customer security issues. Dedicated Internet access customers expect Internet security support from their backbone provider free of charge.

17. It is noteworthy in this context that adequate expertise necessary for mere day to day operation of the security and other aspects of MCI’s Internet backbone, *i.e.*, the Basic Internet Protocol Platform (“BIPP”), does not constitute all necessary employees to support the iMCI business that was to be transferred to Cable & Wireless. For example, beyond the employees necessary for day to day operation of the BIPP, MCI’s pre-divestiture Internet business needed additional employees constantly to update the network’s security tools because hackers are constantly improving their own tools and methods of intrusion. A network is only as viable and competitive as its ability to stop hackers’ newest tools and methods of intrusion. When MCI transferred its Internet network to Cable & Wireless, all of the security challenges facing the network fell on Cable & Wireless’s shoulders. Yet the three employees that MCI identified and offered to Cable & Wireless out of MCI’s 16-member Internet Security Group were only newly trained personnel and were far short of all the employees necessary to support this vital aspect of the iMCI business that was to be transferred to Cable & Wireless. The three employees whom MCI provided were basically in the web hosting arena, which requires significantly different engineering than that required for backbone and firewall security. The three whom MCI provided had little experience with network security for the dedicated access backbone (*e.g.*, network intrusion and detection systems as opposed to merely the dial up

platform and certain firewall products) or for managed firewall services, and had incomplete knowledge of the direction of backbone security or relations with the security enforcement community. (Two other MCI employees who transferred to Cable & Wireless who were allegedly former members of the group likewise did not have up-to-date network (as opposed to product) security skills and experience.) In all events, the Internet Security employees that MCI provided to Cable & Wireless could not possibly operate the BIPP and keep security activities and tools up to date.

18. The eleven members of the Internet Security team that were necessary to support the iMCI business to be transferred but who were withheld spent virtually 100% of their time providing this vital Internet backbone network security. Most of these employees were not necessary to provide security services for MCI systems *unrelated* to the iMCI business that was to be transferred to Cable & Wireless.

19. As a result of MCI's failure to transfer these key Internet Security employees, Cable & Wireless suffered substantial hacking problems for months after the closing. The need to devote scarce resources to these current problems also caused Cable & Wireless to fall further behind in its awareness of the latest security threats and solutions. Cable & Wireless has already hired six additional Internet Security employees since the closing, and needs to and is attempting to hire six more of these scarce personnel to attempt to catch up from not having sufficient employees since the closing.

20. *Architecture Team.* This team of at least 12 employees devoted 100% of its time to MCI's Internet business and was necessary for design decision making, arranging to meet critical needs for increased capacity, global scaling of the network (including but not limited to determining the optimal topology of the backbone, distribution of network management centers and company technical standards for different parts of the world), and taking advantage of new technology in order to continue to be able to serve the customer base. The team's necessary responsibilities also included development of network and industry standards to ensure that MCI's Internet network is able to compete by interoperating with and thereby attracting as

customers others' communications systems. MCI did not provide *any* member of its overall Internet architecture team.

21. MCI identified and offered no one from its eight-person Internet Network Management Architecture Group (a subgroup of MCI's overall Internet Architecture team). Each member of this group was devoted virtually 100% to supporting the iMCI business to be transferred. The group was necessary for, among other things, developing and maintaining MCI's Internet backbone operational support systems ("OSS") which monitor elements of MCI's Internet backbone and business, identify when Internet circuits are down or malfunctioning or congested, accomplish order entry of Internet circuits for customers around the world, and provision customers onto the network's Internet equipment. That this group was allegedly extensively involved in the Concert Internet Plus unwind (which was temporary) and was responsible for coordinating the transfer of the BIPP to C&W, confirms that this group was necessary to MCI's Internet business and should have been transferred. Indeed, before and after the Concert Internet Plus unwind and before the transfer of the BIPP to Cable & Wireless, this group was (or was to return to be) dedicated virtually 100% to supporting the iMCI business to be transferred.

22. As indicated on MCI's June 29, 1998 Internet Architecture and Engineering organigram, MCI's three-person Internet Switched Systems Architecture group was also necessary to support MCI's Internet business. This group was responsible for looking at how customers who have use traditional voice communications and infrastructures for years can be migrated into newer Internet technologies that would be best provided by MCI's Internet business. Given the widely reported convergence of Internet and telephony, Internet Switched Systems Architecture (including Internet Voice) is among the most important functions necessary to support the competitive iMCI business that was to be transferred. Yet MCI offered no one from this group.

23. MCI also offered no one from its five-person Internet Applications group. This group discharged responsibilities that were necessary for the operation of the iMCI business. As

MCI's June 29, 1998 "Internet Architecture and Engineering" organigram indicates, this "Internet Applications" group was necessary to support MCI's Internet business. For example, this group was responsible for developing standards across MCI's Internet clientele and the industry for promoting electronic commerce such as developing standardized privacy and encryption applications that best conform with MCI's unique Internet network and business. In fact, the functions this group carried out (including architectural design, encryption and spam) are all critical to supporting a competitive Internet business, and this group spent virtually 100% of its time supporting the iMCI business that was to be transferred.

24. As a result of MCI not providing anyone from its overall Internet Architecture team, Cable & Wireless has fallen behind on competing Internet technologies such as voice over Internet protocol applications and MPLS (a substitute or replacement for different "layer 2" non-Internet protocols such as ATM). As a further result, Cable & Wireless has not had the necessary employees to participate in standards bodies, ITF and other industry forums in which competing Internet businesses are attempting to steer industry standards in the direction of their network's strengths and away from others' such as MCI's former Internet network. Cable & Wireless therefore has to hire additional scarce Internet architecture employees. (MCI's failure to provide assets and support to Cable & Wireless in other areas has required the attention of other personnel resources at Cable & Wireless and thereby exacerbated the ill effects of MCI providing no Internet architecture personnel.)

25. *Firewall Services Development Personnel.* MCI transferred only one of the at least three persons who were necessary to develop Internet firewall services in a rapidly evolving environment. Mr. Robert Stilley was a Product Manager for managed firewall product marketing who largely created MCI's Internet managed firewall product and was devoted virtually exclusively to Internet matters. Several days before the closing, MCI changed Mr. Stilley's job and replaced him and transferred in his place someone who had little or no understanding of the process of Internet managed firewall.

26. **Managed firewall services are rapidly growing Internet services necessary for MCI's Internet business to be competitive.** Each of what turn out from reviewing MCI's July 20, 1998 Internet Architecture and Engineering organigram to be the six withheld members of the team had a significant role in the iMCI business and was necessary to the iMCI business to be transferred. The difference between the withheld persons who developed the firewall product, and the transferred persons who could at best maintain some of it, has been great. As a result of not receiving these necessary employees, Cable & Wireless has fallen behind in its development, marketing and sales of Internet managed firewall services.

27. **Port Capacity Planning Personnel.** MCI did not provide any of the four personnel who were necessary to meet Cable & Wireless needs in this key area, which involves the deployment of equipment to fully utilize the network. This group was necessary to determine how many Internet ports of which different types need to be implemented or allocated in which different areas of customer demand over what schedule. As a result of not being provided these necessary employees, Cable & Wireless is still having to come up to speed as to its capacity constraints and needs, and has been inefficient in its planning, allocation to customers, and utilization of its Internet ports. Cable & Wireless has to hire additional scarce personnel to attempt to make up for the personnel not provided by MCI.

28. **Integration and Test.** This group of at least seven had been dedicated to the Internet business, yet key components of this group such as the technical leadership (including Dennis Abbott and David Watkins) were not offered or transferred by MCI. MCI offered at most three of what turn out from a review of MCI's June 20, 1998 Internet Architecture and Engineering organigram to be at least 15 people in this group. Merely three of MCI's group would not have been and were not adequate to provide the necessary services for the platform transferred to C&W. The three employees whom MCI provided were experienced in the dial platform but not the dedicated access platform, and were referred to within MCI as the "layoff list" due to their relative lack of experience. The group that MCI withheld was built by Mr. Gil Read and used to test Internet equipment to see that it worked and was compatible with other

platforms in the network. Mr. Read and this group were necessary to support the iMCI business to be transferred. MCI also moved and withheld Internet Integration and Testing personnel before the closing to work on a new universal dial platform to be used for MCI WorldCom's combined Internet business.

29. As a result of not being provided these key personnel, Cable & Wireless has been delayed in implementing necessary Internet equipment, has installed Internet equipment that has ended up underperforming, and has had to hire and train additional personnel to integrate and test equipment.

30. *Project Management Group.* This group of approximately eight was necessary to deploy new designs, manage the warehouse, and deal with vendor technical issues. MCI provided only one.

31. *Anti-Spamming Personnel.* MCI withheld personnel who were necessary and qualified to perform this vital function aimed at unwanted Internet mail. For example, Artie Wartick was the most experienced and knowledgeable employee in this group for Internet e-mail, was considered by colleagues to be the Internet "spam master," was dedicated virtually 100% to supporting the Internet business, and was necessary to support the iMCI business to be transferred. The absence of such personnel resulted in anti-spamming measures being taken that were not customer-friendly and that left customers without certain capabilities, resulting in unhappy customers, lost business and harm to reputation. Specifically, Cable & Wireless had a lot of spam come through MCI's former Internet network; other networks noticed this pattern and began considering Cable & Wireless's Internet network to be a source of spam, and therefore filtering out Cable & Wireless Internet traffic from their networks and stopped accepting Internet mail from Cable & Wireless's network. MCI's non-transfer of this personnel has thus resulted in many customer complaints and harm to Cable & Wireless's reputation among customers and other networks and in the industry.

32. *Y2K Staff.* MCI did not provide necessary Y2K staff to Cable & Wireless, resulting in Cable & Wireless having to start all over with a Y2K program that had been half completed.

Cable & Wireless has had to spend millions of dollars just to remediate types of equipment that did not pass Y2K tests and has had to hire a staff of four and pull key people off other projects to perform this function. This personnel deficiency has also hurt Cable & Wireless's business and reputation because Cable & Wireless will now not be able to certify that it is Y2K compliant to customers until approximately September of this year, which is far too late for most customers.

33. *Internet Marketing.* Until just a few months before the closing, Mr. Scarborough had in name and substance been involved almost exclusively as the head of MCI's Internet marketing organization in Reston, Virginia. Sometime after MCI's decision to divest its Internet business, however, Mr. Scarborough's title and responsibilities "broadened" to include a new responsibility for marketing products that were not part of the iMCI business to be transferred to Cable & Wireless.

34. Mr. Scarborough was also aware of MCI's plans to divest its Internet business by no later than the first week of April, 1998. During that week Dr. Cerf called me into his office and announced he was "bringing me over the wall" by telling me that MCI planned to divest its Internet business. Mr. Scarborough was in Dr. Cerf's office for this conversation and clearly had already been "brought over the wall."

35. Nevertheless, Mr. Scarborough continued to be MCI's principal public spokesman on Internet marketing issues and continued to be known as the head of Internet marketing for MCI. In fact, Mr. Scarborough oversaw the preparation of, and himself made, the principal written and oral pre-closing presentations to Cable & Wireless regarding MCI's Internet marketing organization. He also continued to participate heavily in Internet marketing activities such as conference calls with AT&T and CRL and MCI's in-house Internet counsel regarding Internet peering arrangements. Moreover, a number of the Internet marketing personnel who had reported to Mr. Scarborough and needed his visionary marketing management and direction were provided to Cable & Wireless.

36. Yet, MCI did not offer Mr. Scarborough and instead provided in his place Howard Hempenius. Mr. Hempenius who had "nuts and bolts" experience but was subsequently

removed from his post-closing position as head of MCI's former Internet business, allegedly because he was not qualified to perform that assignment; Mr. Hempenius was given the option of pursuing other roles at Cable & Wireless but elected to resign.

37. Mr. Robert W. Fowler was another of the persons most necessary to support the iMCI business to be transferred. Mr. Fowler was known to other MCI employees for his vast and broad range of knowledge and experience in the dedicated Internet access business, including pricing. He was the person who calculated the billing for the largest circuits of MCI's Internet network each month; the process was not automated, and Mr. Fowler did it by hand by a methodology he had developed on spread sheets he created, thereby making him all the more indispensable to the iMCI business to be transferred. Mr. Fowler also performed availability tracking for MCI's large bandwidth Internet customers to make sure that circuits were available to them. He also ran weekly meetings with Internet engineering, provisioning and sales personnel to make sure that the needs of MCI's largest circuit Internet customers were met and appropriately priced and billed. Normally MCI would reward such a person by paying him more; and in the rare event that a transfer of such an important person became necessary, an extensive transition period would almost inevitably precede any transfer. Yet, Mr. Fowler's "transfer" was without any such extensive transition period and was unusually abrupt.

38. *Specialized Internet Technology Attorneys.* MCI had at least five attorneys who were necessary to support the Internet business but MCI offered Cable & Wireless only two attorneys, neither of whom were known to me, and who were not qualified to provide the specialized services and experience needed. In fact, the only two attorneys that MCI offered to C&W had nothing to do with the core Internet business to be transferred. However, attorneys Rothstein, Steinke and Gillis, for example, spent virtually all their time on, and were necessary to handle, key Internet contract and Internet regulatory issues for the iMCI business to be transferred.

39. As a result of MCI's failure to cooperate, Cable & Wireless has had to and continues to incur substantial, otherwise avoidable costs and is threatened with irreparable injury

by the very real prospect that MCI's delays will thwart Cable & Wireless's ability to transition off MCI's systems by September 1999 and March 2000. An example of such delays in the six week delay in providing power to new network components in MCI's Hayward, California PoP.

40. My pre-closing involvement in categorizing transferring MCI employees into A, B and C categories for Cable & Wireless was strictly for retention bonus purposes and was limited to the list of offered MCI employees who reported directly to me.

41. MCI has failed to provide trouble tickets and denied promised access to systems necessary for fault monitoring and trouble shooting. Another asset that MCI has failed to provide is data as to mean time to repair (MTTR)—a basic component of calculating network availability. MCI has also ceased to provide Registration Reports showing all registration activity.

42. At no time before the closing was I ever told by anyone at MCI or Cable & Wireless that Cable & Wireless already had any Internet Engineering capabilities, much less that any such capabilities were to be taken into account in determining what personnel MCI should or should not identify and offer to Cable & Wireless. In fact, I understood that Cable & Wireless did not have much of an Internet business, and that the only Internet offering Cable & Wireless had was of such a smaller scale than MCI's that the Internet engineering expertise needed for it was nowhere near adequate to address the scope or even the operational issues -- much less the strategic and growth issues, inherent in operating the iMCI business successfully. Indeed, Cable & Wireless's pre-divestiture Internet offering was so small that we did not even take it into account in our post-closing network planning. Nor did we hire any pre-closing Cable & Wireless engineers into Cable & Wireless's post-closing Internet Engineering group.

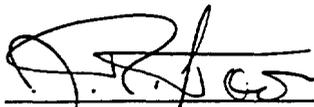
43. I have never heard of any "Advanced Network Technology" department at MCI. In addition, if a pre-closing "Internet Security" group was listed as part of an MCI "Next Generation OSS Architect" department (which I have not heard of), that would mean that they are not Internet Security personnel. Further, most individuals who were in the Internet web-hosting business before the closing had nothing to do with next generation OSS architecture.

Finally, manager Dave McCoy and Tom Skaff were necessary to support the Internet network operations aspect of the Internet business but were not identified or offered by MCI to Cable & Wireless for transfer.

44. A list of numbers of personnel laid off by MCI in January of 1999 by job title, does not demonstrate that many of the employees laid off by MCI worked in the same functional areas in which C&W now claims it needs additional support. MCI's job titles that are listed without reference to any individuals by name and are so general that they do not demonstrate that laid off persons with certain job titles worked in the same functional areas in which Cable & Wireless has needed additional support since the closing. Moreover, job titles for lower level positions do not address the fact that many of the persons most necessary to support the iMCI business to be transferred that MCI nonetheless withheld from identifying or providing to Cable & Wireless were managerial and technical Internet leadership such as John Scarborough, Robert Fowler, Robert Stilley, Gil Read, Deb Pierson and Dave McCoy.

45. I was privy to discussion within MCI in June of 1998 about a subsequently superseded and abandoned version of a much more limited divestiture in which Cable & Wireless would acquire only the wholesale Internet business. The prior version contemplated that MCI would pay fees to Cable & Wireless for use of MCI's to-be-divested backbone for 2-5 years for MCI's retail customers (who would stay with MCI) under extensive service agreements under which MCI would have had a much stronger vested interest than it did under the final version of the divestiture to provide additional services that would have been necessary to operate the Internet backbone and business.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 2, 1999



J. Randall Caloe

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Affidavit of Robert L. Rogers

1. I am Director of Credit and Receivables Management for Cable & Wireless USA, Inc. and have held this position for over six years. My responsibilities include tracking past due amounts, which are defined as accounts receivable that are at least thirty days old, for customers of the Internet business that Cable & Wireless purchased for MCI. I have personal knowledge of the facts set forth in this affidavit.

2. An extraordinary amount and proportion of the Internet customer revenue base that I understand Cable & Wireless was to receive from MCI is lost or significantly past due.

3. Of approximately 5,048 dedicated access accounts (including ISP accounts), 2,216 are past due. (This and other information in this Affidavit are based on information as of April 1, 1999.) Of the approximately \$20 million billed each month, approximately 1\$ of every \$2 dollars last invoiced is not being paid and is past due. The days sales outstanding ("DSO") for dedicated access accounts is a grossly excessive 80.70 days; the DSO should be in the thirties or at worst the forties. With respect to past due dedicated access accounts:

a) 130 have cancelled or requested cancellation entirely. These canceling customers represent a current past due amount of \$1,655,782 and a total current account receivable of \$1,931,952. Canceling dedicated access past due accounts include Time Magazine, Rohm Electronics, Apple Computer and Orion Pictures Corp. This list does not include any and all other accounts that cancelled without past due balances.

b) 133 have insisted that they cancelled before the acquisition. These accounts represent a past due amount of \$1,381,578 and a total account receivable of \$1,572,179. They include America On-Line, Cisco, Visa International, 21st Century, Ameritech Cellular Services, Roche and Westvaco.

c) MCI erroneously identified 70 accounts as “MCI” or the like, and Cable & Wireless has still yet to receive end user contact information from MCI. These “MCI accounts” represent a past due amount of \$4,469,772 and a total receivable of \$5,257,446. This past due amount is growing at a rate of approximately \$1 million per month. Since October or November we have been sending requests to MCI for accurate billing information for these customers on average at least weekly but have received virtually no cooperation from MCI. MCI said weeks ago that it would provide complete and accurate billing information for these accounts but still has not provided any further information.

d) 23 accounts have identified disputes but refuse to pay anything until and unless their issue is resolved. These accounts represent a past due receivable of \$315,651 and a total receivable of \$362,099, and include Westinghouse and Xerox/Caso.

e) 233 accounts dispute portions of their bill. These accounts represent a past due amount of \$3,886,015 and a total account receivable of \$5,194,652, and include Teleglobe International, Johnson & Johnson NCS, Nationwide Insurance, Teledanmark, Chrysler Corporation, Goldman Sachs, Wachovia Bank, Sun Microsystems, Berlitz International, SAIC, Equifax, Fairchild Publications, Bellcore, AIG, Delta Airlines, and Bekins.

f) 521 are suspension candidates in that they have made no firm commitment to pay. They represent a past due amount of \$6,366,809 and a total receivable of \$8,029,901. They include Price Waterhouse Production, American Express (PI) Phoenix Internet, Bear Stearns, Xerox/Case, Dun & Bradstreet Information, Schwab, Lucent Technologies, Shell Services Company, Office Depot, Bear Stearns, Smith Barney KPMG Peat Marwick, Adidas America, First Union,

Harcourt Brace, Sprint Centel, Nordstrom, Allied Signal, Toyota, Grand Met, Lane Bryant, Hyundai Information Technology, Motorola, Westinghouse Communications, Airtran Airways, Reuters America, Ford, Pitney Bowes, Owens Corning, SAIC, J.D. Power, Pepsi Cola International, Scientific Atlanta, Fujitsu Lab of America, IBM, GE Capital Financial, T. Rowe Price and Sara Lee.

g) 958 other accounts represent a past due balance of \$4,910,797 and a total receivable of \$7,571,282.

4. With respect to IDC accounts, approximately \$7 of every \$10 invoiced is not being paid and is past due. Of the approximately 160 IDC accounts, approximately 130 are past due. The DSO for IDC accounts is 81 days. With respect to past due IDC accounts:

- a) Topika Ltd. has cancelled entirely.
- b) Four accounts claim to have cancelled before the Closing and are refusing to pay; they represent a total account receivable of \$958,690.
- c) 33 accounts have refused to pay Cable & Wireless because they were on international settlement rather than direct payment terms with MCI. These settlement accounts represent a past due receivable of \$8,709,378 and a total receivable of \$11,432,575. Past due settlement IDC accounts include Telefonica de Espana, Korea Telecom, Embratel, KDD and Avantel. Cable & Wireless is attempting to convert another 12 MCI settlement accounts to settlement through Cable and Wireless Communications plc; these settlement accounts represent an additional past due receivable of \$3,711,381 and total receivable of \$4,395,808.

We did not discover that such a large portion of MCI' s IDC accounts were on settlement rather than direct payment terms until after the Closing.

Following this discovery, we asked MCI in December to take responsibility for making sure that these settlement accounts be converted to direct payment accounts or that Cable & Wireless be otherwise paid the revenues due under these accounts. MCI did not respond to Cable & Wireless' request until mid-February, and then declined to take any such responsibility.

d) Five past due IDC accounts dispute their bills. These accounts represent a past due amount of \$1,204,763 and a total account receivable of \$1,570,316. They include Bell Advanced Communications and Telecomunicaciones de Mexico.

e) 34 are suspension candidates, representing a past due amount of \$4,004,424 and a total account receivable of \$4,915,929.

f) 46 other accounts represent a past due amount of \$2,616,929 and a total receivable of \$4,615,898.

5. Of approximately 138 web hosting accounts (which set includes firewall), 63 are past due. As of April 3, 1999, Cable & Wireless still had not received web hosting invoices from MCI for January. Of every \$7.50 last invoiced by MCI (*i.e.* for December), approximately \$3 is not being paid and is past due. With respect to past due web hosting accounts,

a) one account has cancelled;

b) nine accounts dispute their bill; their past due amount is \$186,694;

c) two accounts claim to have cancelled prior to the closing;

d) 45 accounts are suspension candidates.

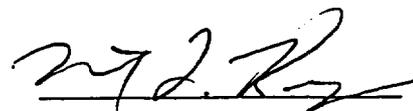
6. With respect to business and consumer dial-up accounts, September was not billed by MCI until November 30-December 4; October was not billed until January 7, 1999; and November was not billed until February 4, 1999.

7. Cable & Wireless has also consistently sought but not received information from MCI as to past due amounts owed under nonassigned Internet customer contracts. The list of nonassigned customers that MCI provided to Cable & Wireless did not afford a basis to evaluate the completeness or incompleteness of MCI's list. We have continually sought updates as to the accounts receivable status of nonassigned customers since December but have received only one update as to some account receivables balances (which was in March); MCI has still not provided any payment or collection information as to these accounts.

8. The amount and proportion of past due business accounts that Cable & Wireless acquired from MCI are completely unprecedented compared to Cable & Wireless' past experience with business customers.

9. I never told MCI WorldCom's Brian Gieseler or anyone else that accounts representing \$818,536 of the \$1,791,478 owed by MCI WorldCom to Cable & Wireless from non-assigned contracts did not involve non-assigned revenue. In fact, when Mr. Gieseler asked me if MCI WorldCom could exclude this portion (which relates to state and other government contracts) from the sum of accrued revenues due from MCI, I told him that MCI could not.

I declare under penalty of perjury that the foregoing is true and correct. Executed on September 21, 1999.



Robert L. Rogers

Subscribed and sworn before me

this 25th day of September, 1999

Susan G. Day
Notary Public SUSAN G. DAY

Commission Expires: 1-30-2001



AFFIDAVIT OF PEGGY WENNEMAN

1. I am currently the Senior Director of Internet Integration, Sales, & Marketing for Cable & Wireless USA. My responsibilities in this position include managing the development and implementation of new operational support systems for the Internet business. These systems provide automation in the following major functional areas: customer call center support, customer enrollment, fulfillment, billing, accounts receivable, internet authentication, security, and registration, and commissions. In my position, I am also managing Cable & Wireless's transition of its Internet business off MCI's systems and databases. I have been employed by Cable & Wireless for three years. Before joining Cable & Wireless, I worked for 13 years at MCI in various information systems services. I have personal knowledge of the matters in this affidavit.

2. Cable & Wireless is in the process of transitioning off MCI systems and databases for all lines of the Internet business. Cable & Wireless simply cannot transition off MCI's systems without MCI's cooperation because MCI must provide customer information and systems' schema in order for Cable & Wireless to know what types of systems to build. MCI has severely hindered the progress of Cable & Wireless in effectively transitioning off MCI systems and databases and onto its own systems and databases.

3. To effectuate a transition, MCI must provide Cable & Wireless with all customers' data (i.e. name, billing address, billing and payment history, etc.) but MCI has consistently delayed providing the necessary information. For example, Cable & Wireless had requested the database schema and related data for the dial-up Internet business as early as October 1998. Because MCI failed to provide the necessary information until February 1999, Cable & Wireless missed a May 1, 1999 implementation date for transitioning off MCI's dial-up systems. Only because Cable & Wireless personnel worked around the clock in April and May 1999 were we able to transition off MCI's dial-up systems on May 14, 1999.

4. When MCI did provide sample information, Cable & Wireless discovered that the customer data was inaccurate and incomplete in numerous respects. For instance, approximately

1800 accounts were missing address information. Passwords were missing or inaccurate.

Customer account status (active or disconnected) was not provided for all customers.

5. MCI sent the initial data (dial-up customer information) four weeks later than they had committed to providing it. When MCI finally provided a file of initial data, the file included corrupted data, and was eventually discovered by Cable & Wireless to be empty. We went back and forth a number of times with MCI before we finally received a file that actually contained usable data. This back and forth with corrupted data and empty files added about another week to the process.

6. MCI provided partial information about the OSPREY system schema. OSPREY is the MCI system containing most dial-up Internet customer-related data supporting customer care functionality such as name, password, billing address, pricing plan, notes/memos from past customer phone calls, etc. For example, MCI originally told Cable & Wireless that OSPREY contained all customer passwords. MCI then told us on April 19, 1999 – less than two weeks before the May 1 transition date – that the passwords in OSPREY could be inaccurate because another system, KEYSTONE, contained the actual passwords used to authenticate customer-inputted passwords. Once we found out that the passwords were not accurate, we questioned the accuracy of the rest of the information. We had to verify the information, or the transition would not be successful. To do this verification, Cable & Wireless needed additional data modeling and subject matter experts to research the data and validate the data against actual past invoices. We had Cable & Wireless personnel working around the clock to validate the information, re-program, and re-test to that the switch from MCI's systems to our systems would be successful and happen without major system down time.

7. Without complete information about the OSPREY schema, Cable & Wireless had to further research and analyze the content of the data in order to determine all of the fields in the schema. MCI provided no cooperation in this effort. My point of contact at MCI for the transition process told me that MCI could not help us because MCI had very few "subject matter" experts and that no one at MCI understood completely the OSPREY system.

8. When we finished the data clean-up effort, we had reduced the size of the data from the 31 gigabytes provided by MCI to less than 1 gigabyte. The volume of data needed to be reduced in order to minimize the network outage that could have resulted during the data migration and transition to Cable & Wireless's systems. For instance, when dial-up customers call into their Internet Service Provider, their password is authenticated through a system that originally was an MCI system. When we transitioned to Cable & Wireless authentication systems, it is critical that a customer's password data be accurate in Cable & Wireless's system. Otherwise, customer access is denied. The customers then call our customer care center, and a customer care representative has to manually reset the password. The net result is customer dissatisfaction with their Internet service and loss of customers.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 1st day of July, 1999.

Peggy Wanneman
Peggy Wenneman

Sworn to and subscribed before me, in my presence
this 1st day of July, 1999. A Virginia
Notary Public. In and for Stafford County/City
Eileen C. Stumpe Notary Public

My Commission Expires January 31, 2002

H

AFFIDAVIT OF NANCY RALEY

1. I am currently employed by Cable & Wireless Inc. as a Senior Manager for Operations at Cable & Wireless' call center in Sacramento, California, located at 2495 Natomas Park Drive, Sacramento, California 95833. In that position, I am responsible for the voice systems, computers and connections to the Internet and intranet, call center software development, facility operations and security. I have been employed by Cable & Wireless in that position since September 14, 1998.

2. Before joining Cable & Wireless in connection with the sale of the iMCI business to Cable & Wireless, I was employed by MCI Telecommunications Corporation ("MCI") at its Sacramento call center, located at the same facility at 2495 Natomas Park Drive. At MCI, I was responsible for essentially the same functions as stated above. I had worked for MCI at the Sacramento call center since 1993.

3. Within a month prior to the sale of the iMCI business to Cable & Wireless, I spoke with Brad Richards, MCI's Regional Director, Operations, Mass Markets, who informed me that, in connection with the sale of the iMCI business, the Sacramento call center would need to collect and destroy MCI-related documents. In my position as Senior Manager for Operations at the call center, I reported to Mr. Richards, who was based in Denver, Colorado.

4. During one of my conversations with Mr. Richards, he told me to arrange for a document disposal service for use in the disposal of the materials that the call center would not be allowed to retain after the sale of the iMCI business. Based on Mr. Richard's instructions, I assigned members of my staff in the call center's facilities team to hire a document shredding service. The call center hired Shred-it Central California, 1250 S. Wilson Way Unit B-2, Stockton, CA 95202.

5. During one of my conversations with Mr. Richards, he said that he and a team of personnel he assembled would arrive in Sacramento on the upcoming weekend to oversee the completion of the document destruction.

6. On Sunday, August 30, 1998, Mr. Richards and his team met with me, other members of the call center's management team and other call center personnel. At the meeting, Mr. Richards handed out a list of categories of documents that should be destroyed.

7. After the meeting, call center personnel dispersed to the various floors of the call center to collect all documents and materials to be destroyed. Members of Mr. Richard's team participated in the document collection and removal throughout the call center.

8. The other personnel and I searched for and collected documents from the file cabinets and common work areas on the floors to which we had been assigned, as well as from our own work areas. Continuously throughout the day, documents were taken down to two large trucks provided by Shred-it, which were parked outside the front door of the call center. The documents were shredded and stored in the trucks. When the trucks became full, they hauled away the shredded documents and returned to the call center to shred and pick up more documents. The document destruction took the remainder of the day.

9. Sometime after that day, Shred-it came back to the call center to pick up and shred an additional two bins and one bag containing documents that had been overlooked.

10. Approximately 9 tons of documents and materials were destroyed by Shred-it at the Sacramento call center. Attached to this affidavit as Exhibit A is correspondence from Shred-it regarding the amount of material shredded at the Sacramento call center, Exhibit B are invoices from Shred-it for the documents destroyed, and Exhibit C is a certificate of destruction from Shred-it.

11. On August 31, 1998, in connection with the sale of the iMCI business, all historical data contained in a reporting database for the Sacramento call center, which included center and customer representative performance data, was erased. That data included, among other things, the number of calls handled by call center personnel, call handling time, sales data, and credits issued. The purging of this database left the call center without historical data regarding its past performance on which to base future decision regarding strategy and goals.

12. Prior to the sale of the iMCI business, the call center used a system to monitor and record call activities of the customer representatives, which included the ability to store both voice

and data. That system, known as "Echo" enabled customer service transactions to be monitored and/or reviewed to facilitate, among other things, quality control, training, and the efficiency of customer service representatives. Both the software and hardware for this system were removed from the call center by MCI in connection with the close of the sale of the business to Cable & Wireless. The Sacramento call center presently has no such system. The Echo system could have been left in operation at the Sacramento center with previously captured information deleted, and thus leaving the system in place in Sacramento would not have enabled Cable & Wireless to access any proprietary information of MCI or MCI WorldCom.

13. Prior to the sale of the iMCI business, the call center used an integrated system that provided one point of entry to multiple data sources, which enabled the customer representatives to view and update customer information and create new customer accounts through one standard interface. That integrated system, which included System One as its primary software component, was removed from the call center in connection with the sale of the business to Cable & Wireless. Notwithstanding MCI's enhancement of another system, known as "nMB," designed to provide access to customer information contained in the "Osprey" data base, the removal of System One and related components left the Sacramento call center without the ability to perform certain functions previously available and necessary to operate the Internet business. Those missing functions included the ability to post credits to a customer's account, the ability to automatically feed the sales and credit activities of customer service representatives to a reporting system, and the ability to trigger the mailing of correspondence to customers.

14. None of the software developers responsible for support and enhancement of nMB transferred to Cable & Wireless.

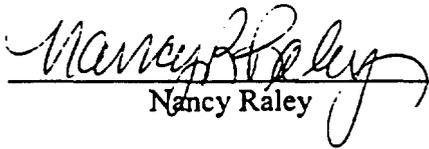
15. Prior to the sale of the iMCI business, the call center used a centralized workforce management system to generate and manage schedules for call center employees. Access to that management system, called IEX/TotalView, was eventually removed, requiring Cable & Wireless to purchase hardware and software to perform a similar function.

16. Prior to the sale of the iMCI business, the call center accessed a hardware and software system designed to facilitate and manage sales "leads" and deliver scripts to be read by

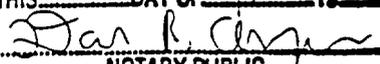
sales representatives to such leads. The leads system was supported by a trained group of individuals responsible to procure, refine and focus the leads to facilitate successful and targeted contacts with such leads. Access to the leads hardware and software system was terminated after the sale of the Internet business to Cable & Wireless. Moreover, none of the support personnel associated with the leads system were transferred to Cable & Wireless, so Cable & Wireless was left without this important expertise.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 1st day of April, 1999 in Sacramento, California.


Nancy Raley

SUBSCRIBED AND SWORN TO BEFORE ME

THIS 1st DAY OF April 1999

NOTARY PUBLIC





Date: Friday, March 12, 1999

To:

Penny Hummel

Phone:

Fax: 916-567-5808

From: Shred-it Central California

Jon Griffith

Phone: 209-465-0177

Fax: 209-465-0183

Pages: _____

Subject: Shred-it Purge 8/30/98 on our invoice number 101126.

In follow up to our telephone conversation today the above purge generated approximately 18,000 pounds or 9 tons of material.

INVOICE

INVOICE NO. 101126



Shred-it Central California
1250 S. Wilson Way Unit B-2
Stockton, CA., United States 95205
Phone: (209) 465-0177

DATE 08/30/98
MM DD YY

TO: MCI Telecommunications
2495 Natomas Park Drive
Suite 100
Sacramento, CA 95833

BILL TO: MCI Telecommunications
2495 Natomas Park Drive
Suite 100
Sacramento, CA 95833

DESTRUCTION DECLARATION		REF: 103319												
ON THE DATE SHOWN, DESIGNATED CONFIDENTIAL DATA WAS SHREDED AND DESTROYED AS PER CUSTOMER'S INSTRUCTIONS.														
TRUCK NO.: 288	TRUCK NO.: 236	TOTAL TIME HRS. 14 MIN. 59												
TIME IN: 11:45	TIME IN: 15:20													
TIME OUT: 21:09	TIME OUT: 20:55													
MOBILE CUSTOMER SERVICE REP.: <i>Scott Jay Staff - MCI CLIENT</i> Shawn Aubrey														
ACCOUNT NO. 10267	TERMS NET 30 DAYS, 2% PER MONTH ON OVERDUE ACCOUNTS	PURCHASE ORDER NO.												
 <p>WE RECYCLE</p> <p>THIS YEAR YOUR FIRM'S SHARE OF WOOD SAVED THROUGH SHRED-IT'S RECYCLING PROGRAM AMOUNTS TO _____ TREES</p> <p>THANK YOU FOR YOUR BUSINESS</p>		<table border="1"> <thead> <tr> <th>ITEM</th> <th>RATE</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>Shredding TRUCK # 288</td> <td>\$3.60/MIN</td> <td>\$ 2030.40</td> </tr> <tr> <td>TRUCK # 236</td> <td>335 min</td> <td>1206.00</td> </tr> <tr> <td colspan="2" style="text-align: right;">TOTAL CHARGES</td> <td>3236.40</td> </tr> </tbody> </table>	ITEM	RATE	AMOUNT	Shredding TRUCK # 288	\$3.60/MIN	\$ 2030.40	TRUCK # 236	335 min	1206.00	TOTAL CHARGES		3236.40
	ITEM	RATE	AMOUNT											
	Shredding TRUCK # 288	\$3.60/MIN	\$ 2030.40											
	TRUCK # 236	335 min	1206.00											
TOTAL CHARGES		3236.40												

THIS INVOICE WAS PAID WITH CHECK NUMBER 1000164894

INVOICE

INVOICE NO. 101261

DATE 09/16/98
MM DD YY



Shred-it Central California
1250 S. Wilson Way Unit B-2
Stockton, CA., United States 95205
Phone: (209) 465-0177

TO:
MCI Telecommunications
2495 Natomas Park Drive
Suite 100
Sacramento, CA 95833

BILL TO:
MCI Telecommunications
2495 Natomas Park Drive
Suite 100
Sacramento, CA 95833

DESTRUCTION DECLARATION		REF: 103408	
ON THE DATE SHOWN, DESIGNATED CONFIDENTIAL DATA WAS SHREDDED AND DESTROYED AS PER CUSTOMER'S INSTRUCTIONS.			
TRUCK NO.: 288	TRUCK NO.:	TOTAL TIME HRS. MIN. 38	
TIME IN: 15:55	TIME IN:		
TIME OUT: 16:33	TIME OUT:		
MOBILE CUSTOMER SERVICE REP.: SCOTT	CLIENT	<i>J Overby</i>	
ACCOUNT NO. 10267	TERMS NET 30 DAYS, 2% PER MONTH ON OVERDUE ACCOUNTS	PURCHASE ORDER NO.	
<p style="text-align: center;">WE RECYCLE</p> <p>THIS YEAR YOUR FIRM'S SHARE OF WOOD SAVED THROUGH SHRED-IT'S RECYCLING PROGRAM AMOUNTS TO 105 TREES.</p> <p style="text-align: center;">THANK YOU FOR YOUR BUSINESS</p>	ITEM	RATE	AMOUNT
	Shredding 2 BINS PLUS 1 BAG	\$3.50/HLN 3.25/MIN X 38	\$ 123.50/100 ↓
	TOTAL CHARGES		

THIS INVOICE IS NOT PAID



CERTIFICATE REFERS TO INVOICE NO.: 101126

Shred-it Central California
1250 S. Wilson Way Unit B-2
Stockton, CA., United States 95205
Phone: (209) 465-0177

DATE: 03/30/98
MM DD YY

SERVICE LOCATION:

MCI Telecommunications
2495 Natomas Park Drive
Suite 100
Sacramento, CA 95833

BILLED TO:

MCI Telecommunications
2495 Natomas Park Drive
Suite 100
Sacramento, CA 95833

CERTIFICATE OF DESTRUCTION

This certificate is to certify that Shred-it destroyed confidential information on-site for the above mentioned company by

TRUCK NO.: 288 TRUCK NO.: 236 TOTAL TIME ... HRS. 14 MIN. 59

MOBILE CUSTOMER SERVICE REP.: SCOTT-JAY STEVENS CLIENT *Shawn Chubey*



WE RECYCLE



THIS YEAR YOUR FIRM'S SHARE OF WOOD SAVED THROUGH SHRED-IT'S RECYCLING PROGRAM AMOUNTS TO

TREES.

THANK YOU FOR YOUR BUSINESS

ENVIRONMENTAL IMPACT

Shred-it is committed to helping save the environment. All shredded material that is recyclable is brought to a recycling centre to be processed into recycled paper products.

MISSION STATEMENT

Shred-it will consistently deliver the greatest security, cost-effectiveness, convenience and environmentally-friendly service available. Above all, we will earn the confidence of our clients through a continued commitment to total customer satisfaction.



SECURING YOUR OFFICE AND THE ENVIRONMENT

