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PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this "*Agreement*") is made and entered into as of September 18, 2002, by and among **TLGB Acquisition LLC**, a Delaware limited liability company ("*Buyer*"); Teleglobe Inc., a Canadian corporation ("*Teleglobe*"); Teleglobe USA Inc., a Delaware corporation ("*Teleglobe USA*"); and the other parties listed as "Key Sellers" on the signature pages hereto (together with Teleglobe and Teleglobe USA, "*Key Sellers*").

RECITALS:

A. The Sellers have been engaged in the telecommunications business;

B. Teleglobe and certain of its subsidiaries, in connection with the Insolvency Proceedings (as defined below), are disposing of or abandoning certain lines of business and assets, and terminating certain customer and vendor relationships and restructuring certain of their remaining operating businesses to be the voice and related data telecommunications businesses described on **Exhibit A** (the "*Core Business*"),

C. The Sellers intend to sell, pursuant to this Agreement, the Core Business and the Purchased Assets;

D. In contemplation of such sale, Teleglobe and certain of its subsidiaries transferred or, in the case of the transactions described on **Schedule 6.19** hereto, will transfer on the books and records, or assigned, as applicable, to one of the Sellers prior to the date hereof or, in the case of the transactions described on **Schedule 6.19** hereto, prior to the Closing Date will assign (i) all of the Contracts (as defined herein) which are part of the Purchased Assets and to which any subsidiary (other than the Sellers) of Teleglobe was a party and (ii) all of the other Purchased Assets owned by any subsidiary (other than the Sellers) of Teleglobe;

E. As a result of the transactions described in Recitals B and D and on **Schedule 6.19** hereto, other than any such transaction solely in connection with the abandonment of lines of business that are not part of the Core Business and termination of customer and vendor relationships that are not part of the Core Business (all such transactions consummated or to be consummated on or after the initiation of the CCAA Proceedings, the "*Migration Transactions*"), the Sellers (or the Newcos or Acquired Entities (each, as defined herein)) will hold as of the Closing Date all assets used to operate the Core Business in accordance with the Network Plan (as defined herein);

F. On May 15, 2002, those certain Sellers formed, created or organized under the laws of Canada, the United States or Puerto Rico (or, in each case, any jurisdiction therein) (collectively, the "*Canadian Debtor Sellers*"), along with certain of their Affiliates, filed for creditor protection (the proceedings being the "*CCAA Proceedings*") under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (as now in effect or hereafter amended, the "*CCAA*"), with the Ontario Superior Court of Justice (the "*CCAA Court*"), and commenced ancillary proceedings with the United States Bankruptcy Court for the District of Delaware (the "*US Bankruptcy Court*") pursuant to Section 304 of Title 11 of the United States Code (as now

in effect or hereafter amended, the "*US Bankruptcy Code*"). On May 28, 2002, those Sellers organized under the laws of the United States (or any jurisdiction therein) or Puerto Rico (the "*US Debtor Sellers*"), along with certain of their Affiliates filed voluntary petitions for relief under chapter 11 of the US Bankruptcy Code, with the US Bankruptcy Court and the chapter 11 cases (the "*US Bankruptcy Proceedings*") have been consolidated for procedural purposes only and are being administered jointly as Case No. 02-115181 (MFW). On May 20, 2002, those Other Sellers (as defined below) organized under the laws of the United Kingdom filed petitions for administration orders with the Chancery Division of the High Court of Justice ("*UK Court*") under section 9 of the United Kingdom Insolvency Act 1986 (the "*Insolvency Act*") which had the effect of staying actions against assets of those Sellers (together with the CCAA Proceedings, the US Bankruptcy Proceedings and, together with any subsequent insolvency orders made by the UK Court in respect of the UK Sellers, the "*Insolvency Proceedings*");

G Sellers desire to sell and Buyer desires to purchase certain of the assets used by Sellers in the conduct of the Core Business on the terms and subject to the conditions hereinafter set forth; and

H. The Key Sellers and Buyer have determined to enter into this Agreement which, among other things, provides for the Key Sellers to sell, transfer and convey ("*Transfer*") to Buyer (or to the Newcos (as hereinafter defined) as applicable) and to cause the Other Sellers to Transfer to Buyer (or to the Newcos (as hereinafter defined) as applicable), and Buyer (or the Newcos as applicable) to purchase and assume from Sellers, the Purchased Assets (as hereinafter defined).

NOW, THEREFORE, in consideration of the representations, warranties and covenants set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Key Sellers and Buyer hereby agree as follows:

ARTICLE 1

DEFINITION

1 1 Definitions. The following terms used in this Agreement will have the respective meanings ascribed to them in this **Section 1.1**:

"*AAA*" has the meaning set forth in **Section 5.2.5**.

"*Accountants*" has the meaning set forth in **Section 4.4.1**.

"*Acquired Entity*" has the meaning set forth in **Section 2.1.5.3**.

"*Adjusted Net Current Assets*" means (i) Net Current Assets, plus (ii) the Target Maximum Cure Amounts for all the Cure Contracts with respect to which, prior to the IMA Date, no settlement has been entered into as contemplated by **Section 4.4.3**, minus (iii) the Cure Savings with respect to settlements entered into prior to the IMA Date

"Affiliate" means, with respect to any Person, any other Person who is directly or indirectly controlling, controlled by or under common control with such Person. For the purposes of this definition, the term *"control,"* when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding anything herein to the contrary, the Manager (as defined in the Interim Management Agreement and UK Interim Management Agreement) will not be deemed to be an Affiliate of the Sellers or any of their subsidiaries.

"Affiliated Group" has the meaning set forth in Section 6.16.

"Agreed Loan" means the loan agreement in the form annexed hereto as Exhibit B to be entered into by Teleglobe and the UK Newco, under which Teleglobe will loan to the UK Newco an amount equal to the amount of the Hive Down Receivable;

"Agreement" has the meaning set forth in the introductory paragraph hereof.

"Arbitrator" has the meaning set forth in Section 5.2.5.

"Assignment and Assumption Agreements" has the meaning set forth in Section 5.2.2.

"Assumed Liabilities" means the following liabilities and obligations of Sellers (or Newcos or Acquired Entities):

(a) all liabilities and obligations (excluding any Taxes) of Sellers (or Newcos or Acquired Entities) arising under the terms of, (i) those Contracts assumed (directly or indirectly through the acquisition of a Newco or the Equity Interests of an Acquired Entity) by Buyer or its Affiliates pursuant to the terms of this Agreement and (ii) those Contracts executed or entered into by the Manager (as defined in the Interim Management Agreement) on behalf of the Sellers (or Newcos or Acquired Entities) on or after the IMA Date;

(b) the liabilities and obligations of the Sellers (or Newcos or Acquired Entities) as of the Closing Date that relate to the Core Business, which had they existed as of the date of the IMA Date Financial Statement, would have been included therein pursuant to the Baseline Financial Statement Methodology,

(c) all liabilities and obligations of Sellers (or Newcos or Acquired Entities) in respect of the Canadian Pension Plans, to the extent assumed by Buyer pursuant to subsection (j) of the definition of "Purchased Assets" in Section 1.1; and

(d) all liabilities that may arise from the actions taken by Buyer or any Affiliate thereof after the Closing with respect to the Transferred Employees and the UK Employees.

"Australian Assets" means the Purchased Assets held as of the IMA Date in the name of any Seller (or Newco) organized under the laws of the Commonwealth of Australia.

"Australian Employees" means those Employees employed by a Seller in Australia as listed in a letter delivered by the Key Sellers to Buyer on the date hereof (the "Employee Letter").

"Bankruptcy Courts" means collectively, the CCAA Court, the US Bankruptcy Court and the UK Court, together with any courts to which appeals (up to and including any courts of last resort in any relevant jurisdiction) may be taken from such courts, and ***"Bankruptcy Court"*** shall mean any one of such Bankruptcy Courts.

"Bankruptcy Court Orders" means the CCAA Court Sale Approval Order, the US Bankruptcy Court Sale Approval Order and any other order of the Bankruptcy Courts (other than the UK Court) providing for the assumption and assignment of Contracts (other than Rejected Contracts) in accordance with this Agreement.

"Bankruptcy Laws" means the CCAA, the BIA, the US Bankruptcy Code and the United States Federal Rules of Bankruptcy Procedure, as amended, the Insolvency Act and the local rules of any of the Bankruptcy Courts.

"Bankruptcy Pleadings" means all pleadings filed with any Bankruptcy Court by any Seller or any other Person relating to this Agreement.

"Bar Date" means the date or dates set by the Bankruptcy Courts fixing a deadline for all parties to file proofs of claim against and proofs of interests in one or more of the Canadian Debtor Sellers or US Debtor Sellers.

"Baseline Financial Statement" means the financial statement attached hereto as **Schedule 1.1L**.

"Baseline Financial Statement Methodology" means the methodologies and accounting principles used in preparing the Baseline Financial Statement.

"BCE" means BCE Inc., a Canadian corporation, and its successors.

"Bell Canada" means Bell Canada and BCE Nexxia Inc., and their respective successors.

"Bell Canada Contracts" means collectively, (i) the Master Wholesale Pricing and Services Coordinating Agreement, dated as of January 1, 2001, among Teleglobe, Bell Canada and BCE Nexxia Inc.; (ii) the Canada Direct Agreement, dated as of January 1, 1999, among Teleglobe, Bell Canada, Island Telecom, Inc., Maritime Tel & Tel Limited, MTS Communications, Inc., NB Tel Inc., Newtel Communications Inc. and Saskatchewan Telecommunications; (iii) the Interconnection and Operating Agreement, dated as of January 1, 1999, among Teleglobe, Bell Canada, Island Telecom, Inc., Maritime Tel & Tel Limited, MTS Communications, Inc., NB Tel Inc., Newtel Communications Inc. and Saskatchewan

Telecommunication; and (iv) the Amending Agreement, dated as of June 1, 2000, among Teleglobe, Bell Canada and BCE Nexxia Inc.

"BIA" means the Bankruptcy and Insolvency Act (Canada).

"Bidding Procedures Orders" means, collectively, the June 4, 2002 order by the CCAA Court as entered on June 7, 2002 approving the bid process, including the break up fee, for the sale of the Core Business, the further order of July 29, 2002 approving certain expense reimbursements and the June 24, 2002 order by the US Bankruptcy Court approving the bid process for the sale of the Core Business, as such order or orders may be amended or modified (to the extent such amendments or modifications are approved by Buyer).

"Bills of Sale" has the meaning set forth in **Section 5.2.2**.

"Bonus Plans" has the meaning set forth in **Section 8.14**.

"Breach Notice" has the meaning set forth in **Article XII**.

"Breaching Party" has the meaning set forth in **Section 5.2.5**.

"Breakup Fee" has the meaning set forth in **Section 11.3.1**

"Bring Down Financial Statement" means a financial statement reflecting a bring-down of the Baseline Financial Statement to the relevant date and prepared in accordance with the Baseline Financial Statement Methodology.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Toronto or New York are required or authorized by law to close.

"Buyer" has the meaning set forth in the introductory paragraph hereof.

"Canadian Company Plan" means all Canadian retirement, pension, supplemental pension, savings, retirement savings, bonus, profit sharing, stock purchase, stock option, phantom stock, share appreciation rights, deferred compensation, severance or termination pay, change of control, insurance, medical, hospital, dental care, vision care, drug, sick leave, short term or long term disability, salary continuation, unemployment benefits, vacation, incentive, compensation or other employee benefit plan, program, arrangement, policy or practice whether written or oral, formal or informal, funded or unfunded, registered or unregistered, insured or self-insured that is maintained or otherwise contributed to, or required to be contributed to, by or on behalf of the Sellers organized under the laws of Canada (or any province thereof) for the benefit of current or former employees, directors, officers, independent contractors or agents of the Sellers organized under the laws of Canada (or any province thereof) (or Newcos formed by the Sellers organized under the laws of Canada (or any province thereof)) in connection with the Core Business.

"Canadian Debtor Sellers" has the meaning set forth in **Recital F** hereto.

"Canadian Pension Plans" means all Canadian Company Plans that are registered and non-registered pension plans covering the Transferred Employees who are or were employed by the Canadian Debtor Sellers organized under the Laws of Canada or any province thereof.

"Canadian Transaction Notice" has the meaning set forth in **Section 8.4.1**.

"Capitalization" means the issue by UK Newco to Teleglobe of fully paid-up £1.00 ordinary shares in UK Newco in full and final settlement of all sums due to Teleglobe under the Agreed Loan, in accordance with Section 5.2.4.2.

"CCAA" has the meaning set forth in **Recital F** hereto.

"CCAA Court" has the meaning set forth in **Recital F** hereto.

"CCAA Court Sale Approval Order" has the meaning set forth in **Section 8.4.2.1**.

"CCAA Proceedings" has the meaning set forth in **Recital F** hereto.

"Closing" means the consummation of the purchase and sale of the Purchased Assets contemplated by **Section 2.1**.

"Closing Date" has the meaning set forth in **Section 5.1**.

"Closing Payment Amount" has the meaning set forth in **Section 5.2.3**.

"Closing Statement" has the meaning set forth in **Section 4.4.1**.

"COBRA" means Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA.

"Code" means the United States Internal Revenue Code of 1986, as amended and the rules and regulations promulgated thereunder.

"Collective Agreement" means a collective bargaining agreement, as amended, relating to the Core Business and binding on Sellers or any of them as of the Closing.

"Commissioner of Competition" means the Commissioner of Competition as appointed under the Competition Act.

"Company Intellectual Property" means the intellectual property (a) owned by a Seller (or Newcos or Acquired Entities) as of the Closing and listed on **Schedule 6.7.1**, (b) physically located at the Owned Real Property or Leased Real Property, or (c) used by Teleglobe or any subsidiary of Teleglobe in connection with the Core Business, other than, in the case of this clause (c), any such intellectual property that constitutes an Excluded Asset.

"Company Plan" means and includes any Canadian Company Plan, US Company Plan or any other similar plan or retirement scheme maintained by Sellers for the benefit of Transferred Employees (including the UK Employees).

"Competing Transaction" has the meaning set forth in **Section 11.3.1**.

"Competition Act" means the *Competition Act* R.S.C 1985 c. C-34, as amended.

"Complaints" has the meaning set forth in **Section 6.18.2**.

"Confidentiality Agreements" means the letters, dated June 24 and July 9, 2002, between Teleglobe and TenX Capital Partners LLC and the letter, dated July 24, 2002, between Teleglobe and Cerberus Capital Management, L.P.

"Consent" means any consent, waiver, approval, order or authorization of, or registration, declaration or filing with or notice to, any Governmental Entity or other Person.

"Contracts" means all right, title and interest of any Seller (or a Newco or Acquired Entity) (including as transferee in connection with the Migration Transactions) in and to any lien, lease, franchise, license, permit, contract, agreement, obligation or trust related to the Core Business, other than any such lien, lease, franchise, license, permit, contract, agreement, obligation or trust that (a) constitutes an Excluded Asset, (b) relates to any Seller's indebtedness for borrowed money, or (c) that expires or is terminated (i) in accordance with (A) this Agreement, (B) the Interim Management Agreement or UK Interim Management Agreement, or (C) the terms thereof or (ii) as a result of actions of parties thereto (other than any Seller), in any case prior to the Closing Date. Without limiting the generality of the foregoing, the Contracts shall include without limitation all right, title and interest of any Seller (or a Newco or Acquired Entity) in, to and under all of the following items relating to the Core Business (except to the extent expired or terminated in accordance with this Agreement or the Interim Management Agreement or UK Interim Management Agreement or in accordance with the terms thereof or validly terminated as a result of actions of parties thereto (other than any Seller, Newco or Acquired Entities), in any case prior to the Closing Date):

(a) voice customer agreements or arrangements, including the bilateral interconnection agreements, bilateral traffic arrangements and other agreements listed on **Schedule 1.1A**;

(b) voice customer agreements or arrangements, including voice transit service agreements, telecommunications services agreements, call termination agreements, carrier services agreements, master wholesale agreements, Audiotext services agreements, switched transit services agreements, letter agreements and other contractual arrangements with customers listed on **Schedule 1.1B**;

(c) data customer agreements or arrangements, including asynchronous transfer mode (***"ATM"***) service agreements, collocation service agreements, IP service agreements, digital video broadcast/IP (***"DVB/IP"***) satellite service agreements, dedicated broadcast service agreements and digital video service agreements listed on **Schedule 1.1C-1** or **Schedule 1.1C-2**,

(d) agreements or arrangements with equipment vendors and other key suppliers listed on **Schedule 1.1D**;

(e) the capacity agreements, universal access agreements, construction and maintenance agreements, agreements for indefeasible rights of use (IRUs) and related operations and maintenance agreements, and similar agreements listed on **Schedule 1.1E**;

(f) leases for satellite capacity listed on **Schedule 1.1F**,

(g) leases, subleases and licenses (including collocation leases and licenses, and leases for points of presence) for real property and collocation and other similar agreements listed on **Schedule 1.1G**;

(h) any sales agent and consulting agreements listed on **Schedule 1.1H**,

(i) the Intellectual Property licenses listed on **Schedule 6.7.1**;

(j) the agreements and arrangements listed on **Schedule 1.1I**; and

(k) leases of tangible personal property listed on **Schedule 6.5**.

in each case to the extent transferable. With respect to any Contract that is not listed on **Schedules 1.1A**, **1.1B**, **1.1C-1**, **1.1C-2**, **1.1D**, **1.1E**, **1.1F**, **1.1G**, **1.1H**, **1.1I**, **1.1K**, **6.5** or **6.7.1** (collectively, the "***Contract Schedules***"), (i) no liability or obligation in respect of such Contract in effect as of the date of this Agreement will be included in any calculation of Net Current Assets under this Agreement, (ii) Sellers will not, notwithstanding any provision of this Agreement to the contrary, make any representation or warranty with respect to such Contract (including with respect to its assignability, validity, enforceability, good standing and the like), and (iii) Sellers' obligations under this Agreement with respect to such Contract will be merely to execute a "without recourse" assignment of Sellers' right, title and interest therein, and to deliver such assignment to Buyer at the Closing if not designated by Buyer as a Rejected Contract pursuant to **Section 4.4.4**

"***Contract Schedules***" has the meaning set forth in the definition of "Contracts" in **Section 1.1** hereof

"***control***" has the meaning set forth in the definition of "Affiliate" in **Section 1.1** hereof.

"***Core Business***" has the meaning set forth in **Recital B** hereto.

"***Cure Contracts***" means any Contract listed on **Schedule 1.1K** the Cure Costs for which have not been settled and paid by the date hereof.

"***Cure Costs***" means amounts owing under Contracts that relate to obligations of the US Debtor Sellers under such Contracts arising prior to the filing of the US Bankruptcy Proceedings or of the Canadian Debtor Sellers (other than the US Debtor Sellers) under Contracts arising

prior to the filing of the CCAA Proceedings, but excluding any such amounts paid or payable as of the date hereof under settlements with respect to Cure Costs entered into on or prior to the date hereof

"Cure Letter" means the letter referred to in the definition of Target Maximum Cure Amount.

"Cure Savings" means the difference between (i) the Target Maximum Cure Amount and (ii) the sum of actual amounts paid or payable by Buyer in order to satisfy any Cure Costs (through settlement at an amount less than the Target Maximum Cure Amount) for the Cure Contracts, determined on an aggregate basis; provided, however, that in the event a Cure Contract is rejected pursuant to **Section 4.4.4**, the "amount paid or payable by Buyer" shall be deemed to be zero; and provided further, however, that if no such settlement is achieved with respect to a Cure Contract and the Cure Contract is not rejected pursuant to **Section 4.4.4**, the "amount paid or payable by Buyer" for such Cure Contract will equal the amount set forth in the Cure Letter with respect to such Cure Contract.

"Cure Savings Dispute Notice" has the meaning set forth in **Section 4.4.3.2**

"Cure Savings Negotiation Period" has the meaning set forth in **Section 4.4.3.2**.

"Cure Savings Notice Period" has the meaning set forth in **Section 4.4.3.2**

"Cure Savings Statement" has the meaning set forth in **Section 4.4.3.2**.

"Current Assets" means items that, pursuant to the Baseline Financial Statement Methodology, would be included as accounts receivable (net of allowance for doubtful accounts), accounts receivable related party (other than accounts receivable where the obligor is Teleglobe or any direct or indirect subsidiary thereof), accounts receivable other, prepaids and other current assets (as such terms are used in the Baseline Financial Statement Methodology).

"Current Liabilities" means items that, pursuant to the Baseline Financial Statement Methodology, would be included as accounts payable, accounts payable related party, accrued liabilities and other current liabilities (as such terms are used in the Baseline Financial Statement Methodology) (other than accounts payable owing to, and such liabilities to, Teleglobe or any direct or indirect subsidiary thereof).

"DA Dispute Notice" has the meaning set forth in **Section 5.2.5**.

"DA Negotiation Period " has the meaning set forth in **Section 5.2.5**.

"Debenture" means the fixed and floating charge to be entered into on the IMA Date by UK Newco, TIUK and the UK Administrators in the form attached hereto as **Exhibit C**.

"Deed of Release" means the deed of release of the Debenture to be entered into by UK Newco, TIUK and the UK Administrators in the form attached hereto as **Exhibit N**.

"Deed of Waiver" means the deed of waiver to be entered into by Teleglobe at Closing in the form annexed hereto as Exhibit K under which Teleglobe agrees and acknowledges that in return for the issue to it by UK Newco of fully paid-up ordinary shares in full settlement of the debt owed to it by UK Newco under the Agreed Loan, it has no further rights against UK Newco under the Agreed Loan, including any rights to be subrogated to rights under the Debenture.

"Deposit" has the meaning set forth in Section 4.2.

"Diligence Copies" has the meaning set forth in Section 6.6.1.

"DIP Lender" means 3810186 Canada Inc., the lender under the debtor in possession financing established in accordance with the CCAA Proceedings or any successor lender thereunder.

"Disclosable Matter" has the meaning set forth in Section 8.1.

"Disclosed Pension Schemes" has the meaning set forth in Section 6.10.1(iv).

"Disclosed Scheme" has the meaning set forth in Section 6.10.1(iv).

"Dispute Notice" has the meaning set forth in Section 4.4.1.

"Dispute Notice Period" has the meaning set forth in Section 4.4.1.

"Disputed Amount" has the meaning set forth in Article XII.

"Disputed Amount Notice Period" has the meaning set forth in Section 5.2.5.

"EC Merger Regulation" means Council Regulation (EEC) 4064/89

"E&Y Expense Letter" has the meaning set forth in Section 11.3.2

"Employee Letter" has the meaning set forth in the definition of Australian Employees in this Section 1.1.

"Employees" means those employees employed by Teleglobe or any subsidiary of Teleglobe from time to time in connection with the Core Business other than such employees whose employment terminated prior to the date hereof or those listed in the Employee Letter.

"ERISA" means the *United States Employee Retirement Income Security Act of 1974*, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means each trade or business (whether or not incorporated) which, together with any Seller, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Equity Interests" in respect of any Person means all equity interests in such Person, including all capital stock, equity securities or other equity rights in such Person, and all rights

and securities which are directly or indirectly convertible into or exercisable or exchangeable for any of such Person's Equity Interests.

"Escrow Agent" means JPMorgan Chase Bank in its capacity as escrow agent under the Escrow Agreement (or any successor escrow agent thereunder)

"Escrow Agreement" means an escrow agreement by and among Sellers, Buyer and Escrow Agent, executed and delivered contemporaneous with the execution of this Agreement in the form of **Exhibit D** hereto

"Excluded Assets" means (a) cash and cash equivalents, (b) accounts receivable (other than accounts receivable included in Current Assets pursuant to the Baseline Financial Statement Methodology), (c) insurance policies insuring the Core Business or the Purchased Assets (or businesses that are not included in the Core Business or assets that do not constitute Purchased Assets); provided that there shall be included in the Purchased Assets any insurance proceeds payable related to a claim made by any Seller to the extent (i) relating to any Purchased Asset, if the claim arose on or after the date hereof, (ii) relating to the Core Business to the extent the claim arises on or after the IMA Date or, to the extent such proceeds arise from business interruption insurance and are included in Net Current Assets, prior to the IMA Date, (d) any Tax refunds, or entitlement (contingent or otherwise) to receive Tax refunds, relating to periods prior to the IMA Date (to the extent not included in Net Current Assets) or with respect to Transfer Taxes paid or required to be paid pursuant to **Section 13.4**, (e) Sellers' corporate seals, minute books, charter documents, Tax Returns and reports, corporate stock record books and other books and records pertaining to organization, existence or share capitalization and such books and records as are necessary to enable any Seller to file its Tax Returns and reports and to defend any assessment for Taxes for any taxation year, (f) any Rejected Contracts, and (g) any assets listed or described on **Schedule 1.1J**.

"Expense Cap" has the meaning set forth in **Section 11.3.2**.

"Expense Reimbursement" has the meaning set forth in **Section 11.3.2**.

"Final Determination" has the meaning set forth in **Section 8.11.7**.

"Final Order" means an order or a judgment entered by a Bankruptcy Court (i) that has not been reversed, stayed, modified, amended or vacated, and (ii) as to which the time for filing a notice of appeal, a petition for review or a motion for reargument or rehearing has expired.

"Final Purchase Price" has the meaning set forth in **Section 4.4.2**.

"Former UK Employees" means any persons other than the UK Employees who are, or have been at any time prior to the Closing Date, been engaged to any extent in the Core Business in the UK.

"Governmental Entity" means any Canadian, United States, United Kingdom, Australian, Spanish, Hong Kong or other national, provincial, federal, state, local or municipal

government, court, administrative agency or commission or other governmental or other regulatory authority or agency.

"Grants" has the meaning set forth in **Section 10.2.4(c)**.

"Hive Down Agreement" means an agreement dated as of the date of this Agreement between Teleglobe International (UK) Limited (in Administration) (*"TIUK"*), Teleglobe Holdings (UK) Limited (in Administration) (*"THUK"*), the UK Administrators, UK Newco and Buyer whereby the assets of TIUK and THUK will be transferred to UK Newco, in substantially the form of **Exhibit F**.

"Hive Down Receivable" means the amount of $8,416,790 to be owed by the UK Newco to TIUK pursuant to Section 2.1 of the Hive Down Agreement.

"HK Seller" means Teleglobe Hong Kong Limited.

"HKTBO" means the Transfer of Business (Protection of Creditors) Ordinance, Chapter 49 of the Laws of Hong Kong

"Hong Kong Notice Date" means the date on which the notice of transfer given pursuant to **Section 3.4** becomes complete under Section 4(4) of the HKTBO subject to any matter referred to in Sections 4(5) and 4(6) thereof.

"HSR Act" means the United States *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended.

"HSR Filings" means any filings required under the HSR Act.

"Industry Canada" means the Canadian Minister of Industry and the Department of Industry in the exercise of the Minister's authority.

"IMA Date" has the meaning set forth in **Section 4.3**.

"IMA Date Financial Statement" has the meaning set forth in **Section 4.4.1**.

"Incremental Costs" means all costs (other than Taxes) incurred or payable in respect of the Transfer of Purchased Assets in excess of the costs (other than Taxes) that would have been incurred or payable had Buyer acquired such Purchased Assets in accordance with the provisions of **Section 2.1.1** and the second sentence of **Section 2.1.2**, calculated on the assumption that Buyer directed each Seller to form only one Newco in the jurisdiction in which the particular Seller was organized, or with respect to any Canadian Debtor Seller organized under the laws of Canada or any province thereof, in Nova Scotia.

"Incremental Taxes" means all Taxes incurred or payable in respect of the Transfer of Purchased Assets in excess of the Taxes that would have been incurred or payable had Buyer acquired such Purchased Assets in accordance with the provisions of **Section 2.1.1** and the second sentence of **Section 2.1.2**, calculated on the assumption that Buyer directed each Seller to

form only one Newco in the jurisdiction in which the particular Seller was organized or with respect to any Canadian Debtor Seller organized under the laws of Canada or any province thereof, in Nova Scotia.

"Insolvency Act" has the meaning set forth in **Recital F** hereto.

"Insolvency Proceedings" has the meaning set forth in **Recital F** hereto.

"Intellectual Property" means trade secrets, trademarks, trade names, corporate names, Internet domain names, brand names, logos and slogans and other marks or trade rights, and patents, copyrights (including copyright rights in artwork, packaging and designs), patterns, inventions, know-how, formulae, treatments, processes, computer software (including source code, executable code, data, databases and documentations) and all other intellectual property or proprietary rights, whether registered or unregistered, domestic or foreign, all applications thereof, and all rights under and remedies against infringement of any of the foregoing.

"Interim Management Agreement" means a management, general and administrative services and accounts receivable collection agreement, to be entered into on the IMA Date, by and among Buyer and Sellers (other than the UK Sellers) in the form of **Exhibit F**, with such modifications thereto as Buyer and such Sellers may agree and as are consistent with the Sale Approval Orders

"Investment Canada Act" means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended.

"ITA" means the *Income Tax Act* (Canada)

"Key Sellers" has the meaning set forth in the introductory paragraph hereof.

"Knowledge" has the meaning set forth in **Section 13.9**.

"Laws" means all applicable laws, regulations, rules, ordinances, judgments, orders and decrees of Governmental Entities.

"Leases of Owned Real Property" means the real property owned by a Seller (or a Newco or Acquired Entity) and subject to a lease listed on **Schedule 1.1G**.

"Leased Real Property" means the real property leased or licensed by a Seller (or a Newco or Acquired Entity) as tenant pursuant to a lease listed on **Schedule 1.1G**.

"Leased Tangible Personal Property" means the leased tangible personal property leased by a Seller (or a Newco or Acquired Entity) pursuant to a lease listed on **Schedule 6.5**.

"Lien" means, with respect to any property or asset, (a) any mortgage, deed of trust, claim, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect

as any of the foregoing) relating to such asset or property and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Losses" has the meaning set forth in **Article XII**.

"Management Fee" means the amount to be paid to Buyer as its management fee pursuant to the Interim Management Agreement or the UK Interim Management Agreement, as the case may be.

"Manager" means Buyer, in its capacity as Manager under the Interim Management Agreement and the UK Interim Management Agreement (or any Affiliate appointed by Buyer as its successor Manager under each such agreement).

"Material Adverse Effect" means a material adverse effect on (a) the operations, condition (financial or otherwise), operating results, employee relations with respect to the Core Business (except to the extent caused by Buyer's failure to offer to all or substantially all of the present employees with respect to the Core Business the right to continue such employment with Buyer on substantially similar terms and conditions), customer relations with respect to the Core Business (except to the extent resulting from Buyer declining to, or indicating it will not, continue doing business, or not continuing to do business, with such customer after the IMA Date in a manner and on terms similar to that in existence prior to the IMA Date), supplier relations with respect to the Core Business (except to the extent resulting directly from delays in the payment of amounts owing to suppliers of the Core Business directly as a result of the commencement and pendency of the Insolvency Proceedings or the exercise of Sellers' rights in respect thereto or as a result of Buyer declining to, or indicating it will not, continue doing business with such supplier after the IMA Date in a manner and on terms similar to that in existence prior to the IMA Date), or the Purchased Assets, in each case, taken as a whole, (b) the ability of Buyer or Newco to succeed to or exercise material rights or interests of Sellers that are necessary to operate the Core Business taken as a whole, (c) the ability of Sellers to consummate the material transactions contemplated by this Agreement, other than (i) effects arising from events that occur after the IMA Date, except to the extent such effect is the direct result of an action taken by the Persons listed on **Schedule 11.1.3(c)** or of the prevention by Sellers of any action requested to be taken by the Manager pursuant to the Interim Management Agreement or the UK Interim Management Agreement in accordance with the exercise of its duties thereunder, (ii) effects as a result of events, changes or developments relating to the financial, banking or capital markets or the economy in general or industry wide developments affecting Persons in businesses similar to the Core Business, or (iii) effects as a result of the commencement and pendency of the Insolvency Proceedings or the circumstances leading thereto, provided that the occurrence of the Migration Transactions described on **Schedule 6.19** will not be deemed to constitute a Material Adverse Effect.

"Material Contracts" means (a) the Contracts listed on the Contract Schedules that are marked thereon with an asterisk (*) and (b) Contracts (or a series of related Contracts) (i) that relate to the top 50 data customers in the Core Business, provided that such contracts have annualized gross revenues of at least $500,000 (based on information available through July 31, 2002), (ii) with customers for voice telecommunications services with annualized gross revenues

of the Core Business of at least $3,000,000 (based on information available through July 31, 2002) or (iii) with vendors with committed expenditures during 2002 or expected expenditures during the 12 months after the date hereof of $1,000,000 or more.

"Maximum HK Asset Value" means an amount equal to two times (2x) the fair market value of the Purchased Assets, as determined by Buyer in its good faith judgment, held in the name of the HK Seller

"Migration Transactions" has the meaning set forth in **Recital E**.

"Monitor" means Ernst & Young Inc.

"Multiemployer Plan" has the meaning set forth in Section 3(37) of ERISA.

"Negotiation Period" has the meaning set forth in **Section 4.4.1**

"Net Current Assets" means (i) Current Assets minus (ii) Current Liabilities.

"Network Plan" has the meaning set forth in **Section 6.8(b)**.

"Newcos" has the meaning set forth in **Section 2.1.1**.

"Newcos' Equity" has the meaning set forth in **Section 2.1.1**.

"Non-Canadian" has the meaning set forth in **Section 6.13**.

"Notice" has the meaning set forth in **Section 2.1.5.1**.

"Other Sellers" means the entities listed on **Schedule 1.1P**.

"Owned Real Property" means the real property owned by a Seller (or a Newco or Acquired Entity) and used in the Core Business, including the real property listed on **Schedule 6.4.1**, save and except for any such property that constitutes Excluded Assets.

"Owned Tangible Personal Property" means the tangible personal property owned by a Seller on the date hereof and located in Canada, Hong Kong, Spain or Australia (except to the extent disposed of in accordance with this Agreement or the Interim Management Agreement prior to the Closing Date), and any other tangible personal property owned by Sellers (or a Newco or Acquired Entity) as of the Closing (including in the United States or the United Kingdom) and located on the Owned Real Property or the Leased Real Property as of the Closing, save and except, in the case of each of the foregoing, for any such property that constitutes Excluded Assets

"parent" has the meaning set forth in the definition of "subsidiary" in **Section 1.1** hereof.

"Parties" means the signatories to this Agreement.

"Permits" means all licenses, permits and authorizations issued to a Seller (or a Newco or Acquired Entity) by any Governmental Entity in connection with the conduct of the Core Business or the ownership or use of any of the Purchased Assets, including, without limitation, the Telecommunications Operating Authorities, Radio Communication Licenses, Submarine Cable Landing Licenses, and any other right or authorization held by a Seller (or a Newco or Acquired Entity), granted or recognized by a Governmental Entity in any jurisdiction and required for the provision or delivery of telecommunications services in or to such jurisdiction, in connection with the Core Business as contemplated to be conducted under the Network Plan.

"Permitted Liens" means:

(a) Liens listed or described on **Schedule 1.1M**;

(b) Liens that are created or granted by Manager or arising out of Manager's decision to incur a Lien, failure to pay Business Expenses (as defined in the Interim Management Agreement and the UK Interim Management Agreement) after the IMA Date or Manager's other acts or omissions after the IMA Date, except (i) where such omission resulted from Manager's lack of authority under the Interim Management Agreement or UK Interim Management Agreement, (ii) where such act or omission resulted from any Seller's exercise of any right to control or direct the management of the Core Business (or any part thereof), other than where such Seller caused the Manager to perform the Services (as defined in the Interim Management Agreement and the UK Interim Management Agreement) or its other obligations under the Interim Management Agreement or the UK Interim Management Agreement or (iii) from any Seller's refusal to consent to Manager taking any action described in Section 3.3 of the Interim Management Agreement or the UK Interim Management Agreement;

(c) respecting Owned Real Property and Leased Real Property situated in Canada, the reservations and conditions expressed in the original patent from the Crown;

(d) Liens relating to Assumed Liabilities,

(e) Liens for Taxes not yet due and payable;

(f) Liens for public utilities not yet due and payable,

(g) undetermined or inchoate Liens and charges incidental to current construction or current operations which have not been filed or registered according to applicable law against the Sellers (or a Newco or Acquired Entity), or any of them, or the Owned Real Property or other Purchased Assets, or of which notice in writing will not have been given to the Sellers (or a Newco or Acquired Entity) or any of them, or which relate to obligations neither due nor delinquent;

(h) Liens, restrictions, easements, defects, irregularities of title, or rights of way that do not have a Material Adverse Effect;

(i) municipal development and site plan agreements and other similar rights and agreements entered into in order to develop and use the Owned Real Property, and in respect of Owned Real Property in Canada, any rights reserved to or vested in any municipality, governmental or other public authority by statutory provision including, without limitation, the right to acquire portions of the property for road widening or interchange construction, and the right to complete or remedy improvements, landscaping or deficiencies in any pedestrian walkways or traffic control or monitoring, and any rights of expropriation, access or use, or any other similar rights conferred or reserved by or in any statute of Canada or of the province in which such property is situated;

(j) governmental orders, laws, by-laws, codes and regulations respecting matters related to land use control which do not have a Material Adverse Effect;

(k) encumbrances respecting any encroachments from the Owned Real Property over adjacent lands and permitted under agreements with the owners of such lands that do not have a Material Adverse Effect, and

(l) indefeasible rights of use.

"Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Entity.

"Proceedings" has the meaning set forth in Section 4.4.7.

"Purchased Assets" means the following rights, properties and assets.

(a) the Sellers' (or Newco's or an Acquired Entity's) right, title and interest in and to Owned Real Property;

(b) the Owned Tangible Personal Property;

(c) Sellers' (or a Newco's or Acquired Entity's) right, title and interest in and to Contracts (subject to **Section 2.2** and **Section 4.4.4**);

(d) the Current Assets of Sellers and the Newcos and Acquired Entities as of the Closing Date;

(e) Sellers' (or a Newco's or Acquired Entity's) right, title and interest in and to (i) the Company Intellectual Property (together with all income, royalties, damages and payments due or payable to Sellers (or a Newco or Acquired Entity) at the Closing or thereafter (including damages and payments for past or future infringements or misappropriations thereof), (ii) the right to sue and recover for past infringements or misappropriations thereof, and (iii) all corresponding rights that, now or hereafter, may be secured throughout the world and all copies and tangible embodiments of any such Company Intellectual Property;

(f) the Permits (to the extent assignable or transferable by Sellers to Newcos or Buyer or its Affiliates);

(g) original or electronic or hard copies of all material operating data and records of the Sellers (or a Newco or Acquired Entity) in existence as of the Closing Date, including books, records, correspondence, manuals, operating guidelines and practices, sales and promotional data, purchasing materials and records, personnel records of the Transferred Employees (and the UK Employees), accounting records, research and development files, advertising materials, customer lists, mailing lists, prospects lists, distribution lists, credit information, historical cost and pricing information, supplier lists, Core Business plans, reference catalogs, and other similar property, in each case relating to the Core Business (collectively, the "***Transferred Books and Records***") (subject to Sellers' right to retain or obtain upon reasonable request from Buyer copies of such data and records and subject to Sellers' right to retain records pursuant to the Hive Down Agreement);

(h) all rights to causes of action, lawsuits, judgments, claims and demands of any nature available to or being pursued by the Sellers (or a Newco or Acquired Entity) with respect to the Core Business, the Purchased Assets or the ownership, use, function, value, or infringement of any Purchased Asset and claims against counterparties in connection with Contracts (other than Rejected Contracts) to which any Seller (or a Newco or Acquired Entity) was a signatory, in each case whether arising by way of counterclaim or otherwise;

(i) all guarantees, warranties, indemnities and similar rights in favor of the Sellers (or a Newco or Acquired Entity) with respect to any Purchased Asset;

(j) to the extent designated in writing to Sellers by Buyer on or prior to the date that is 30 days after IMA Date and subject to the rights of the participants therein and the beneficiaries thereof, all right, title and interest of Sellers in and to the Canadian Pension Plans;

(k) to the extent transferable to Buyer, all of Sellers' right, title and interest in and to all autonomous systems numbers listed on **Schedule 1.1R**;

(l) to the extent transferable to Buyer, all of Sellers' right, title and interest in and to all numbering, codes and naming resources used in the Core Business and public and private peering connections associations memberships on **Schedule 1.1S**; and

(m) to the extent transferable to Buyer, all of the Sellers' rights, interests, and agreements with respect to all telephone numbers and codes used in the Core Business.

but excluding, in each and every case and notwithstanding anything to the contrary contained in this Agreement, the Excluded Assets.

"Radio Communications Licenses" means the radio communications licenses issued by Industry Canada and held by any Seller (or a Newco or Acquired Entity) which permit the operation of radio communications equipment in Canada, including but not limited to the licenses listed on Schedule 6.3(d).

"Reduction Amount" has the meaning set forth in Section 4.4.2(f).

"Rejected Contract" means any Contract rejected in writing pursuant to Section 4.4.4.

"Relevant Benefit" has the meaning set forth in Section 6.10.1(iv).

"Remittance Date" has the meaning set forth in Section 6.14.

"Reports/Fines" has the meaning set forth in Section 6.18.2.

"Retained Liabilities" means all liabilities and obligations of Sellers (whether fixed, contingent or unliquidated, absolute or otherwise, known or unknown, and whether relating to any tort, statutory or regulatory obligations, environmental claims, Taxes (except as otherwise provided in this Agreement), Contracts not assumed by Buyer, operations or otherwise), including, but not limited to, (i) those liabilities in respect of any pending or threatened action, suit, proceeding, pleading, investigation, charge, complaint, claim, demand, notice or violation or liability for forfeiture, revocation proceeding and/or cease and desist order and (ii) all liabilities that may arise from the actions taken by any Seller or any Affiliates thereof before, on or after the Closing with respect to the Transferred Employees (and the UK Employees), other than the Assumed Liabilities.

"Sale Approval Orders" has the meaning set forth in Section 8.4.4.1

"Sellers" means the Key Sellers and the Other Sellers

"Share Sale Agreement" means the Share Sale Agreement dated the date hereof entered into by TIUK, UK Newco, Teleglobe Inc., the UK Administrators and Buyer for the sale and purchase of the issued share capital of UK Newco.

"Special Warranty Deeds" has the meaning set forth in Section 5.2.2.

"Submarine Cable Landing License" means any license granted to any Seller (or a Newco or Acquired Entity) by Industry Canada or the United States Federal Communications Commission for the landing and operation of an international submarine cable system.

"subsidiary" means, with respect to any Person (the ***"parent"***) at any date, any corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership

interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Target Maximum Cure Amount" means $67,154,943, which amount has been allocated to each Cure Contract as set forth in a letter agreement dated the date hereof between Buyer and Teleglobe and delivered simultaneously with the execution and delivery of this Agreement.

"Target Net Current Assets" means an amount equal to zero plus the Target Maximum Cure Amounts for Cure Contracts with respect to which, prior to the IMA Date, no settlement has been entered into as contemplated by **Section 4.4.3**.

"Tax Information" has the meaning set forth in **Section 2.1.5.1**.

"Tax Notice" has the meaning set forth in **Section 8.11.7**.

"Taxes" means taxes, levies, duties, assessments, reassessments and other charges of any nature whatsoever, whether direct or indirect, including but not limited to, income tax, profits tax, gross receipts tax, corporation tax, sales and use tax, wage tax, payroll tax, occupational tax, employer health tax, workers' compensation levy, capital tax, stamp duty, ad valorem, real and personal property tax, franchise tax, land transfer tax, license tax, school tax, customs or excise duty, excise tax, turnover or value added tax on goods sold or services rendered, withholding tax, social security and unemployment, insurance charges and retirement contributions and any interest, fines, additions to tax and penalties thereon payable to any federal, provincial, state, local or other government or governmental taxing agency, authority, board, bureau or commission, of Canada, the United States of America or any other country.

"Tax Return" means all returns, reports, documents and other filings with respect to Taxes (including any amendments thereof and any attachments thereto).

"TCGA 1992" has the meaning set forth in **Section 8.11.3**.

"Telecommunications Act" means the Canadian *Telecommunications Act* SC 1993 c.38 (as amended).

"Telecommunications Operating Authorities" means the licenses or authorizations issued by the Canadian Radio-television and Telecommunications Commission, Industry Canada, the United States Federal Communications Commission, state public utilities commissions, the UK Department of Trade and Industry or similar Governmental Entities in the same, or other jurisdictions.

"Teleglobe" has the meaning set forth in the introductory paragraph hereof

"Teleglobe USA" has the meaning set forth in the introductory paragraph hereof.

"THUK" has the meaning set forth in the definition of "Hive Down Agreement" in **Section 1.1** hereof.

"TIUK" has the meaning set forth in the definition of "Hive Down Agreement" in **Section 1.1** hereof.

"Transfer" has the meaning set forth in **Recital H** hereto.

"Transfer Taxes" has the meaning set forth in **Section 13.4**.

"Transferred Books and Records" has the meaning set forth in the definition of "Purchased Assets" in **Section 1.1** hereof.

"Transferred Employees" has the meaning set forth in **Section 8.8.2**.

"Transfer Regulations" means the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended).

"UK Administrators" means Michael David Rollings and Margaret Elizabeth Mills both of 1 Lambeth Palace Road, London SE1 7EU acting as joint administrators of Teleglobe Holdings (UK) Limited and Teleglobe International (UK) Limited as the UK Administrators, and their successors in office and any other administrator, liquidator or insolvency practitioner appointed in relation to the UK Sellers and/or their successors in title (or any such other persons serving as administrators from time to time).

"UK Court" has the meaning set forth in **Recital F** hereto.

"UK Employees" means those Employees employed by a Seller in the UK as listed in the Employee Letter other than those employees whose employment with a Seller terminates prior to the Closing Date.

"UK Fair Trading Act" means the Fair Trading Act 1973.

"UK Interim Management Agreement" means a management agreement, to be entered into on the date of this Agreement, under which the appointment of the Manager will become effective concurrently with the execution of the Interim Management Agreement, by and among TIUK, Teleglobe, UK Newco, the UK Administrators and Buyer in the form of **Exhibit F-1**, with modifications thereto as the parties thereto may agree.

"UK Newco" has the meaning set forth in **Section 2.1.1**.

"UK Purchased Assets" means all of the UK Sellers' legal and beneficial right, title and interest in, to and under the rights, properties and actions referred to in paragraphs (a) to (i) inclusive of the definition of "Purchased Assets."

"UK Sellers" means the Other Sellers organized under the laws of the UK.

"Unadjusted Purchase Price" means $155,300,000.

"Union Employees" means employees of the Core Business whose terms of employment are governed by a Collective Agreement.

"US Bankruptcy Code" has the meaning set forth in Recital F hereto.

"US Bankruptcy Court" has the meaning set forth in Recital F hereto.

"US Bankruptcy Court Sale Approval Order" has the meaning set forth in Section 8.4.3.1.

"US Bankruptcy Proceedings" has the meaning set forth in Recital F hereto.

"US Company Plan" means each employee benefit plan within the meaning of Section 3(3) of ERISA and all other severance pay, vacation, salary continuation, incentive, stock option, retirement, profit sharing or deferred compensation plans, contracts, programs or arrangements maintained in the United States and all other similar employee benefit plans, programs, or arrangements maintained in the United States by any Seller or any subsidiary of any Seller or that are otherwise contributed to or required to be contributed to by any Seller or any subsidiary of any Seller (but not including any plans, programs or arrangements maintained outside of the United States) in the United States in respect of any present or former employees, directors, or officers of any Seller or any subsidiary of any Seller

"US Debtor Sellers" has the meaning set forth in Recital F hereto.

"US Transaction Notice" has the meaning set forth in Section 8.4.1.

"WARN Act" means the United States *Worker Adjustment and Retraining Notification Act of 1988*, as amended, and the regulations promulgated thereunder.

"Withheld Amount" has the meaning set forth in Section 6.14.

ARTICLE II

PURCHASE AND SALE

2.1 Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing the Key Sellers will Transfer to Buyer, and will cause the Other Sellers to Transfer to Buyer, and Buyer will purchase and accept from Key Sellers and the Other Sellers, the Purchased Assets (through the Transfer of the Newcos' Equity or, at the option of Buyer, the direct purchase of Purchased Assets or acquisition of Equity Interests in certain Sellers as described in Section 2.1.5), free and clear of all Liens, except Permitted Liens. The Purchased Assets being acquired by Buyer from Sellers will be acquired in the following manner:

2.1.1 Formation of Newcos. The Key Sellers will cause (a) the UK Sellers to form, prior to the IMA Date, a separate entity pursuant to the laws of the United Kingdom (*"UK Newco"*) and (b) except as otherwise provided in Section 2.1.5, any Seller (other than the UK Sellers) to form a separate entity or entities (all such separate entities, collectively, including the

UK Newco, the "*Newcos*") pursuant to the laws of the jurisdiction in which such Seller is organized or, with respect to any Canadian Debtor Seller organized under the laws of Canada or any province thereof, pursuant to the laws of Nova Scotia, if directed by Buyer (or pursuant to the laws of such other jurisdiction as Buyer shall elect provided that Buyer shall pay the Incremental Taxes and Incremental Costs, if any resulting from such election by Buyer), which will have organizational documents that will have been approved by Buyer prior to such formations, such approval not to be unreasonably withheld or delayed; provided, however that any Newco formed by a US Debtor Seller shall be a single member limited liability company that is not treated as a corporation for United States federal income tax purposes and any other Newco formed by any other Seller shall be organized as the type of entity directed by Buyer Each Newco will issue to the applicable Seller all of its equity securities (all outstanding equity securities of the Newcos, collectively, the "*Newcos' Equity*"). Notwithstanding anything to the contrary in this **Section 2.1.1** or **Section 2.1.2**, Buyer may instruct a particular Seller to form more than one Newco provided that Buyer shall pay the Incremental Taxes and Incremental Costs, if any, resulting from the formation and transfer of Purchased Assets to such additional Newcos.

2.1.2 Transfer of Purchased Assets. Immediately prior to the IMA Date, the Key Sellers will cause the Purchased Assets held by the UK Sellers to be Transferred to the UK Newco pursuant to the Hive Down Agreement; provided that the Contracts that constitute Purchased Assets of the UK Sellers will be Transferred to the UK Newco upon their designation as an Elected Contract (as defined in the Hive Down Agreement) in accordance with the provisions of the Hive Down Agreement and prior to their designation as an Elected Contract will be held by the UK Sellers on trust for UK Newco in accordance with the provisions of the Hive Down Agreement. With respect to the Purchased Assets held by each Seller other than the UK Sellers, except to the extent otherwise provided in **Section 2.1.5** with respect to a particular Seller, immediately prior to the Closing, such Seller will Transfer pursuant to such agreements, instruments or other documentation in form and substance satisfactory to Buyer and Key Sellers the Purchased Assets it owns, as specified by Buyer, to the Newco formed by such Seller in exchange for all of the outstanding Equity Interests of such Newco and the assumption by such Newco of the applicable Assumed Liabilities. Such Seller will prevent the Newco formed by it from engaging in any business (other than the Core Business) or incurring any liabilities (other than the Assumed Liabilities). Each of the Key Sellers and Buyer agrees that the relevant transfer documents will reflect a transfer price for such Purchased Assets established by the relevant Seller in good faith in accordance with fair market value, subject always to the approval of Buyer, acting reasonably.

2.1.3 Transfer of Newcos' Equity to Buyer. If a Key Seller has formed or caused to be formed a Newco in accordance with **Section 2.1.1** and the Transfer of the Purchased Assets described in **Section 2.1.2** has occurred, then at the Closing, to effectuate the Transfer to Buyer of the relevant Purchased Assets, the Key Sellers will Transfer or cause to be Transferred to Buyer and/or one or more of its Affiliates the Newcos' Equity owned by any Seller. On or prior to the Closing Date, the Key Sellers will pay (or otherwise make appropriate provisions for paying) any and all Taxes (other than Incremental Taxes and other Taxes, if any, payable by Buyer pursuant to **Section 2.1.1**, **Section 2.1.5.2** or **Section 2.1.5.3**) imposed on any Newco for any period (or portion thereof) that ends on or prior to the Closing, including any Taxes of any

Seller or any Newco (or any consolidated, combined or unitary group of which any Seller or any Newco is or has been a member) that may be imposed on any Newco as a result of the Transfer of Purchased Assets to such Newco in accordance with Section 2.1.2, other than in respect of value added tax which the Newco is or will be able to recover whether by way of credit or repayment (or would be able to recover whether by way of credit or repayment assuming that all relevant claims and returns were made), and the Key Sellers will indemnify and hold harmless Buyer and its Affiliates for any such Taxes (except to the extent Buyer is obligated to pay such Taxes under the Interim Management Agreement, the UK Interim Management Agreement or this Agreement).

2.1.4 Non-Exempt Canadian Telecommunications Facility. The Parties acknowledge that the Non-Exempt Canadian Telecommunications Facility, described in Schedule 2.1.4 cannot be licensed to any person other than a Canadian owned and controlled corporation as defined in the Telecommunications Act and regulations thereto and agree that, if Buyer is not such a Canadian owned and controlled corporation the Non-Exempt Canadian Telecommunications Facility shall be Transferred at Closing to a Canadian-owned and controlled corporation, as mutually agreed by the Parties, in order to permit the Buyer to operate the Core Business in compliance with applicable Laws. Alternatively, the Buyer may enter into arrangements with Canadian or Non-Canadian third parties, in order to satisfy itself that the telecommunications traffic of the Core Business relating to the Non-Exempt Canadian Telecommunications Facility can be exchanged in compliance with applicable Laws.

2.1.5 Alternatives to Newcos. Notwithstanding any other provision hereof to the contrary, in accordance with the terms set forth in this Section 2.1.5, Buyer shall have the right to acquire some or all of the Purchased Assets directly from any Seller (other than a UK Seller), and the right to acquire all of the Equity Interests of any Seller identified on Schedule 2.1.5, in lieu of acquiring a Newco to which such Seller would have otherwise transferred its Purchased Assets as contemplated by Section 2.1.2.

2.1.5.1 If the Key Sellers do not provide assurances reasonably satisfactory to Buyer no later than 10 days after the IMA Date that (i) the tax basis of the Purchased Assets that would be transferred by a particular Seller (other than a Canadian Debtor Seller, a US Debtor Seller or UK Seller) to a Newco under Section 2.1.2 would not be materially less than the tax basis of such Purchased Assets had Buyer or its Affiliate acquired such Purchased Assets directly and (ii) no liability for the Taxes (other than Incremental Taxes and other Taxes, if any, payable by Buyer pursuant to Section 2.1.1, Section 2.1.5.2 or Section 2.1.5.3) of such Seller or its Affiliates (or any consolidated, combined or unitary group of which such Seller or any of its Affiliates is or has been a member) could be imposed on any Newco formed by such Seller as a result of the ownership of Newco by such Seller or the Transfer of Purchased Assets to such Newco in accordance with Section 2.1.2 (the "*Tax Information*"), then Buyer shall have the right to acquire some or all of the Purchased Assets directly from such Seller. Buyer shall notify Teleglobe in writing (the "*Notice*") not later than 30 days after the IMA Date that it is exercising such right. If the Notice provides that Buyer or one of its Affiliates is directly acquiring all of the Purchased Assets held by such Seller, then such Seller will not form a Newco as described in Section 2.1.1 and will not Transfer any of the

Purchased Assets owned by such Seller as described in Section 2.1.2. The rights of Buyer under this Section 2.1.5.1 shall be subject solely to the conditions set forth in Section 2.1.5.4.

2.1.5.2 Buyer shall have the right to acquire some or all of the Purchased Assets directly from a Seller (other than a UK Seller), subject to the conditions set forth in this Section 2.1.5.2. Buyer shall notify Teleglobe by delivering a Notice not later than 30 days after the IMA Date that it is exercising such right. If the Notice provides that Buyer or one of its Affiliates is directly acquiring all of the Purchased Assets held by such Seller, then such Seller will not form a Newco as described in Section 2.1.1 and will not Transfer any of the Purchased Assets owned by such Seller as described in Section 2.1.2. The rights of Buyer under this Section 2.1.5.2 shall be subject to the conditions set forth in Section 2.1.5.4 and the following additional conditions: (i) notwithstanding anything to the contrary contained in Section 13.4, Buyer shall pay any sales, transfer, goods and services, land transfer, stamp or similar Taxes imposed by any Governmental Entity, and all recording, filing, notarial or similar fees incurred in connection with the direct acquisition of Purchased Assets under this Section 2.1.5.2 to the extent such fees and Taxes exceed the amount that would have been payable had Buyer acquired such Purchased Assets through the Transfer of Newcos' Equity to Buyer in accordance with the provisions of Section 2.1.2 and Section 2.1.3 calculated on the assumption that such Seller had formed only one Newco in the appropriate jurisdiction; and (ii) the direct acquisition of Purchased Assets shall be permitted under this Section 2.1.5.2 only if it does not result in any material delay in or prevention of the receipt of any Consent required pursuant to Section 9.4.4, Section 10.2.4 or Section 10.3.8 of this Agreement or a material delay in the occurrence of the IMA Date or the Closing Date.

2.1.5.3 Buyer shall have the right to acquire all of the Equity Interests of any Seller identified on Schedule 2.1.5. Buyer shall notify Teleglobe by delivering a Notice not later than 30 days after the IMA Date that it is exercising such right. If the Notice provides that Buyer or one of its Affiliates is acquiring the Equity Interests of such Seller (each such Seller, an "*Acquired Entity*"), then such Seller will not form a Newco as described in Section 2.1.1 and will not Transfer any of the Purchased Assets owned by such Seller as described in Section 2.1.2. If Buyer exercises its right to acquire all of the Equity Interests of any Acquired Entity as provided in this Section 2.1.5.3, then on or prior to the Closing Date, the Key Sellers will pay (or otherwise make appropriate provisions for paying) any and all Taxes imposed on such Acquired Entity for any period (or portion thereof) that ends on or prior to the Closing Date, including any Taxes of any consolidated, combined or unitary group of which such Acquired Entity is or has been a member, and the Key Sellers will indemnify and hold harmless Buyer and its Affiliates for any such Taxes (except to the extent Buyer is obligated to pay such Taxes under the Interim Management Agreement, the UK Interim Management Agreement or this Agreement). The rights of Buyer under this Section 2.1.5.3 shall be subject to the conditions set forth in Section 2.1.5.4 and the following additional conditions: (i) the Parties will negotiate in good faith to release any Acquired Entity from any Retained Liabilities (provided that Buyer shall pay any costs associated therewith that are greater

than the costs Seller would have incurred had the Purchased Assets rather than the Equity Interests of the Acquired Entity been transferred); (ii) the Parties will attempt in good faith to cause (A) all intercompany obligations owed to the Acquired Entity by any Seller or any subsidiary of a Seller to be released and (B) all intercompany obligations of any Acquired Entity to any Seller or any direct or indirect subsidiary of any Seller to be released (which term shall include for purposes of this **Section 2.1.5.3**, cancellation), as directed by Buyer or if owed by an Acquired Entity to a Seller or its subsidiary, Transferred to Buyer and, if such obligations are released, then Buyer shall pay the incremental Taxes, if any, due and payable on the release or Transfer of such obligations in connection with the transactions contemplated by this Agreement as compared with the payment of such obligations otherwise in the ordinary course; and (iii) notwithstanding anything to the contrary contained in **Section 13.4**, Buyer shall pay any sales, transfer, goods and services, land transfer, stamp or similar Taxes imposed by any Governmental Entity, and all recording, filing, notarial or similar fees incurred in connection with the Transfer of the Equity Interests of the Acquired Entity under this **Section 2.1.5.3** to the extent such fees and Taxes exceed the amount that would have been payable had Buyer acquired the Purchased Assets held by such Acquired Entity through the Transfer of Newcos' Equity to Buyer in accordance with the provisions of **Section 2.1.2** and **Section 2.1.3** calculated on the assumption that such Seller had formed only one Newco in the appropriate jurisdiction.

2.1.5.4 Any direct acquisition of Purchased Assets under this **Section 2.1.5** (or any acquisition of the Equity Interests of an Acquired Entity) will not be deemed to result in a breach of any representation, warranty or covenant of any Seller under this Agreement or any document, instrument or agreement contemplated hereby that would not have occurred had the acquisition occurred in accordance with the provisions of **Section 2.1.2** and **Section 2.1.3**.

2.2 Nonassignable Contracts.

2.2.1 Nonassignability. To the extent that any Contract to be Transferred pursuant to the terms of **Section 2.1** is not capable of being Transferred to Buyer or Newcos, as the case may be, without the Consent of a third Person, or if such Transfer or attempted Transfer would, or if the subsequent Transfer or attempted Transfer of the applicable Newcos' Equity would, constitute a breach thereof or a violation of any Law, nothing in this Agreement or in any document, agreement or instrument delivered pursuant to this Agreement will constitute a Transfer or an attempted Transfer thereof prior to the time at which all Consents necessary for such Transfer will have been obtained unless a Bankruptcy Court Order effects such assignment without Consent.

2.2.2 Alternative Arrangements if Consents Not Obtained. To the extent that the Consents referred to in **Section 2.2.1** are not obtained by the Closing with respect to any such Contracts to be Transferred, the Key Sellers will, and will cause the Other Sellers to, from and after the Closing and until such Consents are obtained, use commercially reasonable efforts during the term of the affected Contract, to (i) provide to Buyer, its Affiliate or the applicable Newcos the benefits under any Contract referred to in **Section 2.2.1**, (ii) cooperate in any

reasonable and lawful arrangement (including holding such Contracts in trust for the Buyer, its Affiliate or Newco pending receipt of the required consent) designed to provide such benefits to the Buyer, its Affiliate or the applicable Newcos, and (iii) enforce for the account of the Buyer, its Affiliate or the applicable Newcos, any rights of the applicable Sellers under the affected Contract (including the right to elect to terminate such Contract in accordance with the terms thereof upon the direction of Buyer) Buyer will, and will cause its Affiliates, the applicable Newcos and Acquired Entities to, cooperate with the Sellers in order to enable the Sellers to provide to Buyer, the Acquired Entities and Buyer's Affiliates that purchase any Newcos' Equity, Purchased Assets or Equity Interests of Acquired Entities hereunder the benefits contemplated by this Section 2.2.2. Buyer will pay any amount it would have been required to pay under any such Contract had the Contract been assigned (after obtaining the requisite Consent) to Buyer, an Affiliate of Buyer or a Newco at the Closing, and the Key Sellers will reimburse Buyer for any incremental cost incurred by Buyer as a result of any Consent not having been obtained prior to the Closing.

2.2.3 Obligation of Buyer to Perform. From and after the Closing, Buyer will, and Buyer will cause the Newcos, the Acquired Entities and Buyer's Affiliates that purchase any Newcos' Equity, Purchased Assets or Equity Interests of Acquired Entities hereunder to, perform the obligations of Sellers, Newcos and the Acquired Entities under the Contracts included in the Purchased Assets and to perform the Assumed Liabilities (it being understood, however, that nothing in this Agreement shall prevent Buyer, the Newcos or Acquired Entities at any time from asserting any defenses they may have with respect to such obligations)

2.2.4 Offsets. The Core Business, Purchased Assets and the Assumed Liabilities shall be acquired by Buyer and its Affiliates free and clear of any right of offset of BCE or any of its Affiliates (other than any rights of Key Sellers under this Agreement) relating to the Excluded Assets or Retained Liabilities, and Key Sellers shall indemnify, defend and hold Buyer harmless therefrom to the extent any such right of offset is asserted by BCE or its Affiliates (other than any Key Seller or any subsidiary thereof).

2.2.5 Compliance. The Key Sellers shall cause the UK Sellers, the UK Administrators and UK Newco to comply with the Hive Down Agreement, the Share Sale Agreement, the UK Interim Management Agreement, the Debenture and the Deed of Release.

ARTICLE III

ASSUMPTION OF LIABILITIES

3.1 Retained Liabilities. Sellers will retain, and neither Buyer, any of its designated Affiliates nor any Newcos will assume or be responsible or liable for, the Retained Liabilities and the Key Sellers shall indemnify, defend and hold harmless Buyer, its Affiliates and each Newco from, all Retained Liabilities.

3.2 Assumed Liabilities. On the terms and subject to the conditions hereof, as of the Closing, Buyer will, and will cause the Newcos, Acquired Entities and Buyer's Affiliates that purchase any Newcos' Equity, Purchased Assets or Equity Interests of Acquired Entities hereunder to, assume and to agree to pay, perform and discharge all of the Assumed Liabilities.

Buyer shall indemnify, defend and hold harmless the UK Administrators from any personal liability which they may incur in respect of any, and the Sellers from all, Assumed Liabilities

3.3 Buyer Guaranty. Buyer hereby irrevocably, absolutely and unconditionally guarantees for the benefit of the Sellers the payment when due and performance of all Assumed Liabilities assumed by any Affiliate of Buyer (including, after the Closing, any Newco or Acquired Entity) pursuant to this Agreement.

3.4 HK Assets. If Buyer does not exercise its right to acquire all the Equity Interests of the HK Seller pursuant to **Section 2.1.5**, then, where Buyer will acquire some or all of the Purchased Assets directly from the HK Seller, HK Seller and Buyer will, or alternatively, where the Purchased Assets are Transferred by HK Seller to a Newco, HK Seller and the relevant Newco will, jointly give the notice of transfer for the purposes of and in accordance with the HKTBO, such notice to be in the forms set out in **Schedule 3.4** and shall be given without prejudice to the rights and obligations of the HK Seller and Buyer under this Agreement

ARTICLE IV

PURCHASE PRICE

4.1 Purchase Price. In consideration of the Transfer of the Purchased Assets (whether indirectly through the Transfer of Newcos' Equity or Equity Interests in an Acquired Entity to Buyer or an Affiliate of Buyer or directly through the Transfer of the Purchased Assets to Buyer or an Affiliate of Buyer), Buyer will pay to the Key Sellers the Final Purchase Price

4.2 Deposit. Upon execution of this Agreement, Buyer will pay an amount equal to $7,765,000 (the "***Deposit***") via wire transfer of immediately available funds to an escrow account held by the Escrow Agent, in accordance with the Escrow Agreement. The Deposit will be subject to the terms and provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, at the Closing the Deposit will be delivered to Teleglobe, for the benefit of the Key Sellers, and applied to payment of the Final Purchase Price. If this Agreement is terminated prior to the occurrence of the Closing, the Key Sellers will become entitled to the Deposit, and the Deposit will be delivered to Teleglobe, for the benefit of the Key Sellers, in accordance with the terms of the Escrow Agreement; **provided, however**, that, notwithstanding the foregoing, the Deposit will be refunded to Buyer upon termination of this Agreement by the Key Sellers pursuant to **Section 11.1.2(a), (c)** or **(d)** or by Buyer pursuant to **Sections 11.1.3(a), (b), (c), (d), (e)** or **(f)**.

4.3 IMA Delivery. Upon execution of the Interim Management Agreement and the effectiveness of the appointment of the Manager pursuant to the UK Interim Management Agreement on the date contemplated by **Section 8.5** (such date, the "***IMA Date***"), Buyer will deliver to the Key Sellers a copy of the Interim Management Agreement duly executed by the Manager, the Key Sellers will deliver to Buyer a copy of the Interim Management Agreement duly executed by all of the Companies (as defined therein) party thereto.