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MLA/dp

4th October 2006

Cable & Wireless (Cayman Islands) Limited
PO Box 293
Grand Cayman
KY1-1104

BY HAND

Attention: Mr Timothy P. Adam, Chief Executive

Dear Sir

Re: Mobile Termination and the July 2004 Agreement

We act on behalf of Digicel Cayman Ltd ("Digicel") and Wireless Ventures (Cayman Islands) Limited ("WVCIL"), collectively referred to as Digicel.

We refer to your letter of 20th September 2006 ("the Letter") addressed to Mr John D. Buckley, the Chief Executive Officer of Digicel Cayman Ltd, concerning the Agreement entered into between Digicel, Cable & Wireless (Cayman Islands) Limited ("C&W") and WVCIL in July 2004 ("the Agreement") pursuant to which letter, C&W purports to unlawfully and unilaterally terminate the Agreement.

Our client disputes the assertions in the Letter and in particular those made in paragraphs 1, 2 and 3 of the same which assertions are unmeritorious, self serving, imaginative and fanciful. It is quite alarming that C&W, a company with a long history of telecommunication experience reputation and size, have become so confused at what appears to be a fairly simple and straight forward Agreement.

Unfortunately, it appears from the contents of the letter that, C&W has either forgotten, or conveniently chosen to ignore, the background which led up to the parties entering into the valid legally binding Agreement in July 2004 which said Agreement has not only been acknowledged and accepted by the ICTA pursuant to the ICTA Law and relevant Regulations, but has been, as between the parties and the ICTA, acted upon and formed the basis pursuant to which the parties have paid fees to the ICTA, operated their businesses, made regulatory reports and entered into various Agreements with third parties which required reliance on their financial statements and other necessary documentation. In addition to the above, Digicel Cayman Ltd purchased WVCIL on its financial statement. It should come as no surprise to a company the size of C&W that WVCIL financial statements were based in part and prepared in reliance upon the Agreement which C&W now appears to seek to unilaterally terminate.

The brief history leading up to the execution of the Agreement, which your letter has conveniently overlooked, is as follows:-

1. At the beginning of the market liberalization process, C&W unlawfully refused to agree to a cost orientated mobile termination rate with Digicel.
2. C&W's unlawful retail pricing behaviour. This behaviour was the subject of condemnation by the ICTA in four separate decisions concerning C&W's failure to pass the imputation test, C&W's failure to provide relevant information to the Authority, and the ultimate breach by C&W of its licence conditions and the ICTA law.
3. Following those decisions by the ICTA, C&W appealed to the Grand Court of the Cayman Islands and sought to stay various directives issued by the ICTA to C&W in relation to the pricing of its retail services. Digicel and WVCIL were granted by the said Court permission to intervene in those proceedings as relevant parties who were being negatively affected by C&W's behaviour. Both Digicel and WVCIL had potential damages claims against C&W by reason of its anti competitive behaviour and other unlawful behaviour of C&W.

4. Prior to the trial of the issues, Digicel, WVCIL and C&W with the encouragement of the Authority and the Court, negotiated a resolution of all outstanding issues between them. One these issues was the determination mobile termination rate between the various parties.
5. The resolution of the issues included an Agreement on the mobile termination rate, a mechanism for adjustment of that rate, and the agreed recommendations to the ICTA on the future operation of the imputation test.
6. The agreed mechanism for the variation of the mobile termination rate pursuant to the Agreement is based on the finalization of a FLLRIC model and the operation of a transitional period of 30 months to run from the date of its finalization. We wish to point out the anticipated date for the completion of the FLLRIC model pursuant to the Agreement was 30th July 2006 and this date has been missed which we understand has come about largely, if not exclusively, by reason of failures on C&W's part.
7. Pursuant to the Agreement , the parties agreed to withdraw their requests to the Authority of 29th January 2004. As part of the Agreement, all disputes referred to the Authority concerning the mobile termination rates were withdrawn, the proceedings before the Grand Court of the Cayman Islands to which Digicel and WVCIL were parties was compromised and withdrawn.
8. Digicel and WVCIL also agreed that they had no objection to the immediate entry into force of certain C&W rates filed with the Authority on 8th July 2004.
9. As part of the overall settlement and the withdrawal of the law suit, both Digicel and WVCIL conditionally agreed to release C&W from possible claims by reason of the Authority's decisions (referred to above) concerning anti-competitive and unlawful behaviour by C&W.
10. Pursuant to the Agreement which was filed with the ICTA, the ICTA wrote a letter on 29th July 2004 in which, amongst other things, in paragraph 2 and 3, the Authority indicated (in paragraph 2) that –

“the Authority therefore considers that the whole Agreement is an integral part of your respective interconnection Agreements. Accordingly, the

Authority accepts the filing of the Agreement as set out in the ICTA law and the Interconnection and Infrastructure Sharing Regulations, 2003”.

The Authority goes on in paragraph 3 to state –

“the Authority also notes the parties consequent withdrawal of their Mobile Termination Rate Dispute Determination Requests”.

11. By law, the Authority does not have the function of approving interconnection Agreements. The Authority is given the power to reject interconnection agreements. We refer you to section 22.2 of the Information and Communication Technology Authority (Interconnection and Infrastructure Sharing) Regulation 2003 which provides that –

“the Authority may reject any interconnection of infrastructure sharing Agreements or any portion thereof, if it determines that the Agreement does not comply with the law, condition of the licence, relevant regulations, regulation, decisions, directives or standards and any other guidelines that the Authority may prescribe.”

12. It is clear from the above paragraph that the Authority did not reject in any way the Agreement between the parties and in fact, the Agreement was accepted and approved by the Authority. Your reference to section 11 of the Agreement which for your benefit states –

“the parties agree to submit this Agreement to the Authority for such approval as is required by the law. In the event that such approval for all or any part of the Agreement is not obtained, then the entire Agreement should be null and void”;

as a basis for your purported termination, is misguided and as we have previously indicated quite fanciful.

It is quite obvious that the real reason behind the writing of your letter is that it now suits C&W for commercial reasons to seek to terminate their Agreement. Strangely, C&W appears to seek to incorporate in the Letter their own negligent failure and breach of Agreement to file the relevant documents with the ICTA, as a reason to seek to terminate the Agreement.

We wish to bring to your attention that we have advised our client that the Agreement is a valid legally binding Agreement between the parties and that C&W assertions in the Letter to the effect that the Agreement is null and void are without legal foundation. In the event that C&W fails to comply with the Agreement, Digicel will vigorously pursue the enforcement of the Agreement and in particular, C&W's obligation to make payments pursuant to said Agreement and will seek substantial damages which will result by reason of C&W's breach. All relevant proceedings will be instituted including proceedings to enforce the collection of all sums due to Digicel pursuant to the Agreement even if these proceedings include a petition for winding up based on C&W's failure to meet its debt obligations.

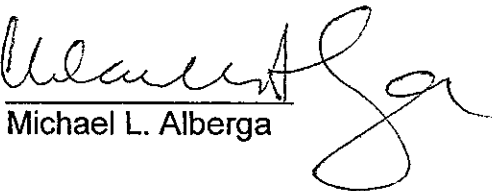
Our client has noted your purported reliance on recent regulatory proceedings in Trinidad & Tobago which, as C&W well knows, have no bearing on the discharge of its binding obligations pursuant to the Agreement in the Cayman Islands. However, our client has instructed us to mention that considering the matters that have come to light with respect to TSTTS' mobile termination cost in Trinidad & Tobago, Digicel now has serious concerns about the integrity of the FLLRIC model currently being prepared for Cayman given C&W's involvement in that process in Trinidad.

We also wish to point out in closing that the irresponsible and obvious unlawful manner in which C&W proposes to proceed in relation to the Agreement has much wider repercussions which will go far beyond the Cayman Islands. In the light of this, we have copied this letter to the Chief Executive Officer of C&W Plc., and included a copy of the letter of 20th September 2006.

Please be advised that this reply does not constitute a waiver of any right or option of either Digicel or WVCIL either under the Agreement or any other Agreements which the parties may have with C&W.

In closing, we sincerely hope in light of the above and the serious legal implications which will result from an actual breach of the said Agreement by C&W, that your letter of 20th September 2006 will be withdrawn and C&W pursuant to its obligations will make the necessary filings with the Authority which will allow the Authority to proceed in the manner provided pursuant to the ICTA Law and Regulations relative to mobile termination rates, and the responsibilities accorded to it by the relevant law and regulations.

Yours Sincerely,
MYERS & ALBERGA

Per: 
Michael L. Alberga

- cc. ~~Mr David Archbold, Managing Director, Information Communications Technology Authority~~
~~Mr Rudy Ebanks, Chief Regulatory & Carrier Relations Officer, Cable & Wireless~~
~~Mr Lawrence McNaughton, Executive Vice President, Carrier Services, Cable & Wireless~~
~~Mr Frans Vandendries, Vice President, Regulatory Affairs, Cable & Wireless~~
~~Mr Harris Jones, Group Managing Director & CEO, Cable & Wireless Plc.~~