

Trina R. LeRiche, Esq.
(816) 460-2427
TLeriche@sonnenschein.com

4520 Main Street
Suite 1100
Kansas City, MO 64111
816.460.2400
816.531.7545 fax
www.sonnenschein.com

Chicago
Kansas City
Los Angeles
New York
San Francisco
St. Louis
Washington, D.C.
West Palm Beach

February 4, 2003

FILED⁴

FEB 05 2003

**Missouri Public
Service Commission**

VIA FEDERAL EXPRESS

Mr. Dale Hardy Roberts
Chief Regulatory Law Judge / Secretary
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102

Re: Joint Application of Matrix Telecom, Inc. and International Exchange Communications, Inc. for Approval of the Transfer of Certain Assets and Related Transactions and a Waiver of Applicable Anti-Slamming Regulations – Public Version

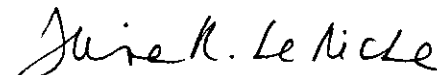
Dear Mr. Roberts:

Enclosed please find an original and nine (9) copies of the Public Version of the Joint Application of Matrix Telecom, Inc. ("Matrix"), and International Exchange Communications, Inc., for Approval of the Transfer of Certain Assets and Related Transactions and a Waiver of Applicable Anti-Slamming Regulations (the "Application"). The Financial Documents of Matrix, the Buyer, have been removed from the Public Version and are properly noted in accordance with the Commission rules. The Financial Documents are contained in the Non-Public Version being filed simultaneous herewith.

Please acknowledge receipt of this filing by file stamping the extra copy of this transmittal and returning it in the self-addressed, stamped envelope included for this purpose. Should you have any questions or need anything further, please contact me.

I appreciate your help in this matter.

Sincerely,



Trina R. LeRiche

TRL/lsc

Enclosures

cc: Office of Public Counsel
General Counsel

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

Joint Application of)
Matrix Telecom, Inc. and International)
Exchange Communications, Inc.)
for Approval of the Transfer of Certain)
Assets and Related Transactions and)
a Waiver of Applicable Anti-Slamming)
Regulations.)

Docket No. _____

**PUBLIC DOCUMENT – CONFIDENTIAL FINANCIAL
INFORMATION HAS BEEN EXCISED**

FILED⁴

FEB 05 2003

**Missouri Public
Service Commission**

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

Joint Application of)
Matrix Telecom, Inc. and International)
Exchange Communications, Inc.)
for Approval of the Transfer of Certain)
Assets and Related Transactions and)
a Waiver of Applicable Anti-Slamming)
Regulations.)

Docket No. _____

**JOINT APPLICATION OF MATRIX TELECOM, INC. AND
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.
FOR APPROVAL OF THE TRANSFER OF CERTAIN
ASSETS AND RELATED TRANSACTIONS AND A WAIVER
OF APPLICABLE ANTI-SLAMMING REGULATIONS**

Comes now Matrix Telecom, Inc. (hereinafter referred to as "Matrix" or "Buyer") and International Exchange Communications, Inc. (hereinafter referred to as "IECom" or "Seller"), (together the "Applicants"), by their undersigned regulatory counsel and pursuant to Mo. Rev. Stat. § 392.300 and 4-CSR 240-2.060, moves for approval of a proposed transfer of certain assets held by Seller to Buyer and related transactions and a waiver of applicable anti-slamming regulations.

In support of this Application, Applicants state the following:

I. THE PARTIES.

A. Matrix Telecom, Inc.

Matrix is a corporation organized under the laws of the State of Texas with its principal offices located at 300 N. Meridian, Oklahoma City, OK 73107. Matrix is a provider of intrastate interexchange telecommunications services in Missouri. Matrix was granted a certificate of public convenience and necessity by the Commission on December 15, 1991, and its tariff was subsequently approved. Matrix has provided services in Missouri since that time. Matrix is certified as a telecommunications reseller in the 48 contiguous states where required.

Matrix also provides interstate and international telecommunications services pursuant to the authorities granted to it by the Federal Communications Commission.

Matrix has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involves customer service on rates which action, judgment or decision has occurred within three (3) years of the date of this Application. Further, Matrix has no annual report or assessment fees which are overdue.

B. International Exchange Communications, Inc.

IECom is a corporation organized under the laws of the State of Delaware with its principal offices located at 500 Airport Blvd., Suite 340, Burlingame, CA 94010. IECom is a provider of intrastate interexchange telecommunications services in Missouri. IECom was granted a certificate of public convenience and necessity by the Commission on December 27, 1999, and its tariff was subsequently approved. IECom has provided services in Missouri since that time. IECom holds an array of state and federal regulatory licenses that are necessary to operate its business throughout the United States.

IECom has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involves customer service on rates which action, judgment or decision has occurred within three (3) years of the date of this Application. Further, IECom has no annual report or assessment fees which are overdue.

II. REQUEST FOR APPROVAL OF THE TRANSFER OF CERTAIN ASSETS AND RELATED TRANSACTIONS AND OF A WAIVER OF APPLICABLE ANTI-SLAMMING REGULATIONS.

On December 29, 2000, IECom entered into a Management Services Agreement ("MSA") with Matrix Telecom, Inc., pursuant to which Matrix has been providing telecommunication services to IECom's customer base under IECom's supervision. The MSA reflected, among other things, that IECom and Matrix desired to negotiate and enter into an

Asset Purchase Agreement under which Matrix would buy the Assets they were to manage pursuant to said MSA. On January 4, 2001, IECOM filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court, Northern District of California, San Francisco Division. As of the bankruptcy petition date, IECOM ceased operations. Since the petition date, IECOM has been attempting to liquidate its assets in an orderly fashion in order to maximize the value of those assets. However, Matrix and IECOM have been unable to agree upon the terms of an Asset Purchase Agreement under which Matrix would buy the Assets identified in the MSA. At various times throughout the pendency of IECOM's chapter 11 case, representatives of IECOM and Matrix have engaged in negotiations to reach a resolution of their disagreements. These settlement negotiations have been conducted at arms' length and in good faith by IECOM and Matrix, and have resulted in the Settlement Agreement which is attached as an Exhibit to the Motion For Approval of Settlement Agreement filed with the Bankruptcy Court on October 17, 2002 found in Attachment "A" hereto. Pursuant to the terms of the Settlement Agreement, Matrix will pay IECOM \$600,000, IECOM will transfer to Matrix the assets listed in Exhibits A and B of the MSA, also attached as Exhibits to the Motion and as Attachment "B" hereto, and both Matrix and IECOM will waive all claims against each other. Attached hereto as Attachment "C" is a copy of the Bankruptcy Order entered on the 23rd day of December, 2002 approving the Settlement Agreement and providing that the transfer of ownership of the assets to Buyer shall take place upon the receipt of the requisite state and federal regulatory approvals.

The Applicants herein request that the Commission approve the transfer of said assets from Seller to Buyer pursuant to Mo. Rev. Stat. § 392.300 and 4 CSR 240-2.050. Said transfer is in the best interest of the customers being served and will not in any way disrupt service nor cause inconvenience or confusion to the customers of IECOM. As one of the assets being

transferred is the perpetual right to use IECOM's name, logos, trade or service marks, etc., which have been associated with the customer base, and Matrix intends to continue to service these customers using the IECOM name, the transfer will in fact be transparent to the customers of IECOM. Further, these customers are currently being billed by their LECs for the services being provided by IECOM. These billing arrangements will continue after the transfer of this customer base to Matrix. In addition, the customers' rates, terms and conditions of service will not change from those currently in place. Matrix will continue to provide high quality, affordable telecommunications services to these customers in the same manner as it has operated since it obtained its certificate and in the same manner as it has serviced these customers over the last year and a half pursuant to the MSA. However, should the transfer not be approved, it would seem almost certain that these customers would experience a discontinuance in service as IECOM no longer has the ability to service these customers and has, in fact, ceased operations.

Matrix states that the transfer of assets will have no impact on the tax revenues of political subdivisions in which any structures, facilities, or the companies involved are located because transfer of assets does not involve "any structures, facilities, or equipment of the companies."

As Matrix proposes to operate this base under the name of IECOM, Matrix requests that its Certificate of Authority be modified to include its right to operate under this name. Further, Matrix will make additional filings and tariff admissions, as required, to incorporate appropriate rates, terms and conditions of service into its tariff in order to assure that this base will not experience a change in the rates, terms or conditions of service that currently apply.

The Applicants hereto recognize that a Customer Notification of the transfer is required. Attached hereto as Attachment "D" is a copy of the Notice that will be sent to all customers on,

or as soon as possible after, the Settlement Effective Date, as defined in the attached Settlement Agreement. While the Applicants intend to make every effort to comply with Missouri's anti-slamming regulations and reconcile said regulations with the Federal Bankruptcy Court Order, a waiver from any applicable anti-slamming regulations that would be violated by this transfer being made pursuant to the Bankruptcy Court Order is requested. Waiver may be necessary to ensure a seamless transition of these customers to Buyer. As stated above, Matrix contemplates that these customers will see no change in rates, terms or conditions of service from those currently in effect and they will continue to be billed in the same manner as they have been being billed for the last year and a half.

Matrix has more than sufficient resources to ensure its successful ongoing operations. Financial Documents of Matrix are being filed separately in the Non-Public version of this Application in a sealed envelope marked in accordance with Commission Rules. The Financial Documents have been removed from the Public Version of this Application as they contain valuable financial information concerning the operation of a company which is privately held, and the release of which would place Buyer and its' parent company at an unfair, competitive disadvantage. A Motion For Protective Order is being filed concurrent with this filing, requesting that the financial information not be made available for public disclosure as the results of operations of a privately-held company (Matrix) are contained therein, and the release thereof would place Matrix at an unfair competitive disadvantage.

Applications for approval of this transaction and a waiver of anti-slamming regulations, where required, will be filed with the FCC and every state in which IECOM is required to file for approval. Letters of notification will be sent to all other states in which IECOM operates.

IECom and Matrix pledge that they will make every effort to comply with all applicable statutes and Commission rules and regulations.

III. CONTACT INFORMATION.

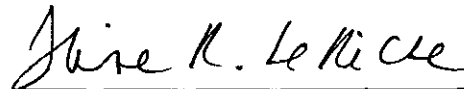
The Applicants herein provide the following contact information for questions, notices, pleadings and other communications concerning this Application:

Trina R. LeRiche, Esq.
Sonnenschein Nath & Rosenthal
4520 Main Street, Suite 1100
Kansas City, MO 64111
Telephone: (816) 460-2427
Facsimile: (816) 531-7545
email: tleriche@sonnenschein.com

IV. CONCLUSION.

For the reasons stated herein, the Applicants request expedited approval of the transfer of assets and related transactions and waiver of anti-slamming regulations as described herein, to permit the Applicants to consummate this transfer as soon as possible.

Respectfully Submitted,
SONNENSCHN NATH & ROSENTHAL



Mark P. Johnson, Esq. MO #30740
Trina R. LeRiche, Esq. MO #46080
4520 Main Street, Suite 1100
Kansas City, MO 64111
Telephone: (816) 460-2400
Facsimile: (816) 531-7545
email: Mjohnson@sonnenschein.com
TleRiche@sonnenschein.com

ATTORNEYS FOR MATRIX TELECOM, INC. and
INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

Dated: February 4th, 2003.

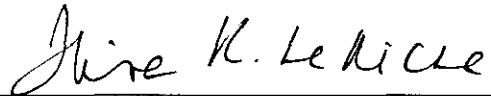
CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 4th day of February, 2003, two true and correct copies of the above and foregoing was mailed, postage prepaid, to:

Office of Public Counsel
P.O. Box 7800
200 Madison Street, Suite 600
Jefferson City, MO 65102

With one copy being mailed postage prepaid, on the same date to:

Office of General Counsel
Missouri Public Service Commission
200 Madison Street, Suite 800
Jefferson City, MO 65102



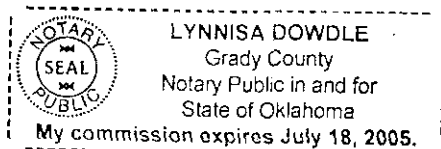
ATTORNEYS FOR
MATRIX TELECOM, INC.

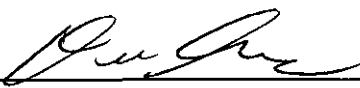
VERIFICATION

STATE OF OKLAHOMA)
)
COUNTY OF GRADY) **SS**

I, Dennis E. Smith, hereby declare under penalty of perjury, that I am the President of Matrix Telecom, Inc., ("Buyer"); that I am authorized to make this verification on behalf of Buyer; that I have read the foregoing; and that the facts stated therein are true and correct to the best of my knowledge, information and belief.

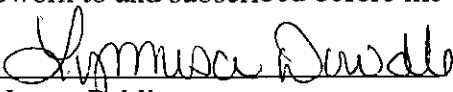
Dated this **6** day of November, 2002.





Dennis E. Smith
President
Matrix Telecom, Inc.

Sworn to and subscribed before me this **6** day of November, 2002.



Notary Public

My Commission expires:

July 18, 2005

Commission #: **01012005**

ATTACHMENT A
MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT
UNITED STATES BANKRUPTCY FILING

LEE R. BOGDANOFF (State Bar No. 119542), and
 MARTIN R. BARASH (State Bar No. 162314), Attorneys with
 KLEE, TUCHIN, BOGDANOFF & STERN LLP
 1880 Century Park East, Suite 200
 Los Angeles, California 90067-1698
 Telephone: (310) 407-4000
 Facsimile: (310) 407-9090

Bankruptcy Counsel for Pacific Gateway Exchange, Inc., et al.,
 Debtors and Debtors In Possession

Debtors' Mailing Address:
 500 Airport Drive, Suite 340
 Burlingame, California 94010

**UNITED STATES BANKRUPTCY COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN FRANCISCO DIVISION**

In re:

PACIFIC GATEWAY EXCHANGE, INC.,
 a Delaware corporation (Tax I.D. No. 94-
 3134065); INTERNATIONAL EX-
 CHANGE COMMUNICATIONS, INC., a
 Delaware corporation (Tax I.D. No. 94-
 3292374); ONYX NETWORKS, INC., a
 Delaware corporation, f/k/a/ PGExpress,
 Inc. (Tax I.D. No. 94-3335904); WORLD
 PATHWAYS, INC., a Delaware corpora-
 tion (Tax I.D. No. 94-3282029);
 WORLDLINK, INC., a Delaware corpora-
 tion (Tax I.D. No. 94-3286651); and
 GLOBAL TIME, INC., a Delaware corpo-
 ration (Tax I.D. No. 94-3316865),

Debtors.

Case Nos. SF 00-33019 DM; SF 01-30027
 DM; SF 01-30014 DM; SF 01-30016 DM;
 SF 01-30017 DM; SF 01-30015 DM
 (Jointly Administered under Case No. SF
 00-33019 DM)

Chapter 11

[Pleading Applies to All Cases]

**NOTICE OF MOTION AND MOTION
 BY INTERNATIONAL EXCHANGE
 COMMUNICATIONS, INC. FOR
 APPROVAL OF SETTLEMENT
 AGREEMENT WITH MATRIX
 TELECOM, INC. AND SALE OF
 ASSETS PURSUANT THERETO;
 DECLARATION OF DAVID M.
 DAVIS IN SUPPORT THEREOF**

**No Hearing Required Pursuant To
 Bankruptcy Local Rule 9014-1(b)(3)**

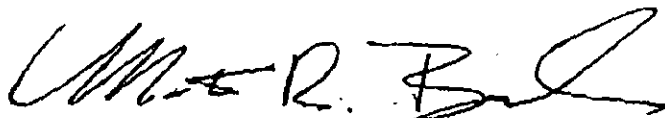
NOTICE OF MOTION AND MOTION

PLEASE TAKE NOTICE that International Exchange Communications, Inc., a Delaware corporation ("IECom") hereby moves the Court to enter an order, pursuant to Federal Rule of Bankruptcy Procedure 9019(a) and other applicable law, approving the "Settlement Agreement" dated as of August 12, 2002 between IECom and Matrix Telecom, Inc. ("Matrix"), which Settlement Agreement is attached as Exhibit "1" hereto. Pursuant to the Stipulation, Matrix shall pay IECom \$600,000, IECom shall transfer to Matrix substantially all of its remaining assets, and both Matrix and IECom will waive all claims against each other. This Motion is based upon these moving papers, the accompanying Memorandum of Points and Authorities and Declaration of David M. Davis ("Davis Declaration"), the Settlement Agreement, the record in these cases, and such other arguments and evidence as maybe presented at or prior to the hearing on the Motion.

PLEASE TAKE FURTHER NOTICE that Bankruptcy Local Rule 9014-1 of the United States Bankruptcy Court for the Northern District of California prescribes the procedures to be followed in connection with this Motion, and that any objection to the requested relief, or a request for hearing on the matter, must be filed and served upon counsel for IECom, Klee Tuchin Bogdanoff & Stern LLP, Attn: Martin R. Barash, Esq., 1880 Century Park East, Suite 200, Los Angeles, California 90067-1698, counsel for Matrix, Kirkland & Ellis, Attn: Bennett L. Spiegel, Esq., 777 South Figueroa Street, Los Angeles, CA 90017, and counsel for IECom's prepetition lenders, O'Melveny and Myers LLP, Attn: Ben Logan, Esq., 400 South Hope Street, Los Angeles, CA 90012, within twenty (20) days of the mailing of this Notice. A request for hearing or objection must be accompanied by any declarations or memoranda of law the party objecting or requesting:

1 a hearing wishes to present in support of its position. If there is no timely objection to the
2 requested relief or a request for hearing, the Court may enter an order granting the relief
3 requested in the Motion without further notice or hearing.

4
5 DATED: October 17, 2002



6
7 MARTIN R. BARASH, an Attorney with
8 KLEE, TUCHIN, BOGDANOFF & STERN LLP
9 Bankruptcy Counsel For
10 Debtors And Debtors In Possession
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I.

3 BACKGROUND FACTS

4 A. General Background

5 On December 29, 2000, PGEX filed a voluntary petition for relief under
6 chapter 11 of title 11 of the United States Code ("Bankruptcy Code"). On January 3,
7 2001 and January 4, 2001, certain of PGEX's domestic subsidiaries also filed voluntary
8 petitions under chapter 11 of the Bankruptcy Code: IECOM, Onyx, World Pathways, Inc.
9 ("WPI"), WorldLink, Inc. ("WLI"), and Global Time, Inc. ("GTI"), the latter of which is
10 a subsidiary of IECOM (collectively with PGEX, the "Debtors"). Pursuant to Bankruptcy
11 Code sections 1107(a) and 1108, the Debtors have been managing their affairs as debtors
12 and debtors in possession.

13 Prior to the commencement of these cases, the Debtors and their non-debtor
14 affiliates (collectively, the "Company") operated a global telecommunications enterprise,
15 offering voice-based telecommunications, Internet and bandwidth services. The
16 Company used and resold telecommunications services on a state-of-the-art network of
17 land-based and undersea cables that connect key metropolitan centers in the United
18 States, Europe, Asia, and the Pacific. The Company (through its various entities) owns
19 (or owned) some of the cable capacity that comprised that network, as well as several
20 land-based switching facilities in California, New York, Texas, Australia, New Zealand,
21 the United Kingdom, Russia, and Germany.

22 For over half a year prior to the petition dates, with the assistance of
23 Development Specialists, Inc. ("DSI"), a national turnaround consulting firm, the Debtor
24 and their non-debtor affiliates were engaged in efforts to streamline their businesses,
25 discontinue unprofitable operations, and attempt to market the assets relating to those
26 operations. As of their Petition Dates, the Debtors ceased operations. During these
27 cases, the Debtors have been liquidating their assets in an orderly fashion in order to
28 maximize the value of those assets. The Debtors obtained limited, short-term debtor in

1 possession financing ("DIP Financing") for this purpose from their prepetition lenders
2 ("Lenders").

3 **B. IECOM, Matrix, and the Settlement Agreement.**

4 The retail business was operated by IECOM. Prior to the Petition Date,
5 IECOM sold end-user long distance telephone services on a pre-subscribed and call-by-
6 call basis to customers in the United States. Based in Santa Ana, California, IECOM
7 specialized in targeting groups that are high-volume consumers of international
8 telecommunications services, including the Filipino, Japanese, Chinese, Vietnamese,
9 Russian, and Korean communities resident in the United States. IECOM was a
10 "switchless" reseller of telecommunications services, meaning it obtained long distance
11 services from PGEX and other wholesale carriers. IECOM holds (and held) an array of
12 state and federal regulatory licenses that were necessary to operate its business
13 throughout the United States.

14 On December 29, 2000, IECOM entered into a certain Management
15 Services Agreement ("MSA") with Matrix Telecom, Inc. ("Matrix"), pursuant to which
16 Matrix has been providing telecommunication services to IECOM's customer base. The
17 MSA provided, among other things, that: (1) IECOM appointed Matrix as the sole and
18 exclusive provider of all services necessary or appropriate for the supervision and
19 management of certain assets of IECOM (as defined in the MSA, the "Assets"); (2)
20 Matrix agreed to receive specified compensation for its services; (3) IECOM agreed to
21 receive specified royalties for Matrix's use of the Assets; (4) IECOM and Matrix agreed
22 to share collected accounts receivable in specified proportions; and (5) IECOM and
23 Matrix undertook various responsibilities and made various representations and
24 covenants. The MSA also recited that IECOM and Matrix desired to negotiate and enter
25 into an Asset Purchase Agreement under which Matrix would buy the Assets pending
26 negotiation of a definitive transaction. A copy of the MSA is attached and incorporated
27 into the Settlement Agreement.

28

1 On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary
2 petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code")
3 in the United States Bankruptcy Court for the Northern District of California (the
4 "Bankruptcy Court"). On January 3, 2001, Onyx Networks, Inc., World Pathways, Inc.,
5 WORLDLINK, INC., and Global Time, Inc. also filed voluntary petitions under chapter
6 11 in the Bankruptcy Court. Finally, on January 4, 2001, IECOM filed a voluntary
7 petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On January
8 9, 2001, the Bankruptcy Court entered in the Debtors' cases its Interim Order (A) (i)
9 Authorizing Post Petition Financing and (ii) Granting Super Administrative Priority
10 Expense Claim Status and (B) Scheduling a Final Hearing, attached to which was a copy
11 of the MSA and a Clarification of the MSA, elaborating upon the proportions of collected
12 accounts receivable that IECOM and Matrix had agreed to share.

13 Just prior to IECOM's Petition Date, Matrix determined that it would not
14 require the services of virtually all of IECOM's employees to fulfill its obligations under
15 the Management Services Agreement. Accordingly, IECOM's operations were
16 discontinued and most of its employees were terminated prior to the commencement of
17 this case. The remaining employees were terminated shortly thereafter. Following the
18 commencement of the case for IECOM, Matrix and IECOM were unable to agree upon the
19 terms of an Asset Purchase Agreement under which Matrix would buy the Assets
20 identified in the MSA. Among other things, IECOM has insisted that Matrix purchase the
21 Assets for 1.5 times IECOM's December 2000 revenues, the contemplated price
22 referenced in the MSA. Matrix has asserted in response, among other things, that the
23 price referenced in the MSA did not constitute a binding offer to purchase the Assets at
24 that price. Each of IECOM and Matrix asserts that the acts, omissions, and/or
25 misrepresentations of the other are to blame for their inability to agree.

26 Disagreements between Matrix and IECOM also have arisen over their
27 obligations under the MSA. IECOM asserts that Matrix breached certain of its covenants,
28 obligations, and representations under the MSA by failing to pay IECOM royalties to

1 which IECOM was entitled and by underreporting the revenues on which the royalties
2 were based. IECOM asserts that Matrix owes it approximately \$771,885 in unpaid
3 royalties. Matrix disputes these assertions. Matrix asserts that IECOM breached certain
4 of its covenants, obligations, and representations under the MSA and thereby caused
5 Matrix to incur extraordinary expenses that it should not have had to incur and that these
6 expenses offset any royalties otherwise due and entitle Matrix to assert a claim for an
7 administrative expense against IECOM's bankruptcy estate. Matrix asserts that IECOM
8 owes it approximately \$1,060,000 for these expenses. IECOM disputes these assertions.
9 Also, as noted above, IECOM asserts that Matrix has not negotiated in good faith an Asset
10 Purchase Agreement under which Matrix would buy the Assets. Matrix disputes this
11 assertion.

12 At various times throughout the pendency of IECOM's chapter 11 case,
13 representatives of IECOM and Matrix have engaged in negotiations to reach a global
14 resolution of their disagreements. These settlement negotiations have been conducted at
15 arms' length and in good faith by IECOM and Matrix, and have resulted in the Settlement
16 Agreement. Without admitting any liability or the accuracy of any claims or allegations,
17 the parties have agreed to settle as expeditiously as possible all disputes among
18 themselves, including all disputes arising out of the facts and allegations recited above,
19 pursuant to the terms of the Settlement Agreement. As more specifically set forth
20 therein, Matrix will pay IECOM \$600,000, IECOM shall transfer to Matrix the Assets, and
21 both Matrix and IECOM will waive all claims against each other. The Settlement
22 Agreement is fair, reasonable, and in the best interests of IECOM's estate.

23 All funds generated from the Settlement Agreement (i.e., the \$600,000)
24 be remitted to the Lenders pursuant to the DIP Financing agreements, and in accordance
25 with the properly perfected, first priority lien asserted by the Lenders in all of IECOM's
26 assets. By execution of the Settlement Agreement by their agent, the Lenders already
27 have approved of the Settlement Agreement and consented to the relief requested in
28 Motion.

1 Although IECOM disputes Matrix's contentions regarding liability for over
2 \$1 million in administrative expenses, and although it believes that its claims against
3 Matrix would be meritorious if litigated, IECOM would face substantial expense and
4 litigation risk if the Settlement Agreement is not approved. Presently, IECOM's only
5 source of funds for such litigation derive from the DIP Financing, and it is not clear
6 whether and to what extent the Lenders would approve funds for such purpose. Further,
7 it is unclear whether the IECOM customer base actually can be transferred to another
8 buyer and sold for any amount, if this Settlement Agreement is not approved. In light of
9 these circumstances, the Settlement Agreement is fair and reasonable. Further, the fact
10 that the Settlement Agreement has been approved by the one group of creditors that hold
11 the economic interest in these matters – the Lenders – there can be little question that the
12 relief requested is appropriate under the circumstances.

13 II.

14 LEGAL ARGUMENT

15 A. This Court Should Approve The Stipulation As A Compromise 16 Or Settlement Of Controversy Pursuant To Federal Rule Of 17 Bankruptcy Procedure 9019(a).

18 1. The Applicable Standard.

19 Bankruptcy Rule 9019(a) provides that:

20 On motion by the [debtor in possession] and after a hearing
21 on notice to creditors, the United States trustee, the debtor
22 and indenture trustees as provided in Rule 2002 and to such
other entities as the court may designate, the court may
approve a compromise or settlement.

23 Fed. R. Bankr. P. 9019(a).

24 The Ninth Circuit has long recognized that "[t]he bankruptcy court has
25 great latitude in approving compromise agreements." Woodson v. Fireman's Fund Ins.
26 Co. (In re Woodson), 839 F.2d 610, 620 (9th Cir. 1988). "The purpose of a compromise
27 agreement is to allow the [debtor in possession] and the creditors to avoid the expenses
28 and burdens associated with litigating sharply contested and dubious claims." Martin v.

1 Kane (In re A & C Properties), 784 F.2d 1377, 1380-81 (9th Cir.), cert. denied, 479 U.S.
2 854 (1986). Accordingly, in approving a settlement agreement, the Court need conduct
3 neither an exhaustive investigation into the validity, nor a mini-trial on the merits, of the
4 claims sought to be compromised. United States v. Alaska National Bank (In re Walsh
5 Constr., Inc.), 669 F.2d 1325, 1328 (9th Cir. 1982). Rather, it is sufficient that the Court
6 find that the settlement was negotiated in good faith and is reasonable, fair, and equitable.
7 In re A & C Properties, 784 F.2d at 1381.

8 The Ninth Circuit has identified the following factors for consideration in
9 determining whether a proposed settlement agreement is reasonable, fair, and equitable:
10 (a) The probability of success in the litigation; (b) the difficulties, if any, to be
11 encountered in the matter of collection; (c) the complexity of the litigation involved, and
12 the expense, inconvenience and delay necessarily attending it; (d) the paramount interest
13 of the creditors and a proper deference to their reasonable views in the premises. In re A
14 & C Properties, 784 F.2d at 1381.

15 Consideration of these factors does not require the Court to decide the
16 questions of law and fact raised in the controversies sought to be settled, or to determine
17 whether the settlement presented is the best one that could possibly have been achieved.
18 Rather, the Court need only canvass the issues to determine whether the settlement falls
19 "below the lowest point in the zone of reasonableness." Newman v. Stein, 464 F.2d 689,
20 698 (2d Cir.) (emphasis added), cert. denied sub nom. Benson v. Newman, 409 U.S. 102
21 (1972); see also Anaconda-Ericsson Inc. v. Hessen (In re Teltronics Services, Inc.), 762
22 F.2d 185, 189 (2d Cir. 1985); Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599,
23 608 (2d Cir.), cert. denied, 464 U.S. 822 (1983). Finally, although the Court should give
24 deference to the reasonable views of creditors, "objections do not rule. It is well
25 established that compromises are favored in bankruptcy." In re Lee Way Holding Co.,
26 120 B.R. 881, 891 (Bankr. S.D. Ohio 1990).

1 2. **The Court Should Approve The Settlement**
2 **Agreement Because It Is Fair, Reasonable, And In**
3 **The Best Interests Of The Debtors And The**
4 **Estates.**

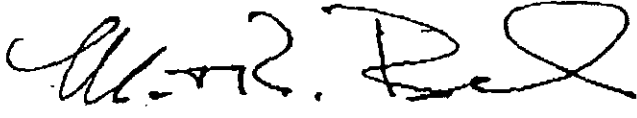
5 As the facts set forth above and in the accompanying Davis Declaration
6 amply demonstrate, the Settlement Agreement is reasonable, fair, and in the best interests
7 of IECOM and its economic stakeholders. Despite IECOM's belief that it is entitled to
8 \$771,885 in unpaid royalties and additional amounts in compensation for the Assets (i.e.,
9 principally the customer base), IECOM faces real expense and real risk in pursuing these
10 causes of action rather than entering into the Settlement Agreement. As noted above,
11 Matrix asserts over \$1 million in administrative expenses against IECOM which, if
12 sustained, would substantially offset any judgment that IECOM might realize against
13 Matrix. IECOM's only source of funds for such litigation would derive from the DIP
14 Financing, over which the Lenders have complete budgetary discretion – the very same
15 Lenders who would be exclusively entitled to the proceeds of such litigation, on account
16 of the DIP Financing agreements and their prepetition liens. As noted by their execution
17 of the Settlement Agreement, the Lenders have approved of the Settlement Agreement.
18 As the creditors with the economic interest in the matter, their approval confirms that
19 approval of the Settlement Agreement is fair, reasonable and sensible.

20 **III.**

21 **CONCLUSION**

22 **WHEREFORE**, for the reasons and based on the authorities presented
23 above, IECOM respectfully requests that this Court enter an order pursuant to Federal
24 Rule of Bankruptcy Procedure 9019(a) approving the Settlement Agreement attached
25 hereto as Exhibit "1".

26 DATED: October 17, 2002

27 
28 MARTIN R. BARASH, an Attorney with
 KLEE, TUCHIN, BOGDANOFF & STERN LLP
 Bankruptcy Counsel For
 Debtors And Debtors In Possession

1 I, DAVID M. DAVIS., declare as follows:

2 1. I am over 18 years of age. If called as a witness in this case, I could
3 and would competently testify from my own personal knowledge regarding the matters
4 set forth in this Declaration, except as otherwise may be stated.

5 2. On December 29, 2000, Pacific Gateway Exchange, Inc., a Delaware
6 corporation ("PGEX") filed a voluntary petition for relief under chapter 11 of title 11 of
7 the United States Code ("Bankruptcy Code"). On January 3 and 4, 2001, certain of
8 PGEX's domestic subsidiaries also filed voluntary petitions under chapter 11 of the Bank-
9 ruptcy Code: International Exchange Communications, Inc., a Delaware corporation
10 ("IECom") (January 4), Onyx Networks, Inc., a Delaware corporation ("Onyx"), World
11 Pathways, Inc., a Delaware corporation ("WPI"), WorldLink, Inc., a Delaware corpora-
12 tion ("WLI"), and Global Time, Inc., a Delaware corporation ("GTI"), the latter of which
13 is a subsidiary of IECom (collectively with PGEX, the "Debtors").

14 3. I am the Chief Financial Officer of PGEX and President of Onyx,
15 IECom, WPI, WLI, and GTI. I am the sole officer of each of the Debtors and the indi-
16 vidual designated by the Court as the Responsible Person for the Debtors as debtors in
17 possession. I have served as an officer of PGEX since August, 2000, and became an of-
18 ficer of the other Debtors shortly before the commencement of their cases. As a result of
19 my involvement with the Debtors, I am familiar with the nature and scope of the Debtor
20 operations and financial affairs, the Debtors' books and records, their various assets, and
21 their chapter 11 efforts.

22 4. For over half a year prior to the petition dates, with the assistance
23 Development Specialists, Inc. ("DSI"), a national turnaround consulting firm, the Debt
24 and their non-debtor affiliates were engaged in efforts to streamline their businesses, c
25 continue unprofitable operations, and attempt to market the assets relating to those op
26 tions. As of their Petition Dates, the Debtors ceased operations. During these cases, t
27 Debtors have been liquidating their assets in an orderly fashion in order to maximize t
28 value of those assets. The Debtors obtained limited, short-term debtor in possession f

1 nancing ("DIP Financing") for this purpose from their prepetition lenders ("Lenders").

2 5. Prior to the commencement of these cases, the Debtors and their
3 non-debtor affiliates (collectively, the "Company") operated a global telecommunications
4 enterprise, offering voice-based telecommunications, Internet and bandwidth services.
5 The Company used and resold telecommunications services on a state-of-the-art network
6 of land-based and undersea cables that connect key metropolitan centers in the United
7 States, Europe, Asia, and the Pacific. The Company (through its various entities) owns
8 (or owned) some of the cable capacity that comprised that network, as well as several
9 land-based switching facilities in California, New York, Texas, Australia, New Zealand,
10 the United Kingdom, Russia, and Germany.

11 6. IECOM was the Company's retail business. Prior to the Petition
12 Date, IECOM sold end-user long distance telephone services on a pre-subscribed and call-
13 by-call basis to customers in the United States. Based in Santa Ana, California, IECOM
14 specialized in targeting groups that are high-volume consumers of international
15 telecommunications services, including the Filipino, Japanese, Chinese, Vietnamese,
16 Russian, and Korean communities resident in the United States. IECOM was a
17 "switchless" reseller of telecommunications services, meaning it obtained long distance
18 services from PGEX and other wholesale carriers. IECOM holds (or held) an array of
19 state and federal regulatory licenses that were necessary to operate its business
20 throughout the United States.

21 7. On December 29, 2000, IECOM entered into a certain Management
22 Services Agreement ("MSA") with Matrix Telecom, Inc. ("Matrix"), pursuant to which
23 Matrix has been providing telecommunication services to IECOM's customer base. The
24 MSA provided, among other things, that: (1) IECOM appointed Matrix as the sole and
25 exclusive provider of all services necessary or appropriate for the supervision and
26 management of certain assets of IECOM (as defined in the MSA, the "Assets"); (2)
27 Matrix agreed to receive specified compensation for its services; (3) IECOM agreed to
28 receive specified royalties for Matrix's use of the Assets; (4) IECOM and Matrix agree

1 to share collected accounts receivable in specified proportions; and (5) IECOM and
2 Matrix undertook various responsibilities and made various representations and
3 covenants. The MSA also recited that IECOM and Matrix desired to negotiate and enter
4 into an Asset Purchase Agreement under which Matrix would buy the Assets pending
5 negotiation of a definitive transaction. A copy of the MSA is attached and incorporated
6 into the "Settlement Agreement," which is annexed hereto as Exhibit 1 and discussed
7 below.

8 8. Just prior to IECOM's Petition Date, Matrix determined that it would
9 not require the services of virtually all of IECOM's employees to fulfill its obligations
10 under the Management Services Agreement. Accordingly, IECOM's operations were
11 discontinued and most of its employees were terminated prior to the commencement of
12 this case. The remaining employees were terminated shortly thereafter. Following the
13 commencement of the case for IECOM, Matrix and IECOM were unable to agree upon the
14 terms of an Asset Purchase Agreement under which Matrix would buy the Assets
15 identified in the MSA. Among other things, IECOM has insisted that Matrix purchase the
16 Assets for 1.5 times IECOM's December 2000 revenues, the contemplated price
17 referenced in the MSA. Matrix asserted in response, among other things, that the price
18 referenced in the MSA did not constitute a binding offer to purchase the Assets at that
19 price.

20 9. Disagreements between Matrix and IECOM also arose over their
21 obligations under the MSA. IECOM has asserted that Matrix breached certain of its
22 covenants, obligations, and representations under the MSA by failing to pay IECOM
23 royalties to which IECOM was entitled and by underreporting the revenues on which its
24 royalties were based. IECOM has asserted that Matrix owes it approximately \$771,881
25 unpaid royalties. Matrix has disputed these assertions, arguing that IECOM breached
26 certain of its covenants, obligations, and representations under the MSA and thereby
27 caused Matrix to incur extraordinary expenses (over \$1 million), which Matrix asserts
28 is entitled to recover as an administrative expense against IECOM's bankruptcy estate.

1 IECOM disputes these assertions, and further asserts that Matrix has not negotiated in
2 good faith an Asset Purchase Agreement under which Matrix would buy the Assets.

3 10. At various times throughout the pendency of IECOM's chapter 11
4 case, representatives of Matrix and IECOM (including myself and counsel under my
5 direction) have engaged in negotiations to reach a global resolution of their
6 disagreements. At all times these settlement negotiations have been conducted at arms'
7 length and in good faith by IECOM, which has sought exclusively to maximize the
8 recovery for its estate. Based upon my observations of Matrix's representatives, it
9 likewise appears to me that Matrix sought to maximize the recovery for Matrix. Without
10 admitting any liability or the accuracy of any claims or allegations, the parties have
11 agreed to settle as expeditiously as possible all disputes among themselves pursuant to
12 the attached Settlement Agreement. As more specifically set forth therein, Matrix will
13 pay IECOM \$600,000, IECOM shall transfer to Matrix the Assets, and both Matrix and
14 IECOM will waive all claims against each other.

15 11. It is my belief, based upon prior dealings with Matrix and my
16 experience in these cases generally, that IECOM would face substantial expense if the
17 Settlement Agreement is not approved, as well as litigation risk. Presently, IECOM's only
18 source of funds for such litigation derive from the DIP Financing. I do not believe that
19 the Lenders would approve funds for such purpose. Further, it is unclear whether the
20 IECOM customer base actually could be transferred to another buyer and sold for any
21 amount, if this Settlement Agreement is not approved. Based upon all of the foregoing,
22 I have determined, in the exercise of my business judgment on behalf of IECOM, that the
23 Settlement Agreement is fair, reasonable, and in the best interests of IECOM's estate.

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

25 Executed this 17th day of October, 2001, at Burlingame, California.

26
27 

28 DAVID M. DAVIS

SETTLEMENT AGREEMENT

This Settlement Agreement dated August 12, 2002 (the "Settlement Agreement") is entered into by and among Matrix Telecom, Inc. ("Matrix") and International Exchange Communications, Inc. ("IECom") (together, Matrix and IECom will be referred to as the "Settling Parties"). With the intent of achieving a final resolution of the disputes among them that arise out of or are in any way related to any of the matters set forth in the following Recitals, and with the intent of being legally bound, the Settling Parties hereby represent and agree as follows.

RECITALS

A. On or about December 28, 2000, Matrix and IECom signed a Management Services Agreement that stated it was "made and entered into as of January 5, 2001" (the "MSA"), a copy of which is attached hereto and incorporated by reference as if set forth in full. The MSA provided, among other things, that: (1) IECom appointed Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of certain assets of IECom (as defined in the MSA, the "Assets"); (2) Matrix agreed to receive specified compensation for its services; (3) IECom agreed to receive specified royalties for Matrix's use of the Assets; (4) IECom and Matrix agreed to share collected accounts receivable in specified proportions; and (5) IECom and Matrix undertook various responsibilities and made various representations and covenants. The MSA also recited that IECom and Matrix desired to negotiate and enter into an Asset Purchase Agreement under which Matrix would buy the Assets.

B. On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary petition under chapter 11 of title 11 of the United States Code (the

"Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). On January 3, 2001, Onyx Networks, Inc., World Pathways, Inc., WORLDLINK, INC., and Global Time, Inc. filed voluntary petitions under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On January 4, 2001, IECOM filed a voluntary petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Together, these six entities will be referred to as the "Debtors". For procedural purposes, the Bankruptcy Court is jointly administering the Debtors' cases under case number SF 00-33019 DM.

C. On January 9, 2001, the Bankruptcy Court entered in the Debtors' cases its *Interim Order (A) (i) Authorizing Post Petition Financing and (ii) Granting Super Administrative Priority Expense Claim Status and (B) Scheduling a Final Hearing*, to which were attached a copy of the MSA and a Clarification of the MSA that elaborated upon the proportions of collected accounts receivable that IECOM and Matrix had agreed to share.

D. Matrix and IECOM were unable to agree upon the terms of an Asset Purchase Agreement under which Matrix would buy the Assets. Each of the Settling Parties asserts that the acts, omissions, and/or misrepresentations of the other are to blame for their inability to agree.

E. Disagreements between Matrix and IECOM have arisen over their obligations under the MSA. (a) IECOM asserts that Matrix breached certain of its covenants, obligations, and representations under the MSA by failing to pay IECOM royalties to which IECOM was entitled and by underreporting the revenues on which the royalties were based. IECOM asserts that Matrix owes it approximately \$771,885 in unpaid royalties. Matrix disputes these assertions. (b) Matrix asserts that IECOM breached certain of its covenants, obligations, and representations under the MSA and thereby caused Matrix to incur extraordinary

expenses that it should not have had to incur and that these expenses offset any royalties otherwise due and entitle Matrix to assert a claim for an administrative expense against IECOM's bankruptcy estate. Matrix asserts that IECOM owes it approximately \$1,060,000 for these expenses. IECOM disputes these assertions. (c) IECOM asserts that Matrix has not negotiated in good faith an Asset Purchase Agreement under which Matrix would buy the Assets. Matrix disputes this assertion.

F. Representatives of the Settling Parties have engaged in negotiations to reach a global resolution of their disagreements. These settlement negotiations have been conducted at arms' length and in good faith by the Settling Parties and have resulted in this Settlement Agreement. Accordingly, without admitting any liability or the accuracy of any claims or allegations, the Settling Parties wish to settle as expeditiously as possible all disputes among themselves, including all disputes arising out of the facts and allegations recited above, as follows.

SETTLEMENT TERMS

In light of the foregoing, and in consideration of the promises and releases contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Settling Parties agree as follows:

1. The Settling Parties acknowledge that this Settlement Agreement is subject to the approval of the Bankruptcy Court, and it is agreed that IECOM shall, at its own expense, seek to obtain approval of this Settlement Agreement by the Bankruptcy Court as soon as possible pursuant to Federal Rule of Bankruptcy Procedure 9019 on due and appropriate notice to creditors and other parties in interest in IECOM's chapter 11 case; provided, however, that Matrix

shall bear the burden (and any cost) of providing the evidence uniquely within its control that is necessary to obtain the Bankruptcy Court's approval.

2. This Settlement Agreement shall be effective on the first business day that an order of the Bankruptcy Court approving this Settlement Agreement ("Settlement and Sale Order") in a form reasonably acceptable to the Settling Parties becomes final, unappealable, and unstayed (the "Settlement Effective Date"); provided, however, that Matrix may, in its sole discretion, waive the requirement that the order be final and unappealable, and cause the Settlement Effective Date to occur following entry of the Settlement and Sale Order, by delivering a written notice to this effect to IECOM, in which case the Settlement Effective Date shall be the date on which such notice is delivered.

3. The Settlement and Sale Order must (A) provide for the sale of the Assets to Matrix (i) free and clear of all liens, claims, encumbrances, and interests of those lienholders identified in the Bankruptcy Court's "Order Granting Omnibus Motion to Establish Procedures for the Expedited Sale of Assets and Authority to Sell Assets Free and Clear of Liens, Claims, and Encumbrances" (collectively, the "Lienholders") entered in the Debtors' cases on March 12, 2001 and (ii) without any other representations, warranties, or conditions, (B) require the transfer of the Assets and the payment of the \$600,000 to occur without delay, and (C) include a finding that Matrix is a good-faith purchaser of the Assets as defined in section 363(m) of the Bankruptcy Code. Provided the Settlement and Sale Order is entered, effective and unstayed, IECOM will execute and deliver to Matrix any other documents that Matrix reasonably needs to effectuate its acquisition of the Assets.

4. On the Settlement Effective Date, Matrix will pay or cause to be paid to IECOM \$600,000 by cashier's check or wire transfer.

5. Neither IECOM nor its secured lenders (as signified by their approval and agreement at the end of this Settlement Agreement) will request that the delivery of the Assets to Matrix be subject to an overbid and will oppose any request for any overbid.

6. The Settling Parties acknowledge that certain regulatory filings will need to be made to effectuate Matrix's acquisition of the Assets, and IECOM agrees to grant Matrix reasonable access at reasonable times upon reasonable notice to documents or other information that Matrix needs for these filings or for other reasons to effectuate its acquisition of the Assets.

7. Subject to Paragraph 8 hereof, on the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, except as otherwise expressly provided in this Settlement Agreement, IECOM and each of its past and present predecessors, successors, and assigns (jointly and severally, the "IECOM Parties"), for and in consideration of this Settlement Agreement, release and absolutely and forever discharge Matrix and each of its past and present predecessors, successors, and assigns (jointly and severally, the "Matrix Parties") and their officers, directors, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

8. Notwithstanding any other provision of this Agreement:

(A) any and all claims, causes of action or other rights of IECOM against Matrix that arise under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that become "Allowed General Administrative Claims" under the proposed Joint

Chapter 11 Plan of Liquidation dated July 31, 2002 ("Plan"), or that otherwise become allowed administrative expenses pursuant to Bankruptcy Code section 503(b) are neither waived nor released under this Agreement;

(B) Matrix hereby represents and warrants to the best of its knowledge that all liabilities incurred by Matrix in connection with, arising out of, or relating to its performance or non-performance of rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM, have been paid and/or fully satisfied; and

(C) Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOM harmless at all times in the event the IECOM shall at any time, or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement (including all reasonable attorneys' fees) that becomes an "Allowed General Administrative Claim" under the proposed Joint Chapter 11 Plan of Liquidation dated July 31, 2002, that otherwise becomes an allowed administrative expense pursuant to Bankruptcy Code section 503(b), or that would qualify as an allowed administrative expense if the procedural requirements of section 503(b) were satisfied, in connection with the assertion of a claim, cause of action or other right by a third party, arising out of, resulting from or in connection with the performance or nonperformance by Matrix of any rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM. Whenever IECOM is notified that a party asserts a claim against IECOM as to which Matrix has indemnified IECOM under this paragraph, IECOM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOM to provide Matrix with such notice shall not excuse or affect Matrix's

indemnification obligations hereunder, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOM pursuant to this paragraph, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOM hereunder, Matrix shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOM. If Matrix so elects to defend or contest, IECOM shall have the right, at its expense, to participate in such defense, but such defense shall, at all times, be conducted by and under the control of Matrix and its counsel. IECOM and its successors under the Plan agree to reasonably cooperate and assist Matrix in defending against any such suit, action, investigation, claim or proceeding.

(D) IECOM hereby represents and warrants that to the best of his actual knowledge, as of the date he executes this Settlement Agreement, David M. Davis, President and Estate Representative for IECOM, has no knowledge of any claims, causes of action or other rights of IECOM against Matrix that have arisen under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that are or may become allowed administrative expenses pursuant to Bankruptcy Code section 503(b). This representation and warranty is made by IECOM; Matrix shall have no recourse against Mr. Davis in connection with such representation and warranty.

(E) Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect IECOM's claims or rights against any other entities not a party to this Settlement

Agreement or covered by this release, and nothing in this Settlement Agreement shall affect any other person's or entity's rights or claims against any other person or entity. The rights and claims released pursuant to this Settlement Agreement are limited to the rights and claims owned by the party releasing such rights or claims.

9. On the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, the Matrix Parties, for and in consideration of this Settlement Agreement, release and absolutely and forever discharge the IECOM Parties and their officers, directors, trustees, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

10. Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect Matrix's claims against any other entities not a party to this Settlement Agreement.

11. Except as otherwise expressly provided in this Settlement Agreement::

(A) Settling Parties intend this Settlement Agreement to be effective on the Settlement Effective Date as a full and final accord and satisfaction and general release of all claims, debts, damages, liabilities, demands, obligations, costs, expenses, disputes, actions, and causes of action, known or unknown, suspected or unsuspected, that the IECOM Parties may have against the Matrix Parties and that the Matrix Parties may have against the IECOM Parties, by reason of acts, circumstances, or transactions arising out of or in any way related to any of the matters set

forth in the Recitals of this Settlement Agreement, occurring before the Bankruptcy Court's order approving this Settlement Agreement, with the exception of the rights and obligations of the Settling Parties as expressly set forth in or reserved under this Settlement Agreement;

(B) In furtherance of this intention, on the Settlement Effective Date the Settling Parties waive the benefit of the provisions of California Civil Code § 1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

(C) On the Settlement Effective Date, the Settling Parties expressly waive and relinquish any and all rights or benefits they may have under, or which may be conferred upon them by, the provisions of § 1542 of the California Civil Code to the fullest extent that they may lawfully waive such rights or benefits pertaining to the subject matter of the release set forth in this Agreement.

(D) In connection with such waiver and relinquishment, the Settling Parties hereby acknowledge that they are aware that they may hereafter discover claims and facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of or any part to the releases set forth in this Agreement, but that it is nonetheless the intention of the Settling Parties to effectuate such releases hereunder.

12. The Settling Parties intend this Settlement Agreement to be binding upon them regardless of any claims of fraud, misrepresentation, concealment of fact, mistake of law or fact, duress, or any other circumstance whatsoever in connection with any matter dealt with in this Settlement Agreement or the

negotiation of this Settlement Agreement. In entering into this Settlement Agreement, all Settling Parties recognize that no facts or representations are ever absolutely certain. Accordingly, the Settling Parties assume the risk of any misrepresentation, concealment, or mistake; and if any of the Settling Parties should subsequently discover that any facts relied upon by it or them in entering into this Settlement Agreement were or are untrue, or that any fact was concealed from it or them, or that an understanding of the facts or of the law was incorrect, that Settling Party or those Settling Parties shall not be entitled to set aside this Settlement Agreement by reason thereof. The finality of this Settlement Agreement is a material factor inducing the Settling Parties to enter into this Settlement Agreement.

13. The Settling Parties will bear their own costs and attorneys' fees in all matters that this Settlement Agreement resolves and with respect to this Settlement Agreement.

14. If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties will have the same rights against each other that they had upon the execution of this Settlement Agreement.

15. While the Settling Parties are seeking to obtain approval of this Settlement Agreement by the Bankruptcy Court, the Settling Parties will not sell, transfer, assign, release, or withdraw their claims against each other without the consent of the other Settling Parties or unless any purchaser, assignee, or other transferee of any claim expressly assumes all obligations under the Settlement Agreement of the Settling Party that is selling, assigning, or transferring such claim.

16. If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties agree that there shall not be admissible into evidence in, used for any purpose in, have any bearing on, or be deemed a

waiver of the attorney-client privilege in, any proceeding between any of the Settling Parties or in any proceeding involving the matters that are the subject of this Settlement Agreement (a) the material terms of this Settlement Agreement, (b) the details of the negotiations on which this Settlement Agreement was based, (c) any declarations or arguments made on behalf of IECOM and filed with the Bankruptcy Court in connection with the approval of this Agreement, and (d) any declarations or arguments made on behalf of Matrix and filed with the Bankruptcy Court in connection with the approval of this Agreement.

17. All obligations undertaken in this Settlement Agreement by the Settling Parties shall be binding on their respective successors, transferees, and assigns.

18. Each of the Settling Parties warrants and represents to the other Settling Parties as of the date of this Settlement Agreement and as of the Settlement Effective Date that it has not assigned, encumbered, hypothecated, or transferred, or purported to assign, encumber, hypothecate, or transfer, to any other person or entity in any manner, including by way of subrogation, any claim, demand, right, or cause of action that it has agreed in this Settlement Agreement to release or any portion of any recovery or settlement to which this Settlement Agreement entitles it, other than as provided in connection with the debtor in possession financing facility provided by the Lenders to IECOM and its debtor affiliates in connection with their chapter 11 cases.

19. This Settlement Agreement may be executed in counterparts, which, taken together, shall constitute an original executed Settlement Agreement.

20. The rights and obligations of the Settling Parties under this Settlement Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California. The Bankruptcy Court may

interpret and enforce this Settlement Agreement, and the Settling Parties submit to the jurisdiction of the Bankruptcy Court for this purpose.

21. All Settling Parties warrant that they have been represented by counsel in connection with entering into this Settlement Agreement and that all provisions thereof have been explained to them and that they understand them.

22. All Settling Parties represent and declare that they have carefully read this Settlement Agreement and know the contents thereof and that they have signed this Settlement Agreement freely and voluntarily.

23. Each person executing this Settlement Agreement warrants and represents that that person is empowered and authorized to bind the party on whose behalf that person has executed this Settlement Agreement.

24. All Settling Parties shall execute and deliver all such further documents and papers, and shall perform any and all acts, necessary to give full force and effect to all of the terms and provisions of this Settlement Agreement.

25. This Settlement Agreement contains the entire understanding of the Settling Parties with respect to the matters covered herein and supersedes all prior and collateral agreements, understandings, statements, and negotiations of the Settling Parties. All Settling Parties acknowledge that no representations, inducements, promises, or agreements, oral or written, with reference to the subject matter of this Settlement Agreement, have been made other than as expressly set forth herein. This Settlement Agreement cannot be orally changed, rescinded, or terminated. Any change or modification to this Settlement Agreement must be in a writing signed by all Settling Parties.

[signatures on next page]

MATRIX TELECOM, INC.


By: Dennis E. Smith, President

Dated: September 11, 2002


INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, _____

Dated: September ___, 2002

Approved as to form and content

KIRKLAND & ELLIS


By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: September 19, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to _____
Dated: September ___, 2002

MATRIX TELECOM, INC.

By _____

Dated: August ___, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.



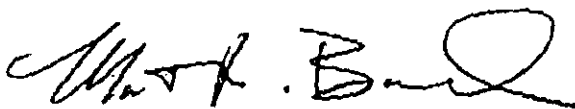
By Dave Davis, _____

Dated: ^{September} ~~August~~ 10, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: August ___, 2002



Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

^{October 17, 2002}
Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to _____
Dated: August ___, 2002

MATRIX TELECOM, INC.

By __, __

Dated: August __, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, __

Dated: August __, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: August __, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August __, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to Buckley, Anderson, & Associates, P.A.
Dated: August __, 2002

September 9

01/08/01 18:03 FAX 310 407 0090

K T B S L L P

0032

DEC-29-2000 13:30

PACIFIC GATEWAY

650 558 3299

0007

P.02/07
P.1

1-02-1996 11:51PM FROM

EXHIBIT A

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into as of January 5, 2001 (the "Effective Date"), by and between International Exchange Communications, Inc. ("IECOMM"), and Matrix Telecom, Inc. ("Matrix").

BACKGROUND

WHEREAS, IECOMM and Matrix desire to negotiate and enter into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which Matrix will purchase certain of the assets of IECOMM as set forth in Exhibit A hereto (the "Assets") for a contemplated amount equal to 1.5x December 2000 revenue generated; and

WHEREAS, until such time as the Assets have been transferred to Matrix pursuant to the Purchase Agreement, IECOMM desires to utilize Matrix's services on an exclusive basis to manage the operation of the Assets; and

WHEREAS, Matrix desires to provide the services to IECOMM on the terms and subject to the conditions stated herein.

NOW, THEREFORE, IECOMM and Matrix, in consideration of the mutual promises hereinafter set forth, do hereby promise and agree as follows:

1. **Appointment of Matrix.** IECOMM hereby appoints Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of the Assets, as described more fully in Section 2 (the "Services"). Matrix hereby accepts such appointment on the terms and subject to the conditions stated herein.

2. **Scope of the Services.** Commencing with the date hereof and continuing during the Term of this Agreement, Matrix shall use its best efforts to establish and implement operational policies and provide sole management of the Assets, including general supervision, direction and control of said Assets. Without limiting the foregoing, Matrix shall maintain IECOMM's relationships with the customers included in the Assets (including, but not limited to, providing long distance service, provisioning, billing, collection, customer complaints and customer contact) and shall manage and account for the customer receivables included in or derived from the Assets. Matrix does not represent or guarantee that management of the Assets will be profitable, and IECOMM acknowledges that the Assets may deteriorate or erode under Matrix's management.

3. **Responsibilities of IECOMM.** Commencing with the date hereof and continuing until termination of this Agreement as provided herein, IECOMM shall assist and fully cooperate with Matrix as is reasonably requested by Matrix in relation to Matrix's performance of the Services. Without limiting the foregoing, IECOMM shall undertake the following responsibilities under the supervision of Matrix or its agents or assignee:

- (a) IECOMM shall provide Matrix with the Assets, including all related information and materials in its possession, which are necessary to enable Matrix to provide the Services, at any reasonable location that Matrix shall designate.
- (b) IECOMM shall be responsible for all taxes, fees, carrier costs and other expenses related to activity or revenue generated and billed prior to the Effective Date, regardless of when such taxes, fees, except for USF billed subsequent to December 31, 2000, carrier costs or other expenses are due or owing.
- (c) IECOMM shall perform any acts reasonably necessary to maintain and preserve the Assets, pursuant to and in accordance with the supervision and direction of Matrix excluding those acts, which are to be performed by Matrix in connection with the Services.
- (d) IECOMM shall continue to communicate with third parties pursuant to the supervision and direction of Matrix, including responding to inquiries, requests and correspondence.

01/08/01 18:04 FAX 310 407 8080

K T B S L L P

DEC-29-2000 13:31

PACIFIC GATEWAY

658 558 3299

P.03/87

- (e) IECOMM shall promptly inform Matrix and provide Matrix with copies of all correspondence and communications relating to the Assets.
- (f) At the request of Matrix, IECOMM shall timely exercise whatever rights it has relating to the Assets, including but not limited to its rights (whether in law or equity) with respect to breach, termination, set-off, indemnity, waiver, sub-contracting and assignment.

4. Responsibilities of Matrix. Commencing with the date hereof and continuing until termination of this Agreement as provided herein, Matrix shall undertake the following responsibilities:

- (a) Matrix shall perform all Services to the best of its ability and in a manner reasonably consistent with its past practices.
- (b) Matrix shall be responsible for and pay all taxes, fees, carrier costs and other expenses related to activity or revenue generated after the Effective Date.
- (c) Matrix shall inform IECOMM of all material regulatory communications and cooperate with all regulatory filings.
- (d) Matrix shall inform IECOMM of all material customer complaints and the steps taken by Matrix to resolve said complaints.
- (e) Upon request, Matrix shall provide IECOMM with any management reports it may reasonably request.

5. Additional Covenants. The parties agree that:

- (a) "Toll Free" Telephone Numbers. During the Term, Matrix shall have the sole and exclusive right to use the "toll free" telephone numbers set forth on Exhibit B.
- (b) Carrier Identification Code(s). IECOMM represents and covenants that it owns all right, title and interest in and to the Carrier Identification Code(s) listed on Exhibit A, and that such Code(s) shall be used during the Term exclusively by Matrix in the management and service of the customers included in the Assets.

6. Independent Contractor Status. Matrix is an independent contractor in the performance of the Services under this Agreement and shall determine the method, details and means of performing the Services. Without limiting the generality of the foregoing, Matrix shall be permitted, in its sole discretion, to (i) enter into and perform contracts and agreements in its own name for the furnishing of services, equipment, parts and supplies in connection with the Services, and (ii) recruit, hire and terminate the services of any of its employees and independent contractors who perform services in connection with the Services. Matrix shall solely establish the terms and conditions of employment for all of its employees and shall pay all salaries and other compensation due such employees. Matrix is not an agent of IECOMM and has no authority whatsoever to bind IECOMM by contract or agreement of any kind.

7. Compensation. As compensation for the Services, Matrix shall have the right to retain all net profits associated with the Assets during the Term, except that:

- (a) Matrix shall pay to IECOMM a royalty of six and one-half percent (6.5%) of all revenue generated and collected after the Effective Date, not to exceed one and one-half (1.5) times December, 2000 revenue.
- (b) Such royalty payments shall be due and payable no later than thirty (30) days after such revenue has actually been collected.
- (c) Any amounts Matrix is required to pay for taxes, fees, fines, costs, liens or any other expenses for activity or revenue generated prior to the Effective Date may be deducted from any such royalty payment.
- (d) Any amount Matrix is required to pay to facilitate moving the customer base to a new underlying carrier(s) may be deducted from any royalty payment due hereunder.

8. Accounts Receivable Processing. On the Effective Date, IECOMM will transfer to Matrix control of all lockbox and other bank accounts used for collection and processing of customer payments and related activity, as described in Exhibit A. After the Effective Date, Matrix shall collect and process all payments, holdbacks, reserves, credits, refunds and related payments. Matrix shall pay to IECOMM eighty percent (80%) of all payments received for Direct billings generated prior to the Effective Date, net of bad debts, credits and refunds. Such payments shall be due and payable weekly, within ten (10) days

01/08/01 18:04 FAX 310 407 9090

K T B 6 L L P

034

DEC-29-2000 13:31

PACIFIC GATEWAY

650 558 3299 P.04/07

of collection. Any LEC payments remitted for billings prior to the effective date will be remitted directly to IECOMM within 5 business days. Matrix shall also provide PGE with a weekly accounting of the collection and processing of all payments, holdbacks, reserves, credits, refunds and related payments.

9. **Expenses.** Matrix shall bear all costs and expenses incurred in connection with providing the Services. Except as may be otherwise specifically provided herein, the parties hereto shall pay their own legal fees and expenses incurred in connection with the negotiation and consummation of the transactions contemplated by this Agreement.

10. **Term.** The term of this Agreement (the "Term") shall commence on the date hereof and shall continue until the earlier of (i) the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), or (ii) 120-days after written notice of intent to terminate by either party. Upon the termination of this Agreement, neither party shall be further obligated under this Agreement except for the parties' respective indemnification obligations set forth herein. In the event that this Agreement terminates without closing of the Purchase Agreement, Matrix agrees that it will use its best efforts to return all assets and operational materials in its possession to IECOMM in a manner permitting seamless continuation of service to the customer base.

11. Indemnification of Matrix

11.1 IECOMM agrees to, and hereby does, fully indemnify, defend and save and hold Matrix harmless at all times in the event that Matrix shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with, or shall pay or become obligated to pay any sum on account of IECOMM's performance or non-performance of obligations under this Agreement (an "Event of Matrix Indemnification").

11.2 Whenever any claim shall arise for indemnification pursuant to Section 11.1, above, Matrix shall promptly notify IECOMM of the claim and when known, the acts constituting the basis for such claim, provided that failure of Matrix to provide IECOMM with such notice shall not excuse or affect IECOMM's indemnification obligations under Section 11.1, above, except to the extent that the failure to provide such notice shall actually prejudice IECOMM. In the event IECOMM shall become obligated to Matrix pursuant to Section 11.1, above, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which IECOMM may become obligated to Matrix thereunder, IECOMM shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel reasonably acceptable to Matrix. In the event IECOMM so elects to defend or contest, Matrix shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of IECOMM and its counsel. In the event IECOMM elects not to defend, contest or otherwise protect against any action, investigation, claim or proceeding, Matrix shall have the right, at IECOMM's expense, to pursue any such defense, contest or protection.

12. Indemnification of IECOMM

12.1 Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOMM harmless at all times in the event that IECOMM shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with the performance or non-performance of the Services; provided, however, any such damages, obligations, liabilities, losses, costs, expenses, claims, settlements or causes of action do not arise out of, result from or be attributable to an Event of Matrix Indemnification.

12.2 Whenever any claim shall arise for indemnification pursuant to Section 12.1, IECOMM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOMM to provide Matrix with such notice shall not excuse or affect Matrix's indemnification obligations under Section 12.1, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOMM pursuant to Section 12.1, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOMM thereunder, Matrix shall

01/08/01 16:08 FAX 310 407 9090

K T B S L L P

008

DEC-29-2000 13:32

PACIFIC GATEWAY

658 558 3293 P.05/07

have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOMM. If Matrix so elects to defend or contest, IECOMM shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of Matrix and its counsel. In the event Matrix elects not to defend, contest or otherwise protect against any such suit, investigation, claim or proceeding, IECOMM shall have the right, at Matrix's expense, to pursue any such defense, contest or protection.

12.3 If the contemplated Closing does not occur and this Agreement is terminated according to Section 10(i), Matrix shall be liable for, shall pay or cause to be paid and shall indemnify and hold IECOMM and its affiliates and all of their officers, directors and agents, harmless from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees and the cost and expenses of enforcing such indemnification against Matrix), interest and penalties, if any, arising out of or based upon or for or in respect of each of the following: (i) any and all income Taxes or franchise or other Taxes measured by net income with respect to the Assets (computed on a stand alone basis) for any taxable period (or partial period) commencing after the date hereof and continuing through the termination of this Agreement; (ii) any and all other Taxes with respect to the Assets for any Tax period commencing after the date hereof and continuing through the termination of this Agreement.

13. Notices. All notices, requests, demands and other communications made under this Agreement shall be in writing and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand, or (c) the expiration of three (3) business days after the day when mailed by registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by the notice):

If to Matrix, to:

MATRIX TELECOM, INC.
300 N. Main
Oklahoma City, OK 73107
Phone: 405-851-9300
Fax: 405-851-8449

If to IECOMM, to:

International Exchange Communications, INC.
500 Airport Blvd, Suite 340
Burlingame, CA 94010
Phone 650-658-3163
Fax 650-676-6799

14. Entire Agreement. This Agreement and any agreements between or among the parties hereto of even date herewith constitute the entire agreement among the parties hereto relating to the subject matter hereof, and all prior agreements, correspondence, discussions and understandings of the parties (whether oral or written) are merged herein and superseded hereby. It being the intention of the parties hereto that this Agreement and the instruments and agreements contemplated hereby shall serve as the complete and exclusive statement of the terms of their agreement together. No amendment, waiver or modification hereto or hereunder shall be valid unless in writing signed by an authorized signatory of the party or parties to be affected thereby.

15. Assignment. This Agreement and the rights hereunder shall not be assignable or transferable (i) by Matrix without the prior written consent of IECOMM, except to an affiliate of Matrix or to a financial institution in connection with a financing related to this Agreement, or (ii) by IECOMM without the prior written consent of Matrix. The duties and obligations of a party hereunder shall not be delegable without the prior written consent of the other parties hereto.

16. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns.

01/08/01 18:05 FAX 310 467 9090

K T B S L L P

DEC-29-2000 13:32

PACIFIC GATEWAY

650 558 3293

P. 05/87

Dec-27-00 05:50P B117 07-10KING

718 684 7722

4000

P.U.

17. **Section Headings.** The headings in this Agreement are for purposes of convenience and ease of reference only and shall not be construed to limit or otherwise affect the meaning of any part of this Agreement.

18. **Severability.** The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly.

19. **Applicable Law.** All complaints and interpretation of this Agreement and all questions arising in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Oklahoma without regard to the principles of conflicts of laws thereunder.

20. **COUNTERPARTS.** This Agreement may be executed in one or more original or facsimile counterparts, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been executed by each of the parties and delivered to the other parties.

21. **Use of Terms.** In this Agreement, (i) the words "hereof," "herein," "herein," "hereunder" and words of similar import mean and refer to this Agreement as a whole and not merely to the specific section or clause in which the respective word appears, (ii) words importing gender include the other genders as appropriate and (iii) any tense defined in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

22. **Facsimile Copy.** This Agreement may be executed in facsimile copy with the same binding effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

International Exchange Communications, Inc.

By: _____

Printed: _____

Title: _____

Date: _____

MATRIX TELECOM, INC.

By: [Signature]

William C. Bickling
Senior Vice President

Date: 12-28-00

P.R.

01/08/01 18:08 FAX 310 407 9090

K T B S L L P

DEC-29-2000 13:32

PACIFIC GATEWAY

558 558 3299

0007

P.07/07

Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, and user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and FCC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code ___ 0697, 0025, 5734, 5484, 8318 & 8822
and corresponding ACNA (DOH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logos, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

—<

R.P.
TOTAL P.07

Exhibit B - Toll-Free Phone Numbers

800 966-6106
800 966-6166
800 589-6812
888 455-5461
800 322-0964
888 387-7722

800 322-0960
800 360-1289
800 253-1289
800 232-9732
800 810-9750

CLARIFICATION

The undersigned parties to the Management Services Agreement dated ("MSA") January 5, 2001, which was entered into on or about December 29, 2000, hereby acknowledge certain clarifications to the MSA in order to resolve certain disputes that have arisen regarding the interpretation of the MSA.

As to the provision in Paragraph 8 of the MSA which provides "Matrix shall pay to IEComm eighty percent (80%) of all payments received for Direct billings ^{generated} prior to the Effective Date, net of

2

bad debts, credits and refunds," the undersigned parties acknowledge that

~~all~~ all payments received for Direct

billings ^{generated} (prior to the Effective Date "by Matrix ~~the~~ following

means all payments received ^{on} ~~the~~ ^{the} Effective Date

account of telephone calls made

prior to the Effective Date ~~such as~~

~~through such calls irrespective of~~

~~when such calls are~~ by (retail?)

customers that are billed directly

(i.e., not through a local exchange

carrier), regardless of whether

such calls are billed to such

customers after the Effective Date.

(LCC), ~~which is not billed to LCC~~ ~~in LCC~~ ~~I & COM~~

3

Notwithstanding the foregoing,

In connection with this clarification, the parties further acknowledge

that with respect to payments for telephone calls made prior to the

Effective Date ~~for~~ for which bills

had not been transmitted to customers

as of the Effective Date, ~~Matrix shall be obligated to remit~~

Matrix shall be obligated to remit ^{of the aggregate amount} to IECOMM only 50% of such

payments. ~~on the aggregate~~ As to

payments received on account

of ~~Matrix~~ ~~telephone calls made~~ ^{of the aggregate amount} telephone calls made

prior to the Effective Date for which

bills had been transmitted to customers

4

as of the Effective Date, ~~MAA~~

shall be obligated to remit

to IECOMM 80% ^{of the aggregate amount} of such payments.

Further, the undersigned ~~parties~~ parties

acknowledge that the exclusive

forum for resolution of any dispute

arising from ~~the~~ the MSA or this

Clarification shall be the United

States Bankruptcy Court for the

Northern District of California

subject to the provisions of paragraph 19 of
the MSA.

↑
"Applicable Law"

PROOF OF SERVICE

I declare that I am over eighteen years of age and that I am not a party to this action. My business address is 1880 Century Park East, Suite 200, Los Angeles, California 90067.

On October 18, 2002, I served a true and correct copy of the following document on the parties indicated on the attached list by using the method indicated below:

NOTICE OF MOTION AND MOTION BY INTERNATIONAL EXCHANGE COMMUNICATIONS, INC. FOR APPROVAL OF SETTLEMENT AGREEMENT WITH MATRIX TELECOM, INC. AND SALE OF ASSETS PURSUANT THERETO; DECLARATION OF DAVID M. DAVIS IN SUPPORT THEREOF

- (X) **By First-Class Mail:** I am readily familiar with the business practice for collection and processing of correspondence for mailing with the United States Postal Service. I caused the documents listed above to be deposited, in sealed envelopes, addressed as set forth on the attached list with postage thereon fully prepaid, with the United States Postal Service, at Los Angeles, California, on the same day this declaration was executed.
- () **By Personal Service:** I caused such envelopes to be delivered by hand to the addresses indicated on the attached list.
- () **By Overnight Courier:** I caused the above-referenced document(s) to be delivered by overnight courier service for delivery as indicated on the attached list.
- () **By Facsimile Machine:** I personally caused the above-referenced document(s) to be transmitted to the person(s) and at the telecopy number(s) indicated on the attached list. I confirmed that the intended recipient received the transmission either:
- () By reviewing the transmission report(s) that the facsimile machine generated; or
- () By contacting the recipient(s) by telephone at the telephone number(s) number indicated on the attached list.

I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made and that this declaration was executed at Los Angeles, California on October 18, 2002.

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



RACHEL JOHANNES

UCC Party
IBM Credit Corporation
1133 Westchester Ave.
White Plains, NY 10604

UCC Party
General Electric Capital Corporation
2400 E. Katella Ave., Suite 800
Anaheim, CA 92806

Depository Institution
Nations Funds
Attn: La Trelle Neely
PO Box 37032
Unite #9011
San Francisco, CA 94137-9011

Northern Telecom, Inc. (Address Change)
Attn: Mr. Paul Knudsen
5409 Windward Parkway
Mail Stop 46D03A30
Alpharetta, GA 30004

Attny for MCI WorldCom Communications
Robert P. Simons, Esq.
Jeffrey A. Deller, Esq.
Klett, Rooney, Lieber & Scharling PC
One Oxford Centre, 40th Floor
Pittsburgh, PA 15219

Daniel M. Pelliccioni, Esq.
Charles M. Stern, Esq.
Joyce S. Jun, Esq. / Julia W. Brand, Esq.
Katten Muchin Zavis
2029 Century Park East, Suite 2600
Los Angeles, CA 90067-3012

Attny for Talk.com f/k/a Tel-Save
Jeffrey Kurtzman, Esq.
Klehr, Harrison, Harvey, Branzburg & Ellers
260 S. Broad Street
Philadelphia, PA 19102-5003

Attys for Concert-ICS
Robert D. Towey, Esq. / David G. Tomeo, Esq.
Lowenstein Sandler PC
65 Livingston Avenue
Roseland, NJ 07068

Williams Communication Group
Ali M.M. Mojdehi, Esq.
Baker & McKenzie
101 West Broadway, 12th Floor
San Diego, CA 92101

Attys for Global Crossing Bandwidth, Inc.
James D. Wood, Esq.
One Embarcadero Center, Suite 860
San Francisco, CA 94111

UCC Party
MCI WorldCom Network Services, Inc.
Collateral Agent for Itself, WorldCom, Inc.
And Its Wholly-Owned Subsidiaries
6929 N. Lakewood Mail Drop 5-2-510
Tulsa, OK 74117

UCC Party
Norwest Financial Leasing, Inc.
1700 Iowa Ave., Suite 240
Riverside, CA 92507

Depository Institution
LaSalle Bank, N.A.
Attn: Scott Schultz, Vice President
135 South LaSalle Street
Chicago, IL 60603

Williams Communications, Inc.
Attn: Contract Administration
One Williams Center, 26th Floor
Tulsa, OK 74172

Attny for MCI WorldCom Communications
Craig Stuppi, Esq., & Sarah M. Stuppi, Esq.
Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, Seventeenth Flr.
San Francisco, CA 94111

Sprint
Bankruptcy Department
M/S: KSOPHA0216-2B618
6180 Sprint Parkway
Overland Park, KS 66251-1686

Verizon Communications, Inc.
Darryl S. Laddin, Esq. / Tim A. Baxter, Esq.
Arnall Golden & Gregory LLP
2800 One Atlantic Center
1201 W. Peachtree Street
Atlanta, GA 30309-3450

WorldxChange
WorldxChange Communications, Inc.
Attn: Carl Sonne, Esq.
9999 Willow Creek Road
San Diego, CA 92131

Attny for Cable & Wireless USA, Inc.
Anthony G. Starnato, Esq.
Baker & McKenzie
One Prudential Plaza
Chicago, IL 60601

Attny for Global Crossing Bandwidth, Inc.
Kim Ferris, Esq.
Global Crossing North America, Inc.
180 South Clinton Avenue
Rochester, NY 14648

UCC Party
Wells Fargo Financial Leasing, Inc.
Attn: Collection Department
604 Locus, 14th Floor
Des Moines, IA 50309

UCC Party
TTXC Division of Dynatech, LLC
20410 Observation Dr.
Germantown, MD 20876

Northern Telecom, Inc.
Attn: Senior Manager and
Contracts Mgmt. & Negotiations
2350 Lakeside Blvd.
Mail Stop (OTJ/02/A60)
Richardson, TX 75082-4399

For Wells Fargo Equipment Finance, Inc.
Andrew K. Alper, Esq.
Marshall J. August, Esq.
Frاندzel Robins Bloom & Csato, L.C.
6500 Wilshire Boulevard, 17th Floor
Los Angeles, CA 90048-4920

Special Notice
Securities and Exchange Commission
Attn: Sandra W. Lavigna
5670 Wilshire Blvd., 11th Floor
Los Angeles, CA 90036

Attny for IDC Corporation
David C. Albalah, Esq.
McDermott, Will & Emery
50 Rockefeller Plaza
New York, NY 10020-1605

Attys for AT&T Corp.
Robert D. Towey, Esq. / Sharon L. Levitt, Esq.
Vincent D. Agostino, Esq.
Lowenstein Sandler PC
65 Livingston Avenue
Roseland, NJ 07068

Attys for 111 Chelsea, LLC
Edmond P. O'Brien, Esq.
Stempel Bennett Claman & Hochbert, I
655 Third Avenue, 22nd Floor
New York, NY 10017

Williams Communication Group
M.A. Murph Shelby
Williams Communications Group, Inc.
4100 One Williams Center
Tulsa, OK 74172

Attys for Nortel Networks, Inc.
Eric D. Statman, Esq.
Lovells
900 Third Avenue, 16th Floor
New York, NY 10022

Debtor
Pacific Gateway Exchange, Inc. et al.
Attn: Mr. David M. Davis
500 Airport Drive, Suite 370
Burlingame, CA 94010

Creditors' Committee Counsel
John A. Moe, Esq.
Luce, Forward, Hamilton & Scripps
777 S. Figueroa Street, Suite 3600
Los Angeles, CA 90017

Creditors' Committee
Concert USA
Attn: Scott E. Christensen
N 490-V004
412 Mt. Kemble Avenue
Morristown, NJ 07962

Creditors' Committee
Global Connect Partners/Edge2Net, Inc.
Attn: David Bohan, CFO
5808 Lake Washington Blvd., Suite 101
Kirkland, WA 98033

Development Specialists, Inc.
Attn: Bradley D. Sharp
333 South Grand Avenue, Suite 2010
Los Angeles, CA 90071-1524

Litigation Counsel To PGE
(re Mitsubishi Matter)
Christopher R. Ball
Pillsbury, Madison & Sutro LLP
50 Fremont Street
San Francisco, CA 94105

Principal Lender
Bankers Trust Company
Attn: Albert L. Fischetti
130 Liberty Street, 28th Floor
New York, NY 10006

Principal Lender
General Electric Capital Corporation
Attn: Alexander Teras, Esq.
Wilson & McIlvaine
500 W. Madison, Suite 3700
Chicago, IL 60681-2511

Internal Revenue Service
1301 Clay St, Suite 1400 South
Oakland, CA 94612

UCC Party
ACTERNA
20410 Observation Dr.
Germantown, MD 20876

Counsel for the Debtors
Pachulski, Stang, Ziehl, Young & Jones
Attn: William P. Weintraub and
David M. Berentthal
Three Embarcadero Center, Suite 1020
San Francisco, CA 94111

William J.A. Weir, Esq.
Dustin P. Branch, Esq.
Christopher Celentino, Esq.
Luce, Forward, Hamilton & Scripps
Suite 2600, 600 W. Broadway
San Diego, CA 92101

Creditors' Committee
Charles Harp, Qwest Communications Corp
c/o Evan D. Smiley, Esq.
Albert, Weiland & Golden, LLP
850 Town Center Drive, Suite 950
Costa Mesa, CA 92626

Counsel for Bank of America
O'Melveny & Myers LLP
Attn: Ben H. Logan, Esq. and
Victoria A. Graff, Esq.
400 South Hope Street, Suite 1050
Los Angeles, CA 90071

Development Specialists, Inc.
Attn: Clare M. Pierce, CPA
200 South Biscayne Boulevard, Suite 900
Miami, FL 33131-2321

Regulatory Counsel
Swidler Berlin Shereff Friedman, LLP
Catherine Wang, Esq.
3000 K Street, Suite 300
Washington, DC 20007-5116

Attny for General Electric Capital Corp
Steven B. Sacks, Esq.
Perkins Coie LLP
180 Townsend Street, 3rd Floor
San Francisco, CA 94107-1909

Principal Lender
Brentwood Credit Corporation
Attn: Kevin Galther
1620 26th Street, Suite 290-S
Santa Monica, CA 90404

UCC Party
Sanwa Leasing Corp.
PO Box 7023
Troy, MI 48007-7023

UCC Party
Cisco Systems Capital Corporation
170 W. Tasman Dr., 3rd Floor
San Jose, CA 95134-1706

Office of the United States Trustee
Attn: Steven L. Johnson
250 Montgomery Street, Suite 1000
San Francisco, CA 94104-3401

Creditors' Committee
Ameritech Global Gateway Services
Attn: Colm Heaney
225 W. Randolph, #18A
Chicago, IL 60606

Creditors' Committee
IDT Corporation
Attn: Thomas H. Nagle
520 Broad Street
Newark, NJ 07102

Debtors' Corporate Counsel
C. Baker/ R. Ziegler and
J. Junewicz/ R. Robeson
Mayer, Brown & Platt
190 S. LaSalle Street
Chicago, IL 60603-3441

Development Specialists, Inc.
Attn: William A. Brandt, Jr., CFO
3 First National Plaza
70 W. Madison Street, Suite 2300
Chicago, IL 60602-4250

Principal Lender
Bank of America
Attn: Therese Fontaine
555 S. Flower Street
Mail Code: CA9-706-11-21
Los Angeles, CA 90071

Attny for Matrix Telecom, Inc.
Bennett L. Spiegel, Esq.
Christopher W. Combs, Esq.
Kirkland & Ellis
777 South Figueroa Street
Los Angeles, CA 90017

Principal Lender / Cisco Systems
Attn: John T. Chambers, President and
Loan Admin, Worldwide Financial Servi
170 West Tasman Drive
San Jose, CA 95134-1619

UCC Party
AT&T Credit Corp.
2 Gatehall Dr.
Parsippany, NJ 07054-4521

UCC Party
IBM Credit Corporation
1 North Castle Drive
Armonk, NY 10504-2575

Elizabeth Weller, Esq.
 Linebarger Heard Goggan Blair Graham
 Pena & Sampson, LLP
 2323 Bryan Street
 1720 Univision Center
 Dallas, TX 75201-2691

Attny for Harris Corporation
 David M. Gonden, Esq.
 Holland & Knight LLP
 50 California Street, Suite 2800
 San Francisco, CA 94111-4824

Attny for Joyce Hewins
 Matthew J. Shier, Esq.
 Pinnacle Law Group, LLP
 425 California Street, Suite 1800
 San Francisco, CA 94104

Attny for Joyce Hewins
 Keith Ehrman, Esq.
 McGuinn, Hillsman & Palefsky
 535 Pacific Avenue
 San Francisco, CA 94133

IBM Credit Corporation
 Kelly Lewis, Restructuring Grp - MD NC317
 IBM Credit Corporation
 North Castle Drive
 Armonk, NY 10504

Metromedia Fiber Network Services, Inc.
 Stephen J. Shimshak, Esq.
 Paul Weiss Rifkind Wharton & Garrison
 1285 Avenue of the Americas
 New York, NY 10019-6064

Metromedia Fiber Network Services, Inc.
 Robert Sokota, General Counsel
 Metromedia Fiber Network Services, Inc.
 360 Hamilton Avenue
 White Plains, NY 10601

Attny for CTN Telephone Network, Inc. and
 Int'l. Telecommunications
 Charles Becker, Esq.
 5173 Waring Road, Suite 103
 San Diego, California 92120

Attny for Comptroller of Public Accounts
 the State of Texas ("Comptroller")
 Jay W. Hurst, Assistant Attny General
 Bankruptcy & Collections Division
 Post Office Box 12548
 Austin, TX 78711-2548

Kay D. Brock, Assistant Attny General
 c/o Martha M. Pena, Legal Assistant
 Office of the Attny General
 Bankruptcy & Collections Division
 Post Office Box 12548
 Austin, TX 78711-2548

Attny for Satelindo
 Adrian J. Murphy, Esq.
 Hanson Bridgett Marcus Vlahos & Rudy
 333 Market Street, Suite 2300
 San Francisco, CA 94105-2173

Attny for Carramerica Realty Corporation
 Jana Logan, Esq.
 Kimball, Tirey & St. John
 1202 Kettner Boulevard, Third Floor
 San Diego, CA 92101

Attny for Viatel, Inc.
 Amy E. Edgy, Esq.
 Kasowitz Benson Torres & Friedman LLP
 1633 Broadway
 New York, New York 10019

Attny for Codetel
 Thomas W. Dressler, Esq.
 Salvador P. LaVina, Esq.
 Dressler & LaVina, LLP
 515 South Flower Street, Suite 4400
 Los Angeles, CA 90071

Westel International, Inc.
 Virginia Andrews, Credit & Collections
 Manager
 Westel International, Inc.
 8606 North MoPac - 7th Floor
 Austin, Texas 78759

Attny for Ann Yanick
 Margaret J. Grover, Esq.
 Haight Brown & Bonesteel, LLP
 100 Bush Street, 27th Floor
 San Francisco, CA 94104

Attny for BellSouth Long Distance, Inc.
 Paul M. Rosenblatt, Esq.
 Kilpatrick Stockton LLP
 1100 Peachtree Street, Suite 2800
 Atlanta, GA 30309-4530

Attny for David A. Gill, Chapter 11 Trustee
 for Justice Telecom Corporation
 John J. Bingham, Jr., Esq.
 Danning Gill Diamond & Kollitz LLP
 2029 Century Park East, Third Floor
 Los Angeles, CA 90067-2904

Attny for Enavis Networks, Inc.
 Matthew P. Vafidis, Esq.
 David M. Gonden, Esq.
 Holland & Knight LLP
 50 California Street, 28th Floor
 San Francisco, CA 94111

Attny for Time Warner
 Linda Boyle
 Time Warner Telecom Inc.
 10475 park Meadows Drive, #400
 Littleton, CO 80124

Special Notice
 Michael J. Sachs, Esq.
 Callahan & Blaine
 3 Hutton Centre Drive, Suite 900
 Santa Ana, CA 92707

RECEIVED

OCT 21 2002

Attys for MCI WorldCom Communications
Craig Stuppi, Esq., & Sarah M. Stuppi, Esq.
Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, Seventeenth Flr.
San Francisco, CA 94111

Attys for Dallas Main, LP
Thomas A. Connop, Esq.
Locke Liddell & Sapp LLP
2200 Ross Avenue, Suite 2200
Dallas, TX 75201

Christopher T. Heffelfinger, Esq.
Nicole Lavellee, Esq.
Berman, DeValerio, Pease & Tabacco, PC
425 California Street, Suite 2025
San Francisco, CA 94104

Attys for RSL Com USA, Inc.
LeBoeuf, Lamb, Greene & MacRae, LLP
Attn: Bennett G. Young, Esq.
One Embarcadero Center, Suite 400
San Francisco, CA 94111-3619

Landlord
Bay Park Plaza Assoc. LP
Attn: General Counsel
2929 Campus Drive, Suite 450
San Mateo, CA 94403

Special Notice
Waterfront Towers
c/o George P. Eshoo, Esq.
702 Marshall Street, Ste. 500
Redwood City, CA 94063

Attny for Michigan State, Revenue Division
Peggy A. Housner (P47207)
Asst. Atty General
Dept. of Atty General
Revenue Division, 1st Flr Treasury Building
Lansing, MI 48922

Attny for Cisco
David A. Honig, Esq.
Murphy Sheneman Julian & Rogers
101 California Street, Suite 3900
San Francisco, CA 94111

Attny for SBC Communications, Inc.
Brad Smith, Esq.
SBC Communications, Inc.
One Bell Plaza, Room 3022
208 S. Akard
Dallas, TX 75202

Attny for Kuehne & Nagel, Inc.
Jay M. Tenenbaum, Esq.
Seals & Tenenbaum, P.C.
2323 West Lincoln Avenue, Suite 127
Anaheim, CA 92801

Crosswave Communications Inc.
Patricia S. Mar, Esq.
Morrison & Foerster LLP
425 Market Street, 33rd Floor
San Francisco, CA 94105-2482

Attny for Adelphia Business Solutions
Stuart M. Brown, Esq.
Buchanan Ingersoll P.C.
Eleven Penn Center, 14th Floor
1835 Market Street
Philadelphia, PA 19103

Attny for Star Telecommunications, Inc.
Alan D. Condren, Esq.
See, Mackall & Cole LLP
1332 Anacapa Street, Suite 200
Santa Barbara, CA 93101

Attys for RSL Com USA, Inc.
LeBoeuf, Lamb, Greene & MacRae, LLP
Attn: Allison H. Weiss, Esq.
125 West 55th Street
New York, NY 10019

Landlord
Bay Park Plaza Assoc. LP
Attn: Property Management
2929 Campus Drive, Suite 150
San Mateo, CA 94403

Attny for ECI Telecom, Inc.
Bradley M. Saxton, Esq.
Holland & Knight LLP
Post Office Box 1526
Orlando, FL 32802-1526

Attny for NOSVA Limited Partnership &
NOS Communications, Inc.
William H. Kiekhofner, III, Esq.
Kelley Drye & Warren LLP
777 South Figueroa Street, Suite 2700
Los Angeles, CA 90017

Attny for Verestar fka ATC Teleports
MetroGroup
Attn: Marcus L. Arky
26 Broadway, Suite 400
New York, NY 10004

Attny for Commissioner of Revenue
Tisha Federico, Esq.
Legal Services, 27th Floor
312 8th Avenue North
Nashville, TN 37243

Attny for Kuehne & Nagel, Inc.
Neil Ross, Esq.
MetroGroup
26 Broadway, Suite 400
New York, NY 10004

Special Notice / Sprint
Attn: Marti Schach, Marketing & Sales
Mail Stop: KSOPHA0216-2B618
6480 Sprint Parkway
Overland Park, KS 66251-1666

Missouri State, Dept. of Revenue
Missouri Department of Revenue
Bankruptcy Unit
Attn: Gary L. Barnhart
PO Box 475
Jefferson City, MO 65105-0475

Attys for Teleglobe
Albert Flor, Jr., Esq.
Wendel, Rosin, Black & Dean, LLP
1111 Broadway, 24th Floor
Oakland, CA 94607

Attny for 611 West Sixth Street Assoc.
Robert P. Friedman, Esq.
Law Offices of Robert P. Friedman
827 Moraga Drive
Bel Air, CA 90049

Landlord
P.A. Building Company
c/o Sylvan Lawrence Company
1000 William Street
New York, NY 10038

Attny for RR Donnelley & Sons Company
Thomas R. Mulally, Esq.
Szabo, Spencer & Mulally (TRM)
A14156 Magnolia Blvd., Suite 200
Sherman Oaks, CA 91423

Cisco
Mark Michels, Esq.
Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134

Attny for SBC Communications, Inc.
Rebecca U. Litteneker, Esq.
McNutt & Litteneker, LLP
55 Hawthorne Street, Suite 430
San Francisco, CA 94105

Globe Telecom
Robert J. Moore, Esq.
Fred Neufeld, Esq.
Milbank Tweed Hadley, et al.
601 South Figueroa Street, 30th Floor
Los Angeles, CA 90017-5735

Attny for CAT Technology, Inc.
William Webb Farrer, Esq.
Law Offices of William Webb Farrer
300 Montgomery Street, Suite 800
San Francisco, CA 94104

ATTACHMENT B
ASSETS TO BE TRANSFERRED

Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, end-user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and FCC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code ___0597, 0025, 5734, 5464, 5318 & 6822
and corresponding ACNA(IXH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logos, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

>----<

Exhibit B - Toll-Free Phone Numbers

800 966-6106

800 966-6166

800 589-6812

888 455-5461

800 322-0964

888 387-7722

800 322-0960

800 360-1289

800 253-1289

800 232-9732

800 810-9750

ATTACHMENT C

**ORDER APPROVING SETTLEMENT AGREEMENT
UNITED STATES BANKRUPTCY COURT, NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

NOTE TO USERS OF THIS FORM:

Physically attach this form as the last page of the proposed Order or Judgment.

In re: PACIFIC GATEWAY EXCHANGE, INC., a Delaware corporation; INTERNATIONAL EXCHANGE COMMUNICATIONS, INC., a Delaware corp.; ONYX NETWORKS, INC., a Delaware corp.; WORLD PATHWAYS, INC., a Delaware corp.; WORLDLINK, INC. a Delaware corp.; and GLOBAL TIME, INC., a Delaware corp.,

Debtors.

CASE NUMBER: SF 00-33019 DM

(Jointly Administered under
Case No. SF 01-30027 DM;
Case No. SF 01-30014 DM;
Case No. SF 01-30016 DM;
Case No. SF 01-30017 DM;
Case No. SF 01-30015 DM

CHAPTER 11

Do not file this form as a separate document.

FILED

DEC 23 2002

UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

**NOTICE OF ENTRY OF JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING**

TO:

Martin R. Barash, Esq., Klee Tuchin Bogdanoff & Stern LLP, 1880 Century Park East, Suite 200, Los Angeles, CA 90067

Bennett L. Spiegel, Esq., Kirkland & Ellis, 777 South Figueroa Street, Los Angeles, CA 90017

Ben Logan, Esq. and Victoria Graff, Esq., O'Melveny and Myers LLP, 400 South Hope Street, Los Angeles, CA 90012

William J.A. Weir, Esq., Luce Forward, Hamilton & Scripps LLC, 121 Spear Street, Suite 200, San Francisco, CA 94105

John Moe, Esq., Luce, Luce Forward, Hamilton & Scripps LLP, 777 South Figueroa, Suite 3600, Los Angeles, CA 90017

Steven L. Johnson, Esq., Office of the United States Trustee, 250 Montgomery Street, Suite 1000, San Francisco, CA 94104-3401

Mr. David M. Davis, Pacific Gateway Exchange, Inc., 500 Airport Drive, Suite 100, Burlingame, California 94010

1. You are hereby notified, pursuant to Local Bankruptcy Rule 9022 that a judgment or order entitled (specify):

**ORDER APPROVING SETTLEMENT AGREEMENT WITH MATRIX TELECOM, INC. AND
SALE OF ASSETS PURSUANT THERETO [REVISED VERSION]**

was entered on (specify date): DEC 23 2002

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons and entities on the attached service list on (specify date):

Dated: DEC 23 2002

KEENAN G. CASADY
Clerk of the Bankruptcy Court

By: QUAN LU
Deputy Clerk

Service List

Martin R. Barash, Esq., Klee Tuchin Bogdanoff & Stern LLP, 1880 Century Park East, Suite 200, Los Angeles, CA 90067

Bennett L. Spiegel, Esq., Kirkland & Ellis, 777 South Figueroa Street, Los Angeles, CA 90017

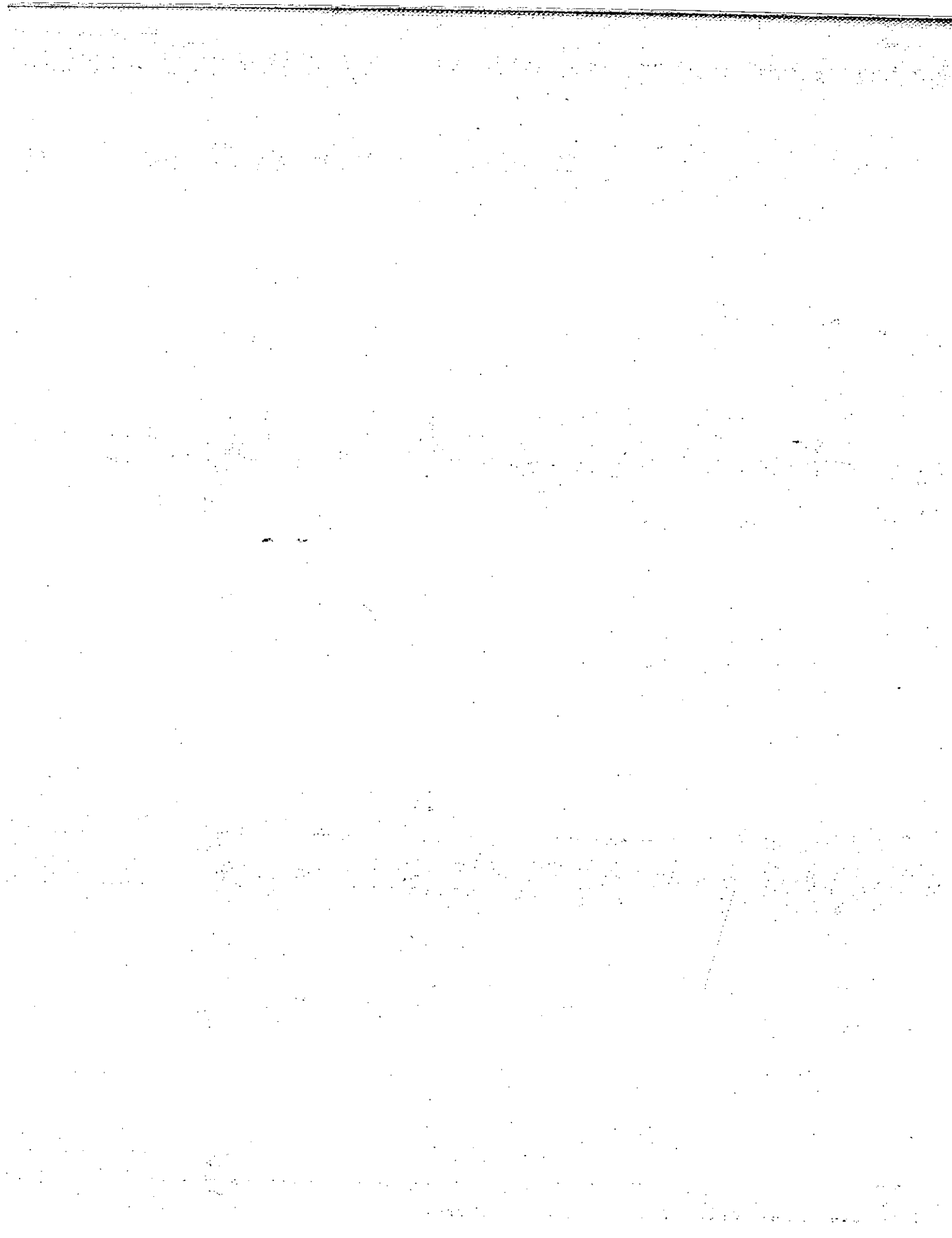
Ben Logan, Esq. and Victoria Graff, Esq., O'Melveny and Myers LLP, 400 South Hope Street, Los Angeles, CA 90012

William J.A. Weir, Esq., Luce Forward, Hamilton & Scripps LLC, 121 Spear Street, Suite 200, San Francisco, CA 94105

John Moe, Esq., Luce, Luce Forward, Hamilton & Scripps LLP, 777 South Figueroa, Suite 3600, Los Angeles, CA 90017

Steven L. Johnson, Esq., Office of the United States Trustee, 250 Montgomery Street, Suite 1000, San Francisco, CA 94104-3401

Mr. David M. Davis, Pacific Gateway Exchange, Inc., 500 Airport Drive, Suite 100, Burlingame, California 94010



COPY

FILED

02 DEC 20 PM 4:55

U.S. BANKRUPTCY COURT
NORTHERN DIST. OF CA.
SAN FRANCISCO, CA.

LEE R. BOGDANOFF (SBN 119542)
MARTIN R. BARASH (SBN 162314)
KLEE, TUCHIN, BOGDANOFF & STERN LLP
1880 Century Park East, Suite 200
Los Angeles, California 90067-1698
Telephone: (310) 407-4000
Facsimile (310) 407-9090

Bankruptcy Counsel For Pacific Gateway Exchange, Inc., et al.,
Debtors and Debtors In Possession

Debtor's Mailing Address:
500 Airport Drive, Suite 340
Burlingame, California 94010

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re:

PACIFIC GATEWAY EXCHANGE,
INC., a Delaware corporation (Tax I.D.
No. 943134065); INTERNATIONAL
EXCHANGE COMMUNICATIONS,
INC., a Delaware corporation (Tax I.D.
No. 943292374); ONYX NETWORKS,
INC., a Delaware corporation, f/k/a/
PGExpress, Inc. (Tax I.D. 943335904);
WORLD PATHWAYS, INC., a
Delaware corporation (Tax I.D. No.
943282029); WORLDLINK, INC., a
Delaware corporation (Tax I.D. No.
943286651); and GLOBAL TIME, INC.,
a Delaware corporation (Tax I.D. No.
943316865),

Debtors.

Case Nos. SF 00-33019 DM; SF 01-30027
DM; SF 01-30014 DM; SF 01-30016 DM; SF
01-30017 DM; SF 01-30015 DM (Jointly
Administered under Case No. SF 00-33019
DM)

Chapter 11

**ORDER APPROVING SETTLEMENT
AGREEMENT WITH MATRIX
TELECOM, INC. AND SALE OF
ASSETS PURSUANT THERETO
[REVISED VERSION]**

1 On October 17, 2002, International Exchange Communications, Inc. ("IECom")
2 served, and on October 21, 2002 filed, its "Notice Of Motion And Motion By International
3 Exchange Communications, Inc. For Approval Of Settlement Agreement With Matrix
4 Telecom, Inc. And Sale of Assets Pursuant Thereto" (the "Motion"). IECom requested
5 pursuant to the Motion an Order approving the "Settlement Agreement"¹ attached thereto as
6 Exhibit "1" (and attached hereto as Exhibit "1") and the transactions contemplated
7 thereunder, including the sale of substantially all of IECom's remaining assets to Matrix
8 Telecom, Inc. ("Matrix") free and clear of liens, claims, interests, and encumbrances as
9 specified therein. The Court has reviewed and considered the Motion, the accompanying
10 Declaration of David M. Davis, the Declaration of Non-Opposition Of Grace E. Oh, the
11 Declarations of Service filed in connection with the foregoing, and the record in these cases.
12 Based upon that review and consideration, the Court finds that notice of the Motion was
13 reasonable and appropriate under the circumstances, that no other or further notice need be
14 given, that no opposition has filed to the Motion, timely or otherwise, and that good cause
15 exists to make such additional findings and grant such relief requested as is set forth in this
16 Order.

17 **NOW, THEREFORE, IT IS HEREBY FOUND AND DETERMINED THAT:²**

18 A. This Court has jurisdiction to hear and determine the Motion pursuant to 28
19 U.S.C. §§ 157 and 1334.

20 B. Determination of the Motion is a core proceeding under 28 U.S.C.
21 §§ 157(b)(2)(A)(N), and (O). Venue of these chapter 11 cases and the Motion in this district
22 is proper under 28 U.S.C. §§ 1408 and 1409. Statutory authority for the relief requested
23 herein exists under Bankruptcy Code sections 105 and 363, and Bankruptcy Rules 2002,

25 ¹ To the extent not otherwise defined herein, capitalized terms shall have the meanings ascribed to them in
26 the Settlement Agreement.

27 ² Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as
28 findings of fact when appropriate. See Bankruptcy Rule 7052.

1 6004 and 9019.

2 C. As evidenced by the declarations of service previously filed with the Court:
3 (1) proper, timely, adequate, and sufficient notice of the Motion and the transactions
4 contemplated therein, has been provided in accordance with the requirements of section
5 102(1) the Bankruptcy Code and Bankruptcy Rules 2002, 6004 and 9019; (2) such notice
6 was good and sufficient, and appropriate under the particular circumstances; and (3) no other
7 or further notice of the Motion, any Sale hearing or entry of this Settlement and Sale Order is
8 required.

9 D. All interested persons and entities set forth in the Declarations of Service filed
10 in connection with the Motion, including: (i) the Office of the United States Trustee for the
11 Northern District of California, (ii) counsel for the Settling Parties, (iii) counsel for any
12 statutory committees appointed in these cases, and (vi) all entities required to be served
13 under the "Order Limiting Notice and Establishing Notice Procedures" have been afforded a
14 reasonable opportunity, under the facts and circumstances of the present case, to object to or
15 be heard regarding the relief requested in the Motion.

16 E. This Court previously has authorized under Bankruptcy Code section 363(f)
17 the sale of any and all of the assets of IECOM and its chapter 11 affiliates (collectively, the
18 "Debtors") free and clear of liens, claims and encumbrances pursuant to the terms of the
19 "Order Granting Omnibus Motion To Establish Procedures For The Expedited Sale Of
20 Assets And Authority To Sell Assts Free And Clear Of Liens Claims and Encumbrances"
21 ("Free and Clear Order").

22 F. The Debtors have full authority to execute the Settlement Agreement and all
23 other documents contemplated thereby, and the transactions contemplated thereby are duly
24 and validly authorized.

25 G. The Settlement Agreement reflects the exercise of the Debtors' sound business
26 judgment and a proper exercise of the Debtors' fiduciary duties.

27 H. Approval at this time of the Settlement Agreement, and the transactions
28 contemplated thereby, is in the best interests of the Debtors, their creditors, their estates, and

1 other parties in interest.

2 I. The terms and conditions of the Settlement Agreement are fair and reasonable.

3 J. The Debtors have demonstrated both (i) good, sufficient, and sound business
4 purpose and justification and (ii) compelling circumstances for consummating the sale of the
5 Assets (the "Sale") pursuant to the Settlement Agreement and section 363 of the Bankruptcy
6 Code, in that, among other things, a prompt sale of the Assets will maximize the value of the
7 estate and avoid the need for costly litigation.

8 K. The Settlement Agreement was negotiated, proposed, and entered into by the
9 parties without collusion, in good faith, and from arms-length bargaining positions. Matrix
10 is a buyer in good faith of the Assets under section 363(m) of the Bankruptcy Code and, as
11 such, is entitled to the protections afforded thereby. None of the parties to the Settlement
12 Agreement has engaged in any conduct that would cause or permit the Settlement Agreement
13 and the transactions contemplated thereby to be avoided under section 363(n) of the
14 Bankruptcy Code.

15 **NOW THEREFORE, IT IS HEREBY ORDERED THAT:**

16 1. The Motion be, and it hereby is, granted in its entirety.

17 2. The Settlement Agreement is incorporated herein by this reference and
18 approved. The terms and conditions of the Settlement Agreement and the transactions
19 contemplated by the Settlement Agreement are hereby approved in all respects, including the
20 the Sale thereunder pursuant to section 363(b) of the Bankruptcy Code.

21 3. All Settling Parties shall execute and deliver any other documents that are
22 reasonably necessary to effectuate the sale of the Assets to Matrix hereunder.

23 4. The sale and transfer of the Assets to Matrix as provided for in the Settlement
24 Agreement is free and clear of any and all liens, claims, encumbrances and interests
25 ("Liens") of those lienholders identified in the Free and Clear Order ("Lienholders"),
26 pursuant to Bankruptcy Code section 363 and the terms of the Free and Clear Order. Any
27 Liens in the Assets shall attach to the proceeds of the sale, in the same order and priority as
28 such liens existed in such assets prior to such sale, and subject to any existing defenses or

1 grounds for avoidance thereto; provided, however, that pursuant to the terms of the Debtor In
2 Possession Credit Agreement ("DIP Agreement") between the Debtors' lenders ("Lenders")
3 and the Debtors, all funds generated from the Settlement Agreement (i.e., \$600,000) will be
4 remitted to the Lenders pursuant to and subject to the terms of the DIP Agreement.

5 5. Except as expressly provided in the Settlement Agreement, each Lienholder
6 that holds or may hold a Lien against the Assets, or against the Debtors arising prior to the
7 Settlement Effective Date, or out of events occurring prior to the Settlement Effective Date,
8 is barred from asserting such Lien against Matrix, its successors or assigns, or the Assets.

9 6. The terms and provisions of the Settlement Agreement and this Settlement and
10 Sale Order, shall be binding on the Debtors, their estates and creditors, Matrix, and its
11 respective affiliates, successors and assigns, and any affected third parties, and all persons
12 asserting a Claim against or interest in any of the Debtors' estates or any of the Assets.

13 7. Except as expressly provided in the Settlement Agreement or this Settlement
14 and Sale Order, Matrix is not assuming any debts arising in any way in connection with any
15 acts of any of the Debtors, claims (as that term is defined in the Bankruptcy Code),
16 obligations, demands, guaranties, options, rights, contractual commitments, restrictions,
17 interests and matters of any kind and nature, arising prior to the Settlement Effective Date or
18 relating to acts occurring prior to the Settlement Effective Date, any debts, liabilities,
19 obligations, commitments, responsibilities or claims of any kind or nature whatsoever,
20 whether know or unknown, contingent or otherwise, existing as of the date hereof or
21 hereafter arising, of or against any of the Debtors, any affiliates of any of the Debtors, or any
22 other person by reason of the transfer of the Assets pursuant to the Settlement Agreement
23 and Settlement and Sale Order, under the laws of the United States, any state, territory or
24 possession thereof or the District of Columbia applicable to such transactions as the result of
25 consummation of the Sale transaction.

26 8. Each entity that is presently, or on the Settlement Effective Date may be, in
27 possession of any of the Assets is directed to surrender possession of said Assets to Matrix
28 on, or as soon as possible after, the Settlement Effective Date. Subject to all of the terms and

1 conditions of the Settlement Agreement, including without limitation the continuing duties
2 of Matrix to indemnify and defend IECOM that are set forth in Paragraph 8(C) thereof,
3 Matrix will continue to manage the Assets under the MSA, as modified by the Settlement
4 Agreement, until such time as the necessary state and federal regulatory approvals for the
5 transfer of the Assets to Matrix have been obtained, at which time ownership of the Assets
6 will automatically be transferred to Matrix in accordance with the terms of this Order.
7 Should any of such regulatory approvals be denied, IECOM shall cooperate with Matrix to
8 provide for an alternative disposition of the Assets for no further consideration other than
9 reimbursement by Matrix to IECOM of out-of-pocket costs incurred by IECOM in connection
10 with such alternate disposition. Notwithstanding any provision of the MSA, the Settlement
11 Agreement, or this Order, Matrix shall be liable for, shall pay, and hereby indemnifies
12 IECOM for all costs arising from or relating to the management of the Assets pending
13 transfer to Matrix, or such alternate disposition.

14 9. The Settlement Agreement and any related documents or other instruments
15 may be modified, amended, or supplemented by the parties thereto in accordance with the
16 terms thereof without further order of the Court, provided that any such modification,
17 amendment or supplement is not material.

18 10. The transactions contemplated by the Settlement Agreement have been
19 bargained for and undertaken by the Debtors and Matrix at arms-length, without collusion,
20 and in good faith within the meaning of section 363(m) of the Bankruptcy Code; and the
21 Debtors and Matrix have not engaged in any conduct that would cause or permit the Sale to
22 be avoided.

23 11. Pursuant to section 363(m) of the Bankruptcy Code, if any or all of the
24 provisions of this Settlement and Sale Order are hereafter reversed, modified, or vacated by a
25 subsequent order of this Court or any other court, such reversal, modification, or vacatur
26 shall not affect the validity and enforceability of any obligation or right granted pursuant to
27 the terms of this Settlement and Sale Order, and notwithstanding any reversal, modification,
28 or vacatur of this Settlement and Sale Order, any actions taken by either the Debtors or


1 Matrix pursuant to the terms of this Settlement and Sale Order prior to the effective date of
2 any such reversal, modification, or vacatur shall be governed in all respects by the original
3 provisions of this Settlement and Sale Order and the Settlement Agreement, as the case may
4 be.

5 12. This Court retains jurisdiction (i) to enforce and implement the terms and
6 provisions of the Settlement Agreement, all amendments thereto, any waivers and consents
7 thereunder, and any agreements executed in connection therewith, (ii) to compel the transfer
8 of the Assets to Matrix, (iii) to compel the payment of the \$600,000 by Matrix to IECOM,
9 (iv) to resolve any disputes, controversies, or claims arising out of or relating to the
10 Settlement Agreement, and (v) to interpret, implement, and enforce the provisions of this
11 Settlement and Sale Order.

12
13 DATED: December ²⁰~~17~~, 2002

14
15 DENNIS MONTALI
16 HONORABLE DENNIS J. MONTALI
UNITED STATES BANKRUPTCY JUDGE


17 Presented by:

18 
19

20 Martin R. Barash, a member of
21 Klee, Tuchin, Bogdanoff & Stern LLP
22 Bankruptcy Counsel to
Debtors and Debtors In Possession
Dated: December 18, 2002


23
24 Approved by:

25 MATRIX TELECOM, INC.

26 
27

28 By Dennis E. Smith, President
Dated: December 13, 2002

1 Approved by:
2 INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

3
4 
5 By Dave Davis, President
6 Dated: December 17, 2002

7 Approved as to form and content
8 KIRKLAND & ELLIS

9
10
11 By Bennett L. Spiegel
12 Counsel to Matrix Telecom, Inc.
13 Dated: December __, 2002

14
15 Agreed and Approved by IECOM's Secured Lenders
16 O'MELVENY & MYERS

17
18
19 By Ben H. Logan
20 Counsel to Bank of America, N.A., as Agent
21 Dated: December __, 2002

22
23
24
25
26
27
28

1 Approved by:
2 INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

3

4

5 By Dave Davis, President
6 Dated: December __, 2002

7 Approved as to form and content

8 KIRKLAND & ELLIS

9

10

11 By Bennett L. Spiegel
12 Counsel to Matrix Telecom, Inc.
13 Dated: December 13th, 2002

14

15

16 Agreed and Approved by IECOM's Secured Lenders

17 O'MELVENY & MYERS

18

19

20 By Ben H. Logan
21 Counsel to Bank of America, N.A., as Agent
22 Dated: December __, 2002

23

24

25

26

27

28

1 Approved by:
2 INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

3
4

5 By Dave Davis, President
6 Dated: December __, 2002

7 Approved as to form and content

8 KIRKLAND & ELLIS
9

10

11 By Bennett L. Spiegel
12 Counsel to Matrix Telecom, Inc.
13 Dated: December __, 2002

14

15 Agreed and Approved by IECOM's Secured Lenders

16 O'MELVENY & MYERS
17

18

19 By Ben H. Logan
20 Counsel to Bank of America, N.A., as Agent
21 Dated: December 12, 2002

22

23

24

25

26

27

28

SETTLEMENT AGREEMENT

This Settlement Agreement dated August 12, 2002 (the "Settlement Agreement") is entered into by and among Matrix Telecom, Inc. ("Matrix") and International Exchange Communications, Inc. ("IECom") (together, Matrix and IECom will be referred to as the "Settling Parties"). With the intent of achieving a final resolution of the disputes among them that arise out of or are in any way related to any of the matters set forth in the following Recitals, and with the intent of being legally bound, the Settling Parties hereby represent and agree as follows.

RECITALS

A. On or about December 28, 2000, Matrix and IECom signed a Management Services Agreement that stated it was "made and entered into as of January 5, 2001" (the "MSA"), a copy of which is attached hereto and incorporated by reference as if set forth in full. The MSA provided, among other things, that: (1) IECom appointed Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of certain assets of IECom (as defined in the MSA, the "Assets"); (2) Matrix agreed to receive specified compensation for its services; (3) IECom agreed to receive specified royalties for Matrix's use of the Assets; (4) IECom and Matrix agreed to share collected accounts receivable in specified proportions; and (5) IECom and Matrix undertook various responsibilities and made various representations and covenants. The MSA also recited that IECom and Matrix desired to negotiate and enter into an Asset Purchase Agreement under which Matrix would buy the Assets.

B. On December 29, 2000, Pacific Gateway Exchange, Inc. filed a voluntary petition under chapter 11 of title 11 of the United States Code (the

"Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). On January 3, 2001, Onyx Networks, Inc., World Pathways, Inc., WORLDLINK, INC., and Global Time, Inc. filed voluntary petitions under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. On January 4, 2001, IECOM filed a voluntary petition under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Together, these six entities will be referred to as the "Debtors". For procedural purposes, the Bankruptcy Court is jointly administering the Debtors' cases under case number SF 00-33019 DM.

C. On January 9, 2001, the Bankruptcy Court entered in the Debtors' cases its *Interim Order (A) (i) Authorizing Post Petition Financing and (ii) Granting Super Administrative Priority Expense Claim Status and (B) Scheduling a Final Hearing*, to which were attached a copy of the MSA and a Clarification of the MSA that elaborated upon the proportions of collected accounts receivable that IECOM and Matrix had agreed to share.

D. Matrix and IECOM were unable to agree upon the terms of an Asset Purchase Agreement under which Matrix would buy the Assets. Each of the Settling Parties asserts that the acts, omissions, and/or misrepresentations of the other are to blame for their inability to agree.

E. Disagreements between Matrix and IECOM have arisen over their obligations under the MSA. (a) IECOM asserts that Matrix breached certain of its covenants, obligations, and representations under the MSA by failing to pay IECOM royalties to which IECOM was entitled and by underreporting the revenues on which the royalties were based. IECOM asserts that Matrix owes it approximately \$771,885 in unpaid royalties. Matrix disputes these assertions. (b) Matrix asserts that IECOM breached certain of its covenants, obligations, and representations under the MSA and thereby caused Matrix to incur extraordinary

expenses that it should not have had to incur and that these expenses offset any royalties otherwise due and entitle Matrix to assert a claim for an administrative expense against IECOM's bankruptcy estate. Matrix asserts that IECOM owes it approximately \$1,060,000 for these expenses. IECOM disputes these assertions. (c) IECOM asserts that Matrix has not negotiated in good faith an Asset Purchase Agreement under which Matrix would buy the Assets. Matrix disputes this assertion.

F. Representatives of the Settling Parties have engaged in negotiations to reach a global resolution of their disagreements. These settlement negotiations have been conducted at arms' length and in good faith by the Settling Parties and have resulted in this Settlement Agreement. Accordingly, without admitting any liability or the accuracy of any claims or allegations, the Settling Parties wish to settle as expeditiously as possible all disputes among themselves, including all disputes arising out of the facts and allegations recited above, as follows.

SETTLEMENT TERMS

In light of the foregoing, and in consideration of the promises and releases contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Settling Parties agree as follows:

1. The Settling Parties acknowledge that this Settlement Agreement is subject to the approval of the Bankruptcy Court, and it is agreed that IECOM shall, at its own expense, seek to obtain approval of this Settlement Agreement by the Bankruptcy Court as soon as possible pursuant to Federal Rule of Bankruptcy Procedure 9019 on due and appropriate notice to creditors and other parties in interest in IECOM's chapter 11 case; provided, however, that Matrix

shall bear the burden (and any cost) of providing the evidence uniquely within its control that is necessary to obtain the Bankruptcy Court's approval.

2. This Settlement Agreement shall be effective on the first business day that an order of the Bankruptcy Court approving this Settlement Agreement ("Settlement and Sale Order") in a form reasonably acceptable to the Settling Parties becomes final, unappealable, and unstayed (the "Settlement Effective Date"); provided, however, that Matrix may, in its sole discretion, waive the requirement that the order be final and unappealable, and cause the Settlement Effective Date to occur following entry of the Settlement and Sale Order, by delivering a written notice to this effect to IECOM, in which case the Settlement Effective Date shall be the date on which such notice is delivered.

3. The Settlement and Sale Order must (A) provide for the sale of the Assets to Matrix (i) free and clear of all liens, claims, encumbrances, and interests of those lienholders identified in the Bankruptcy Court's "Order Granting Omnibus Motion to Establish Procedures for the Expedited Sale of Assets and Authority to Sell Assets Free and Clear of Liens, Claims, and Encumbrances" (collectively, the "Lienholders") entered in the Debtors' cases on March 12, 2001 and (ii) without any other representations, warranties, or conditions, (B) require the transfer of the Assets and the payment of the \$600,000 to occur without delay, and (C) include a finding that Matrix is a good-faith purchaser of the Assets as defined in section 363(m) of the Bankruptcy Code, Provided the Settlement and Sale Order is entered, effective and unstayed, IECOM will execute and deliver to Matrix any other documents that Matrix reasonably needs to effectuate its acquisition of the Assets.

4. On the Settlement Effective Date, Matrix will pay or cause to be paid to IECOM \$600,000 by cashier's check or wire transfer.

5. Neither IECOM nor its secured lenders (as signified by their approval and agreement at the end of this Settlement Agreement) will request that the delivery of the Assets to Matrix be subject to an overbid and will oppose any request for any overbid.

6. The Settling Parties acknowledge that certain regulatory filings will need to be made to effectuate Matrix's acquisition of the Assets, and IECOM agrees to grant Matrix reasonable access at reasonable times upon reasonable notice to documents or other information that Matrix needs for these filings or for other reasons to effectuate its acquisition of the Assets.

7. Subject to Paragraph 8 hereof, on the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, except as otherwise expressly provided in this Settlement Agreement, IECOM and each of its past and present predecessors, successors, and assigns (jointly and severally, the "IECOM Parties"), for and in consideration of this Settlement Agreement, release and absolutely and forever discharge Matrix and each of its past and present predecessors, successors, and assigns (jointly and severally, the "Matrix Parties") and their officers, directors, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

8. Notwithstanding any other provision of this Agreement:

(A) any and all claims, causes of action or other rights of IECOM against Matrix that arise under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that become "Allowed General Administrative Claims" under the proposed Joint

Chapter 11 Plan of Liquidation dated July 31, 2002 ("Plan"), or that otherwise become allowed administrative expenses pursuant to Bankruptcy Code section 503(b) are neither waived nor released under this Agreement;

(B) Matrix hereby represents and warrants to the best of its knowledge that all liabilities incurred by Matrix in connection with, arising out of, or relating to its performance or non-performance of rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM, have been paid and/or fully satisfied; and

(C) Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOM harmless at all times in the event the IECOM shall at any time, or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement (including all reasonable attorneys' fees) that becomes an "Allowed General Administrative Claim" under the proposed Joint Chapter 11 Plan of Liquidation dated July 31, 2002, that otherwise becomes an allowed administrative expense pursuant to Bankruptcy Code section 503(b), or that would qualify as an allowed administrative expense if the procedural requirements of section 503(b) were satisfied, in connection with the assertion of a claim, cause of action or other right by a third party, arising out of, resulting from or in connection with the performance or nonperformance by Matrix of any rights, duties, and/or responsibilities under the MSA, on its own behalf or as agent for IECOM. Whenever IECOM is notified that a party asserts a claim against IECOM as to which Matrix has indemnified IECOM under this paragraph, IECOM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOM to provide Matrix with such notice shall not excuse or affect Matrix's

indemnification obligations hereunder, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOM pursuant to this paragraph, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOM hereunder, Matrix shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOM. If Matrix so elects to defend or contest, IECOM shall have the right, at its expense, to participate in such defense, but such defense shall, at all times, be conducted by and under the control of Matrix and its counsel. IECOM and its successors under the Plan agree to reasonably cooperate and assist Matrix in defending against any such suit, action, investigation, claim or proceeding.

(D) IECOM hereby represents and warrants that to the best of his actual knowledge, as of the date he executes this Settlement Agreement, David M. Davis, President and Estate Representative for IECOM, has no knowledge of any claims, causes of action or other rights of IECOM against Matrix that have arisen under the MSA as a result of claims, causes of action or other rights asserted by third parties against IECOM that are or may become allowed administrative expenses pursuant to Bankruptcy Code section 503(b). This representation and warranty is made by IECOM; Matrix shall have no recourse against Mr. Davis in connection with such representation and warranty.

(E). Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect IECOM's claims or rights against any other entities not a party to this Settlement

Agreement or covered by this release, and nothing in this Settlement Agreement shall affect any other person's or entity's rights or claims against any other person or entity. The rights and claims released pursuant to this Settlement Agreement are limited to the rights and claims owned by the party releasing such rights or claims.

9. On the later of the Settlement Effective Date and the date Matrix pays IECOM \$600,000 as required in paragraph 4 above, the Matrix Parties, for and in consideration of this Settlement Agreement, release and absolutely and forever discharge the IECOM Parties and their officers, directors, trustees, employees, and attorneys of and from any and all demands, promises, agreements, losses, injuries, claims, damages, debts, liabilities, accounts, reckonings, obligations, costs, expenses, liens, actions, and causes of action arising out of or in any way related to any of the matters set forth in the Recitals of this Settlement Agreement.

10. Except as otherwise expressly provided in this Settlement Agreement, nothing in this Settlement Agreement shall affect Matrix's claims against any other entities not a party to this Settlement Agreement.

11. Except as otherwise expressly provided in this Settlement Agreement::

(A) Settling Parties intend this Settlement Agreement to be effective on the Settlement Effective Date as a full and final accord and satisfaction and general release of all claims, debts, damages, liabilities, demands, obligations, costs, expenses, disputes, actions, and causes of action, known or unknown, suspected or unsuspected, that the IECOM Parties may have against the Matrix Parties and that the Matrix Parties may have against the IECOM Parties, by reason of acts, circumstances, or transactions arising out of or in any way related to any of the matters set

forth in the Recitals of this Settlement Agreement, occurring before the Bankruptcy Court's order approving this Settlement Agreement, with the exception of the rights and obligations of the Settling Parties as expressly set forth in or reserved under this Settlement Agreement;

(B) In furtherance of this intention, on the Settlement Effective Date the Settling Parties waive the benefit of the provisions of California Civil Code § 1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

(C) On the Settlement Effective Date, the Settling Parties expressly waive and relinquish any and all rights or benefits they may have under, or which may be conferred upon them by, the provisions of § 1542 of the California Civil Code to the fullest extent that they may lawfully waive such rights or benefits pertaining to the subject matter of the release set forth in this Agreement.

(D) In connection with such waiver and relinquishment, the Settling Parties hereby acknowledge that they are aware that they may hereafter discover claims and facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of or any part to the releases set forth in this Agreement, but that it is nonetheless the intention of the Settling Parties to effectuate such releases hereunder.

12. The Settling Parties intend this Settlement Agreement to be binding upon them regardless of any claims of fraud, misrepresentation, concealment of fact, mistake of law or fact, duress, or any other circumstance whatsoever in connection with any matter dealt with in this Settlement Agreement or the

negotiation of this Settlement Agreement. In entering into this Settlement Agreement, all Settling Parties recognize that no facts or representations are ever absolutely certain. Accordingly, the Settling Parties assume the risk of any misrepresentation, concealment, or mistake; and if any of the Settling Parties should subsequently discover that any facts relied upon by it or them in entering into this Settlement Agreement were or are untrue, or that any fact was concealed from it or them, or that an understanding of the facts or of the law was incorrect, that Settling Party or those Settling Parties shall not be entitled to set aside this Settlement Agreement by reason thereof. The finality of this Settlement Agreement is a material factor inducing the Settling Parties to enter into this Settlement Agreement.

13. The Settling Parties will bear their own costs and attorneys' fees in all matters that this Settlement Agreement resolves and with respect to this Settlement Agreement.

14. If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties will have the same rights against each other that they had upon the execution of this Settlement Agreement.

15. While the Settling Parties are seeking to obtain approval of this Settlement Agreement by the Bankruptcy Court, the Settling Parties will not sell, transfer, assign, release, or withdraw their claims against each other without the consent of the other Settling Parties or unless any purchaser, assignee, or other transferee of any claim expressly assumes all obligations under the Settlement Agreement of the Settling Party that is selling, assigning, or transferring such claim.

16. If the Bankruptcy Court does not approve this Settlement Agreement, the Settling Parties agree that there shall not be admissible into evidence in, used for any purpose in, have any bearing on, or be deemed a

waiver of the attorney-client privilege in, any proceeding between any of the Settling Parties or in any proceeding involving the matters that are the subject of this Settlement Agreement (a) the material terms of this Settlement Agreement, (b) the details of the negotiations on which this Settlement Agreement was based, (c) any declarations or arguments made on behalf of IECOM and filed with the Bankruptcy Court in connection with the approval of this Agreement, and (d) any declarations or arguments made on behalf of Matrix and filed with the Bankruptcy Court in connection with the approval of this Agreement.

17. All obligations undertaken in this Settlement Agreement by the Settling Parties shall be binding on their respective successors, transferees, and assigns.

18. Each of the Settling Parties warrants and represents to the other Settling Parties as of the date of this Settlement Agreement and as of the Settlement Effective Date that it has not assigned, encumbered, hypothecated, or transferred, or purported to assign, encumber, hypothecate, or transfer, to any other person or entity in any manner, including by way of subrogation, any claim, demand, right, or cause of action that it has agreed in this Settlement Agreement to release or any portion of any recovery or settlement to which this Settlement Agreement entitles it, other than as provided in connection with the debtor in possession financing facility provided by the Lenders to IECOM and its debtor affiliates in connection with their chapter 11 cases.

19. This Settlement Agreement may be executed in counterparts, which, taken together, shall constitute an original executed Settlement Agreement.

20. The rights and obligations of the Settling Parties under this Settlement Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California. The Bankruptcy Court may

interpret and enforce this Settlement Agreement, and the Settling Parties submit to the jurisdiction of the Bankruptcy Court for this purpose.

21. All Settling Parties warrant that they have been represented by counsel in connection with entering into this Settlement Agreement and that all provisions thereof have been explained to them and that they understand them.

22. All Settling Parties represent and declare that they have carefully read this Settlement Agreement and know the contents thereof and that they have signed this Settlement Agreement freely and voluntarily.

23. Each person executing this Settlement Agreement warrants and represents that that person is empowered and authorized to bind the party on whose behalf that person has executed this Settlement Agreement.

24. All Settling Parties shall execute and deliver all such further documents and papers, and shall perform any and all acts, necessary to give full force and effect to all of the terms and provisions of this Settlement Agreement.

25. This Settlement Agreement contains the entire understanding of the Settling Parties with respect to the matters covered herein and supersedes all prior and collateral agreements, understandings, statements, and negotiations of the Settling Parties. All Settling Parties acknowledge that no representations, inducements, promises, or agreements, oral or written, with reference to the subject matter of this Settlement Agreement, have been made other than as expressly set forth herein. This Settlement Agreement cannot be orally changed, rescinded, or terminated. Any change or modification to this Settlement Agreement must be in a writing signed by all Settling Parties.

[signatures on next page]

MATRIX TELECOM, INC.


By: Dennis E. Smith, President

Dated: September 11, 2002


INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, __

Dated: September __, 2002

Approved as to form and content

KIRKLAND & ELLIS


By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: September 19, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August __, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

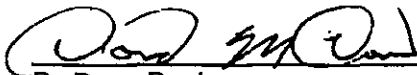
By Ben H. Logan
Counsel to __
Dated: September __, 2002

MATRIX TELECOM, INC.

By _____

Dated: August ___, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.



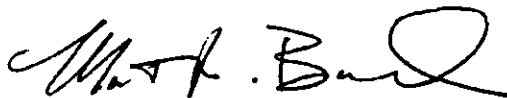
By Dave Davis, _____

Dated: ^{September} ~~August~~ 10, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: August ___, 2002



Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

October 7, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS

By Ben H. Logan
Counsel to _____
Dated: August ___, 2002

MATRIX TELECOM, INC.

By _____

Dated: August ___, 2002

INTERNATIONAL EXCHANGE COMMUNICATIONS, INC.

By Dave Davis, _____

Dated: August ___, 2002

Approved as to form and content

KIRKLAND & ELLIS

By Bennett L. Spiegel
Counsel to Matrix Telecom, Inc.
Dated: August ___, 2002

Martin R. Barash, a member of Klee, Tuchin, Bogdanoff & Stern LLP
Bankruptcy Counsel to International Exchange Communications, Inc.
Dated: August ___, 2002

Agreed and Approved by IECOM's Secured Lenders

O'MELVENY & MYERS



By Ben H. Logan
Counsel to Bank America, N.A., as Agent
Dated: August ___, 2002
September

EXHIBIT A

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into as of January 5, 2000 (the "Effective Date"), by and between International Exchange Communications, Inc. ("IECOMM"), and Matrix Telecom, Inc. ("Matrix").

BACKGROUND

WHEREAS, IECOMM and Matrix desire to negotiate and enter into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which Matrix will purchase certain of the assets of IECOMM as set forth in Exhibit A hereto (the "Assets") for a contemplated amount equal to 1.8x December 2000 revenues generated; and

WHEREAS, until such time as the Assets have been transferred to Matrix pursuant to the Purchase Agreement, IECOMM desires to utilize Matrix's services on an exclusive basis to manage the operation of the Assets; and

WHEREAS, Matrix desires to provide the services to IECOMM on the terms and subject to the conditions stated herein.

NOW, THEREFORE, IECOMM and Matrix, in consideration of the mutual promises hereinafter set forth, do hereby promise and agree as follows:

1. **Appointment of Matrix.** IECOMM hereby appoints Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of the Assets, as described more fully in Section 2 (the "Services"). Matrix hereby accepts such appointment on the terms and subject to the conditions stated herein.

2. **Scope of the Services.** Commencing with the date hereof and continuing during the Term of this Agreement, Matrix shall use its best efforts to establish and implement operational policies and provide sole management of the Assets, including general supervision, direction and control of said Assets. Without limiting the foregoing, Matrix shall maintain IECOMM's relationships with the customers included in the Assets (including, but not limited to, providing long distance service, provisioning, billing, collection, customer complaints and customer contact) and shall manage and account for the customer receivables included in or derived from the Assets. Matrix does not represent or guarantee that management of the Assets will be profitable, and IECOMM acknowledges that the Assets may deteriorate or erode under Matrix's management.

3. **Responsibilities of IECOMM.** Commencing with the date hereof and continuing until termination of this Agreement as provided herein, IECOMM shall assist and fully cooperate with Matrix as is reasonably requested by Matrix in relation to Matrix's performance of the Services. Without limiting the foregoing, IECOMM shall undertake the following responsibilities under the supervision of Matrix or its agents or assigns:

- (a) IECOMM shall provide Matrix with the Assets, including all related information and materials in its possession, which are necessary to enable Matrix to provide the Services, at any reasonable location that Matrix shall designate.
- (b) IECOMM shall be responsible for all taxes, fees, carrier costs and other expenses related to activity or revenue generated and billed prior to the Effective Date, regardless of when such taxes, fees, except for USF billed subsequent to December 31, 2000, carrier costs or other expenses are due or owing.
- (c) IECOMM shall perform any acts reasonably necessary to maintain and preserve the Assets, pursuant to and in accordance with the supervision and direction of Matrix excluding those acts, which are to be performed by Matrix in connection with the Services.
- (d) IECOMM shall continue to communicate with third parties pursuant to the supervision and direction of Matrix, including responding to inquiries, requests and correspondence.

V.P.

D.M.

- (e) IECOMM shall promptly inform Matrix and provide Matrix with copies of all correspondence and communications relating to the Assets.
- (f) At the request of Matrix, IECOMM shall timely exercise whatever rights it has relating to the Assets, including but not limited to its rights (whether in law or equity) with respect to breach, termination, set-off, indemnity, waiver, sub-contracting and assignment.

4. Responsibilities of Matrix. Commencing with the date hereof and continuing until termination of this Agreement as provided herein, Matrix shall undertake the following responsibilities:

- (a) Matrix shall perform all Services to the best of its ability and in a manner reasonably consistent with its past practices.
- (b) Matrix shall be responsible for and pay all taxes, fees, carrier costs and other expenses related to activity or revenue generated after the Effective Date.
- (c) Matrix shall inform IECOMM of all material regulatory communications and cooperate with all regulatory filings.
- (d) Matrix shall inform IECOMM of all material customer complaints and the steps taken by Matrix to resolve said complaints.
- (e) Upon request, Matrix shall provide IECOMM with any management reports it may reasonably request.

5. Additional Covenants. The parties agree that:

- (a) "Toll Free" Telephone Numbers. During the Term, Matrix shall have the sole and exclusive right to use the "toll free" telephone numbers set forth on Exhibit B.
- (b) Carrier Identification Code(s). IECOMM represents and covenants that it owns all right, title and interest in and to the Carrier Identification Code(s) listed on Exhibit A, and that such Code(s) shall be used during the Term exclusively by Matrix in the management and service of the customers included in the Assets.

6. Independent Contractor Status. Matrix is an independent contractor in the performance of the Services under this Agreement and shall determine the method, details and means of performing the Services. Without limiting the generality of the foregoing, Matrix shall be permitted, in its sole discretion, to (i) enter into and perform contracts and agreements in its own name for the furnishing of services, equipment, parts and supplies in connection with the Services, and (ii) recruit, hire and terminate the services of any of its employees and independent contractors who perform services in connection with the Services. Matrix shall solely establish the terms and conditions of employment for all of its employees and shall pay all salaries and other compensation due such employees. Matrix is not an agent of IECOMM and has no authority whatsoever to bind IECOMM by contract or agreement of any kind.

7. Compensation. As compensation for the Services, Matrix shall have the right to retain all net profits associated with the Assets during the Term, except that:

- (a) Matrix shall pay to IECOMM a royalty of six and one-half percent (6.5%) of all revenue generated and collected after the Effective Date, not to exceed one and one-half (1.5) times December, 2000 revenue.
- (b) Such royalty payments shall be due and payable no later than thirty (30) days after such revenue has actually been collected.
- (c) Any amount Matrix is required to pay for taxes, fees, fines, costs, liens or any other expense for activity or revenue generated prior to the Effective Date may be deducted from any such royalty payment.
- (d) Any amount Matrix is required to pay to facilitate moving the customer base to a new underlying carrier(s) may be deducted from any royalty payment due hereunder.

8. Accounts Receivable Processing. On the Effective Date, IECOMM will transfer to Matrix control of all lockbox and other bank accounts used for collection and processing of customer payments and related activity, as described in Exhibit A. After the Effective Date, Matrix shall collect and process all payments, holdbacks, reserves, credits, refunds and related payments. Matrix shall pay to IECOMM eighty percent (80%) of all payments received for Direct billings generated prior to the Effective Date, net of bad debts, credits and refunds. Such payments shall be due and payable weekly, within ten (10) days

12

of collection. Any LEC payments remitted for billings prior to the effective date will be remitted directly to IECOMM within 5 business days. Matrix shall also provide PGE with a weekly accounting of the collection and processing of all payments, holdbacks, reserves, credits, refunds and related payments.

9. Expenses. Matrix shall bear all costs and expenses incurred in connection with providing the Services. Except as may be otherwise specifically provided herein, the parties hereto shall pay their own legal fees and expenses incurred in connection with the negotiation and consummation of the transactions contemplated by this Agreement.

10. Term. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue until the earlier of (i) the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), or (ii) 120-days after written notice of intent to terminate by either party. Upon the termination of this Agreement, neither party shall be further obligated under this Agreement except for the parties' respective indemnification obligations set forth herein. In the event that this Agreement terminates without closing of the Purchase Agreement, Matrix agrees that it will use its best efforts to return all assets and operational materials in its possession to IECOMM in a manner permitting seamless continuation of service to the customer base.

11. Indemnification of Matrix.

11.1 IECOMM agrees to, and hereby does, fully indemnify, defend and save and hold Matrix harmless at all times in the event that Matrix shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with, or shall pay or become obligated to pay any sum on account of IECOMM's performance or non-performance of obligations under this Agreement (an "Event of Matrix Indemnification").

11.2 Whenever any claim shall arise for indemnification pursuant to Section 11.1, above, Matrix shall promptly notify IECOMM of the claim and when known, the acts constituting the basis for such claim, provided that failure of Matrix to provide IECOMM with such notice shall not excuse or affect IECOMM's indemnification obligations under Section 11.1, above, except to the extent that the failure to provide such notice shall actually prejudice IECOMM. In the event IECOMM shall become obligated to Matrix pursuant to Section 11.1, above, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which IECOMM may become obligated to Matrix thereunder, IECOMM shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel reasonably acceptable to Matrix. In the event IECOMM so elects to defend or contest, Matrix shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of IECOMM and its counsel. In the event IECOMM elects not to defend, contest or otherwise protect against any action, investigation, claim or proceeding, Matrix shall have the right, at IECOMM's expense, to pursue any such defense, contest or protection.

12. Indemnification of IECOMM.

12.1 Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOMM harmless at all times in the event that IECOMM shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with the performance or non-performance of the Services; provided, however, any such damages, obligations, liabilities, losses, costs, expenses, claims, settlements, or causes of action do not arise out of, result from or be attributable to an Event of Matrix Indemnification.

12.2 Whenever any claim shall arise for indemnification pursuant to Section 12.1, IECOMM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOMM to provide Matrix with such notice shall not excuse or affect Matrix's indemnification obligations under Section 12.1, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOMM pursuant to Section 12.1, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOMM thereunder, Matrix shall

P.L.

have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOMM. If Matrix so elects to defend or contest, IECOMM shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of Matrix and its counsel. In the event Matrix elects not to defend, contest or otherwise protect against any such suit, investigation, claim or proceeding, IECOMM shall have the right, at Matrix's expense, to pursue any such defense, contest or protection.

12.3 If the contemplated Closing does not occur and this Agreement is terminated according to Section 10(i), Matrix shall be liable for, shall pay or cause to be paid and shall indemnify and hold IECOMM and its affiliates and all of their officers, directors and agents, harmless from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees and the cost and expenses of enforcing such indemnification against Matrix), interest and penalties, if any, arising out of or based upon or for or in respect of each of the following: (i) any and all income Taxes or franchise or other Taxes measured by net income with respect to the Assets (computed on a stand alone basis) for any taxable period (or partial period) commencing after the date hereof and continuing through the termination of this Agreement; (ii) any and all other Taxes with respect to the Assets for any Tax period commencing after the date hereof and continuing through the termination of this Agreement.

13. Notices. All notices, requests, demands and other communications made under this Agreement shall be in writing and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand, or (c) the expiration of three (3) business days after the day when mailed by registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to Matrix, to:

MATRIX TELECOM, INC.
300 N. Meridian
Oklahoma City, OK 73107
Phone: 405-851-9300
Fax: 405-851-9448

If to IECOMM, to:

International Exchange Communications, INC.
500 Airport Blvd, Suite 340
Burlingame, CA 94010
Phone 650-558-3183
Fax 650-575-6789

14. Entire Agreement. This Agreement and any agreements between or among the parties hereto of even date herewith constitute the entire agreement among the parties hereto relating to the subject matter hereof, and all prior agreements, correspondence, discussions and understandings of the parties (whether oral or written) are merged herein and superseded hereby. It being the intention of the parties hereto that this Agreement and the instruments and agreements contemplated hereby shall serve as the complete and exclusive statement of the terms of their agreement together. No amendment, waiver or modification hereto or hereunder shall be valid unless in writing signed by an authorized signatory of the party or parties to be affected thereby.

15. Assignment. This Agreement and the rights hereunder shall not be assignable or transferable (i) by Matrix without the prior written consent of IECOMM, except to an affiliate of Matrix or to a financial institution in connection with a financing related to this Agreement, or (ii) by IECOMM without the prior written consent of Matrix. The duties and obligations of a party hereunder shall not be delegable without the prior written consent of the other parties hereto.

16. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns.

V.L.

DEC-29-2000 13:32

CIFIC GATEWAY

650 558 3299

40000

P.06/07
P.U.

Dec-27-00 05:50P 8111 Brickling

719 644 7722

17. **Section Headings.** The headings in this Agreement are for purposes of convenience and ease of reference only and shall not be construed to limit or otherwise effect the meaning of any part of this Agreement.

18. **Severability.** The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly.

19. **Applicable Law.** All complaints and interpretation of this Agreement and all questions arising in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Oklahoma without regard to the principles of conflicts of laws thereunder.

20. **Counterparts.** This Agreement may be executed in one or more original or facsimile counterparts, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been executed by each of the parties and delivered to the other parties.

21. **Use of Terms.** In this Agreement, (i) the words "hereof," "herein," "herein," "hereunder" and words of similar import mean and refer to this Agreement as a whole and not merely to the specific section or clause in which the respective word appears, (ii) words importing gender include the other genders as appropriate and (iii) any terms defined in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

22. **Facsimile Copy.** This Agreement may be executed in facsimile copy with the same binding effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

International Exchange Communications, Inc.

By: _____

Printed: _____

Title: _____

Date: _____

MATRIX TELECOM, INC.

By:  _____

William C. Brickling
Senior Vice President

Date: 12-28-00

P.L.

Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, end-user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and FCC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code 0597, 0025, 5734, 5484, 5318 & 5822
and corresponding ACNA(DOH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logos, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

—>

Exhibit B - Toll-Free Phone Numbers

800 966-6106

800 966-6166

800 589-6812

888 455-5461

800 322-0964

888 387-7722

800 322-0960

800 360-1289

800 253-1289

800 232-9732

800 810-9750

CLARIFICATION

The undersigned parties to the Management Services Agreement dated January 5, 2001, ("MSA") which was entered into on or about December 29, 2000, hereby acknowledge certain clarifications to the MSA in order to resolve certain disputes that have arisen regarding the interpretation of the MSA.

As to the provision in Paragraph 8 of the MSA which provides "Matrix shall pay to IEComm eighty percent (80%) of all payments received for Direct billings ^{generated} Prior to the Effective Date, net of

bad debts, credits and refunds," the

undersigned parties acknowledge that

~~all~~ all payments received for Direct

billings ^{generated} (prior to the Effective Date "

means all payments received ^{by Matrix} ~~on~~ following ^{the} Effective Date

account of telephone calls made

prior to the Effective Date ~~through~~

~~through such calls irrespective of~~

~~when such calls are~~ by ~~(retail?)~~

customers that are billed directly

(i.e., not through a local exchange

carrier), regardless of whether

such calls are billed to such

customers after the Effective Date.

(LCC), ~~not~~ ^{not} ~~billable~~ ^{billable} for LCC billed ~~calls~~ ^{calls} still be

in ~~accord~~ ^{accord} to I & C on

Notwithstanding the foregoing,

In connection with this clarification,

the parties further acknowledge

that with respect to payments for
telephone calls made prior to the

Effective Date ~~and~~ for which bills

had not been transmitted to customers

as of the Effective Date, ~~Matrix shall be obligated to remit~~

Matrix shall be obligated to remit
to IECOMM only 50% ^{of the aggregate amount} of such

payments. ~~As to the aggregate~~ As to

payments received on account

of ~~Matrix~~ ~~telephone calls made~~ ~~prior to the Effective Date~~ ~~for which~~ ~~bills had been transmitted to customers~~

prior to the Effective Date for which

bills had been transmitted to customers

as of the Effective Date, Matrix
shall be obligated to remit
to IECOMM 80% ^{of the aggregate amount} of such payments.

Further, the undersigned ~~parties~~ parties
acknowledge that the exclusive
forum for resolution of any dispute
arising from ~~the~~ the MSA or this

Classification shall be the United
States Bankruptcy Court for the
Northern District of California.

subject to the provisions of paragraph 19 of
the MSA. ^{"Applicable Law"}

PROOF OF SERVICE

I am over eighteen years of age, and I am not a party to this action. I am employed by Klee, Tuchin, Bogdanoff & Stern LLP, and my business address is: 1880 Century Park East, Suite 200, Los Angeles, California 90067-1698. Klee, Tuchin, Bogdanoff & Stern LLP employs a member of the bar of the State of California at whose direction this service was made.

On December 18, 2002 I served the following pleading:

**ORDER APPROVING SETTLEMENT AGREEMENT WITH MATRIX
TELECOM, INC. AND SALE OF ASSETS PURSUANT THERETO
(REVISED VERSION)**

on the interested parties in this action by placing true and correct copies of the pleading with the United States Postal Service, enclosed in sealed envelopes, with postage fully paid, addressed as indicated on the attached list.

Bennett L. Spiegel, Esq., Kirkland & Ellis
777 South Figueroa Street, Los Angeles, CA 90017

Ben Logan, Esq. and Victoria Graff, Esq., O'Melveny and Myers LLP
400 South Hope Street, Los Angeles, CA 90012

William J.A. Weir, Esq., Luce Forward, Hamilton & Scripps LLC
121 Spear Street, Suite 200, San Francisco, CA 94105

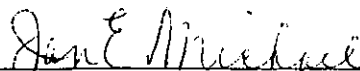
John Moe, Esq., Luce Forward, Hamilton & Scripps LLP
777 South Figueroa, Suite 3600, Los Angeles, CA 90017

Steven L. Johnson, Esq., Office of the United States Trustee
250 Montgomery Street, Suite 1000, San Francisco, CA 94104-3401

Mr. David M. Davis, Pacific Gateway Exchange Inc.
500 Airport Drive, Suite 100, Burlingame, California 94010

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

EXECUTED on December 18, 2002 at Los Angeles, California.



Jan E. Michael, Declarant

ATTACHMENT D
CUSTOMER NOTIFICATION

NOTICE OF TRANSFER OF LONG DISTANCE TELEPHONE SERVICE

[Date]

Dear Customer:

International Exchange Communications, Inc. ("IECom") currently provides your long distance service. Due to circumstances related to IECom's bankruptcy, Matrix Telecom, Inc. ("Matrix") has agreed to acquire the IECom name and will shortly begin providing long distance service to IECom customers. This transfer will ensure that customers of IECom continue to enjoy uninterrupted long distance service. This transfer will not affect your long distance rates nor the terms and conditions of your service. In fact, your long distance bill will continue to list IECom as your long distance provider.

The bankruptcy court has ordered this transition to occur as soon as possible after [INSERT EFFECTIVE DATE OF BANKRUPTCY ORDER]. Unless you have begun using a long distance provider other than IECom prior to this date, Matrix will transition your current long distance service to Matrix. The change to Matrix will not impact your local carrier selection.

The low rates you currently pay for long distance as well as your terms and conditions of service will remain unchanged. If, in the future, there are any changes to your rates or the terms and conditions of your service, they will be indicated on Matrix's website at www.matrixtelecom.com.

You have the right to subscribe to long distance service from any service provider you wish. This decision is entirely up to you, and you may choose to switch to another carrier either before or after this change occurs. Matrix values your continued business and will gladly respond to any questions or complaints you may have about IECom's service. When your service is transitioned to Matrix, you will not be billed a carrier change fee, however, selecting a carrier other than Matrix may result in such a charge being imposed by that carrier.

If you have arranged a preferred carrier freeze through your local carrier on the service(s) involved in this transfer, the freeze will be removed in order to transition your service to Matrix. After the transfer, you must contact your local carrier if you want to re-establish a preferred carrier freeze.

If you have any questions regarding this notice, please contact Matrix at [INSERT APPLICABLE TOLL FREE CUSTOMER SERVICE NUMBER].

Sincerely,

PUBLIC DOCUMENT –
CONFIDENTIAL FINANCIAL INFORMATION
FILED UNDER PROTECTIVE ORDER IN NON-PUBLIC VERSION

ATTACHMENT E
MATRIX TELECOM, INC.
FINANCIAL DOCUMENTS