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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
CABLE & WIRELESS USA, INC., et al.,¹) Case No. 03-13711 (CGC)
) (Jointly Administered)
Debtors.)

THE DEBTORS' BIDDING PROCEDURES

These Bidding Procedures set forth the process by which the above-captioned debtors and debtors in possession (collectively, the "Debtors") are authorized to conduct a sale by auction (the "Auction") of all or substantially all of the assets of the Debtors. These Bidding Procedures were approved by order dated December 22, 2003 (the "Bidding Procedures Order"), of the United States Bankruptcy Court for the District of Delaware (the "Court") (in which the Debtors' jointly administered chapter 11 bankruptcy cases, Case No. 03-13711 (CGC), are pending) pursuant to the motion of the debtors for an order (a) approving bidding procedures and overbid protections in connection with the sale of substantially all of their assets, (b) approving the form and manner of the sale notice and bidding procedures notice, (c) scheduling a sale hearing date, and (d) approving procedures for determining cure amounts in connection with the assumption and assignment of executory contracts and unexpired leases (the "Bidding Procedures Motion"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the asset purchase agreement, dated December 8, 2003 (the "APA"), between the Debtors and Gores Asset Holdings, Inc. (the "Proposed Purchaser"). Any party desiring to obtain a copy of the APA may do so by contacting Debtors' co-counsel at Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, CA 90017, Attn: Bennett L. Spiegel, Esq. or Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C., 919 North Market Street, 16th Floor, P.O. Box 8705, Wilmington, DE 19899-8705, Attn: Laura Davis Jones, Esq.

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1. Assets to be Sold

The Debtors provide these Bidding Procedures, whereby prospective bidders, if any may qualify for and participate in the Auction, thereby competing to make the highest and best offer for all or substantially all of the property and assets of the Debtors' network and hosting businesses (collectively the "Acquired Assets").

¹ The Debtors consist of the following entities: Cable & Wireless USA, Inc., Cable & Wireless USA of Virginia, Inc., Cable & Wireless Internet Services, Inc., Exodus Communications Real Property I, LLC, Exodus Communications Real Property Managers I, LLC, and Exodus Communications Real Property I, LP.

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2. Determination of "Qualifying Bidder" Status

In order to participate in the bidding process and be deemed a "Qualifying Bidder," each potential bidder other than the Proposed Purchaser,² must deliver (unless previously delivered) to the Debtors a written offer or group of offers (a "Qualifying Bid") that:

(1) states such Qualifying Bidder offers to purchase all or substantially all of the Acquired Assets upon the terms and conditions as substantially set forth in the APA or through a merger or alternative structure on such different or additional terms as appropriate and desirable for such transaction structure (which terms and conditions shall be no less favorable to the Debtors as the terms and conditions contained in the APA);³

(2) states such Qualifying Bidder is prepared to enter into a legally binding purchase and sale agreement or similar agreement for the acquisition of the Acquired Assets on terms and conditions no less favorable to the Debtors than terms and conditions contained in the APA (as determined by the Debtors in their reasonable business judgment, after consultation with the Official Committee of Unsecured Creditors (the "Committee"), taking into consideration the timing of such transaction and any delay caused thereby);

(3) states such Qualifying Bidder is financially capable of consummating a transaction substantially similar to the transactions contemplated by the APA;

(4) states such Qualifying Bidder's offer is irrevocable until the closing of the purchase of the Acquired Assets if such Qualifying Bidder is the winning bidder or a back-up bidder;

(5) contains such financial and other information that will allow the Debtors to make a reasonable determination as to the Qualifying Bidder's financial and other capabilities to consummate the transactions contemplated by the APA, including, without limitation, such financial and other information setting forth adequate assurance of future performance under section 365 of the Bankruptcy Code in a form requested by the Debtors to allow the Debtors to serve within 1 business day after such receipt such information on counter-parties to any contracts or leases being assigned in connection with the proposed sale that have requested, in writing, such information;

² The Proposed Purchaser is deemed a Qualifying Bidder and the APA constitutes a Qualifying Bid for all purposes.

³ Potential bidders also may state whether they seek to assume the Debtors' defined benefit pension plan, or to assume any obligations under the Debtors' defined benefit pension plan.

(6) is likely to result in a value to the Debtors, in the Debtors' reasonable judgment after consultation with their financial and legal advisors and the Committee (taking into account the impact of any delay in closing such Bid, the purchase price adjustments included therein, and the value of any proposed assumption of pension liabilities, among other relevant factors), that is more than the aggregate of the value of the sum of: (A) the Purchase Price (as defined in the APA), plus (B) the amount of the Break-Up Fee of \$2.5 million; plus (C) the amount of the Expense Reimbursement in an amount not to exceed \$1 million; plus (D) \$2,000,000;

(7) (A) does not contain any due diligence or financing contingencies of any kind; and (B) contains evidence that the Bidder has received debt and/or equity funding commitments sufficient in the aggregate to finance the purchase of the Acquired Assets; and

(8) provides for a deposit at least equal to the Deposit contemplated by the APA.

3. Aggregate Bids

Persons who collectively are referred to as a "Qualifying Bidder" need not be Affiliated Persons and need not act in concert with one another and the Debtors may aggregate separate bids from unaffiliated persons to create one "Bid" from a "Qualifying Bidder."

4. Bid Deadline

All Qualified Bids must be submitted to (i) the Debtors' proposed reorganization co-counsel, Kirkland & Ellis LLP, 777 South Figueroa Street, Los Angeles, CA 90017, Attn: Bennett L. Spiegel, Esq., and (ii) the Debtors' proposed investment bankers, The Blackstone Group, 345 Park Avenue, New York, NY 10154, Attn: Timothy R. Coleman, so as to be received not later than 5:00 p.m. (prevailing Eastern Time) on or before 5:00 p.m. (prevailing Eastern time) on or by January 16, 2004 (the "Bid Deadline"). The Committee's professionals, subject to an appropriate confidentiality agreement, shall have the right to inspect and review all bids received. All Qualified Bids received shall be made available to the Committee and to all whom submitted Qualified Bids prior to the Auction. If the Debtors do not receive any Qualifying Bids by the Bid Deadline, counsel for the Debtors shall report the same to the Court and the Debtors shall proceed with the transactions contemplated by the APA.

5. Evaluation of Qualifying Bids

Prior to the Auction, the Debtors shall determine, in their reasonable judgment after consultation with the Debtors' financial and legal advisors and the Committee, which of the Qualifying Bids is likely to result in the highest value to the Debtors, taking into account the impact of any delay in closing such Bid, the purchase price adjustments included therein, and the value of the proposed assumption of pension liabilities, among all other relevant factors.

6. No Qualifying Bids

If no timely, conforming Qualifying Bids are submitted by the Bid Deadline, Debtors shall request at the Sale Hearing that the Court approve the APA with the Proposed Purchaser.

7. Auction

In the event that the Debtors timely receive one or more Qualifying Bids other than the APA, the Debtors shall conduct an auction with respect to the Acquired Assets (the "Auction"). The Auction will take place starting at 10:00 a.m. (prevailing Eastern time) on January 21, 2004 at Kirkland & Ellis LLP, Citigroup Center, 153 East 53rd Street, New York, NY 10022-4611, or at such other place, date and time as may be designated in writing by the Debtors. The Auction shall be governed by the following procedures:

(1) Only the Proposed Purchaser, the Debtors, PLC, representatives of any official statutory committees appointed in these chapter 11 cases and any Qualifying Bidders (and the professionals for each of the foregoing) shall be entitled to attend and be heard at the Auction;

(2) Only the Proposed Purchaser and the Qualifying Bidders shall be entitled to make any subsequent bids at the Auction;

(3) The Proposed Purchaser and the Qualifying Bidders shall appear in person at the Auction, or through a duly authorized representative;

(4) Bidding shall commence at an amount of the highest Qualifying Bid submitted by the Qualifying Bidders prior to the Auction;

(5) Qualifying Bidders may then submit successive bids⁴ in increments of at least \$1,500,000 higher than the bid at which the Auction commenced and then continue in minimum increments of at least \$1,500,000 higher than the previous bid; and

(6) The Auction shall continue until there is only one offer that the Debtors, in consultation with the Committee, determine, subject to Court approval, is the highest and best Qualifying Bid (the "Prevailing Bid"). In making this decision, the Debtors, in consultation with the Committee, shall consider without limitation the amount of the purchase price, the form of consideration being offered, the likelihood of the bidder's ability to close a transaction and the timing thereof, the value of any proposed assumption of pension liabilities, and the net benefit to the Debtors' estates. The Qualifying Bidder submitting such Prevailing Bid shall become the "Prevailing Bidder," and

⁴ Overbids submitted at the Auction shall not require a deposit.

shall have such rights and responsibilities of the purchaser, as set forth in the applicable asset purchase agreement. Within 1 day after adjournment of the Auction, the Prevailing Bidder shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Prevailing Bid was made. The results at the close of the Auction shall be final and no additional bids will be accepted after the close of the Auction.

8. Sale Hearing

The Prevailing Bid (or the APA if no Qualifying Bid other than that of the Proposed Purchaser is received) will be subject to approval by the Bankruptcy Court. Please be advised that sale of the Acquired Assets to the Prevailing Bidder (the "Sale Hearing") will take place before the Honorable Charles G. Case, II, United States Bankruptcy Judge, on January 23, 2004 at 10:00 a.m. (prevailing Arizona time) located at 2929 N. Central Avenue, 9th Floor, Courtroom 6 in Phoenix, Arizona, or at such time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

9. Failure to Consummate Purchase

Following the Sale Hearing, if the Prevailing Purchaser fails to consummate an approved Sale because of a breach or failure to perform on the part of such Prevailing Purchaser, the next highest or otherwise best Qualifying Bid, as determined by the Debtors in the exercise of their business judgment, in consultation with the Committee, will be deemed to be the new prevailing bid and the Debtors will be authorized, but not required, to consummate the Sale with the new Prevailing Purchaser by submitting such bid without further order of the Bankruptcy Court. In such case, the defaulting Prevailing Purchaser's deposit, if any, shall be forfeited to the Debtors and parties in interest, and the Debtors specifically reserve the right to seek all available damages from the defaulting Prevailing Purchaser.

10. Reservation of Rights; Deadline Extension

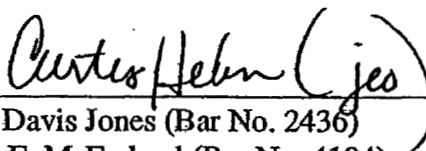
The Debtors reserve their rights, in consultation with the Committee, to modify or impose, at or prior to the Auction, additional customary terms and conditions on the sale of the Acquired Assets consistent with the Bidding Procedures Order and not inconsistent with the APA, including, without limitation, extending the deadlines set forth in the Auction procedures, adjourning the Auction at the Auction and/or adjourning the Sale Hearing in open court without further notice, withdrawing from the Auction any or all of the Acquired Assets at any time prior to or during the Auction or canceling the Auction, and rejecting all Qualifying Bids (other than the APA) if, in the Debtors' business judgment, in consultation with the Committee, no such bid is for a fair and adequate price.

Dated: December 23, 2003

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