

STATEMENT OF CLAIM

1. The First Plaintiff ("Net2Phone") is a publicly traded corporation incorporated under the laws of the state of Delaware, USA with its principal place of business in Newark, New Jersey, U.S.A. Net2Phone is a leading Internet telephony company that provides web-based, value-added services to individuals, businesses, cable companies, Internet service providers ("ISPs") and telephone carriers worldwide.
2. The Second Plaintiff ("Silvanus") is a company incorporated under the laws of the Cayman Islands with its principal place of business in Crewe Road, George Town, Grand Cayman. Silvanus carries on business as a wholesale and resale distributor of computer hardware and software. It also operates an Internet-based tourist accommodation booking service under the business name "Caribbean Dreams."
3. The Third Plaintiff ("Mr. Peterson") is a shareholder and the Managing Director of Silvanus.
4. The First Defendant ("C&W(CI)") is a company which was incorporated and registered under the Companies Law on 29th May, 1995 and has its principal offices at Safehaven Corporate Centre, Grand Cayman.
5. The Second Defendant ("C&W(WI)") is a company incorporated under the laws of England and Wales which established and registered a branch in the Cayman Islands on 1st December, 1965. Its branch office is also at Safehaven Corporate Centre, Grand Cayman.
6. C&W(CI) is a wholly owned subsidiary of Cable & Wireless Plc, a company incorporated in England and Wales whose ordinary shares are listed on the London Stock Exchange. The Plaintiffs believe (but have been unable to confirm) that C&W(WI) is also a wholly

owned direct or indirect subsidiary of Cable & Wireless Plc. In this pleading the expression "C&W" is used to mean C&W(CI) and/or C&W(WI).

7. C&W carries on the business of providing national and international telecommunication systems and services in the Cayman Islands under the terms of a license agreement dated 13th December, 1997 and made between the Government of the Cayman Islands and C&W ("the License Agreement") pursuant to Section 3 of the Telephone Law (1997 Revision).
8. Net2Phone develops and markets technology and services that provide Internet Protocol ("IP") e-commerce solutions for the web-based public Internet and other computer networks. Net2Phone uses its technologies to facilitate value-added facsimile, video, voice-enabling and other applications worldwide, including unified messaging. Among its various product offerings, Net2Phone has developed a personal computer ("PC")-to-phone software application (called "PC2Phone") that enables the use of its web-based services. This software is distributed free of charge primarily through the Internet.
9. Unlike C&W, Net2Phone does not operate as a telecommunications carrier in the Cayman Islands or elsewhere. Net2Phone is not regulated as a telecommunications carrier in the Cayman Islands or other locations where it does business, including the United States. In addition, Net2Phone is not an ISP, as is C&W. Net2Phone has no owned, leased or resold telecommunications facilities or equipment, such as transmission lines, switches, gateways or routers, in the Cayman Islands.
10. In addition to the software applications, Net2Phone offers hardware for sale in the retail market. One of the devices offered is called the "Yapjack." The Yapjack converts voice into data that can then be transmitted through the Internet to Net2Phone's IP addresses and on to its ultimate destination outside the Cayman Islands (and back again in the form of incoming data from the recipient on the terminating end) without the need of a PC. The data is actually transmitted over the networks of the local Internet access provider and any other ISPs that run between the local provider and the ultimate destination. Therefore, like the PC2Phone application, the Yapjack cannot be utilized

unless the user obtains his or her own third-party provider of local Internet access. In the Cayman Islands, the sole provider is C&W.

11. The Yapjack is marketed in the Cayman Islands by Silvanus pursuant to the terms of a distributorship agreement with Net2Phone dated 25th February, 1999.
12. Mr. Peterson has an Internet service contract with C&W. He uses the Internet access services provided under this contract in connection with the conduct of business operations on behalf of Silvanus, including the sale, support and promotion of the Yapjack and the operation of Caribbean Dreams. In connection therewith, the Internet access services provided by C&W allowed Silvanus to access Net2Phone's IP addresses and network via the Internet and thereby communicate efficiently with customers outside the Cayman Islands.
13. By Clause 1 of the Internet service contract it is an express term of the Internet service contract or alternatively by virtue of Clause 21.0 of the License Agreement it is an implied term of the Internet service contract that C&W shall provide Mr. Peterson (and/or Silvanus) with full and equal access to the Internet.
14. Beginning on or about 1st August, 2000, and continuing to the present date, C&W has deliberately and intentionally blocked all access to Net2Phone's IP addresses and network, including its public websites. Among other things, C&W's action prevents the use of Yapjacks purchased by Cayman residents and prevents both Net2Phone and Silvanus from offering to Cayman residents the other products and services that are otherwise available on the companies' respective Internet websites.
15. Also on or about 1st August, 2000, Silvanus, through Mr. Peterson, received a letter from C&W's attorneys demanding that Silvanus cease supplying "Yapboxes" in the Cayman Islands. The letter wrongfully asserted that the sale of "Yapboxes" facilitated a breach of Plaintiffs' customers' Internet service contracts with C&W. In the letter, C&W further threatened that it would hold Silvanus responsible for all loss, damage, costs,

and expenses (including legal expenses) it sustains as a result of Silvanus's supply of the device.

16. C&W has also sent intimidating electronic mail ("e-mail") messages to its Internet subscribers in the Cayman Islands, purportedly "reminding" them of certain terms and conditions of their Internet service contracts with C&W. While not mentioning Net2Phone or its products specifically by name, the e-mail falsely suggests that the use of such products is prohibited under the subscribers' Internet service contracts
17. C&W is wrongfully interfering with the trade or business of Net2Phone and Silvanus by intentional and unlawful acts and threatens to continue doing so.

Particulars

- (1) C&W is intimidating the customers of Net2Phone and Silvanus by:
 - (a) wrongfully alleging or implying that it is legally entitled under the terms and conditions of its Internet service contracts to prevent its customers, who are also customers of Net2Phone and/or Silvanus, from accessing Net2Phone's IP addresses and network, including its websites, via the Internet;
 - (b) wrongfully alleging or implying that the use of the Yapjack by its customers constitutes a breach of their Internet service contracts with C&W.
- (2) C&W is wrongfully and intentionally interfering in the contracts and/or business relations between Net2Phone and its customers by blocking their access to Net2Phone's IP addresses and network, including its websites, via the Internet when it has no legal right or proper justification for doing so.
- (3) C&W is wrongfully and intentionally interfering in the contracts and/or business relations between Silvanus and its customers for the purchase and sale of

Yapjacks by preventing Yapjacks from being used for the purposes for which they were purchased by wrongfully blocking access to Net2Phone's IP addresses and network via the Internet.

(4) C&W is wrongfully and intentionally interfering in the contracts and/or business relations between Net2Phone and Silvanus relating to the purchase, sale and distribution of Yapjacks in the Cayman Islands by preventing Yapjacks from being used for the purposes for which they were intended by wrongfully blocking access to Net2Phone's IP addresses and network via the Internet and by threatening and intimidating Silvanus in an improper attempt to prevent or restrict the sale of Yapjacks to end-user customers.

18. Further, by reason of the matters pleaded in paragraph 17, C&W is in breach of Mr. Peterson's Internet service contract.
19. C&W threatens to continue and will continue its wrongful interference in the trade or business of Net2Phone and Silvanus and its breach of Mr. Peterson's Internet Service Contract unless restrained from doing so by the grant of an injunction.
20. By reason of the matters aforesaid the Plaintiffs are suffering and will continue to suffer loss and damage and irreparable harm to their business reputations.

Particulars of Damage – Net2Phone

- (1) As a result of C&W's blockage of Net2Phone's IP addresses and network, access to all Net2Phone products and services otherwise available to Cayman residents has been completely denied, and, thus, Net2Phone's entire business in the Cayman Islands has been shut down. As a result, Net2Phone has lost, and continues on a daily basis to lose, substantial revenue.

- (2) Because Net2Phone's Cayman business operations have been completely shut down by the wrongful actions of C&W, Net2Phone is prevented from developing significant future revenue and from promoting any of the other product offerings available on its website.
- (3) Net2Phone's business reputation in the Cayman Islands (and throughout the Caribbean) is being permanently and irreparably damaged. Existing and potential Net2Phone customers have lost, and are continuing to lose, confidence in the Company's products and services as a result of C&W's wrongful actions. Such damage cannot be quantified and cannot be remedied solely by an order for damages.
- (4) Because C&W is the exclusive ISP in the Cayman Islands, Net2Phone has no alternative providers through which it can route its Internet traffic to and from Cayman residents. For this reason an order for damages does not provide a full and adequate remedy.

Particulars of Damage – Silvanus/Mr. Peterson

- (1) Silvanus has sold approximately 150 Yapjacks to retail customers at a price of approximately CI\$399 each. It has also sold approximately 25 Yapjacks to a local Cayman retailer. In addition, Silvanus has a large number of pending orders which have been placed on hold because of C&W's ongoing blockage of Internet data traffic to and from Net2Phone's IP addresses. Its customers are at present prevented by C&W from using their Yapjacks for the purposes for which they were purchased, thus causing significant concerns among, and numerous inquiries from, Silvanus's customers. As a result of the foregoing, Silvanus has lost, and continues to lose, substantial revenue.
- (2) Regardless of the ultimate resolution of its customers' concerns, Silvanus's business reputation is being permanently and irreparably damaged because its

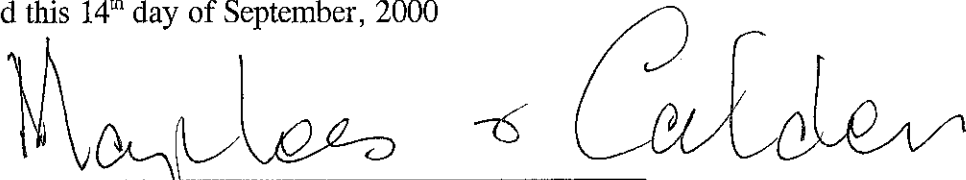
customers are unable to use their Yapjacks for the purposes for which they were purchased.

- (3) Silvanaus is currently generating a profit from its Caribbean Dreams business. In breach of its Internet service contract with Mr. Peterson (personally and on behalf of Silvanaus) and in violation of its License Agreement with the Cayman Government, C&W is unlawfully preventing Silvanaus from communicating with its customers and potential customers via Net2Phone's IP addresses and network. The only viable alternative means of communication is so prohibitively expensive that it is likely to become impossible to operate the business at a profit with the result that it will have to be closed down.

AND THE PLAINTIFFS CLAIM:

1. An injunction restraining the defendants, whether by itself its employees or its agents, from preventing its customers from accessing or otherwise preventing the transmission of outbound or inbound traffic to or from Net2Phone's IP addresses and network, including its websites, via the Internet.
2. Damages.
3. Further or other relief.
4. Costs.

Dated this 14th day of September, 2000



Maples and Calder

THIS WRIT was issued by Maples and Calder, Attorneys for the Plaintiffs, whose address for service is Uglan House, P.O. Box 309, George Town, Grand Cayman

Notes on address for service

Attorney: where the Defendant is represented by an attorney, state the attorney's place of business in the Cayman Islands. A Defendant may not act by a foreign attorney.

Defendant in person: where the Defendant is acting in person, he must give his post office box number and the physical address of his residence or, if he does not reside in the Cayman Islands, he must give an address in Grand Cayman where communications for him should be sent. In the case of a limited company, "residence" means its registered or principal office.

Indorsement by plaintiff's Attorney (or by plaintiff if suing in person) of his name, address and reference, if any, in the box below.

Maples and Calder
P.O. Box 309
George Town
Grand Cayman

Indorsement by defendant's Attorney (or by defendant if suing in person) of his name, address and reference, if any, in the box below.

[Empty box for defendant's attorney indorsement]

DIRECTIONS FOR ACKNOWLEDGMENT OF SERVICE
OF WRIT OF SUMMONS

1. The accompanying form of Acknowledgment of Service should be completed by an Attorney acting on behalf of the Defendant or by the Defendant if acting in person.

After completion it must be delivered or sent by post to the Law Courts, P.O. Box 495G, George Town, Grand Cayman.

2. A Defendant who states in his Acknowledgment of Service that he intends to contest the proceedings must also serve a defence on the Attorney for the Plaintiff (or on the Plaintiff if acting in person).

If a Statement of Claim is indorsed on the Writ (i.e. the words "Statement of Claim" appear on the top of page 2), the Defence must be served within 14 days after the time for acknowledging service of the Writ, unless in the meantime a summons for judgment is served on the Defendant.

If the Statement of Claim is not indorsed on the Writ, the Defence need not be served until 14 days after a Statement of Claim has been served on the Defendant.

3. If the Defendant fails to serve his defence within the appropriate time, the Plaintiff may enter judgment against him without further notice.

A Stay of Execution against the Defendant's goods may be applied for where the Defendant is unable to pay the money for which any judgment is entered. If a Defendant to an action for a debt or liquidated demand (i.e. a fixed sum) who does not intend to contest the proceedings states, in answer to Question 3 in the Acknowledgment of Service, that he intends to apply for a stay, execution will be stayed for 14 days after his Acknowledgment, but he must, within that time, issue a Summons for a stay of execution, supported by an affidavit of his means. The affidavit should state any offer which the Defendant desires to make for payment of the money by installments or otherwise.

See over for notes for guidance

Please complete overleaf

Notes for Guidance

1. Each Defendant (if there are more than one) is required to complete an Acknowledgment of Service and return it to the Courts Office.
2. For the purpose of calculating the period of 14 days for acknowledging service, a writ served on the Defendant personally is treated as having been served on the day it was delivered to him.
3. Where the Defendant is sued in a name different from his own, the form must be completed by him with the addition in paragraph 1 of the words "sued as (the name stated on the Writ of Summons)".
4. Where the Defendant is a FIRM and an attorney is not instructed, the form must be completed by a PARTNER by name, with the addition in paragraph 1 of the description "Partner in the firm of (.....)" after his name.
5. Where the Defendant is sued as an individual TRADING IN A NAME OTHER THAN HIS OWN, the form must be completed by him with the addition in paragraph 1 of the description "trading as (.....)" after his name.
6. Where the Defendant is a LIMITED COMPANY the form must be completed by an Attorney or by someone authorised to act on behalf of the Company, but the Company can take no further step in the proceedings without an Attorney acting on its behalf.
7. Where the Defendant is a MINOR or a MENTAL PATIENT, the form must be completed by an Attorney acting for a guardian ad litem.
8. A Defendant acting in person may obtain help in completing the form at the Courts Office.