

May 17, 2002

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Kentucky Public Service Commission
Thomas M. Dorman, Executive Director
211 Sower Boulevard
Frankfort, Kentucky 40601

Dear Executive Director Dorman:

The purpose of this letter is to advise you that on May 15, 2002, Teleglobe Inc. and certain of its subsidiaries, including its Kentucky Public Service Commission licensed subsidiary, Teleglobe USA Inc. commenced a restructuring proceeding in Canada and an ancillary proceeding under the United States Bankruptcy Code. Pursuant to the Kentucky Public Service Commission Authorization to Provide Intrastate Interexchange Service Teleglobe is authorized to provide intrastate interexchange service in Kentucky

Specifically, on May 15, 2002, Teleglobe Inc., as well its subsidiary, Teleglobe USA Inc. (TUSA) applied for an order in the Ontario Superior Court of Justice pursuant to the Companies' Creditors Arrangement Act of Canada ("CCAA"), R.S.C. 985, c. C-36, commencing a restructuring proceeding and providing Teleglobe protection against creditor actions while it formulates a restructuring plan. On May 15, 2002, the CCAA Court issued an order granting the requested relief captioned In the Matter of a Plan of Compromise or Arrangement of Teleglobe, Inc. and the Other Applicants Listed on Schedule "A." Similar to proceedings under Chapter 11 of the United States Bankruptcy Code, the CCAA Court ordered that Teleglobe as debtor remain in possession and control of its property and assets and continue to carry on its business (US) during the restructuring proceeding.¹ The CCAA Court also approved a \$100 million debtor-in-possession credit facility to be used for working capital and other general corporate purposes. In addition, on May 15, 2002, a petition was filed in the United States Bankruptcy Court for

¹ The CCAA Court also appointed Ernst & Young Inc. as the "Monitor" of the restructuring proceedings. The role of the Monitor, who is an officer of the Canadian court, is to monitor the debtors, their property and the business and affairs of the debtors. Although Teleglobe is required to cooperate with the Monitor in the discharge of the Monitor's obligations, Teleglobe as debtor remains in control of its businesses and properties.

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the District of Delaware commencing a case ancillary to a foreign proceeding pursuant to Section 304 of the United States Bankruptcy Code.²

The filing of the restructuring proceedings has not caused a change in TUSA's ownership, corporate form, or management of its day-to-day operations. Pursuant to the order of the CCAA Court, TUSA will retain possession of its property and businesses during the restructuring proceedings. The \$100 million of debtor-in-possession financing will support the company's operations while Teleglobe reorganizes its debt and capital structure and otherwise examines strategic alternatives, including the potential sale of non-strategic assets and businesses.

Teleglobe intends to close portions of its data transmission business but otherwise intends to retain possession of its property and businesses during the restructuring proceedings. Teleglobe will make every effort within its means to assure adequate customer notice for discontinued services including for any services subject to the Commission's Authorization to Provide Intrastate Interexchange Servicespecific discontinuance regulations.

Teleglobe is hopeful that it will be able to shed its high-cost structure and successfully refocus its business to its core wholesale voice and data services. Teleglobe looks forward to emerging in a stronger financial and more competitive condition, thus enabling continued service to customers and competition in the international service marketplace.

Please contact me if you would like to discuss this matter in greater detail.

Very truly yours,



Charles A. Tievsky
Assistant General Counsel

Attachment

² Section 304, based on principles of international comity, allows a foreign representative of an estate in a foreign proceeding to seek relief in the United States bankruptcy courts. Teleglobe's Section 304 petition did not commence a full, conventional bankruptcy proceeding in the United States, but rather initiated a limited proceeding aimed at preserving the *status quo* with respect to Teleglobe's property located in the United States and preventing the piecemeal distribution of Teleglobe's assets in the United States by local creditors while Teleglobe's primary restructuring proceeding takes place in Canada.

Teleglobe Inc. Initiates Reorganization

Strategy Includes Focus On Core Business, Court Protection Filing, Workforce Reduction

Montreal, Quebec and Reston, Virginia, May 15, 2002 – Teleglobe Inc. today announced a major reorganization strategy to renew its focus on its core voice and related data business to maximize stakeholder value.

Six elements support this reorganization strategy:

- The Company is exiting from its hosting business and portions of its data transmission business to facilitate its renewed focus on its core operations. By exiting these businesses, Teleglobe will free itself from the high costs associated with recently built infrastructure, primarily developed to support the discontinued data and hosting operations.
- To facilitate this process, Teleglobe is applying to the Ontario Superior Court of Justice for an Order providing creditor protection under the Companies' Creditors Arrangement Act (CCAA). The Company will initiate ancillary filings in the United States and United Kingdom.
- As part of the reorganization strategy, Teleglobe reduced its workforce by 850 people. Approximately 950 jobs will remain at the Company to support the core business and its restructuring process. Fifty percent of the job losses will occur in the United States and 15 percent in Canada. Job losses are across all organizational levels. These losses relate primarily to the terminated data and hosting operations.
- John Brunette has been appointed Chief Executive Officer to oversee the implementation of the overall strategy and to lead the financial restructuring process and the sale of non-strategic assets and businesses. Previously, he served as Teleglobe's Executive Vice President and Chief Administrative Officer. Executive Vice President of Voice, Serge Fortin, has been appointed Chief Operating Officer with the mandate to lead the operations of the core voice and related data business. Teleglobe's board of directors has accepted the resignation of Charles Childers, formerly the Company's president.
- Teleglobe has secured US\$100 million of debtor-in-possession (DIP) financing from BCE Inc. This financing will support the continued operations of the core business, including the servicing of customers and the payment of employee wages and benefits.
- Teleglobe will ensure the orderly transition of customers of discontinued services to new service providers.

"Our primary objective is to maximize the value of the Company for all stakeholders," said Mr. Brunette. "This strategy allows us to be free of a financial burden and focus on our core business, which has been built over a 50 year period."

Returning to the Core Business

Teleglobe's key asset moving forward is its traditional wholesale voice business, which provides voice and data services to other telecom carriers in North America and around the world. This business has a global base of longstanding customers and generated approximately \$750 million of the Company's US\$1.3 billion in revenues last year.

"This strategy is good for our stakeholders and the customers of our core business, who can expect to see no decline in the level and quality of service as a result of today's developments. The integrity of our services and customer relationships remain intact. To these customers it is business as usual," added Mr. Fortin.

Operating on a stand-alone basis, the Company's core business is expected to generate free cash flow and be self-funding, once freed from its current high cost structure. This business employs approximately 600 people and will be headquartered in Montreal.

Immediate next steps for the Company include:

- Separation and sale of assets from discontinued data and hosting businesses:
 - Exit the hosting business immediately
 - Rationalize the GlobeSystem network
 - Scale back the product suite, including enterprise services
- Maximization of stakeholder value through the enhancement and potential sale of the core business:
 - Continue discussions with potential buyers.
 - Work closely with key customers to expand the Company's commercial agreements
- Immediately begin transition of customers of discontinued services to new providers:
 - Establish dedicated migration teams
 - Develop tailored communication programs

Fair and Equitable Treatment of Employees

Affected employees will receive separation benefits, including severance pay and outplacement assistance. Approximately US\$25 million of additional funding from BCE Inc. is intended for employee retention and severance packages.

"The job losses are a difficult but necessary action to ensure Teleglobe can focus its resources on operations that are financially strong, including our core business," added Mr. Brunette.

ATTENTION JOURNALISTS: Teleglobe will host a media conference call today at 1:00 PM Eastern (Daylight Savings) Time. To join the call, please dial 1-888-882-0114.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made in this press release, including, but not limited to, the statements regarding the Company's reorganization of its business and financial obligations, continuation of service to customers, its workforce reductions and its ability to pay for future obligations, and other statements that are not historical facts, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. There can be no guarantee that Teleglobe Inc. will be successful in its efforts to effect a reorganization of its business and financial obligations. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, among other things: Teleglobe Inc.'s ability to continue operating its core business as a going concern while it attempts to sell it or reorganize it as a stand-alone business; Teleglobe Inc.'s ability to successfully renegotiate or restructure its debt obligations; there is no assurance that the funding by BCE Inc. announced herein will be advanced and, if advanced, will be sufficient for Teleglobe Inc. to carry on its business during the restructuring period; BCE Inc. has the ability, through its share ownership, to control the affairs of Teleglobe Inc. and the interests of certain affiliates of BCE Inc. may be in conflict with those of Teleglobe Inc.; BCE Inc. is also a creditor of Teleglobe Inc.; loss, and delays in deployment, of network capacity or other interruption in service resulting from the failure by key suppliers to continue to provide network capacity to Teleglobe Inc. and any resulting loss of customers; the intensity of competitive activity, and its resulting impact on the ability to retain existing, and attract new, customers; the duration and extent of the current economic downturn; the possibility of further deterioration in the state of capital markets and the telecommunications industry (in particular with respect to international data and long distance services); current negative trends in global market and economic conditions that impact the demand for, and costs of, products and services; the financial condition and credit risk of customers and uncertainties regarding collectibility of receivables; the rate of decline of prices for voice services the ability to dispose of or monetize assets; risk factors relating to the recent sale of Excel Communications Group; the availability of, and ability to retain, key personnel; the impact of adverse changes in laws or regulations or of adverse regulatory initiatives or proceedings; the final outcome of pending or future litigation; and other risks referenced from time to time in the filings of Teleglobe Inc. with the Securities and Exchange Commission and with the Canadian securities regulators.

The forward-looking statements contained in this press release represent Teleglobe Inc.'s expectations as of May 15, 2002 and, accordingly, are subject to change after such date. However, Teleglobe Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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