

Ron Tully
100 Arroyo Hondo Road
Santa Fe, New Mexico 87585, USA
Tel: 1-505-989-3860

Dr. Marion Funck
General Counsel
Reemtsma GmbH
Parkstrasse 51
D-22605
Hamburg
Germany

Strictly Private and Confidential

25th September 1998

Dear Marion,

Thank you for the letter from TDC dated 23rd August, which I received Friday of last week (18th September). I believe that given the background I have provided you in my letter of 17th September, the answers that you seek rest with some Board members and not with me.

I have pondered the implications of where this review by Andersens might lead, and along with my own very detailed letter to you, I have decided to begin fully documenting all issues relating to the operation of the TDC, which I believe have a bearing on this matter.

In addition, I have considered the overall behaviour of the TDC Board in the context of the suggestions that I have been financially imprudent, and would like you to take note of the following:

1. The TDC Board has operated the Association outside of its Charter and Statutes:
 - it has failed to fully involve all of its Members in the workings of the Association;
 - it has used the Association for "commercial gain" in order to further specific business objectives;
 - it has fabricated Minutes of the AGM, and falsified invitations to the AGM to other Members in order to maintain the business of the Association on an "exclusive" basis;
 - some of its Members have knowingly approved annual accounts which contained financial improprieties;
 - Board Members have strategically limited Membership to control the flow of information to competitors;

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- it has held un-minuted discussions (at Board Meetings) on industry issues relating to commercial operating matters.

Consequently (and in my view), since its inception, the Association has been in breach of its "mutual benefit" (non-profit) status in the UK. If this proves to be the case -- and I am sure you may want to raise this issue with Andersens or Radcliffes, who may in turn raise it with the UK Inland Revenue and UK Customs and Excise -- the Charter Members could face corporation tax liabilities of up to 23% of operating income (excluding penalties) and VAT reimbursement claims, for all years of TDC's operation in the UK. I would also contend, that given the work of Infotab, and the successor nature of TDC in relation to Infotab, the Charter Members could be held liable for any retrospective assessments on that Association as well.

Additionally, since the AGM Minutes have been fabricated (at the behest of the full Board), I also believe that the Association has been operating in breach of both UK and Swiss Company law. Under UK Company law, the TDC is registered as a *Foreign Company Mutual Benefit Association*, which as a result of this incorporation, is conferred specific benefits and exemptions. It seems to me that the Association has been operating in breach of that status for a number of years, particularly when one considers some of the "exclusive" use made of the Association by its Charter Members, the filing of inaccurate accounts (approved by some Members the Board), and the clear commercial use of the Association by its Charter Members.

In addition, and as you are already aware, the superior body of the Association is the AGM, not the Board, and therefore, any failure to fully involve all the Members of the Association in approving changes to its statutes, accounts or operating plan, would be viewed by the Swiss and UK authorities as a failure to meet the basis for maintenance of the incorporation. I do not know what the penalties are for operating an Association contrary to Swiss and UK law, but I am sure that our friend Maitre Balser (Geneva) and Tim Newsome at Radcliffes, would be able to fully brief you on the implications.

I think it would also be prudent for you to meet with Andersen's in order that you can establish their understanding of the *mutual benefit status* that TDC currently enjoys. I know from my initial meeting with them following the demise of Infotab, that they were very concerned about the breaches of this status in the UK by Infotab, and the failure to have the TDC Members fully represented at the AGM. This should prove an interesting conversation, for I believe that Andersen's were only retained as auditors to maintain their silence over a number of "irregularities" obvious in the Infotab accounts. Marion, perhaps you should ask the then Infotab Board, why a final set of audited accounts were not produced

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for the Association?, and why, given Andersen's clear knowledge of impropriety in the Infotab accounts, they did not resign as auditors?

- 2. The Board has acted inappropriately in approving destruction of documentation which "may" have proved relevant to plaintiffs in pursuit of their claims:

I should advise you that I was requested by three of the largest Board Members to prepare a Board paper, which could be used as the justification for the systematic destruction of pertinent documentation (from Infotab and the TDC). The aim of the document destruction exercise was to identify and remove all documents which could be viewed as "problematic", damaging, or useful to plaintiffs in any ongoing industry litigation. I have to admit that I undertook a complete document review and reduced the Infotab papers to only the bare statutory minimum. This was done under the guise that Infotab had been liquidated, and that from a commercial legal standpoint, only the statutory papers needed to be retained. I should advise you that I authorized the destruction of close to 1 million individual pages in my seven years at TDC, and that in my last week at TDC, I spent most of my time dealing with around 5,000 key documents from Infotab Working Groups, ICOSI and general correspondence and notes of meeting and discussions between senior industry executives (some of which proved useful refreshers for me!).

As you are aware, such document destruction is a serious matter for the courts, and I would not have undertaken such a systematic purge of paperwork, had I not been sure of the legal support these companies would have brought to me in the unlikely event that the TDC was named as a party to a lawsuit. I am sure that those Board members who requested this "service" will deny any discussion with me on such matters (I would in their position!), and would also suggest that this was done without their approval, or knowledge. But, the fact is , I wrote the Board paper on this, it was approved by the full Board (not as a policy, but a procedure) and I completed the task that was requested of me before I departed the TDC.

In addition, I believe, that the actions of some of the Board Members (such as breach of mutual benefit status), and the document retention procedures approved by the Board, along with issues I raise in my 17th September letter, may have resulted in a mis-statement of the purpose and nature of the TDC to US litigants who sought discovery on various industry Associations in 1996. I would recommend that you speak with Gene Peck at Shook Hardy and Bacon, or with John Rupp at Covington and Burling (or possibly even Steve Parrish at PM), on the ramifications of this.

Marion, I had hoped that my departure from TDC would prove to be an amicable parting, combining both a convenient instant loss of memory on my part, and recognition from the

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Board of a job well done. Clearly this does not appear to be the case, and the longer this matter drags on, then I suspect the more irate the Board, and I, are going to become.

It is with some sense of hope that I write this letter, for I am sure you would like to put this matter to rest. In the event that we are not able to do so, then I must, in all good conscience, go to the next stage of protecting myself and my family against what I consider to be the double standard that four Members of the TDC Board appear to be applying here.

I consider it a personal insult that I have maintained the facade of the Association that some of the Charter Members have wanted, and undertaken specific actions on behalf of those I have considered friends, only to have my own personal character assaulted by the very people who are attempting to maintain an ongoing deception themselves.

It is with deep regret that I have therefore decided to return my *Dunhill* watch to you. I cannot bring myself to wear an item (that was of such important sentimental value when it was given), that reminds me only of four Board members (and I exclude you and Ian Birks from that group), who apparently gave it with such insincerity. I trust that they can wear it with their own sense of pride!

I should add that I believe the ongoing success of TDC is an important element for industry unity and cohesion. If I had been given the opportunity to return to the TDC as a Board Member working for one of the Charter Members, I am sure I would have attempted to apply an operational regime to the Association, which would have reduced the possibility of its abuse by some of the larger Charter Members. Which really brings me to an important point, that has no doubt been lost in the Board discussion on the payments made to me. That is, given my knowledge of the operation of TDC finances and accounts, I am sure that I could have come up with a more elegant mechanism *than issuing myself a cheque* on my last day in the office.

Marion, I look forward to your response on some of the matters I have detailed in my letters. In the meantime, the more I ponder the issues related to the TDC, the more I will detail for you the aspects of the Association (and its predecessor) with which we are now so fully engaged. I choose to do this for one reason alone, that is, I refuse to be judged by the standards of some Board members for whom I have executed specific actions.

Actions, which in the view of others, could be deemed as breaches of statute. As we progress this discussion, I am sure the Board will like less and less, the fact that I am prepared to record and divulge so much information to you. But, once any *can of worms* is opened, it always amazes people what happens to crawl out. In the case of TDC, there are still many cans to be opened, and many worms to be dissected!

The unfortunate aspect of this matter, is there appears to be a real lack of honesty between Board Members about who is really responsible for the poor state of the TDC. If some Board Member choose, they can attempt to lay that responsibility off on me, but with that there comes a price, and I wonder whether any of them really want to pay it! It is an easy

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judgement call for me, as to what I may do in the event that this matter is not put to rest, for the worst I can suffer is being an industry parish, accused of many things and despised by those who have held true to their own set of corporate ethics. But since the gossip I am getting back from my friends in the industry, is that some Board Members are already maligning me, it seems to me that the only way I will be able to recover my credibility, is to fight back. I can only hope that with these issues coming to the fore, that Geoff Arnett is better placed to run a "cleaner" TDC than I was ever able to do.

As noted in my previous correspondence with you, I have not discussed any of these issues with any other TDC Board Member. Those that I have talked to in recent days on other matters, have suggested that I do not react to your letter at all, but simply ignore it, and the problem will go away! Perhaps yet again, an indication of Board cohesion within the TDC!. Additionally, it seems to me that the "best advice" they are offering, looks like the worst possible advice I could take!

I am happy to work with you in any manner you deem to be appropriate, in order that we can resolve any of the above issues.

I shall be at the Tabexpo meeting in Geneva next month and would be happy to meet and discuss any issues with you there.

With warmest regards,



Ron Tully

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