

DECLARATION OF AMOUNT DUE

I, Laureen France, declare as follows:

(1) I am an investigator with the Seattle Regional Office of the Federal Trade Commission. The following facts are known to me based on my review of documents obtained during the course of the FTC investigation and file memoranda summarizing statements made by the NorVergence bankruptcy trustee and his counsel, both of which I believe are likely to be reliable sources of information.

(2) As an investigator, my duties include investigating parties who are suspected of engaging in unfair or deceptive acts or practices in violation of Section 5(a) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45(a).

(3) Thousands of NorVergence "rental agreements" for standard telecommunications routers or firewalls, called "Matrix" or "Matrix Soho" boxes by NorVergence, were assigned to finance companies during the course of NorVergence's business. Since the defendant went bankrupt, the finance companies have continued to demand payment in full from consumers and, in hundreds of instances, have sued consumers to enforce the agreements, despite the fact that none of these consumers have been receiving services. In many cases the finance companies have sued consumers in forums distant from where the consumers are located.

(4) During approximately the same period that the FTC filed its action in this Court against NorVergence, many state attorneys general filed actions against finance companies that purchased or were assigned rental agreements. More recently, dozens of state attorneys general have reached agreements in the form of Assurances of Voluntary Compliance ("AVC") with various finance companies. These AVCs provide for partial cancellation of consumers' debts to those finance companies arising from NorVergence rental agreements. This does not reduce the

overall injury caused by NorVergence's practices, but rather shifts some of those losses from the consumers to the finance companies who financed NorVergence's fraudulent sales. Nor do these settlements apply to any rental agreements not assigned by NorVergence to a finance company at the time of the bankruptcy filing.

(5) The cancellation of telecommunications services after the bankruptcy filing forced consumers to seek services from new providers at current market prices. Consumers were not able to obtain services at the discounts promised by NorVergence, nor to use their Matrix boxes in any way. Based on information received from consumers and research on the Internet, the FTC believes there was little or no resale value to the Matrix boxes. Moreover, at the same time these consumers were forced to pay anew for telecommunications services, the finance companies were insisting they continue to make payments for the "rental" of the Matrix boxes.

(6) The FTC believes that most of the customers whose contracts are still held by NorVergence never received any services from NorVergence. These rental agreements were executory contracts or leases that were rejected by operation of law, 11 U.S.C. § 365(d)(1), effective April 30, 2005, when they were not otherwise assumed by the trustee. The FTC does not have any information as to whether there were any payments made on these contracts prior to the bankruptcy, other than a general understanding that some consumers may have paid an initial deposit. The FTC accepts the trustee's statements that he has not attempted any collections since being appointed.

(7) It would be very costly to provide exact consumer injury figures. NorVergence documents take up considerable warehouse space. Most have not been analyzed or indexed by the trustee or any party or creditor, in part because of the small likelihood of distribution and the

high costs to an already administratively insolvent estate. According to the trustee, there is no single list of all consumers that includes the amounts of their obligations.

(8) The figures described below come from documents in the FTC's possession. The FTC has combined various information sources to provide a reasonable estimate of consumer injury. These sources include documents that the FTC obtained from the trustee in bankruptcy for NorVergence, from the various state attorneys general that have filed actions against NorVergence or against the finance companies who purchased or were assigned NorVergence rental agreements, and from the finance companies directly.

(9) The FTC's documents contain personal consumer information or are otherwise subject to various confidentiality rules. For this reason, and because in hard copy they would be voluminous, they are not attached to this declaration. The FTC could produce them to this Court if so directed but would need to produce them under seal or after first obtaining a protective order to maintain their confidentiality.

(10) An Excel spreadsheet provided by the trustee to the FTC and other interested creditors shows that there were 9,404 customer accounts. This spreadsheet does not give the value of the rental agreements associated with those accounts or distinguish between accounts where the rental agreement was assigned to a finance company and those that were unassigned and are thus still in the possession of NorVergence.

(11) A second spreadsheet provided by the trustee is the only known listing associated with the unassigned accounts, again without any values stated. From this spreadsheet we find 1,600 accounts where the rental agreements appear not to have been assigned. Most of the underlying account files themselves have never been examined or even identified in the warehouse for viewing.

(12) The FTC has been able to estimate the value of the NorVergence rental agreements by reviewing the account records of five of the finance companies that took assignments of NorVergence rental agreements. In the aggregate, these five companies accounted for 2,869 NorVergence rental agreements. This represents 30% of the total number of rental agreements, so it should provide a reliable estimate of the average amount of NorVergence rental agreements.

(13) Based on its review of the available account information described above and without making any further selection among these accounts, the FTC has calculated that the average amount consumers owed on the rental agreements was \$29,291 per contract. With 9,404 agreements, this results in a conservatively calculated estimate of \$275,453,397 in total consumer rental obligations.

(14) As noted above, the trustee does not have any useful information regarding the actual value of the unassigned rental agreements. Assuming the 1,600 unassigned agreements have similar values to the assigned contracts, averaging \$29,291, this represents a total value of \$46,865,742 in consumer indebtedness. If these contracts are declared void and unenforceable as requested by the FTC, this will reduce the total consumer rental obligations from \$275,453,397 to \$228,587,656 for the assigned contracts.

(15) NorVergence's sale or assignment of the rental agreements did allow it to provide the promised services to many of its early customers, until it ran out of money and stopped or delayed paying many of its suppliers and was forced into bankruptcy. While it is impractical to calculate exactly the period services were provided for each customer, the FTC offers the following approximation. NorVergence operated its business for approximately two years before

the bankruptcy filing. Sales and prices per sale increased in the second year. All services ceased by mid-2004.

(16) Consumers who purchased between mid-2002 and mid-2003 would have received at most an average of 1.5 years of service. Consumers who purchased between mid-2003 and mid-2004 would have received at most an average 0.5 years of service. As to the latter group, this probably overstates the period of service provided. This is because it took several months to start up service for each consumer and many consumers who purchased near to the bankruptcy never received any service.

(17) It also appears that the contract amounts for 2003 were on average lower than for 2004. In the case of one finance company, for example, average rental agreements for 2003 were \$27,487. In 2004 they were \$33,641. For another finance company, average amounts went from \$33,144 in 2002 to \$36,981 in 2004. Nonetheless, to be conservative in its calculations, the FTC will assume that all services were provided on the date they were purchased and the average amount per customer stayed the same over the two-year period. On this basis, the FTC uses an estimate that consumers received services on average for one year and received no value for four years.

(18) Most of the rental agreements had 5-year terms. Assuming one year of service provided, this reduces the \$228,587,656 million in assigned rental amounts by 20 percent to give credit for one year of service consumers may have received. This results in a conservative estimate of remaining consumer indebtedness of \$181,721,914 as of the bankruptcy filing. This

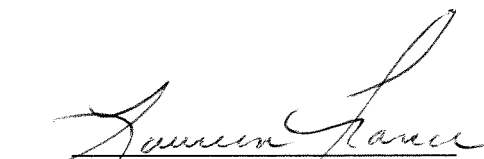
is the amount owed by consumers to finance companies for services they will never receive, and thus represents the total injury from NorVergence's practices.

(19) The following table summarizes the calculations above. "ERA" means equipment rental agreement:

# of ERA records reviewed	2869	
Average \$/ERA	\$29,291	
9,404 total ERAs x. \$/ERA = gross injury		\$275,453,397
Less injury from 1,600 unassigned ERAs voided by Order		- \$46,865,742
Gross injury from assigned ERAs		\$228,587,656
Less 20% (1 year credit) for presumed service rcvd.		- \$45,717,531
Total net injury		\$181,721,914

I affirm under penalty of perjury that the foregoing statement is true and accurate.

Executed on June 8, 2005.


 Lauren France