

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re: : **Chapter 11**
: **FLAG Telecom Holdings Limited et al.,** : **Case No. 02-11732**
Debtors. : **through 02-11736 and**
: **Case No. 02-11975**
: **through 02-11979**
: **(Jointly Administered)**

COVER SHEET

**FIRST AND FINAL APPLICATION OF HOULIHAN LOKEY HOWARD
& ZUKIN FINANCIAL ADVISORS, INC. AND CLOSE BROTHERS CORPORATE
FINANCE LIMITED FOR ALLOWANCE OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES**

Name of Applicant: Houlihan Lokey Howard & Zukin Financial
Advisors, Inc. ("Houlihan Lokey") and Close
Brothers Corporate Finance Limited ("Close
Brothers") (collectively, the "Advisors" or the
"Applicant")

Authorized to provide professional services to: The Official Committee of Unsecured
Creditors (the "Committee") of FLAG
Telecom Holdings Limited, debtor and debtor-
in-possession (the "Debtors")

Date of Order Authorizing Employment: September 9, 2002, *Nunc Pro Tunc* to May 7,
2002

Period for which compensation is sought: May 7, 2002 through October 8, 2002 (the
"Application Period")

Total amount of fees approval sought for: \$3,387,795.75

Total Amount of expenses approval sought for: \$ 64,229.97

This is a: Final Fee Application (the "Application")

Disclosure of all prior Applications for Compensation:

Date Filed	Period Covered	Fees Requested	Expenses Requested	Total Allowed
None Prior				

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re:	:	Chapter 11
	:	
FLAG Telecom Holdings Limited et al.,	:	Case No. 02-11732
Debtors.	:	through 02-11736 and
	:	Case No. 02-11975
	:	through 02-11979
	:	(Jointly Administered)

**FIRST AND FINAL APPLICATION OF HOULIHAN LOKEY HOWARD
& ZUKIN FINANCIAL ADVISORS, INC. AND CLOSE BROTHERS CORPORATE
FINANCE LIMITED FOR ALLOWANCE OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES**

Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (“Houlihan Lokey”) and Close Brothers Corporate Finance Limited (“Close Brothers”) (collectively, the “Advisors” or the “Applicant”), as investment banker and financial advisor to the Official Committee of Unsecured Creditors (the “Committee”) of FLAG Telecom Holdings Limited, debtor and debtor-in-possession (the “Debtors”) in the above-entitled Chapter 11 cases, pursuant to 11 U.S.C. §§328(a) and 1103, hereby file their Final Application for Allowance of Compensation and Reimbursement of Expenses (the “Application”).

By this Application, the Advisors seek (i) final allowance of fees the aggregate amount of \$3,387,795.75 for the period from May 7, 2002 through October 8, 2002 (the “Application Period”); (ii) payment of \$98,225.81 with respect to the 20% holdback for monthly post-petition fees for the months of May, June, and July 2002; (iii) payment of \$397,650.42 with respect to the monthly fees and expenses for August, September and October 2002, which have yet to be paid; (iv) approval and payment of the Transaction Fee (half of which will be paid in the form of a

secured note) in the aggregate amount of \$2,500,000.00; and (v) reimbursement of expenses in the amount of \$64,229.97, of which \$983.70 remains unpaid. This Application is supported by the Affidavit of Jonathan B. Cleveland, which is annexed hereto as Exhibit A. In support of this Application, the Advisors state as follows:

Background

1. The Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code on April 11, 2002 (the "Petition Date"), and are operating their businesses and managing their affairs as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

2. On or about June 13, 2002, the Committee filed their Application to Employ the Advisors as their Investment Bankers and Financial Advisors (the "Retention Application"). A copy of the Retention Application is attached hereto as Exhibit B. Pursuant to sections 328(a) and 1103 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"), and Bankruptcy Rule 2014 and Local Rule 2014-1, on September 9, 2002, after notice to all creditors, the Court entered a Final Order approving the Retention Application (the "Retention Order"). A copy of the Retention Order is attached hereto as Exhibit C.

3. On July 3, 2002, the Debtors filed their Plan of Reorganization of Pioneer Companies, Inc. and its subsidiaries (the "Initial Plan") and related Disclosure Statement (the "Initial Disclosure Statement").

4. On August 8, 2002, the Debtors filed the Third Amended Plan of Reorganization of Pioneer Companies, Inc. and its subsidiaries (the "Plan") and related Disclosure Statement (the "Disclosure Statement").

5. On September 26, 2002, the Court entered an Order (the “Confirmation Order”) confirming the Plan. On October 9, 2002, the Plan became effective in accordance with its terms, and the Debtors emerged from bankruptcy.

Terms and Conditions of Compensation of the Advisors

6. The terms and conditions of the Advisors’ engagement in these cases are set forth in the Advisors’ retainer agreement with the Debtors dated May 6, 2002 (the “Retainer Agreement”), which was included in the Retention Application and approved by the Court. A copy of the Retainer Agreement is annexed hereto as Exhibit D. Pursuant to the Retainer Agreement, as approved by the Court, the Advisors’ compensation includes: (1) a monthly fixed fee of \$175,000 (“Monthly Fees”), and (ii) a transaction fee (the “Transaction Fee”) equal to \$2,500,000 less 50% of any Monthly Fees received by the Advisors in excess of \$1,050,000. In addition, the Retainer Agreement and Retention Order authorized the Advisors to receive reimbursement of all reasonable and necessary out-of-pocket-expenses incurred in connection with these Chapter 11 cases.

7. The terms and compensation embodied in the Retainer Agreement are comparable to the terms and compensation the Advisors and other financial advisors and investment bankers have received in similar engagements, both in, and outside of bankruptcy. These terms, including the payment of monthly fixed fees and a transaction fee, are not only similar to those routinely approved by the courts within this District, but are expressly contemplated by the Bankruptcy Code.

8. By this Application, the Advisors request that this Court authorize and approve payment of: (a) final compensation in the amount of \$3,387,795.75, which includes Monthly Fees in the amount of \$887,795.75 incurred during the Application Period and a Transaction Fee of \$2,500,000.00 and (b) the reimbursement of actual and necessary expenses

incurred during the Application Period in connection with the rendition of such professional services for the Committee in the amount of \$64,229.97.

Summary of Services Provided by Houlihan Lokey

9. Houlihan Lokey is a nationally recognized investment banking / financial advisory firm with 9 offices worldwide with more than 300 professionals. Houlihan Lokey provides financial advisory services and execution capabilities in the areas of financial restructuring, investment banking, business and securities valuation and litigation support. In the area of financial restructuring, Houlihan Lokey has provided financial advice, valuation analyses and investment banking services to debtors, bondholder groups, secured and unsecured creditors, acquirors, employee stock ownership plans, equity holders and other parties-in-interest involved with financially troubled companies both in and out of bankruptcy. The Houlihan Lokey Financial Restructuring Group has a staff of approximately 85 professionals dedicated to financial restructuring engagements.

10. Close Brothers is an independent financial advisor to growth companies in Europe, employing over 90 professionals based in London, Paris and Frankfurt. Close Brothers provides companies with a wide range of investment banking services, including capital raising advice, mergers and acquisitions advice and financial restructuring services. Close Brothers has one of the leading dedicated restructuring teams in the UK investment banking market with a broad range of experience in: (i) capital restructuring; (ii) complex cross-border restructuring; (iii) debt restructuring; (iv) refinancing; (v) distressed M&A; and (vi) insolvency planning. The team pulls together members with backgrounds in corporate finance, banking, law, accountancy and insolvency. Close Brothers is a subsidiary of Close Brothers Group PLC, an independent merchant-banking group listed on the London Stock Exchange.

11. During the Application Period, although other professionals at Houlihan Lokey and Close Brothers have provided assistance on discrete issues from time to time, the following professionals have performed substantial services on behalf of the Committee:

Jeffrey Werbalowsky (Houlihan Lokey), Senior Managing Director

Peter Marshall (Close Brothers), Managing Director

Jonathan B. Cleveland (Houlihan Lokey), Director

David Riddell (Close Brothers), Assistant Director

Jason Granite (Close Brothers), Manager

David P. Trucano (Houlihan Lokey), Senior Associate

Fredrick F. Vescio (Houlihan Lokey), Financial Analyst

A biography of each of the above individuals is attached hereto as Exhibit E. In addition to the listed professionals, Houlihan Lokey and Close Brothers have each utilized other in-house professionals in the past, for specific industry expertise and valuation discussions, at no additional cost to the estate.

12. During the Application Period, the Advisors' work on behalf of the Committee could generally be classified into six separate categories, which include:

- (a) Strategic Discussions, Planning & Review;
- (b) Financial and Operational Due Diligence;
- (c) Corporate Finance Work;
- (d) Financial Analysis and Monitoring;
- (e) Correspondence, Meetings and Discussions with Parties-in-interest; and
- (f) Case Administration.

(a) **Strategic Discussions, Planning & Review.** This category includes day-to-day discussions with the Committee's attorneys, Committee members, management of the Debtors and the Debtors' legal and financial advisors, the reading and review of various documentation throughout the case, and communication among the Advisors' professionals on case matters. Activities principally include providing advice to the Committee on a variety of hybrid financial/legal issues, approaches and strategies related to case planning and out-of-the-ordinary course of business events.

The Advisors expended considerable time and effort assisting the Committee in its review and analysis of various strategic alternatives available to the Debtors, including reviewing the Company's operations, capital requirements, history, organizational structure, historical and projected financial performance. In addition, the Advisors also assisted the Committee in reaching a consensual restructuring deal between the Debtor's various creditor constituencies.

(b) **Financial and Operational Due Diligence.** This category represents time and activities spent meeting with the Debtors' management and professionals learning the history of the Debtors' complicated organizational structure and planned operational strategies. This involved travel to the Debtors' London headquarters to meet with management and subsequent follow up meetings with management and their financial and legal advisors. Also included is time spent reviewing documentation related to assets, liabilities and material contracts and other activities fundamental to understanding the Debtors' current business, capital structure, position within its industry and research to keep up with current trends in the industry.

In particular, the Advisors conducted extensive financial due diligence, including reviewing and analyzing the Debtors' long-term financial projections as reflected in Debtors' disclosure statement. The Advisors performed detailed due diligence on the Company's

projections that included discussions with management and a detailed review of the various assumptions backing the projections.

(c) **Corporate Finance Work.** The work in this category includes analyses regarding debt capacity and an analysis of potential acquirers of the business.

In addition to the preceding discrete corporate finance activities, the Advisors performed necessary corporate finance work on an as-needed basis on behalf of the Committee, including providing written and verbal updates as necessary.

(d) **Financial Analysis and Monitoring.** This category encompasses financial modeling, analysis and consultation relating to monitoring and testing of the Debtors' performance relative to the budgeted financial projections on a weekly basis. Analyses to date include, but are not limited to, modeling and testing the feasibility of projections assumed in disclosure statement. Since their retention, the Advisors have prepared and provided to the Committee a thorough analysis of the Debtors' financial and operational situation. This category also includes financial analyses the Advisors have been asked to provide to assist the Committee in its assessment of strategic alternatives available to the Debtors. In addition, the Advisors independently prepares internal financial analyses in order to advise the Committee effectively on a weekly basis. Through weekly calls with the Debtors' management and their financial advisors, Blackstone, and dissemination of information memorandums as needed, the Advisors were able to provide the Committee with accurate and timely financial and operational information.

(e) **Correspondence, Meeting and Preparation with Parties-In-Interest.** The Advisors engaged in extensive correspondence and preparation for meetings with various

parties-in-interest, including those interested in investing in all or some portion of the Debtors' business.

(f) **Case Administration.** This category includes various services related to chapter 11 issues, retention matters, addressing Committee and counsel questions, chapter 11 procedures, communications and administrative functions and other matters not falling into any of the other categories listed above.

13. The professional services and related expenses that are the subject of the Advisors' Application were rendered in connection with these cases, and in discharge of the Advisors' professional responsibilities as financial advisors to the Committee in these chapter 11 cases. The Advisors' services have been substantial, necessary and beneficial to the Committee and all unsecured creditors and related constituencies in these cases. Houlihan Lokey believes that the fees and expenses requested by their Application are reasonable and necessary – given the variety and complexity of issues involved in these cases and the need to act and responds on an expedited basis to those issues – and are contemplated by the Bankruptcy Code, the Bankruptcy Rules and the Rules and Orders of this Court.

14. A summary of the Monthly Fees requested herein and a calculation of the Transaction Fee payable pursuant to the Retainer Agreement and Retention Order is annexed hereto as Exhibit G. The exhibit also provides a reconciliation of amounts received to date and balance due.

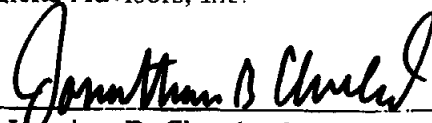
15. A summary of expenses incurred by the Advisors incurred in connection with these Cases is attached hereto as Exhibit H. The Advisors has maintained detailed records of actual and necessary expenses incurred during this case.

16. Accordingly, the Advisors respectfully requests allowance of compensation in the aggregate amount of \$3,387,795.75, of which \$2,994,892.53 remains unpaid, and the reimbursement of expenses in the amount of \$64,229.97, of which \$983.70 remains unpaid.

WHEREFORE, the Advisors request that the Court enter an Order, substantially in the form of Order attached hereto as Exhibit G, allowing compensation for financial advisory services rendered to the Committee during the Application Period in the amount of \$3,387,795.75, and for the reimbursement of expenses incurred during the same period in the amount of \$64,229.97, and payment of \$2,995,876.23, representing the unpaid portion of such amounts.

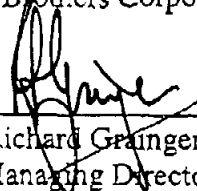
Dated this 18th day of October 2002.

Houlihan Lokey Howard & Zukin
Financial Advisors, Inc.



By: Jonathan B. Cleveland
Director

Close Brothers Corporate Finance Limited



By: Richard Grainger
Managing Director

EXHIBIT A

Affidavit of Jonathan B. Cleveland

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re: : **Chapter 11**
: **Case No. 02-11732**
FLAG Telecom Holdings Limited et al., : **through 02-11736 and**
Debtors. : **Case No. 02-11975**
: **through 02-11979**
: **(Jointly Administered)**

AFFIDAVIT OF JONATHAN B. CLEVELAND

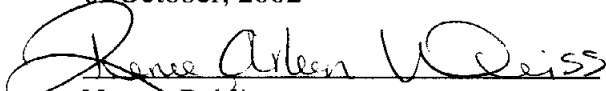
1. I am a Director of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. and I make this certification in support of the First and Final Application of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. and Close Brothers Corporate Finance Limited for Compensation and Reimbursement of Expenses for the period beginning May 7, 2002 through and including October 8, 2002 (the "Application Period").

2. I have reviewed the Application and believe that it is true and correct and complies with the provisions of the United States Bankruptcy Code, the Bankruptcy Rules of Procedure, Local Rule and Orders of this Court.



JONATHAN B. CLEVELAND

Sworn to before me on this 18 day
of October, 2002



Notary Public



EXHIBIT B

Copy of Retention Application

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Proposed Attorneys for the Official Committee of Unsecured Creditors
of FLAG Telecom Holdings Limited, et al.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re: : Chapter 11
: :
FLAG TELECOM HOLDINGS LIMITED, : Case Nos. 02-11732 (ALG)
FLAG LIMITED, : through 02-11736 (ALG)
FLAG PACIFIC USA LIMITED, : and 02-11975 (ALG) through
FLAG ATLANTIC HOLDINGS LIMITED, : 02-11979 (ALG)
FLAG ATLANTIC LIMITED, :
FLAG TELECOM GROUP SERVICES LIMITED, : (Jointly Administered)
FLAG TELECOM LIMITED, :
FLAG TELECOM USA LTD., :
FLAG ASIA LIMITED, and :
FLAG ATLANTIC USA LIMITED, :
: :
DEBTORS. :
-----X

**APPLICATION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
FOR INTERIM AND FINAL ORDERS AUTHORIZING THE
EMPLOYMENT OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL AND
CLOSE BROTHERS CORPORATE FINANCE LIMITED AS FINANCIAL
ADVISORS PURSUANT TO SECTIONS 328(a) AND 1103(a) OF THE
BANKRUPTCY CODE, NUNC PRO TUNC TO MAY 7, 2002**

TO THE HONORABLE ALLAN L. GROPPER,
UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the "Committee") of FLAG Telecom Holdings Limited ("FLAG") and its affiliated debtors and debtors in possession (collectively, the "Debtors") hereby submits this application (the "Application") for interim and final orders, pursuant to sections 328(a) and 1103(a) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2014-1 of the Local Bankruptcy Rules (the "Bankruptcy Rules"), authorizing the Committee to retain and employ Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") and Close Brothers Corporate Finance Limited ("Close Brothers" and, together with Houlihan Lokey, the "Advisors"), pursuant to the terms of their retention agreement, *nunc pro tunc* to May 7, 2002, and, in support thereof, respectfully represents as follows:

Introduction

1. On April 12, 2002, FTHL, FLAG Limited, FLAG Pacific USA Limited and FLAG Atlantic Holdings Limited filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On April 23, 2002, FLAG Telecom Group Services Limited, FLAG Telecom Limited, FLAG Telecom USA Ltd., FLAG Asia Limited and FLAG Atlantic USA Limited filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

2. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are authorized to operate their business and manage their properties as debtors in possession. By order of the Court, the Debtors' chapter 11 cases are being jointly administered for procedural purposes only.

3. Four of the Debtors that are incorporated in Bermuda, FTHL, FLAG Limited, FLAG Atlantic Limited and FLAG Asia Limited, have commenced coordinated proceedings in the Supreme Court of Bermuda (the “Bermuda Proceedings”), and certain principals of KPMG International have been appointed as Joint Provisional Liquidators (the “JPLs”) in those cases. The Supreme Court of Bermuda has directed the JPLs to oversee the continuation of FLAG Telecom under the control of its Board of Directors and under the supervision of the Supreme Court of Bermuda and this Court in effecting a plan of reorganization under the Bankruptcy Code.

4. On May 3, 2002, the United States Trustee appointed the Committee, and on May 6, 2002, the Committee selected the Advisors to serve as their financial advisors. On or about May 30, 2002 the Advisors and the Committee finalized a certain letter agreement, dated as of May 6, 2002, containing the terms of the Advisors’ employment by the Committee (the “Engagement Letter”), a true and correct copy of which is attached hereto as Exhibit A.

Jurisdiction and Venue

5. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. This Application is a core proceeding pursuant to 28 U.S.C. § 157(b). The statutory predicates for the relief requested in this Application are 11 U.S.C. §§ 328(a) and 1103(a).

Retention of the Advisors

a. Introduction

6. The Committee submits the Application because of its pressing and critical need to retain financial advisors to assist it with the tasks associated with evaluating, and advising the Committee with regard to, various restructuring alternatives, and assisting the Committee in its efforts to maximize returns to the Debtors’ unsecured creditors. As a result of the Committee’s careful

deliberations, the Committee determined that Houlihan Lokey's broad restructuring experience, in conjunction with Close Brothers' global transactional experience, would best serve the interests of the Committee and, by extension, the Debtors' unsecured creditors.

7. Houlihan Lokey is a nationally recognized investment banking/financial advisory firm with nine offices worldwide, employing more than 275 professionals. Houlihan Lokey provides investment banking and financial advisory services in a variety of areas, including financial restructuring. In the area of financial restructuring, Houlihan Lokey is one of the leading investment bankers and advisors to debtors, bondholder groups, secured and unsecured creditors, acquirers, and other parties in interest involved with financially-distressed companies, both inside and outside of bankruptcy. Houlihan Lokey's Financial Restructuring Group, which has over 75 professionals dedicated to such engagements, will be providing the agreed-upon financial advisory services to the Committee. Houlihan Lokey has served as a financial advisor in some of the largest and most complex restructuring matters in the United States, including serving as the financial advisor to the debtors in the chapter 11 proceedings of *Covad Communications, Inc.*, *Galey & Lord, Inc.*, *McLeod USA*, *Worldtex, Inc.* and *Stage Stores, Inc.*, and as the financial advisor to the official creditors committees in the chapter 11 proceedings of *Enron Corporation*, *Laidlaw, Inc.*, *Polaroid Corp.*, *The Loewen Group, Inc.* and *Williams Communications Group, Inc.*, to name a few of its representative engagements. In addition, Houlihan Lokey has provided financial advisory and investment banking services to over 100 telecommunications and media companies in both public and private sectors, including *Global Telesystems*, *GST Telecommunications*, *American MetroComm Corporation*, *NorthPoint Communications* and *Pathnet Telecommunications*, and has advised the official creditors' committee in matters such as *ICG Communications*.

8. Close Brothers is an independent financial advisor to growth companies in Europe, employing over 90 professionals based in London, Paris and Frankfurt. Close Brothers provides companies with a wide range of investment banking services, including capital raising advice, mergers and acquisitions advice and financial restructuring services. Close Brothers, which will be providing the agreed-upon services to the Committee, has one of the leading dedicated restructuring teams in the UK investment banking market with a broad range of experience in: (i) capital restructuring; (ii) complex cross-border restructuring; (iii) debt restructuring; (iv) refinancing; (v) distressed M&A; and (vi) insolvency planning. The team pulls together members with backgrounds in corporate finance, banking, law, accountancy and insolvency. Close Brothers has acted or is acting as financial advisor on a number of European restructurings including *Ashanti Goldfields Company Limited*, *Brunner Mond Group PLC*, *Enron Teeside Operations Limited*, *Northern Gas Processing Limited*, *Netia Holdings S.A.*, *Clubhaus PLC*, *Danka Business Systems PLC*, *The Polestar Corporation PLC*, *Brokat Technologies AG*, *Cammell Laird Holdings PLC* and *IFCO Systems NV*. Close Brothers is a subsidiary of Close Brothers Group PLC, an independent merchant-banking group listed on the London Stock Exchange.

9. The Advisors will provide the following services for the Committee:
- (a) evaluating the assets and liabilities of the Debtors;
 - (b) analyzing and reviewing the financial and operating statements of the Debtors;
 - (c) analyzing the business plans and forecasts of the Debtors;
 - (d) evaluating all aspects of any debtor-in-possession financing, cash collateral usage and adequate protection

thereto, as well as any exit financing in connection with any plan of reorganization;

- (e) providing such specific valuation or other financial analyses as the Committee may require in connection with the Debtors' chapter 11 cases;
- (f) helping with the claim resolution process and distributions relating thereto;
- (g) assessing the financial issues and options concerning (a) the sale of any assets of the Debtors, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (any, a "Plan");
- (h) preparation, analysis and explanation of any Plan to various constituencies;
- (i) providing testimony in court on behalf of the Committee, if necessary or as reasonably requested by the Committee; and
- (j) providing such other financial advisory services as the Committee and Committee Counsel may, from time to time, agree in writing and that are consistent with the Advisors' capabilities.

10. The Committee hereby requests that the Court approve the Advisors' retention *nunc pro tunc* to May 7, 2002. This is appropriate because, since that date, the Advisors have been providing critical services to the Committee, including reviewing extensive operating information, analyzing various issues confronting the Debtors and communicating with the Committee regarding such matters. Moreover, the Committee is filing this Application promptly after finalizing the Engagement Letter, which contains the specific terms and conditions of the Advisors' employment.

b. The Terms of The Advisors' Engagement

11. As described more fully in Engagement Letter, the Advisors will jointly be entitled to receive, as compensation for its services:

- a. a Monthly Fee of \$175,000;
- b. a fee upon the consummation of a Transaction (as defined in the Engagement Letter) of \$2,500,000, less 50% of any Monthly Fees received in excess of \$1,050,000; and
- c. the reimbursement of all reasonable out-of-pocket expenses.

The Engagement Letter also provides that the Debtors shall indemnify and hold the Advisors harmless against any and all losses, claims, damages or liabilities in connection with the engagement, except to the extent they result from the Advisors' gross negligence, willful misconduct, bad faith or self-dealing in connection with the performance of their services. Pursuant to the agreement that Houlihan Lokey has reached with the Office of the United States Trustee in other engagements in this Court, the Advisors have agreed to certain additional modifications to these indemnification provisions, and they are reflected in the proposed interim and final Orders attached hereto as Exhibit D and Exhibit E, respectively.

12. As described more fully in the Affidavit of Jonathan B. Cleveland in Support of the Application (the "Cleveland Affidavit"), attached hereto as Exhibit B, the terms of Engagement Letter are similar to the terms, both financial and otherwise, agreed to by Houlihan Lokey, and other financial advisors and investment bankers in similar engagements both inside and outside of bankruptcy.

13. The terms of the Engagement Letter were heavily negotiated among the Committee, the Debtors and the Advisors, and reflect the extensive work to be performed by the Advisors and the Advisors' collective financial advisory expertise.

*c. The Application Should be Approved Pursuant to
Section 328(a) of the Bankruptcy Code*

14. The Engagement Letter provides that the Advisors will be retained by the Committee pursuant to section 328(a) of the Bankruptcy Code. Section 328(a) provides, in part, that a committee, "with the court's approval, may employ or authorize the employment of a professional person under section 327... on any reasonable terms and conditions of employment, including a retainer...." 11 U.S.C. §328(a). Section 328 reflects a significant departure from prior bankruptcy practice relating to the compensation of professionals, as it permits the compensation of professionals, including investment bankers and financial advisors, on more flexible terms that reflect the nature of their services and market conditions. As the Court of Appeals for the Fifth Circuit recognized in In re National Gypsum Co., 123 F.3d 861 (5th Cir. 1997):

Prior to 1978, the most able professionals were often unwilling to work for bankruptcy estates where their compensation would be subject to the uncertainties of what a judge thought the work was worth after it had been done. That uncertainty continues under the present § 330 of the Bankruptcy Code, which provides that the court award to professional consultants 'reasonable compensation' based on relevant factors of time and comparable costs, etc. Under present § 328 the professional may avoid that uncertainty by obtaining court approval of compensation agreed to with the trustee (or debtor or committee).

Id. at 862 (citations omitted).

15. Section 328(a) provides courts with flexibility to approve alternative fee structures to the customary hourly rate. The fee structure for this engagement is similar to fee agreements approved by bankruptcy courts throughout the United States under section 328(a).

16. The Advisors intend to apply to the Court for the interim and final allowance of compensation and reimbursement of expenses, pursuant to section 331 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and the Orders of this Court. Because the Advisors will be compensated by the payment of a fixed monthly fee and certain transaction fees, the Advisors should not be required to maintain or provide detailed time records in connection with any of its fee applications, and the Committee hereby requests that the Court excuse the Advisors from any such requirement that may apply.

d. The Advisors are Disinterested Persons

17. The Advisors' compliance with the requirements of sections 326 and 504 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2014 and 2016 (the "Bankruptcy Rules") is set forth in greater detail in the Cleveland Affidavit, and in the declaration of Peter Marhsall (the "Marshall Declaration"), which is attached hereto as Exhibit C.

18. As described in the Cleveland Affidavit and the Marshall Declaration, neither Houlihan Lokey nor Close Brothers represents any of the Debtors' creditors or other parties to this proceeding, or their respective attorneys or accountants, in any matter which is adverse to the interests of any of the Debtors as debtors in possession, and the Advisors are "disinterested person(s)," as defined in 11 U.S.C. § 101(14). As also described in the Cleveland Affidavit and Marshall Declaration, Houlihan Lokey and Close Brothers do not hold any interest adverse to any of the Debtors or their estates in the matters upon which they are to be engaged herein.

Notice

19. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this application will be given to (i) the Office of the United States Trustee, (ii) counsel to the Debtors (iii) counsel for FLAG Atlantic Limited's prepetition bank lenders, (iv) counsel for FTHL's prepetition ad hoc noteholders committee, (v) counsel for the Joint Provisional Liquidators in the Bermuda proceedings, and (vi) all persons or entities that have served and filed notices of appearances in these chapter 11 cases pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure. The Committee submits that the notice provided is appropriate and that no other notice need be given.

No Prior Request

20. No prior application for the relief requested herein has been made by the Committee to this Court or any other court.

Waiver of Memorandum of Law

21. The Committee requests that this Court waive and dispense with the requirement set forth in Rule 9013-1(b) of the Local Rules for the United States Bankruptcy Court for the Southern District of New York that any motion or other request for relief be accompanied by a memorandum of law. No novel issue of law is raised by this application, and the authorities relied upon by the Committee are cited herein. Accordingly, the Committee submits that a waiver of the requirement is appropriate in these circumstances.

WHEREFORE, the Official Committee of Unsecured Creditors respectfully requests that this Court enter orders, substantially in the form attached hereto as Exhibit D and Exhibit E, approving on an interim and final basis, the retention and employment of Houlihan Lokey and Close Brothers as financial advisors to the Official Committee of Unsecured Creditors, *nunc pro tunc* to May 7, 2002, and grant such other relief as may be just.

Dated: New York, New York
June 13, 2002

AKIN GUMP STRAUSS HAUER & FELD LLP

By: ~~/s/ Michael S. Stamer~~ _____
Michael S. Stamer (MS-4900)
590 Madison Avenue
New York, NY 10022
(212) 872-1000

Proposed Attorneys to the Official Committee of
Unsecured Creditors of FLAG Telecom Holdings
Limited, et al.

EXHIBIT C

Copy of Retention Order

Upon consideration of the application (the “Application”)¹ of the Official Committee of Unsecured Creditors (the “Committee”) of the debtors and debtors in possession (the “Debtors”) in the above-captioned chapter 11 cases for entry of an order, under sections 328(a) and 1103(a) of title 11 of the United States Code (the “Bankruptcy Code”), and Rule 2014-1 of the Local Bankruptcy Rules (the “Bankruptcy Rules”), authorizing the employment and retention of Houlihan Lokey Howard & Zukin Capital (“Houlihan Lokey”) and Close Brothers Corporate Finance Limited (“Close Brothers” and, together with Houlihan Lokey, the “Advisors”) as their financial advisors pursuant to the terms of the engagement letter dated as of May 6, 2002 (the “Engagement Letter”); and the Court having considered the Application and the affidavit of Jonathan B. Cleveland dated June 13, 2002, the supplemental affidavit of Jonathan B. Cleveland dated July 1, 2002, the declaration of Peter Marshall dated June 13, 2002, each in support of the Application; and the Court having granted interim approval of the Application in its Interim Order dated July 15, 2002 (the “Interim Order”), and notice of the Application and Interim Order having been provided to all creditors pursuant to the Notice dated June 17, 2002; and the Court being satisfied that the Advisors do not hold an interest adverse to the interest of the estate with respect to the matters on which the Advisors will be employed and that the Advisors are “disinterested persons” as that term is defined under section 101(14) of the Bankruptcy Code; and that the employment of the Advisors is necessary and that the terms of compensation being sought by the Advisors, as described in the Engagement Letter, are reasonable, and after due deliberation and sufficient cause appearing therefore, **and no objection having been filed to entry of this Order**, it is hereby

¹ Capitalized terms not defined in this order shall have the meanings ascribed to them in the Application.

ORDERED that subject to the terms and conditions of this order, the Application is granted, and pursuant to sections 328(a) and 1103(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a), the Committee is authorized effective as of May 7, 2002, to employ, retain, compensate and reimburse the Advisors as their financial advisors, pursuant to the terms and conditions of the Engagement Letter; and it is further

ORDERED that the Office of the United States Trustee retains the right to object to any interim or final fee application filed by the Advisors (including any request for the reimbursement of expenses) on any grounds provided for under the Bankruptcy Code (including, without limitation, sections 327, 328, 330 and 331 thereof), the Bankruptcy Rules, or any Local Rules or Orders of this Court; and it is further

ORDERED that the requirements of Local Bankruptcy Rule 9013-1(b) are waived with respect to the Application; and it is further

ORDERED that the terms of the Engagement Letter are hereby modified to provide that 50% of the Transaction Fee shall be paid in cash and 50% of the Transaction Fee shall be paid in the form of a note mutually agreed to by the Advisors and the Debtors; and it is further

ORDERED that the Debtors shall indemnify and hold harmless the Advisors and their affiliates, and their respective past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), pursuant to the Engagement Letter and subject to the following conditions:

(a) all requests of Indemnified Persons for payment of indemnity, contribution or otherwise pursuant to the Indemnification and Engagement Letter shall be made by means of an Interim and Final Fee Application (as defined in the Administrative Order for Interim Compensation and Reimbursement of Expenses of Professionals) and shall be subject to the approval of, and review by, the Court to ensure that such payment conforms to the terms of the Indemnification, the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and the orders of this Court, and is reasonable based upon the circumstances of the litigation or settlement in respect of which the indemnity is sought, provided, however, that in no event shall an Indemnified Person be indemnified or receive contribution in the case of bad-faith, self-dealing, breach of fiduciary duty, if any, gross negligence or willful misconduct on the part of that or any other Indemnified Person, and

(b) in no event shall an Indemnified Person be indemnified or receive contribution or other payment under the Indemnification if the Debtors, their estates, or the Committee asserts a claim for, and the Court determines by final order that such claim arose out of, bad faith, self dealing, breach of fiduciary duty, if any, gross negligence, or willful misconduct on the part of that or any other Indemnified Person, and

(c) in the event an Indemnified Person seeks reimbursement for attorneys' fees from the Debtors, the invoices and supporting time records from such attorneys shall be annexed to Houlihan Lokey's own Interim and Final Fee Applications, and such invoices and time records shall be subject to the U.S. Trustee's guidelines for compensation and reimbursement of expenses and the approval of the Bankruptcy Court under the standards of section 330 of the Bankruptcy Code without regard to whether such attorney has been retained under section 327 of the Bankruptcy Code; and it is further;

ORDERED that to the extent this Order is inconsistent with the Engagement Letter, the terms of this order shall govern; and it is further

ORDERED that this Court shall retain jurisdiction to construe and enforce the terms of this Order.

Dated: New York, New York
September 9, 2002

/s/ Allan L. Gropper

ALLAN L. GROPPER

UNITED STATES BANKRUPTCY JUDGE

No Objection to Entry of this Order

/s/ Mary Elizabeth Tom

**United States Trustee for the
Southern District of New York**

EXHIBIT D

Copy of Engagement Letter

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

INVESTMENT BANKERS

May 6, 2002

To: The Official Committee of Unsecured Creditors (the "Committee") of FLAG Telecom Holdings Limited, and its affiliated debtors and debtors-in-possession (collectively, the "Company" or the "Debtors"), in care of:

Committee Chairs

PPM America, Inc.
225 West Wacker Drive Suite 1200
Chicago, Illinois 60606
Attn: Jim Schaeffer

Lucent Technologies

Mountain Avenue
Room 7E505
Murray Hill, New Jersey
Attn: Martin Healy

Bank of New York

5 Penn Plaza 13th Floor
New York, NY 10001
Attn: Gerard Facendola

Committee Counsel

**Akin, Gump, Strauss, Hauer
& Feld, LLP**
590 Madison Avenue, 22nd
Floor
New York, New York
Attn: Michael Stamer, Esq.

Company

**FLAG Telecom Holdings
Limited** Cedar House, 41 Cedar
Avenue
Hamilton, HM12 Bermuda
Attn: Andres B. Bande –
Chairman and CEO

Gentlemen:

Effective as of May 6, 2002, this letter confirms the terms of the agreement among Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") and Close Brothers Corporate Finance Limited ("Close Brothers") (collectively, the "Advisors"), the Committee and the Debtors concerning the Committee's engagement of the Advisors to provide financial advisory and related services to the Committee in connection with the Debtors' Chapter 11 cases (the "Cases"), which are pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

1. Scope of Engagement. The Advisors' exclusive representation of the Committee in connection with the Cases will include:

- (a) Evaluating the assets and liabilities of the Debtors;
- (b) Analyzing and reviewing the financial and operating statements of the Debtors;

- (c) Analyzing the business plans and forecasts of the Debtors;
- (d) Evaluating all aspects of any debtor-in-possession financing, cash collateral usage and adequate protection therefore and any exit financing in connection with any plan of reorganization and any budgets relating thereto;
- (e) Providing such specific valuation or other financial analyses as the Committee may require in connection with the case;
- (f) Helping with the claim resolution process and distributions relating thereto;
- (g) Assessing the financial issues and options concerning (a) the sale of any assets of the Debtors, either in whole or in part, and (b) the Debtors' plan(s) of reorganization or any other plan(s) of reorganization (the "Plan");
- (h) Preparation, analysis and explanation of the Plan to various constituencies;
- (i) Providing testimony in court on behalf of the Committee, if necessary or as reasonably requested by the Committee; and
- (j) Providing such other financial advisory services as the Advisors, the Committee and/or Committee Counsel may, from time to time agree in writing and which are consistent with the Advisors capabilities.

For the avoidance of doubt, the Advisors shall not have any obligation or responsibility to provide business consulting services nor shall they be responsible for designing, implementing or operating any organizational, administrative or cash management function of the Company. Additionally, the Advisors shall not be responsible for providing any specialist tax, accounting or legal advice.

As used herein, the term "Transaction" shall include the consummation of any agreement or series of agreements, or transaction or series of transactions (which agreement or series of agreements or transaction or series of transactions subsequently closes within a reasonable time period thereafter, or a similar transaction closes thereafter with a competing bidder upon Bankruptcy Court approval), which in each case may include, but is not limited to, the following:

- (i) Any merger, consolidation, reorganization, recapitalization, business combination or other transaction pursuant to which the Debtors are acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (including, without limitation, existing creditors, employees, affiliates, and/or shareholders) (collectively, a "Purchaser");
- (ii) The acquisition, directly or indirectly, by a Purchaser (or by one or more persons acting together with a Purchaser pursuant to a written agreement or otherwise) in a single transaction or a series of transactions, of (x) all or a significant part of the assets or operations of the Debtors; or (y) all or a significant part of the outstanding or newly-issued shares of the Debtors' capital stock (or any securities convertible into, or options, warrants or other rights to acquire such capital stock);
- (iii) The closing of any other sale, transfer or assumption of all or substantially all of the assets, liabilities or stock of the Debtors; or
- (iv) The confirmation of a Chapter 11 plan of reorganization or liquidation, the terms of which have been substantially agreed to by the Committee.

2. **Exclusive Representation** Neither the Committee, its constituents, nor any of their respective advisors or professionals (including, but not limited to, Committee Counsel), shall be liable for the fees, expenses or other amounts payable to the Advisors hereunder. Notwithstanding such arrangement, the Advisors' duties hereunder run solely to the Committee, and the Advisors are not authorized to be, and will not purport to be, acting on behalf of, or at the direction of the Debtors for any purpose unless otherwise agreed to by the Committee. All financial advice, written or oral, provided by the Advisors to the Committee pursuant to this Agreement is intended solely for the use and benefit of the Committee, which agrees that such advice may not be disclosed publicly or made available to third-parties without the prior consent of the Advisors, which consent shall not be unreasonably withheld. At the direction of Committee Counsel, certain communication and correspondence between the Advisors and the Committee, and work product and analyses prepared by the Advisors for the Committee in connection with this matter, will be considered in preparation for litigation over the restructuring of the Debtors, and accordingly will be subject to the attorney-client and work-product privileges.

3. **Advisors**. The Advisors' services are limited to those specifically provided in this Agreement or subsequently agreed-upon in writing by the parties hereto, and the Advisors shall have no obligation or responsibility for any other services. The Advisors are providing their services hereunder as independent contractors, and the parties agree that this Agreement does not create an agency or fiduciary relationship between the Advisors and the parties to this Agreement.

4. **Consideration** As consideration for the services being provided by the Advisors, subject to the approval of the Bankruptcy Court, the Company shall (i) pay the Advisors a fee of \$175,000 per month (the "Monthly Fee") beginning May 6th and the 6th day of each month thereafter. In addition, the Company agrees to, and (ii) promptly reimburse the Advisors, upon request from time to time, for all out-of-pocket expenses reasonably incurred by the Advisors in connection with the matters contemplated by this Agreement. Out-of-pocket expenses shall include, but not be limited to, all reasonable travel expenses, accommodation expenses, duplicating charges, on-line service charges, messenger services, delivery services, meeting services, long distance telephone and facsimile charges incurred by the Advisors (plus such amount as equals any United Kingdom value added tax ("VAT") charged to or incurred by Close Brothers in respect of such costs, charges and expenses except to the extent Close Brothers certifies it is recoverable by Close Brothers by repayment or credit).

In addition, if a Transaction is consummated, upon the consummation of the Transaction the Advisors shall be paid, in cash, an additional fee (a "Transaction Fee") equal to \$2,500,000, less 50% of any Monthly Fees received by the Advisors in excess of \$1,050,000. The Advisors shall not be entitled to more than one Transaction Fee. The Transaction Fee shall be paid upon the consummation of a Transaction either (i) during the term of this Agreement or (ii) if a Transaction is consummated with the consent or approval of the requisite holders of unsecured claims of the Debtors within 360 days following any termination of this Agreement by the Company (such 360 day period being referred to herein as the "Tail Period"), the Company shall nonetheless pay the Transaction Fee to Houlihan Lokey in respect of such Transaction. In the event the Advisors terminate the engagement without reasonable justification the advisors shall not be entitled to a transaction fee during the tail period. Payment of all fees and reimbursed out-of-pocket expenses shall be made in care of Houlihan Lokey (for itself and for and on behalf of Close Brothers) at the address above, Attention: Renee Weiss.

The parties acknowledge that a substantial professional commitment of time and effort will be required by the Advisors and their professionals hereunder, and that such commitment may foreclose other opportunities for the Advisors. Moreover, the actual time and commitment required for the engagement may vary substantially, creating "peak load" issues for the Advisors. Given the numerous issues which may arise in these cases, the Advisors' commitment to the variable level of time and effort necessary to address such issues, the expertise and capabilities of the Advisors that will be required in this engagement, and the market rate for the Advisors' services of this nature whether in, or out of court, the parties agree that the fee arrangement hereunder is reasonable, fairly compensates the Advisors and provides certainty to the Debtors and the Committee.

5. **Bankruptcy Court.** Subject to the prompt receipt of documents and approvals required to be received from the Advisors (e.g., declarations), the Committee shall, within three (3) business days of the execution of this Agreement by all parties hereto, seek an order from the Bankruptcy Court authorizing the employment of the Advisors pursuant to the terms of this Agreement, as professional persons pursuant to (and subject to the standard of review of) Section 328(a) of the Bankruptcy Code, the Bankruptcy Rules and applicable local rules, and shall use its reasonable best efforts to cause such application to be considered on the most expedited basis. The

employment application and the order authorizing employment of the Advisors shall be provided to the Advisors sufficiently in advance of their filing, and must be acceptable to the Advisors in their discretion. If the Order authorizing the employment of the Advisors is obtained, the Company shall pay all fees and expenses as promptly as possible in accordance with the terms of this Agreement, the Bankruptcy Code, the Bankruptcy Rules and applicable local rules and orders. This agreement shall be binding upon the debtor only upon approval of the Bankruptcy Court. Except for the preceding sentence, the terms of this paragraph are solely for the benefit of the Advisors and may be waived, in whole or in part, only by the Advisors.

6. **Termination** This Agreement is terminable upon thirty (30) days written notice by the Committee or the Advisors. The termination of this Agreement will not affect (a) the Debtors' indemnification, reimbursement, contribution and other obligations set forth in this Agreement, (b) the Advisors' right to receive, and the Debtors' obligation to pay (i) any and all fees and expenses accrued as of the effective date of termination of this Agreement, and (ii) unless terminated by the Advisors those fees earned for a Transaction that is consummated during the Tail Period as described in this Agreement, and (c) the confidentiality provisions contained in paragraph 7.

7. **Information** The Debtors will promptly provide or procure the provision to the Advisors of all information concerning the Debtors' business and affairs which is relevant to the Advisors for the proper provision of the services, as set out in this Agreement, and all such further information as the Advisors may reasonably request, all of which will be, to the Debtors best knowledge, accurate and complete in all material respects at the time it is provided. In addition, the Debtors will promptly correct any material information so provided to the Advisors if it subsequently appears that any such information was or has become materially inaccurate or misleading in any respect. The Committee acknowledges and agrees that, in rendering its services hereunder, the Advisors will be using and relying on information made available to it by the Debtors and their advisors (the "Information") (and information available from public sources and other sources deemed reliable by the Advisors) without independent verification thereof by the Advisors or independent appraisal by the Advisors. The Advisors do not assume responsibility for the accuracy or completeness of the Information or any other information regarding the Company. Houlihan Lokey acknowledges and agrees that in rendering services under this Agreement, it will receive certain non-public and proprietary information concerning the Company ("Confidential Information"). Houlihan Lokey agrees that no Confidential Information will be disclosed to any person other than to members of the Committee or their advisors, to a potential party to a Transaction, under appropriate assurances of confidentiality, to those representatives of Houlihan Lokey, solely for the purposes of performing services under this Agreement or as may be required by legal process, provided that adequate notice of such process is provided to the Company.

8. **CHOICE OF LAW; JURISDICTION.** THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE IN NEW YORK, NEW YORK. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE PARTIES TO THIS AGREEMENT WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM

(WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THE ENGAGEMENT OF THE ADVISORS PURSUANT TO, OR THE PERFORMANCE BY THE ADVISORS OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT.

9. **Counterparts.** For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties hereto. Each such counterpart shall be, and shall be deemed to be, an original instrument, but all such counterparts taken together shall constitute one and the same Agreement.
10. **Severability.** If it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that any term or provision hereof is invalid or unenforceable, (i) the remaining terms and provisions hereof shall be unimpaired and shall remain in full force and effect and (ii) the invalid or unenforceable provision or term shall be replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term or provision.
11. **Publicity.** Upon consummation of any Transaction, the Advisors (or either of them) may, at their own expense, place announcements in financial and other newspapers and periodicals (such as is customary) describing their services in connection with such Transaction. Where reasonably practical, the Advisors and will seek the consent of the Company and the Committee as to the form and content of the proposed announcement prior to publication.
12. **No Partnership.** Houlihan Lokey and Close Brothers shall each be entitled to the rights, and subject to the obligations, set forth in this Agreement in an individual capacity and shall not be jointly and severally liable for any obligations or duties on the part of the other Advisor hereunder. Nothing contained in this Agreement, and no action taken by Houlihan Lokey or Close Brothers pursuant hereto, shall be deemed to constitute Houlihan Lokey and Close Brothers as a partnership, an association, a joint venture or any other entity. Any separate agreement between Houlihan Lokey and Close Brothers regarding allocation of fees, responsibilities and the like shall not in not in any manner limit or contradict the foregoing statements governing their relationship hereunder.
13. **Entire Agreement.** This Agreement embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understanding relating to the matters provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in writing signed by a duly authorized representative of each party.
14. **Indemnification** As a material part of the consideration for the Advisors to furnish its services under this Agreement, the Debtors shall indemnify the Advisors and shall hold harmless the Advisors and their affiliates, and their respective past, present and future directors, officers, shareholders, employees, agents and controlling persons within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively, the "Indemnified Parties"), to the fullest extent lawful, from and against any and all losses, claims, damages or liabilities (or actions in respect thereof), joint or

several, arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with the Advisors' provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby. In addition, the Debtors shall reimburse the Indemnified Parties for any legal or other expenses reasonably incurred by them in respect thereof at the time such expenses are incurred; provided, however, there shall be no liability under the foregoing indemnity and reimbursement agreement for any loss, claim, damage or liability which is finally judicially determined (and from which there is no further right of appeal) to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party.

If the foregoing indemnification is insufficient to hold any Indemnified Party harmless, the Debtors shall contribute to the amount paid or payable by the Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Committee and the Debtors, on the one hand, and the Advisors, on the other hand, in connection with the proposed Transaction and/or the services rendered by the Advisors. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or otherwise, then the Debtors shall contribute to such amount paid or payable by any Indemnified Party in such proportion as is appropriate to reflect not only such relative benefits, but also the relative fault of the Committee and the Debtors, on the one hand, and the Advisors, on the other hand, in connection therewith, as well as any other relevant equitable considerations. Notwithstanding the foregoing, the aggregate contribution of all Indemnified Parties to any such losses, claims, damages, liabilities and expenses shall not exceed the amount of fees actually received by the Advisors pursuant to the Agreement.

The Committee and the Debtors shall not affect any settlement or release from liability in connection with any matter for which an Indemnified Party would be entitled to indemnification from the Debtors unless such settlement or release contains a release of the Indemnified Parties reasonably satisfactory in form and substance to the Advisors. The Committee and/or the Debtors shall not be required to indemnify any Indemnified Party for any amount paid or payable by such party in the settlement or compromise of any claim or action without the prior written consent of the Committee and the Debtors.

Prior to entering into any agreement or arrangement with respect to, or effecting, any (i) merger, statutory exchange or other business combination or proposed sale, exchange, dividend or other distribution or liquidation of all or a significant proportion of its assets, or (ii) significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Debtors set forth in this Agreement, the Debtors will notify the Advisors in writing thereof (if not previously so notified) and, if requested by the Advisors, shall arrange in connection therewith alternative means of providing for the obligations of the Debtors set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions reasonably satisfactory to the Advisors.

The Committee and the Debtors further agree that neither the Advisors nor any other Indemnified Party shall have any liability, regardless of the legal theory advanced, to the

Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with the Advisors' provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined (and from which there is no further right of appeal) to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

The obligations of the Advisors are solely corporate obligations, and no officer, director, employee, agent, shareholder or controlling person of the Advisors shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this Agreement or any person relying on the services provided hereunder. The Debtors' obligations with respect to any and all payments owing to the Advisors and the indemnification, reimbursement, contribution and other similar obligations of the Debtors under this Agreement shall survive any termination of this Agreement.

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF FLAG TELECOM HOLDINGS LIMITED, et al.

By PPM AMERICA, INC.

By: Jim Schaeffer

By LUCENT TECHNOLOGIES

By: Martin Healy

By BANK OF NEW YORK

By: Gerard Facendola

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

By: Jonathan Cleveland
Director

CLOSE BROTHERS CORPORATE FINANCE LIMITED

By: Peter Marshall
Director

FLAG TELECOM HOLDINGS LIMITED. AND ITS AFFILIATED DEBTORS

By: Andres B. Bande
Chairman and Chief Executive Officer

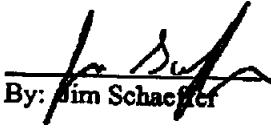
Official Committee of Unsecured Creditors of FLAG Telecom Holdings Limited., et al.
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Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with the Advisors' provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined (and from which there is no further right of appeal) to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

The obligations of the Advisors are solely corporate obligations, and no officer, director, employee, agent, shareholder or controlling person of the Advisors shall be subjected to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any other party to this Agreement or any person relying on the services provided hereunder. The Debtors' obligations with respect to any and all payments owing to the Advisors and the indemnification, reimbursement, contribution and other similar obligations of the Debtors under this Agreement shall survive any termination of this Agreement.

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF FLAG TELECOM HOLDINGS LIMITED, et al.

By PPM AMERICA, INC.


By: Jim Schaefer

By LUCENT TECHNOLOGIES

By: Martin Healy

Committee, the Debtors or any other person or entity (including the Debtors' equity holders and creditors) related to or arising out of or related to the Agreement, any actions taken or omitted to be taken by an Indemnified Party in connection with the Advisors' provision of services to the Committee, or any Transaction (as defined herein) or proposed Transaction contemplated thereby, except for any liability for losses, claims, damages, liabilities or expenses incurred by the Committee and/or the Debtors which are finally judicially determined (and from which there is no further right of appeal) to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of any Indemnified Party. The indemnity, reimbursement, contribution and other obligations and agreements of the Committee and the Debtors set forth herein shall apply to any modifications of this Agreement, shall be in addition to any liability which these parties may otherwise have, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of these parties and each Indemnified Party. The foregoing indemnification provisions shall survive the consummation of any Transaction and/or any termination of the relationship established by this Agreement.

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OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF FLAG TELECOM HOLDINGS LIMITED, et al.

By PPM AMERICA, INC.

By: Jim Schaeffer

By LUCENT TECHNOLOGIES



By: Martin Healy

Official Committee of Unsecured Creditors of FLAG Telecom Holdings Limited, et al.
May 6, 2002
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By BANK OF NEW YORK


By: Gerard Facendola

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

By: Jonathan Cleveland
Director

CLOSE BROTHERS CORPORATE FINANCE LIMITED

By: Peter Marshall
Director

FLAG TELECOM HOLDINGS LIMITED. AND ITS AFFILIATED DEBTORS

By: Andres B. Bande
Chairman and Chief Executive Officer

Official Committee of Unsecured Creditors of FLAG Telecom Holdings Limited, et al
May 6, 2002
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By **BANK OF NEW YORK**


By: Gerard Facendola

HOULIHAN LOKEY HOWARD & ZUKEN CAPITAL



By: Jonathan Cleveland
Director

CLOSE BROTHERS CORPORATE FINANCE LIMITED



By: Peter Marshall
Director

FLAG TELECOM HOLDINGS LIMITED, AND ITS AFFILIATED DEBTORS

By: Andres B. Bande
Chairman and Chief Executive Officer

TOTAL P.10

TOTAL P.02

Official Committee of Unsecured Creditors of FLAG Telecom Holdings Limited, et al
May 6, 2002
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By BANK OF NEW YORK

By: Gerard Facendola

HOULIHAN LOKEY HOWARD & ZUKEN CAPITAL



By: Jonathan Cleveland
Director

CLOSE BROTHERS CORPORATE FINANCE LIMITED

By: Peter Marshall
Director

FLAG TELECOM HOLDINGS LIMITED AND ITS AFFILIATED DEBTORS



By: Andres B. Bande
Chairman and Chief Executive Officer

TOTAL P.10

TOTAL P.02

EXHIBIT E

Professional Biographies

Jeffrey Werbalowsky – *Senior Managing Director*

Mr. Werbalowsky is a Senior Managing Director and member of the Board of Directors of Houlihan Lokey Howard & Zukin. Mr. Werbalowsky has led many of the firm's largest merger and acquisition and restructuring engagements in his position as co-founder and national co-director of the financial restructuring group since 1988.

Mr. Werbalowsky earned a B.A. in Economics, magna cum laude, from the University of Virginia and a J.D. with honors from Columbia University, where he was a Stone Scholar for three years and an editor of the Columbia Law Review. Prior to joining Houlihan Lokey, Mr. Werbalowsky was chief executive officer of Cheviot Capital Corporation, an investment firm engaged in transactions involving bankruptcy and distressed situations. Prior to that, he was a member of Levene and Eisenberg, and prior thereto, an associate with Gibson, Dunn & Crutcher, where he practiced law and specialized in cases involving bankruptcy, corporate reorganization, and insolvency.

Mr. Werbalowsky has written a number of articles including; "Reforming Chapter 11: Building an International Restructuring Model," "Allocating Value In Canadian and American Restructuring Transactions," "Advising the Distressed Company," "Evaluating Distressed Securities," "Buying and Selling the Distressed Company," and "Deleveraging the Troubled Company," and has testified as an expert witness on a variety of restructuring and distressed security issues.

Jonathan B. Cleveland – *Director*

Mr. Cleveland is a Director in the Minneapolis office of Houlihan Lokey Howard & Zukin. Mr. Cleveland has been involved in a number of financial restructuring engagements with Houlihan Lokey, representing debtors and creditors in out-of-court restructurings and bankruptcies. Prior to re-joining Houlihan Lokey in 1997, Mr. Cleveland was an associate in the law firm of Mayer, Brown & Platt in Chicago, where he practiced corporate and securities law and was involved in numerous public securities offerings, public tender offers and private repurchase offers for debt and equity securities, and domestic and international acquisition transactions. Mr. Cleveland was a member of Houlihan Lokey's Financial Restructuring Group from 1990 to 1992, before earning a J.D. degree, magna cum laude, from the University of Minnesota Law School, where he also was a member of the Order of the Coif. In 1990, Mr. Cleveland received a B.S. degree in Finance/Business Economics from the University of Southern California.

David Trucano – *Senior Associate*

David Trucano is a Senior Associate in the New York office of Houlihan Lokey Howard & Zukin. Mr. Trucano joined Houlihan Lokey in 1999 after receiving his M.B.A. in Finance and Accounting from the University of Chicago. Prior to receiving his M.B.A., Mr. Trucano was an Associate at Wachovia Capital Associates and Norwest Venture Capital, the private equity investment subsidiaries of Wachovia Corporation and Norwest Corporation, respectively.

Before joining Norwest, Mr. Trucano was a financial analyst at Wessels, Arnold & Henderson. Mr. Trucano received a joint B.A. degree in Economics and History from Emory University

Fredrick F. Vescio – *Financial Analyst*

Mr. Vescio is a financial analyst at Houlihan Lokey's Minneapolis office. He is a recent graduate of the University of Michigan Business School with a degree in finance and accounting. Mr. Vescio is currently advising creditors committees in a number of large North American restructuring engagements in the industries of transportation, telecommunications, energy, chemicals, welding, and agricultural commodities.

Peter Marshall – *Managing Director*

Peter is a Managing Director of Close Brothers Corporate Finance, and is the co-head of Close Brothers' Corporate Restructuring Group. Peter was formerly a partner in Grant Thornton's Recovery and Reorganization department. Peter has specialized in corporate restructuring and turnaround since the early 1990's, with experience in complex cross-border transactions, including Queens Moat Houses, Ratners and Hickson International Recent High Yield restructurings include Vantico, IFCO Systems, The Polestar Group, Brokat Technologies AG, Cammell Laird plc and Clubhaus plc. Peter graduated in Economics and subsequently qualified as a chartered accountant with Grant Thornton. He is an associate member of R3, the Association of Business Recovery Professionals.

David Riddell – *Assistant Director*

David is an Assistant Director in Close Brothers Restructuring Group. After graduating from Oxford University, David qualified as a chartered accountant with Price Waterhouse. David joined Close Brothers in 1999 and has over 5 years corporate finance experience including acquisitions, disposals, fund raisings and debt restructurings. David's experience includes the restructurings of Brunner Mond, MDIS, Northgate, Clubhaus and the distressed sale of CWB Systems.

Jason Granite – *Manager*

Prior to joining Close Brothers, Jason was a solicitor at Cadwalader Wickersham & Taft's London office specializing in financial restructuring and distressed corporate finance. Jason has worked on a number of notable European insolvencies/restructurings, including Amer Reefer, Ashanti Goldfields, Barings, Brunner Mond, Brokat Technologies AG, Cammell Laird, Clubhaus, Dictaphone/Lernout & Hauspie, Enron Teeside Operations Limited, Eurotunnel, Global Telesystems, The Equitable Life and The Polestar Group. Over the last few years, Jason has also advised on many sales of distressed businesses both inside and outside insolvency. Jason has recently spoken at a number of conferences, including the European High Yield Association's Restructuring conference, UBS Warburg's Leveraged Finance Conference and Lehman Brothers European High Yield and Syndicated Loan Conference.

EXHIBIT F

Summary of Monthly Fees and Transaction Fee

FLAG Telecom Holdings Limited
Final Invoice Amounts

Period/Application	Billed and/or Due		Paid		Due	
	Fees	Expenses	Fees	Expenses	Fees	Expenses
May 7 - May 31, 2002	\$ 141,129.03	\$ 47,580.82	\$ 112,903.22	\$ 47,580.82	\$ 28,225.81	\$ -
June 1 - June 30, 2002	\$ 175,000.00	\$ 548.46	\$ 140,000.00	\$ 548.46	\$ 35,000.00	\$ -
July 1 - July 31, 2001	\$ 175,000.00	\$ 15,116.99	\$ 140,000.00	\$ 15,116.99	\$ 35,000.00	\$ -
August 1 - August 30, 2002	\$ 175,000.00	\$ 607.64	\$ -	\$ -	\$ 175,000.00	\$ 607.64
September 1 - September 30, 2002	\$ 175,000.00	\$ 376.06	\$ -	\$ -	\$ 175,000.00	\$ 376.06
October 1 - October 8, 2001	\$ 46,666.72	\$ -	\$ -	\$ -	\$ 46,666.72	\$ -
Transaction Fee	\$2,500,000.00	\$ -	\$ -	\$ -	\$ 2,500,000.00	\$ -
Total	\$ 3,387,795.75	\$ 64,229.97	\$ 392,903.22	\$ 63,246.27	\$ 2,994,892.53	\$ 983.70
						\$ 2,995,876.23

EXHIBIT G

Summary of Expenses

Date	Source	Description	Amount
6/18/02		Airfare	6,510.80
5/14/02	ffv5/02	airfare	\$734.69
5/14/02	ffv5/02	airfare	\$6,510.80
5/14/02	jbc5/02	airfare	\$6,510.80
5/20/02	jbc05/02	Airfare	\$1,467.88
5/29/02	jbc6/02	airfare	\$734.69
5/30/02	jbc6/02	airfare	\$2,103.50
6/3/02	JBC	Airfare	\$801.00
6/3/02	JBC	Airfare	\$801.00
6/5/02	jbc7/02	Airfare	\$1,467.88
6/5/02	jbc7/02	Airfare	\$1,467.88
6/20/02	ffv7/02	Airfare	\$733.19
6/26/02	FFV	Airfare	\$801.00
6/26/02	JBC	Airfare	\$801.00
6/28/02	FFV	Airfare	\$801.00
6/28/02	JIW	Airfare	\$801.00
7/8/02	jbc7/02	Airfare	\$733.19
7/9/02	ffv7/02	Airfare	\$762.50
7/17/02	ffv7/02	Airfare	\$1,467.88
7/17/02	jbc7/02	Airfare	\$934.50
7/31/02	jbc8/02	Airfare	\$732.70
8/1/02	jbc8/02	Airfare	\$731.20
		Total	\$38,410.08
6/18/02		Delivery	27.91
8/20/02		delivery	50.00
6/5/02	4-223-99271	Fed-Ex	\$372.61
6/10/02	4-270-31765	Fed-Ex	\$20.44
6/17/02	4-270-67497	Fed-Ex	\$151.10
6/26/02	4-271-55488	Fed-Ex	\$28.04
7/3/02	4-271-45601	Fed-Ex	\$134.07
7/17/02	4-318-18873	Fed-Ex	\$10.17
7/29/02	4-319-03898	Fed-Ex	\$41.32
7/29/02	4-318-93366	Fed-Ex	\$48.63
7/31/02	4-319-38187	Fed-Ex	\$20.66
9/4/02	4-367-18848	Fed-Ex	\$10.12
		Total	\$915.07
6/18/02		Lodging	1,327.43
5/14/02	jbc5/02	Lodging	\$1,537.44
5/14/02	ffv5/02	Lodging	\$1,440.00
5/20/02	jbc05/02	Lodging	\$431.22
5/29/02	jbc6/02	Lodging	\$500.30
5/29/02	jbc6/02	Lodging	\$70.62
6/11/02	jbc6/02	Lodging	\$660.85
6/26/02	ffv7/02	Lodging	\$853.38
6/26/02	jbc7/02	Lodging	\$853.38
7/17/02	jbc7/02	Lodging	\$426.69
7/17/02	ffv7/02	Lodging	\$468.69
7/30/02	jbc8/02	Lodging	\$428.69
7/31/02	jbc8/02	Lodging	\$426.69
7/31/02	jbc8/02	Lodging	\$181.61
8/1/02	jbc8/02	Lodging	\$426.69
		Total	\$10,033.68

4/30/02 Dow Jones	Research	\$68.50
5/16/02 Bloomberg	Research	\$100.00
5/31/02 Dow Jones	Research	\$68.50
6/3/02 Proxy	Research	\$25.00
6/13/02 10Q	Research	\$21.00
6/13/02 10K	Research	\$63.60
6/30/02 Dow Jones	Research	\$95.00
6/30/02 Lexis Nexis	Research	\$49.00
6/30/02 Pacer	Research	\$120.00
8/15/02 Bloomberg	Research	\$100.00
	Total	\$710.60

7/16/02	Taxi	5.00
7/17/02	Taxi/trans	195.84
	taxi/trans	23.46
6/18/02	taxi/transportation	77.83
5/21/02 Carey	Carey Car	\$56.25
6/4/02 Carey	Carcy Car	\$504.95
6/21/02 Carey	Carey Car	\$212.20
7/8/02 Carey	Carey Car	\$122.50
6/12/02 jbc6/02	Parking	\$38.00
4/12/02 ffv5/02	Taxi	\$22.10
5/15/02 ffv5/02	Taxi	\$28.00
5/16/02 ffv5/02	Taxi	\$22.00
5/17/02 ffv5/02	Taxi	\$30.00
5/20/02 jbc05/02	Taxi	\$41.00
5/28/02 jiw8/02	Taxi	\$88.20
6/3/02 All City	Taxi	\$85.17
6/3/02 jiw8/02	Taxi	\$203.20
6/12/02 All City Transport	Taxi	\$44.00
6/27/02 jbc7/02	Taxi	\$25.00
6/27/02 All City	Taxi	\$23.46
6/28/02 jiw8/02	Taxi	\$136.50
7/17/02 ffv7/02	Taxi	\$29.00
7/17/02 ffv7/02	Taxi	\$38.00
7/30/02 jbc8/02	Taxi	\$74.00
8/2/02 jbc8/02	Taxi	\$50.49
	Total	\$2,176.15

6/18/02	Telephone	388.76
6/18/02	Telephone	56.19
7/17/02	Telephone	43.59
7/23/02	telephone	27.73
5/21/02 Verizon	Telephone	\$28.99
5/21/02 Sprint	Telephone	\$40.81
5/28/02 Sprint	Telephone	\$100.00
5/28/02 AT&T	Telephone	\$53.15
6/3/02 PES	Telephone	\$17.50
6/19/02 AT&T Wireless	Telephone	\$105.26
6/19/02 Sprint	Telephone	\$150.00
6/26/02 jbc7/02	Telephone	\$18.98
6/28/02 jbc7/02	Telephone	\$37.46
7/1/02 Verizon	Telephone	\$38.29
7/17/02 jbc7/02	Telephone	\$117.13
7/22/02 Sprint	Telephone	\$96.85
7/29/02 Sprint	Telephone	\$100.00
7/29/02 ATT Wireless	Telephone	\$53.63
7/31/02 jbc8/02	Telephone	\$29.66
8/1/02 jbc8/02	Telephone	\$11.49
8/19/02 Sprint	Telephone	\$75.00
8/22/02 AT&T Wireless	Telephone	\$51.04
9/22/02 ATT Wireless	Telephone	\$33.02
9/22/02 Sprint	Telephone	\$75.00
9/24/02 Sprint	Telephone	\$39.92
	Total	\$1,789.45

	Duplicating	713.08
	duplicating	434.00
	Total	\$1,147.08

8/2/02	Dinner	319.00
8/5/02	Dinner	19.75
6/18/02	Meals	474.45
7/17/02	Meals	73.31
4/18/02 ffv5/02	Travel Meal	\$9.07
5/16/02 jbc5/02	Travel Meal	\$1,296.00
5/20/02 jbc5/02	Travel Meal	\$7.45
6/11/02 jbc6/02	Travel Meal	\$36.31
6/26/02 ffv7/02	Travel Meal	\$10.83
6/26/02 jbc7/02	Travel Meal	\$61.83
6/28/02 Waiters	Travel Meal	\$31.31
7/23/02 jbc7/02	Travel Meal	\$44.66
5/7/02 Ping's	Working Lunch	\$31.92
5/8/02 pettycash	Working Lunch	\$30.62
5/9/02 Café Brenda	Working Lunch	\$40.43
5/10/02 Creative	Working Lunch	\$32.88
5/13/02 Waiters	Working Lunch	\$35.37
5/14/02 pettycash	Working Lunch	\$17.92
5/21/02 Waiters	Working Lunch	\$32.42
5/22/02 Zelo's	Working Lunch	\$37.50
5/28/02 Waiters	Working Lunch	\$35.24
5/29/02 Waiters	Working Lunch	\$31.77
6/3/02 Origami	Working Lunch	\$31.11
6/4/02 Waiters	Working Lunch	\$33.90
6/5/02 Café SFA	Working Lunch	\$31.13
6/6/02 Café Brenda	Working Lunch	\$30.60
6/10/02 Creative	Working Lunch	\$31.94
6/13/02 Creative	Working Lunch	\$30.34
6/14/02 Waiters	Working Lunch	\$31.09
6/17/02 Ping's	Working Lunch	\$31.05
6/19/02 Waiters	Working Lunch	\$28.02
6/20/02 Waiters	Working Lunch	\$26.69
6/21/02 pettycash	Working Lunch	\$37.08
6/24/02 Creative	Working Lunch	\$37.27
6/25/02 D'Amico	Working Lunch	\$36.97
6/26/02 Café Brenda	Working Lunch	\$31.68
7/1/02 Origami	Working Lunch	\$36.64
7/11/02 Waiters	Working Lunch	\$31.79
7/15/02 Zelos	Working Lunch	\$30.78
7/16/02 Creative	Working Lunch	\$34.07
7/17/02 ffv7/02	Working Lunch	\$14.08
7/19/02 Café Brenda	Working Lunch	\$34.44
7/24/02 Ping's	Working Lunch	\$30.50
7/29/02 Waiters	Working Lunch	\$30.96
8/1/02 jbc8/02	Working Lunch	\$159.02
8/5/02 Ping's	Working Lunch	\$33.05
8/12/02 Waiters	Working Lunch	\$33.95
	Total	\$3,628.19

Total Airfare	\$38,410.08
Total Taxi/Transportation	\$2,176.15
Total Lodging	\$10,033.68
Total Meals	\$3,628.19
Total Fed-Ex/Delivery	\$915.07
Total Duplicating	\$1,147.08
Total Telephone	\$1,789.45
Total Research	\$710.60
Total HLHZ Expenses	\$58,810.30
Close Brother	\$5,419.67
Total Expenses	\$64,229.97

9/2/02

EXHIBIT H

Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re:	:	Chapter 11
	:	
FLAG Telecom Holdings Limited et al.,	:	Case No. 02-11732
Debtors.	:	through 02-11736 and
	:	Case No. 02-11975
	:	through 02-11979
	:	(Jointly Administered)

**ORDER GRANTING FINAL APPLICATION OF HOULIHAN LOKEY
HOWARD & ZUKIN FINANCIAL ADVISORS, INC. AND CLOSE BROTHERS
CORPORATE FINANCE LIMITED FOR FINAL ALLOWANCE
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

This matter coming before the Court on the Final Application for Compensation and Reimbursement of Expenses for the period beginning May 7, 2002 through and including October 8, 2002 (the "Application Period") filed by Houlihan, Lokey Howard & Zukin Financial Advisors, Inc. and Close Brothers Corporate Finance Limited (collectively, the "Advisors"), financial advisors to the Official Committee of Unsecured Creditors (the "Committee") of FLAG Telecom Holdings Limited, et al., debtor and debtor-in-possession (the "Debtors"); the Court having reviewed the Application and all pleadings relating thereto; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein;

THE COURT HEREBY FINDS THAT:⁽¹⁾

A. The Court has jurisdiction over this matter pursuant to 11 U.S.C. §§ 328(a) and 1103.

(1) Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Application.

B. This is a core proceeding pursuant to 28 U.S.C. §157.

C. The Application complies, as applicable, with the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules for the Bankruptcy Court for the Southern District of New York and the Orders of this Court.

D. The Advisors' requested final compensation for services rendered in connection with its representation of the Debtors during the Application Period is reasonable and appropriate under sections 328, 330 and 331 of the Bankruptcy Code.

E. The Advisors' expenses incurred during the Application Period for which it seeks reimbursement were actual and necessary expenses under sections 330(a) (1)(B) and 331 of the Bankruptcy Code.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED.
2. The Advisors' request for an final allowance of compensation of 100% of \$3,387,795.75 and reimbursement for 100% of expenses of \$64,229.97 for the Application Period is hereby approved.
3. The Debtors are hereby authorized and directed to pay the Advisors the foregoing approved fees and expenses that remain outstanding.

Dated: _____, 2002

UNITED STATES BANKRUPTCY JUDGE