

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

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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. :  
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**APPLICATION OF MELLO JONES & MARTIN, SPECIAL BERMUDA  
COUNSEL FOR THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS, FOR FINAL ALLOWANCE AND AWARD  
OF COMPENSATION AND FOR THE REIMBURSEMENT  
OF EXPENSES FOR SERVICES RENDERED DURING THE PERIOD  
FROM JULY 15, 2002 THROUGH SEPTEMBER 26, 2002**

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

Mello Jones & Martin (“Mello Jones”), special Bermuda counsel to the Official Committee of Unsecured Creditors (the “Committee”) of FLAG Telecom Holdings Limited and certain of its subsidiaries and affiliates (collectively, the “Debtors”), submits this final fee application (the “Application”) seeking final allowance and award of compensation for services rendered and reimbursement of expenses incurred in connection therewith during the period from July 15, 2002 through and including September 26, 2002, pursuant to 11 U.S.C. §§ 330(a). In support of the Application, Mello Jones respectfully represents:

## **I. INTRODUCTION**

1. By this Application, Mello Jones seeks: (i) a final allowance and award of compensation for the professional services rendered by Mello Jones as special Bermuda counsel to the Committee for the period from July 15, 2002 through and including September 26, 2002 (the "Compensation Period") in the amount of \$32,845.75<sup>1</sup>, representing 108.15 hours of professional services; (ii) a final allowance and award in the amount of \$1,039.20 for reimbursement of actual and necessary expenses incurred in connection with the professional services rendered during the Compensation Period.

2. Venue of this proceeding and this Application is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief sought herein are 11 U.S.C. §§ 330(a).

## **II. BACKGROUND**

3. On April 12, 2002, FLAG Telecom Holdings Limited, FLAG Limited, FLAG Pacific USA Limited, FLAG Atlantic Holdings Limited and FLAG Atlantic Limited filed with this Court their voluntary petitions for relief under chapter 11 of title 11 of the United States Code (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 with this Court their voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Pursuant to an order of this Court, the Debtors' chapter 11 cases were jointly administered.

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<sup>1</sup> Mello Jones incurred fees were in the amount of \$38,192.75. Pursuant to an agreement with the United States Trustee's Office for the Southern District of New York, Mello Jones has agreed to reduce its fees by 14%.

4. On September 26, 2002, this Court entered an order confirming the Debtors' Third Amended and Restated Plan of Reorganization (the "Plan").<sup>2</sup> The Plan became effective on October 9, 2002 (the "Effective Date"). The Plan significantly reduced the Debtors' debt levels and enabled the Debtors' worldwide business to emerge intact from chapter 11. The post-confirmation successor to the Debtors is a leading global network services provider and independent carriers' carrier, providing an innovative range of products and services to the international carrier community across an international network platform.

5. Pursuant to the Plan, the following creditor groups received distributions of cash and/or securities in full and final satisfaction of their claims as described below:

- (a) Holders of the Company's 11 5/8% Senior Notes received US\$245 million in cash, a US\$45 million promissory note (callable at \$30 million for 18 months) and 5% of the common stock of the reorganized and newly incorporated holding company, FLAG Telecom Group Limited ("New FLAG");
- (b) Holders of FLAG Limited's 8 1/4% Notes received approximately 63% of the common stock of New FLAG;
- (c) Bank lenders under a credit facility previously extended to FLAG Atlantic Limited received approximately 26% of the common stock of New FLAG;
- (d) Certain significant trade creditors, such as Alcatel, Lucent, REACH and CIENA, amended their agreements with the Company and have received or will receive other consideration, including, among other things, notes, common stock of New FLAG and cash, as further detailed in the Plan;
- (e) Trade creditors other than trade creditors of FLAG Atlantic Holdings Limited and its Debtor subsidiaries have received or will receive a cash payment in settlement of their claim(s), reinstatement of their claim(s) or payment in full; and
- (f) Trade creditors (other than Alcatel and Lucent) of FLAG Atlantic Holdings Limited and those of its subsidiaries that are debtors in

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<sup>2</sup> Terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

the proceedings received *pro rata* rights to recoveries on potential avoidance actions.

6. Prior to the Effective Date, the Debtors continued in possession of their property and continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

7. Mello Jones respectively submits that the services rendered on behalf of the Committee were necessary, resulted in the effective administration of the Debtors' chapter 11 cases, and benefited the Debtors' unsecured creditors. Together with Akin Gump Strauss Hauer & Feld LLP ("Akin Gump"), the Committee's counsel, Mello Jones advised and counseled the Committee with respect to the bankruptcy proceedings commenced in Bermuda by certain of the Debtor entities. Through the efforts of Mello Jones and Akin Gump, the Committee acquitted its fiduciary duties to, and secured a recovery for, the Debtors' unsecured creditors.

### **III. RETENTION OF MELLO JONES**

8. On May 3, 2002 (the "Committee Formation Date"), pursuant to section 1102 of the Bankruptcy Code, the United States Trustee appointed the Committee. The Committee consisted of seven members.<sup>3</sup> On or about July 15, 2002, the Committee selected Mello Jones to serve as special Bermuda counsel to the Committee pursuant to section 1103(a) of the Bankruptcy Code.

### **RELIEF REQUESTED**

9. The Debtors' parent company, FLAG Telecom Holdings Limited, and a number of its subsidiaries, are Bermuda corporations. Thus, the Debtors had assets and operations located in Bermuda. A bankruptcy filing in the United States also required the

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<sup>3</sup> The Committee was comprised of the following entities: Alcatel Submarine Networks; Lucent Technologies, Inc.; HSBC Bank USA; The Bank of New York; Cerberus Capital Management, L.P.; Elliott

commencement of winding up proceedings in Bermuda pursuant to the Bermuda Companies Act of 1981, and bankruptcy proceedings were commenced in Bermuda for certain of the Debtor entities. Therefore, the Committee required advice and assistance relating to its ongoing review and analysis of various laws of Bermuda. The Committee employed Mello Jones, a Bermuda law firm based in Bermuda and well-versed in the laws of Bermuda, to advise and represent the Committee with respect to aspects of Bermuda corporate, insolvency, restructuring, liquidation and other law that impacted the Debtors' chapter 11 cases.

10. Mello Jones has received no payment and no promises for payment from any source for services rendered in connection with the Debtors' chapter 11 cases. There is no agreement or understanding between Mello Jones and any other person (other than members of Mello Jones) for the sharing of compensation to be received for the services rendered in the Debtors' chapter 11 cases.

11. As stated in the Affirmation of Peter Martin, annexed hereto as Exhibit "A," all of the services for which final compensation is sought herein were rendered solely in connection with the Debtors' chapter 11 cases.

12. Pursuant to the Order Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals, entered by the Court on June 17, 2002 (the "Fee Order"), Mello Jones sent to the Debtors and the appropriate notice parties its amended Monthly Fee Statement, dated November 27, 2002, for Compensation and for Reimbursement of Expenses for Services Rendered during the Period from July 15, 2002 through and including September 26, 2002 in the amounts of \$38,192.75 for fees and \$1,39.20 for expenses (the "September Fee Statement").

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Management Corp.; Varde Partners, Inc.; PPM America Inc.; and Pacific Investment Management Company, LLC, a.k.a. PIMCO.

13. The Committee sought to retain Mello Jones nunc pro tunc to July 15, 2002, and Mello Jones provided services to the Committee as of this date. Prior to the approval of Mello Jones's retention, the United States Trustee informed the Committee that it had concerns over the length of the period that has elapsed between the nunc pro tunc date and the filing of Mello Jones's retention application. The Committee submits that this delay was a largely a result of Mello Jones's being unfamiliar and inexperienced with the process by which professionals are retained in chapter 11 cases. In accordance with discussions between Akin Gump and the United States Trustee, Mello Jones agreed that its fees earned from July 15, 2002 until the Mello Jones's retention date would be reduced by 14% in return for the United States Trustee not objecting to Mello Jones's retention as of July 15, 2002. This adjustment of Mello Jones's fees is reflected herein.

#### **IV. SUMMARY OF SERVICES RENDERED**

14. As of July 15, 2002, Mello Jones rendered professional services to the Committee as requested and as necessary and appropriate in furtherance of the interests of the Debtors' unsecured creditors. The variety and complexity of the Debtors' chapter 11 cases and the need to act or respond on an expedited basis in furtherance of the Committee's needs required the expenditure of substantial time by Mello Jones.

15. Mello Jones maintained written records of the time expended by attorneys and paraprofessionals rendering professional services to the Committee. Such time records were made contemporaneously with the rendition of services by the person performing such services and in the ordinary course of Mello Jones's practice, and are presented in a form that is in compliance with the Local Bankruptcy Rules for the Southern District of New York. A compilation showing (i) the name of the attorney or paraprofessional, (ii) the date on which the

services were performed, (iii) a description of the services rendered, and (iv) the amount of time spent performing professional services for the Committee during the Compensation Period is annexed hereto as Exhibit "B".

16. Mello Jones also maintained records of all actual and necessary out-of-pocket expenses incurred in connection with its representation of the Committee, all of which also are available for inspection. A schedule of the categories of expenses and amounts for which reimbursement is requested is annexed hereto as Exhibit "C".

17. Mello Jones respectfully submits that the professional services that it rendered on behalf of the Committee were necessary and directly contributed to the effective administration of the Debtors' chapter 11 cases.

18. Mello Jones advised the Committee with respect to issues under Bermuda laws that arose in the provisional liquidation proceedings and during the course of these chapter 11 proceedings.

#### **IV. FACTORS TO BE CONSIDERED IN AWARDING ATTORNEYS' FEES**

19. The factors to be considered in awarding attorneys fees have been enumerated in In re First Colonial Corporation of America, 544 F.2d 1291, 1298-99 (5<sup>th</sup> Cir.), reh'g denied, 547 F.2d 573, cert. denied, 431 U.S. 904 (1977), and have been adopted by most courts. Mello Jones respectfully submits that a consideration of these factors should result in this Court's allowance of the full compensation sought.

(A) The Time and Labor Required. The professional services rendered by Mello Jones on behalf of the Committee have required the expenditure of substantial time and effort. The services rendered required a high degree of

professional competence and expertise in order to be administered with skill and dispatch.

(B) The Novelty and Difficulty of Questions. Mello Jones's effective advocacy and creative approach helped clarify and resolve a number of complex and novel issues.

(C) The Skill Requisite to Perform the Legal Services Properly. Mello Jones is a firm incorporated in Bermuda with extensive experience in insolvency, reorganization and corporate law. The Committee believes that Mello Jones was an efficient provider of legal services with respect to matters of Bermuda law and that Mello Jones' retention as special Bermuda counsel in these chapter 11 cases was in the best interest of the Debtors' estates and their creditors.

(D) The Preclusion of Other Employment by Applicant Due to Acceptance of the Case. Mello Jones's representation of the Committee has not precluded its acceptance of new clients.

(E) The Customary Fee. The fee sought herein is based upon Mello Jones's normal hourly rates for services of this kind. Mello Jones respectfully submits that the fee sought herein is not unusual given the magnitude and complexity of the Debtors' chapter 11 cases and the time expended in attending to the representation of the Committee, and is commensurate with fees charged by other attorneys of comparable experience.

(F) Whether the Fee is Fixed or Contingent. Pursuant to sections 330 and 331 of the Bankruptcy Code, all fees sought by professionals are contingent pending final approval by this Court, and are subject to adjustment dependent upon the



services rendered and the results obtained. The collective efforts of the various parties in interest and their respective professionals, including Mello Jones, resulted in the negotiation, confirmation and consummation of a consensual plan of reorganization in an extraordinarily short period of time given the complexity of the Debtors' chapter 11 cases.

(G) Time Limitations Imposed by Client or Other Circumstances. As discussed, Mello Jones was required to attend to certain issues arising in the Debtors' chapter 11 cases in compressed time periods and under significant time constraints.

(H) The Amount Involved and Results Obtained. Mello Jones's, constructive assistance, as well as criticism, greatly contributed to enhancement of the recoveries available to the Debtors' creditors and to the efficient administration of the Debtors' chapter 11 cases. Mello Jones and its personnel made a material contribution to the Debtors' successful reorganization and their emergence from chapter 11 in less than six months.

(I) The Experience, Reputation and Ability of the Attorneys. Mello Jones has extensive experience in insolvency reorganization and corporate law.

(J) The "Undesirability" of the Case. The Debtors' chapter 11 cases are not undesirable.

(K) Nature and Length of Professional Relationship. Mello Jones was selected as counsel to the Committee on July 15, 2002. The Court entered an order on September 26, 2002, authorizing the Committee to employ Mello Jones, nunc pro tunc to July 15, 2002. Mello Jones has continuously rendered services to the

Committee since July 15, 2002, and throughout the Compensation Period, as necessary and appropriate.

## **VI. ALLOWANCE OF COMPENSATION**

20. Given the numerous and intricate issues that required evaluation and determination by the Committee, the professional services rendered by Mello Jones required a high degree of professional competence and expertise as well as the expenditure of significant time and effort. It is respectfully submitted that the services rendered to the Committee were performed efficiently, effectively and economically, and the results obtained to date have benefited not only the members of the Committee, but also the unsecured creditor body as a whole and the Debtors' estates.

21. With respect to the level of compensation, 11 U.S.C. § 330(a)(1) provides, in pertinent part, that the Court may award to a professional person:

reasonable compensation for actual, necessary services rendered ...

Section 330(a)(3)(A), in turn, provides that

In determining the amount of reasonable compensation to be awarded, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including –

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- (E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. §330(a)(3)(A). The clear Congressional intent and policy expressed in this statute is to provide for adequate compensation in order to continue to attract qualified and competent bankruptcy practitioners to bankruptcy cases.

22. The total time spent by Mello Jones attorneys and paraprofessionals during the Compensation Period was 108.15 hours. The work involved, and, thus, the time expended, was carefully assigned in light of the experience and expertise required for a particular task.

23. As shown by this Application and supporting documents, Mello Jones spent its time economically and without unnecessary duplication of time. Attached hereto as Exhibit "D" is a schedule of the hours expended by attorneys and paraprofessionals during the Compensation Period, their normal hourly rates, and the value of their services. In addition, Mello Jones incurred actual out-of-pocket expenses in connection with its representation of the Committee in the amount of \$1,039.20, for which Mello Jones respectfully requests reimbursement in full.

24. The disbursements and expenses have been incurred in accordance with Mello Jones's normal practice of charging clients for expenses clearly related to and required by particular matters. Mello Jones has endeavored to minimize these expenses to the fullest extent possible.

25. No agreement or understanding exists between Mello Jones and any other person for the sharing of any compensation to be received for professional services rendered or to be rendered in connection with the Debtors' chapter 11 cases.

26. No prior application has been made in this Court or in any other court for the relief requested herein for the Compensation Period.

**WHEREFORE**, Mello Jones respectfully requests that this Court enter an order:

(a) approving and granting final allowance of \$32,845.76 for compensation of professional services rendered to the Committee during the period from July 15, 2002 through and including September 26, 2002;

(b) approving and granting final reimbursement of Mello Jones's out-of-pocket expenses incurred in connection with the rendering of such services during the period from July 15, 2002 through and including September 26, 2002 in the amount of \$1,039.20; and

(c) granting such other and further relief as this Court may deem just and proper.

Dated: Hamilton, Bermuda  
December 6, 2002

**MELLO JONES & MARTIN**

By: /s/ Peter Martin  
\_\_\_\_\_  
Peter Martin

Mello Jones & Martin  
P.O. Box HM 1564  
Hamilton HM FX  
Bermuda

# EXHIBIT A

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

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: :  
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

**AFFIRMATION**

**PETER MARTIN** respectfully states and affirms:

1. I am a member of the firm of Mello Jones & Martin (“Mello Jones”), which maintains offices for the practice of law in Hamilton, Bermuda. Mello Jones has served as special Bermuda counsel to and has rendered professional services on behalf of the Official Committee of Unsecured Creditors (the “Committee”) of FLAG Telecom Holdings Limited and certain of its subsidiaries and affiliates (collectively, the “Debtors”).

2. This affirmation is submitted pursuant to Rule 2016(a) of the Federal Rules of Bankruptcy Procedure in support of Mello Jones’ application for a final allowance of compensation and for the reimbursement of expenses for services rendered during the period from July 15, 2002 through September 26, 2002 in the aggregate amount of \$33,884.96.

3. All services for which compensation is requested by Mello Jones are professional services performed for and on behalf of the Committee and not on behalf of any other person.

4. In accordance with 18 U.S.C. § 155, neither I nor any member or associate of my firm has entered into any agreement, express or implied, with any other party in interest for the purpose of fixing the amount of any of the fees or other compensation to be allowed out of or paid from the Debtors' estates.

5. In accordance with section 504 of title 11 of the United States Code (the "Bankruptcy Code"), no agreement or understanding exists between me, my firm, or any member or associate thereof, on the one hand, and any other person, on the other hand, for the division of such compensation as Akin Gump may receive for services rendered in connection with these cases, nor will any division of fees prohibited by section 504 of the Bankruptcy Code be made by me or any partner, counsel or associate of my firm.

/s/ Peter Martin  
PETER MARTIN

Dated: Hamilton, Bermuda  
December 6, 2002

# EXHIBIT B



Date: 09/30/02

TABS III Detail Work-In-Process Report  
Mello Jones & Martin

Page: 1

Primary Timekeeper: 13 MARTIN, PETER D.A.

Client: 27511.0001 AKIN, GUMP, STRAUSS, HAUER & FELD, LLP  
590 MADISON AVENUE  
NEW YORK N.Y 10022  
AKIN, GUMP, STRA FLAG TELECOM HOLDINGS LIMITED

Contact: MICHAEL STAMER/ ALAN HILL

Primary Timekeeper: 13 PDM Category: 5 GENERAL ADVICE & OPINIONS - CO  
Secondary Timekeeper: 13 PDM Rate Code: 1 Draft: STI Final: STI  
Originating Timekeeper: 13 PDM Date Opened: 07/25/02

Prev Balance: 0.00

Date	Tmkr	Cat	Src	H	T	B	R	Tcode	Ref #	Rate	Hours	Amount	Write Up/Down	Description	
07/23/02	1 AAM	5						29	2	390.00	0.20	78.00		Discussion with Peter Martin re scheme of arrangement issues.	
07/30/02	1 AAM	5						62	16	390.00	0.40	156.00		Review package from David Simonds and telephone call with David Simonds re creditors notice	
08/05/02	1 AAM	5						29	20	390.00	0.30	117.00		Discussion with Peter Martin re bye law indemnity issues etc.	
08/06/02	1 AAM	5						3	23	390.00	0.20	78.00		Telephone Call With John Riihiluoma re Flag Plan of Reorganisation and Scheme	
08/12/02	1 AAM	5						29	22	390.00	0.60	234.00		Discussion with Peter Martin re Scheme issues	
08/20/02	1 AAM	5						6	30	390.00	0.60	234.00		Conference call with Alan Hill re directors liability claims.	
<b>Billable Total: 1 MARTIN, ANDREW A</b>												2.30	897.00		
04/07/02	13 PDM	5						31	3	390.00	0.30	117.00		Internal memo re handover	
06/14/02	13 PDM	5						64	1	390.00	1.00	390.00		Sent letter to Akin Gump	
07/23/02	13 PDM	5						29	11	390.00	5.00	1950.00		Discussion with B. Lehmann re the unsecured creditors objection to the Joint Plan.	
														Conference Call with A. Hill of Akin Gump to discuss the above and advise of methodology for presenting creditors' scheme of arrangement and implications of the "notice to terminate".	
07/24/02	13 PDM	5						9	12	390.00	3.00	1170.00		Further research on the above and preparation of a memorandum of advice. Research re Hawk Insurance; English Chancery Division and Practice Direction. Prepare Memorandum of Advice and send to Akin Gump.	
07/25/02	13 PDM	5						3	13	390.00	0.20	78.00		Telephone call to Akin Gump. Telephone call with D. Simonds at Akin Gump concerning filing proof of debts	
07/26/02	13 PDM	5						62	8	390.00	4.00	1560.00		Review draft of Schemas of Arrangement	
07/26/02	13 PDM	5						62	9	390.00	1.00	390.00		Review Financial Information exhibits	
07/26/02	13 PDM	5						3	10	390.00	0.20	78.00		Telephone call with D. Birsh regarding proposed review of FLAG security documentation	
07/30/02	13 PDM	5						62	15	390.00	0.50	195.00		Review faxes	
08/01/02	13 PDM	5						62	25	390.00	5.00	1950.00		Review draft Bye-laws and prepare memorandum to Akin Gump	
08/05/02	13 PDM	5						10	26	390.00	3.00	1170.00		Draft memorandum on Bye-laws	
08/05/02	13 PDM	5						62	27	390.00	5.50	2145.00		Review binders of security documentation; review memoranda relating to registration and satisfaction of charges; analysis of charges and preparation of letter of advice	
08/06/02	13 PDM	5						3	44	390.00	4.80	1872.00		Telephone call with D. Bersh at Akin Gump re Bye-law review; telephone call with D. Bersh re Lien Analysis, particularly status of security over cable; telephone call with Appleby Spurling & Kempe re BMA permission; research and draft memorandum of advice; fax advice to Akin Gump	
08/07/02	13 PDM	5						62	40	390.00	0.50	195.00		Further review to memorandum commenting on Bye-laws and cover fax to Akin Gump	
08/07/02	13 PDM	5						62	41	390.00	0.70	273.00		Review and preliminary consideration of faxes from David Simmonds at Akin Gump relating to disclosure statement objections	
08/07/02	13 PDM	5						62	42	390.00	0.50	195.00		Review further fax from David Simmonds	
08/08/02	13 PDM	5						62	45	390.00	1.00	390.00		Review affidavit	
08/08/02	13 PDM	5						62	46	390.00	1.50	585.00		Review Scheme documents	
08/09/02	13 PDM	5						62	47	390.00	2.30	897.00		Review draft Scheme of Arrangement; review FLAG prospectus and send letter to AS&K	
08/12/02	13 PDM	5						29	48	390.00	0.30	117.00		Discussion with A. Martin	
08/20/02	13 PDM	5						3	49	390.00	0.50	195.00		Telephone call with A. Hill / A. Martin regarding derivative action	
08/20/02	13 PDM	5						62	50	390.00	1.00	390.00		Revise memorandum from D. Bersh	
08/21/02	13 PDM	5						10	51	390.00	3.00	1170.00		Drafting and revising memorandum of advice	
08/22/02	13 PDM	5						10	52	390.00	4.50	1755.00		Preparation of memorandum re lien analysis	
08/23/02	13 PDM	5						2	53	390.00	3.50	1365.00		Finalise memorandum re lien analysis; fax to D. Bersh	
08/28/02	13 PDM	5						62	54	390.00	2.00	780.00		Review declaration, exhibit and conflict file; revise draft search reports	
09/03/02	13 PDM	5						62	63	390.00	0.20	78.00		Review comments from Akin Gump on Lien Analysis	
09/04/02	13 PDM	5						2	64	390.00	1.00	390.00		Verification of Declaration relating to parties of interests	

Date: 09/30/02

TABS III Detail Work-In-Process Report  
Mello Jones & Martin

Page: 2

Primary Timekeeper: 13 MARTIN, PETER D.A.

Client: 27511.0001 AKIN, GUMP, STRAUSS, HAUER &amp; FELD, LLP (Continued)

Date	Tmkr	Cat	Src	H	T	B	R	P	X	C	C	Tcode	Ref #	Rate	Hours	Amount	Write Up/Down	Description	
09/05/02	13	PDM	5									62	65	390.00	2.00	780.00		Review Bye-laws and send comments to Akin Gump	
09/12/02	13	PDM	5									2	70	390.00	0.70	273.00		Finalise Declaration; telephone call with Bermuda Commercial Bank	
09/13/02	13	PDM	5									62	71	390.00	0.50	195.00		Review Bye-laws	
09/25/02	13	PDM	5									3	74	390.00	0.30	117.00		Telephone Call With A. Hill	
Billable Total: 13 MARTIN, PETER D.A.																59.50	23205.00		
07/23/02	17	BL	5									6	4	390.00	1.20	468.00		Attending conference call with Alan Hill and Peter Martin, discussion with Peter Martin	
07/24/02	17	BL	5									29	5	390.00	0.50	195.00		Discussion with Peter Martin, revising correspondence, reviewing Order re. compensation of professionals	
07/25/02	17	BL	5									29	6	390.00	0.40	156.00		Various discussions with Peter Martin	
07/26/02	17	BL	5									29	7	390.00	0.30	117.00		Discussion with Peter Martin	
08/01/02	17	BL	5									29	28	390.00	0.30	117.00		Discussion with Peter Martin re. status of review of collateral documents and search results	
08/03/02	17	BL	5									62	33	390.00	1.70	663.00		{30.07.02} Reviewing documents re. credit arrangements, drafting letter, discussion with Peter Martin	
08/04/02	17	BL	5									29	34	390.00	2.30	897.00		{31.07.02} Discussion with Peter Martin re. requirements and searches, instructions to Sandra Bohan re. conducting search, reviewing documents re. loan facility, preparing draft reporting letter	
08/06/02	17	BL	5									29	29	390.00	0.20	78.00		Discussion with Peter Martin re. EMA issues	
08/20/02	17	BL	5									29	31	390.00	0.20	78.00		Discussion with Peter Martin re. various issues	
08/22/02	17	BL	5									29	32	390.00	0.20	78.00		Discussion with Peter Martin re. issues regarding enforceability of documents	
08/23/02	17	BL	5									9	55	390.00	0.50	195.00		Research regarding possible deficiencies effecting enforcement of security, discussion with Peter Martin re. capacity of a company and ultra vires rule	
09/05/02	17	BL	5									29	69	390.00	0.80	312.00		Discussion with Peter Martin; review e-mails; detailed instructions to Corrine Hewson regarding the conflict review	
09/09/02	17	BL	5									29	66	390.00	0.70	273.00		Discussion with Peter Martin; various discussions with Corrine Hewson regarding conflicts	
09/11/02	17	BL	5									29	73	390.00	0.50	195.00		Discussions with Corrine Hewson regarding various issues	
09/12/02	17	BL	5									29	72	390.00	0.30	117.00		Discussion with Peter Martin, discussion with Corinne Hewson	
Billable Total: 17 LEHMANN, BRENDA																10.10	3939.00		
08/05/02	18	EMD	5									63	17	325.00	1.00	325.00		Review letter and schedules	
08/06/02	18	EMD	5									25	19	325.00	4.00	1300.00		Finalize Bye-law memo.	
Billable Total: 18 DENMAN, ELIZABETH M																5.00	1625.00		
07/31/02	34	SB	5									9	14	225.00	3.00	675.00		Searches of four companies in Registrar of Companies including co-ordinating copies of all relevant documents.	
08/05/02	34	SB	5									8	18	225.00	3.00	675.00		Review all charges and drafted schedule of charges noting which charges were still active and which released. Prepared ancillary documentation to be faxed with opinion.	
08/06/02	34	SB	5									46	21	225.00	2.00	450.00		Perusing agreements. Discussion with P. Martin re same and C. Mathews of our office re same.	
08/15/02	34	SB	5									2	24	225.00	1.75	393.75		Attendance to full search of two companies: Rathburn Limited and NYNEX Network Systems, which had charges over the shares of FLAG but were since released. Drafted memo in relation to same.	
Billable Total: 34 BOHAN, SANDRA																9.75	2193.75		
08/05/02	35	CM	5									62	59	300.00	4.00	1200.00		Review draft Memo and Bye-laws/Lien	
08/06/02	35	CM	5									62	61	300.00	3.50	1050.00		Review draft memo	
08/07/02	35	CM	5									62	67	300.00	0.50	150.00		Review Lien document and draft agreements	
08/09/02	35	CM	5									62	68	300.00	3.00	900.00		Review Lien documents and draft agreements	
08/20/02	35	CM	5									29	35	300.00	0.50	150.00		Discussions with PM	
08/20/02	35	CM	5									62	36	300.00	0.50	150.00		review of Lien Documents	
08/20/02	35	CM	5									10	37	300.00	1.00	300.00		Draft four Schedules	
08/21/02	35	CM	5									62	38	300.00	2.00	600.00		Review draft advice	
08/22/02	35	CM	5									62	39	300.00	2.00	600.00		Review draft advice	
08/23/02	35	CM	5									62	43	300.00	1.00	300.00		Reviewed draft advice and discussions with PM	
08/30/02	35	CM	5									62	62	300.00	2.50	750.00		Review of Bye-laws and Draft memorandum	
09/04/02	35	CM	5									62	56	300.00	1.00	300.00		Review Bye-laws	
09/04/02	35	CM	5									10	57	300.00	1.00	300.00		Memo to PM	
09/05/02	35	CM	5									5	58	300.00	0.30	90.00		Emails to/from Akin Gump and to Philip chesterman	
Billable Total: 35 MATHEWS, CATHERINE																22.80	6840.00		
Total Billable Fees														109.45	38699.75				

Date: 09/30/02

TABS III Detail Work-In-Process Report  
Mallo Jones & Martin

Page: 3

Primary Timekeeper: 13 MARTIN, PETER D.A.

Client: 27511.0001 AKIN, GUMP, STRAUSS, HAUER & FELD, LLP (Continued)

Date	Tmkr	Cat	Src	H	T	B	R	P	X	C	C	Tcode	Ref #	Rate	Hours	Amount	Write Up/Down	Description
Expenses																		
08/05/02	13	PDM										103	1			1.10		LONG DISTANCE TELEPHONE CALL, 1(212)872-8056
08/05/02	17	BL										171	2			862.40		REGISTRAR OF CO. FEES
08/05/02	13	PDM										171	3			8.00		REGISTRAR OF CO. FEES
08/05/02	13	PDM										102	4			8.90		FAXES
																		011441190953023
08/06/02	13	PDM										102	5			2.30		FAXES
																		212-872-1002
08/07/02	13	PDM										102	7			3.40		FAXES
																		212-872-1002
08/15/02	13	PDM										171	6			100.80		REGISTRAR OF CO. FEES
08/21/02	13	PDM										103	10			4.40		LONG DISTANCE TELEPHONE CALL, 1(212)872-8056
08/23/02	13	PDM										102	9			15.50		LONG DISTANCE FACSIMILE, 1(212)872-1002
09/03/02	13	PDM										101	11			16.80		PHOTOCOPYING
09/05/02	13	PDM										102	12			5.60		LONG DISTANCE FACSIMILE, 1(212)872-1002
09/20/02	17	BL										179	14			10.00		CENTRAL FILING CHARGES
<b>Total Expenses</b>																<b>1039.20</b>		

\*\*\*\*\* R E C A P \*\*\*\*\*

Fees:	38699.75	Prev Bal:	0.00		
Expenses:	1039.20	Pymt/Cr:	0.00		
Advances:	0.00	Bal Due:	0.00	Total:	39738.95
Total WIP:	39738.95				
A/R: 0-30	31-60	61-90	91-120	121-180	181+
0.00	0.00	0.00	0.00	0.00	0.00

# EXHIBIT C

**FLAG TELECOM HOLDINGS LIMITED**  
**DISBURSEMENT SUMMARY**  
**JULY 15, 2002 THROUGH SEPTEMBER 26, 2002**

LONG DISTANCE TELEPHONE/CONFERENCE CALLS	\$5.50
DUPLICATING	\$16.80
FACSIMILE	\$35.70
FILING FEES	\$981.20
<b>TOTAL</b>	<b>\$1,039.20</b>

# EXHIBIT D

**FLAG TELECOM HOLDINGS LIMITED  
FEE SUMMARY  
JULY 15, 2002 THROUGH SEPTEMBER 26, 2002**

<b>PARTNERS</b>	<b>HOURS</b>	<b>RATE</b>	<b>AMOUNT</b>
LEHMANN, B.	10.10	\$390	\$3,939.00
MARTIN, A.	2.30	\$390	\$897.00
MARTIN, P.	58.60	\$390	\$22,854
<b>ASSOCIATES</b>			
BOHAN, S.	9.75	\$225	\$2,193.75
DENMANN, E.	5.00	\$325	\$1,625.00
MATHEWS, C.	22.80	\$300	\$6,840.00
<b>TOTAL</b>	<b>108.15</b>		<b>\$38,192.75</b>
<b>14% REDUCTION</b>			<b>(\$5,346.99)</b>
<b>TOTAL FEES REQUESTED</b>			<b>\$32,845.76</b>

# EXHIBIT E



**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

**ORDER GRANTING MELLO JONES & MARTIN, SPECIAL BERMUDA COUNSEL  
FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, FINAL  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT  
OF EXPENSES FOR SERVICES RENDERED DURING THE PERIOD  
FROM JULY 15, 2002 THROUGH SEPTEMBER 26, 2002**

This Court having considered the application for final compensation and reimbursement of expenses (the "Fee Application") of Mello Jones & Martin ("Mello Jones"), special Bermuda counsel to the Official Committee of Unsecured Creditors in the above captioned cases, pursuant to which Mello Jones seeks payment of fees in the amount of \$32,845.75 and reimbursement of expenses in the sum of \$1,039.20 for the period from July 15, 2002 through September 26, 2002; and adequate notice of the Fee Application having been given; and a hearing having been held on January \_\_, 2003 on the Fee Application; and after due deliberation; and there being no unresolved objections thereto; and sufficient cause having been shown therefor, it is hereby

ORDERED that pursuant to 11 U.S.C. Section 330, the Court makes an final award for the period of July 15, 2002 through September 26, 2002 to Mello Jones for fees in the

amount of \$32,845.75 and expenses in the sum of \$1,039.20, (together, the "Final Fee Award");  
and it is further

ORDERED that the Debtors are authorized and directed to pay Mello Jones the  
Final Fee Award.

Dated: New York, New York  
January \_\_, 2003

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**ALLAN J. GROPPER**  
**UNITED STATES BANKRUPTCY JUDGE**