

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re :
 : Chapter 11 Case Nos.
 :
GLOBAL CROSSING LTD., et al., : 02-40187 (REG) through
 : 02-40241 (REG),
 : 02-11982 (REG)
 :
Debtors. : (Jointly Administered)
 :
-----X

FIRST INTERIM APPLICATION FOR COMPENSATION AND FOR REIMBURSEMENT OF
EXPENSES OF ARTHUR ANDERSEN LLP AS AUDITORS AND ACCOUNTING, TAX AND
FINANCIAL ADVISORS TO GLOBAL CROSSING LTD., et al.

Name of Applicant: Arthur Andersen LLP

Authorized to Provide Professional Services to: Global Crossing Ltd., et al.

Date of Retention: January 28, 2002 effective as of the
Petition Date (January 28, 2002)

Period for which compensation
and reimbursement is sought: January 28, 2002 through
May 31, 2002

Amount of Compensation sought
as actual, reasonable and necessary: \$2,047,054

Amount of Expense Reimbursement sought
as actual, reasonable and necessary: \$79,609

This is an: X interim final application.

Andersen is requesting \$11,278 of compensation (32.3 hours) for the preparation of billings and fee applications within this application.

This is the Applicant's First Interim Application for Professional Fees.

On January 28, 2002, an Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals was entered. Pursuant to this Order, Applicant has billed and received the following amounts:

	<u>Compensation</u>	<u>Billings at 80% (1)</u>	<u>Reimbursement of Expenses</u>	<u>Total Interim Billing</u>	<u>Amount Received</u>
First Interim Statement of Fees and Expenses (February)	\$ 794,344	\$ 635,475	\$ 31,913	\$ 667,388	\$ 667,388
Second Interim Statement of Fees and Expenses (March)	560,932	448,746	21,300	470,046	-
Third Interim Statement of Fees and Expenses (April)	433,729	346,983	17,649	364,632	-
Fourth Interim Statement of Fees and Expenses (May)	248,465	198,772	8,747	207,519	-
Additional Time Not Previously Billed (2)	9,584	-	-	-	-
	<u>\$ 2,047,054</u>	<u>\$ 1,629,976</u>	<u>\$ 79,609</u>	<u>\$ 1,709,585</u>	<u>\$ 667,388</u>

(1) Pursuant to the Order Pursuant to Section 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals dated January 28, 2002, the Debtors are to promptly pay 80% of the fees and 100% of the expenses identified in each monthly statement of fees and expenses. Total holdbacks over the Subject Period amounted to \$407,494. Of this total, \$158,869, \$112,186, \$86,746, and \$49,693 relate to the First, Second, Third, and Fourth Interim Billings, respectively.

(2) Andersen personnel in London, incurred 41.6 hours of time in March and April which not included in the Second and Third Interim Statements of Fees and Expenses. This time was related to the European insolvency analysis. Andersen is seeking compensation for this time through this Application.

ARTHUR ANDERSEN LLP
IN RE: GLOBAL CROSSING LTD., ET AL.
SUMMARY OF AUDITORS, ACCOUNTING, TAX AND FINANCIAL ADVISORS
RATES AND TOTAL CHARGES FOR THE PERIOD
BEGINNING JANUARY 31, 2002 AND ENDING MAY 31, 2002

<u>Professional</u>	<u>Level</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
CORPORATE RESTRUCTURING/TAS:				
Howard Tucker	Partner	\$ 625	70.2	\$ 43,875
James M. Lukenda	Partner	550	341.5	187,825
Cheryl L. Flick	Exp. Manager	507	292.8	148,450
Robert A. Campagna	Sr. Director	400	372.3	148,920
Christopher A. Suozzo	Associate	324	204.8	66,355
Michael Reed	Associate	324	41.2	13,349
Kevin M. Haggard	Manager	310	509.6	157,976
Elliot Richman	Associate	302	4.0	1,208
George T. Carbone	Associate	287	485.0	139,205
Ameya G. Bijoor	Associate	287	598.6	171,798
Pierre-Oliver Lamoureux	Associate	287	172.3	49,450
Brian Dudley	Senior Manager	262	28.5	7,467
Andrea S. Will	Associate	250	172.4	43,100
Christopher C. Alberta	Associate	250	593.0	148,250
Lauren Moldawer	Analyst	241	61.2	14,749
Joanne Scarola	Analyst	230	169.3	38,939
David X. Allen	Associate	225	180.0	40,500
Joseph H. Cashel	Associate	225	346.5	77,963
Kimberly A. Wittrock	Associate	225	227.9	51,278
Gregory Cook	Experienced Mgr	189	29.1	5,500
Deep R. Parekh	Analyst	178	20.6	3,667
Tina Jimas	Analyst	178	5.0	890
Matthew P. Gavejian	Analyst	175	32.5	5,688
Michael A. Germana	Analyst	175	328.4	57,470
Angela Tsai	Analyst	150	681.6	102,240
Anne Robinson	Analyst	150	21.0	3,150
Daniel E. Erber	Analyst	150	111.8	16,770
Glenn M. Lubin	Analyst	150	9.0	1,350
Jennifer L. Hearne	Analyst	150	172.0	25,800
Lorrie A. Muldoon	Analyst	150	43.5	6,525
Michael P. Cohen	Analyst	150	340.4	51,060
Nicole J. Carri	Analyst	150	14.0	2,100
Rachelle L. Brace	Analyst	150	51.0	7,650
Ryan S. Osborne	Analyst	150	540.4	81,060
Sabrina D. Hartzog	Analyst	150	624.9	93,735
Corporate Restructuring Subtotal			7,896.3	\$ 2,015,307

HUMAN CAPITAL SERVICES:

Nick W. Bubnovich	Partner	\$	595	3.5	\$	2,083
Howard Freidin	Partner		595	1.0		595
Robert F. Schuldt	Manager		425	43.5		18,488
Erik Hubbard	Analyst		175	2.3		403
Christine Robovsky	Analyst		165	29.4		4,851

Human Capital Services Subtotal

79.7

\$ 26,419

TAX:

Christopher J. Pimlott	Partner	\$	500	6.6	\$	3,300
John R. Keenan	Senior Manager		574	2.0		1,148
Alex R. Thurman	Manager		440	2.0		880

Tax Subtotal

10.6

\$ 5,328

Grand Total

7,986.6

\$ 2,047,054

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GLOBAL CROSSING LTD., et al., : 02-40187 (REG) through
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**FIRST INTERIM APPLICATION FOR COMPENSATION AND FOR
REIMBURSEMENT**

**OF EXPENSES OF ARTHUR ANDERSEN LLP AS AUDITORS AND ACCOUNTING,
TAX AND FINANCIAL ADVISORS TO GLOBAL CROSSING LTD., et al.**

TO THE HONORABLE ROBERT E. GERBER, UNITED STATES BANKRUPTCY JUDGE:

COMES NOW Arthur Andersen LLP ("Andersen"), the duly appointed auditors and accounting, tax and financial advisors for Global Crossing Ltd., et al. (collectively the "Debtors"), as debtors and debtors-in-possession in the above titled and numbered chapter 11 bankruptcy cases, and files this its First Interim Application for Compensation and Reimbursement of Expenses and in support thereof would respectfully show the following:

I.

Andersen makes this First Interim Application for Allowance of Compensation for professional services, in the amount of \$2,047,054 which was rendered by Andersen from January 28, 2002 through May 31, 2002, "the Subject Period", as well as for reimbursement of actual and necessary costs in the amount of \$79,609 incurred by Andersen during the Subject Period.

Andersen seeks allowance of compensation for professional services performed by Andersen during the Subject Period, during which time Andersen expended a total of 7,986.6 hours of professional time in the performance of services rendered on behalf of the Debtors. An accounting of the time expended, the nature of the services rendered, the respective employees of Andersen providing the services and the hourly rate charged by each employee is set forth in Exhibits 2 and 3 and incorporated herein for all purposes.

II.

On January 28, 2002 (the "Petition Date"), the Debtors filed their voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties and assets as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

On January 28, 2002 this Court entered an order (the "Order") allowing the Debtors to retain Andersen in response to the Debtors' motion for an order, pursuant to sections 327 and 328 of the Bankruptcy Code and Rules 2014 and 2016 of The Federal Rules of Bankruptcy Procedure, authorizing the retention of Arthur Andersen LLP, as of the Petition Date, as auditors and accounting, tax and financial advisors to the Debtors (the "Motion"). A copy the Motion and the Order are attached hereto as Exhibit 1.

III.

All services for which compensation is requested were performed for and on behalf of the Debtors and their estate and not on behalf of any other entity or party in interest.

IV.

GENERAL DESCRIPTION OF SERVICES PERFORMED

As auditors and accounting, tax and financial advisors for the Debtors, Andersen has performed extensive restructuring consulting and accounting services in the areas of business analysis and financial reporting which have been beneficial to the Debtors, the Court, Creditors and other interested parties. Such services require the specific skills of Andersen in the area of restructuring and accounting matters and the general skills of Andersen in chapter 11 cases. Included in Exhibit 2 is a summary of the hours and fees incurred by employee and by project. A description of certain services rendered during the Subject Period include the following:

1. Corporate Restructuring Services and Transaction Advisory Services

- a. Assisted in satisfying creditors' information needs, including coordinating responses to creditors' information requests and assisted in timely dissemination of such information;
- b. assisted in the preparation of the Debtors Statement of Financial Affairs and Bankruptcy Schedules;
- c. assisted in the preparation of various forms, reports, schedules, and statements required by the Court (i.e. monthly operating reports) and other regulatory agencies;
- d. assisted in development and preparation of cash flow forecasts of operations;
- e. assisted the Debtors with regard to treatment and classification of pre and post petition payables and with vendor credit issues;
- f. assisted in the analysis of employee compensation and retention arrangements;
- g. provided other consultation or services as requested by the Debtors and their legal counsel related to the operation and reorganization of their businesses;
- h. prepared various financial analyses at the request of the Committee;
- i. meetings and discussions with Debtors' management and counsel; and
- j. general case administration.

Total fees associated with Corporate Restructuring Services: \$2,015,307

2. Human Capital Services

- a. Analyze employee compensation and retention arrangements and prepare restructuring compensation analysis regarding same;
- b. research, analysis, and advice with respect to restructuring compensation arrangements;
- c. meetings and discussions with Debtors' management, counsel and creditors professionals.

Total fees associated with Human Capital Services: \$26,419

3. Tax Services

- a. Research, analysis, and advice with regard to a variety of tax, restructuring and regulatory compliance issues;
- b. meetings and discussions with Debtors' management and counsel.

Total fees associated with Tax Services: \$ 5,328

In connection with rendering professional services during the Subject Period, Andersen has expended the time of its accountants, consultants and para-professionals shown in Exhibit 2. Andersen values these services rendered to the Debtors included in this First Interim Application at \$2,047,054. Such amount represents Andersen's usual and customary charges for services of a similar nature performed for other clients of the firm. The rates for professionals utilized by Andersen in these cases are included in Exhibit 2. Based upon this rate schedule and the hours incurred these charges compute to an average hourly rate of approximately \$256. The average rate is reflective of the experience level required for the work performed.

V.

During the Subject Period, and as more specifically set forth in Exhibit 4, Andersen recorded unreimbursed expenses incurred in connection with its representation of the Debtors and the Committee totaling \$79,609. Each expenditure was a necessary and reasonable cost incident to the

performance of Andersen's services for the Debtors. An itemized accounting of the nature and cost of the expenses incurred by Andersen is also set forth in Exhibit 4.

VI.

Section 330(a) of the Bankruptcy Code provides that a bankruptcy court may award to a professional person employed under Sections 327 or 1103:

"reasonable compensation for actual, necessary services rendered by such ... attorney based on the nature, the extent, and the value of such services, time spent on such services, and the cost of comparable services other than in a case under this title."

Although the United States Supreme Court has not ruled on the proper method for determining reasonable fees under § 330(a) of the Bankruptcy Code, it has established guidelines generally applicable to awards of attorneys' fees under other federal statutes, which require that the fee awarded be reasonable. See Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. 546 (1986) (construing standards for award of fees under § 304(d) of the Clean Air Act) ("Delaware Valley I"); Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 483 U.S. 711 (1987) ("Delaware Valley II"). In Delaware Valley I, the Supreme Court concluded that the "lodestar" approach to determining fees for services performed, as articulated in Lindy Bros. Builders, Inc. of Phila. et al. v. American Radiator & Standard Sanitary Corp., 487 F.2d 161 (3rd Cir. 1973), remand 540 F.2d 102 (3rd Cir. 1976), was preferable to other, more subjective methods: "[T]he 'lodestar' figure includes most, if not all, of the relevant factors comprising a reasonable attorney's fees." 478 U.S. at 565.

Under the lodestar calculation, a reasonable hourly rate is set by the court based on a number of factors, including the difficulty of the task, the prevailing market rate for counsel of the petitioner's experience, counsel's normal billing rate, and the rates awarded by other courts in similar circumstances. In City of Detroit v. Grinnel Corp., 560 F. 2d. 1093, 1098 (2nd Cir. 1977), the United

States Court of Appeals for the Second Circuit calculated attorneys' fees by "multiplying the number of hours expended by each attorney involved in each type of work on the case by the hourly rate normally charged for similar work by attorneys of like skill in the area." 560 F.2d at 1098. Once the base or "lodestar" rate is established, "other less objective factors such as the risk of litigation, the complexity of the issues, and the skill of the attorneys, could be introduced to determine a final fee amount." Id.

The American Bankruptcy Institute similarly favors the lodestar approach as "giving the courts a simple mathematical formula to apply as the starting point for the analysis, with the reasonableness inquiry narrowed principally to the hourly rate and time spent factors." American Bankruptcy Institute National Report on Professional Compensation in Bankruptcy Cases (G.R. Warner rep. 1991) p.144 (hereinafter cited as "American Bankruptcy Institute Survey").

The first step to be taken in a lodestar analysis is to determine the nature and extent of services rendered. As is set forth more fully in the foregoing paragraphs and in Exhibits 2 and 3 hereto, Andersen professionals and paraprofessionals have expended a total of 7,986.6 hours in rendering accounting and financial advisory services to and on behalf of the Debtors. Andersen respectfully submits that the hours worked by Andersen personnel were reasonable and necessary, given the circumstances of these cases.

The next step to be taken is to establish a reasonable hourly rate. Section 330(a) of the Bankruptcy Code provides for the award of reasonable compensation for actual and necessary services performed by professionals employed pursuant to §§ 327 or 1103 of the Bankruptcy Code "based on the time, the nature, the extent, and the value of comparable services other than in a case under this title." See also Collier on Bankruptcy, ¶ 332095.42, p. 330-2-5 (15th ed. 1989). The Bankruptcy Code thus rejects the "principle of economy" which existed under the predecessor Bankruptcy Act of 1898 (as amended). In that vein, it has been said that "[n]otions of economy of the estate in fixing fees are outdated and have no place in a bankruptcy code." See 124 Cong. Rec. 11,089 (daily ed. Sept. 28, 1978) (Statement of Congressman Edwards on policies underlying Section 330). Accord In re Bible Deliverance Evangelistic Church, 39 B.R. 768, 774 (Bankr. E.D. Pa. 1984); In re Penn-Dixie Industries, Inc., 18 B.R. 834, 838 (Bankr. S.D.N.Y. 1982).

Indeed, Congress has made clear that the fees paid in bankruptcy cases must be no less than those paid in other cases involving legal specialties with comparable complexities and responsibilities: "Bankruptcy specialists, ... if required to accept fees in all of their cases that are consistently lower than fees they could receive elsewhere, will not remain in the bankruptcy field." H.R. Rep. No. 595, 95th Cong. & Admin. News, p.5787. Consistent with the intent of Congress as expressed in the legislative history of the Bankruptcy Code, it is "necessary to compensate bankruptcy attorneys, whenever possible, at the highest rate of compensation available for their efforts." In re Bible Deliverance Evangelistic Church, *supra*, 39 B.R. at 773. See also In Re Penn-Dixie Industries, Inc., *supra*, 18 B.R. at 838 (a liberal standard of compensation is needed to "encourage successful administration of estates by attracting bankruptcy specialists of high quality"). In sum, Congress intended that allowance of professional fees in bankruptcy cases should be at market rates in the market in which they customarily practice. In re Jenson-Farley Pictures, Inc., 47 B.R. 557, 578-79 (Bankr. D. Utah 1985).

The rates being charged by Andersen are commensurate with those typically charged by Andersen and other firms in its practice locale (New York City), as well as those of other nationally recognized firms specializing in bankruptcy and restructuring matters. Accordingly, the lodestar amount of fees sought by Andersen (its customary hourly billing rate multiplied by the reasonable and necessary amount of time spent) is both reasonable and appropriate in these cases, and represents the method by which Andersen has calculated the aggregate amount of its Second interim fee request.

The lodestar calculation has largely supplanted the twelve factor test of Johnson v. Georgia Highway Express, Inc., 488 F.2d 714 (5th Cir. 1974), which had gained prominence under the Bankruptcy Act. See Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. at 546 ("the lodestar figure includes most, if not all, of the relevant factors comprising a 'reasonable' attorney's fee"); In re Cena's Fine Furniture, Inc., 109 B.R. 575, 581 (Bankr. E.D.N.Y. 1990) (the Supreme Court makes clear that the lodestar amount is presumed to subsume the twelve factors articulated by Johnson); In re Paster, 119 B.R. 468, 469 (E.D.Pa. 1990) (the lodestar method of fee calculation is the appropriate method of determining attorney's fees in all federal courts, including the

bankruptcy courts). Recently, the Supreme Court, in another context, acknowledged that the lodestar was the "centerpiece" for the computation of a reasonable hourly rate; however, the Court suggested that the twelve Johnson factors could be considered for adjustments to the lodestar calculation. Blanchard v. Beraeron, 489 U.S. 67, 74 (1989).

A number of courts still adhere to the Johnson test, or combine the two tests by using the lodestar calculation and adjusting the resulting figure by reference to the relevant Johnson factors. See, e.g., In re Nine Associates, Inc., 76 B.R. 943 (Bankr. S.D.N.Y. 1987); In re Cuisine Magazine, Inc., 61 B.R. 210 (Bankr. S.D.N.Y. 1986); In re Affinito & Son, Inc., 63 B.R. 495 (Bankr. W.D. Pa. 1986).

Accordingly, a brief description of certain of the Johnson factors follows:

- A. Novelty and Difficulty of Questions. As this Court is well aware, and as set forth herein, these cases involves a number of novel and/or complex questions.
- B. Preclusion of Other Employment. Adequate representation of the Debtors in these chapter 11 cases has required a substantial commitment of the resources of Andersen, especially as a result of the acquisition and financial analysis and tax issues involved. Had Andersen not accepted this engagement, the time spent by it on these cases could have been devoted to other employment.
- C. Time Limitations or Other Circumstances. Many of the matters in these cases have required and at times continue to require attention on an expedited basis.
- D. Amounts Involved and Results Obtained. From the outset of these cases, in order to ensure the highest possible dividend to unsecured creditors, a detailed analysis of complex pre-petition transactions was required. Andersen, through its services and with the assistance of the management, has endeavored to ensure the preservation and maximization of assets. Inasmuch as this case is at a critical stage, the results in terms of available dividend to unsecured creditors cannot be predicted. Only through the continued concerted efforts of Andersen, the Debtors' management and the other professionals and their constituents in the Debtors' cases can the recovery to all creditors be maximized.
- E. Fee Awards in Similar Cases. The fees requested by Andersen are reasonable and comparable to the fees sought and awarded in many similar cases.

The various professionals and firms involved in this case have needed and will need to continue to confer to coordinate their activities, exchange ideas, evaluate strategies, pool their skills, and review each others' efforts. During certain critical periods and on discrete issues, Andersen did utilize more than one consultant and is seeking compensation for those services. Courts have held that it is not appropriate to apply a per se rule reducing or disallowing compensation for conference time. See In Re Metro Transportation Co., 107 B.R. 50, 53 (E.D.Pa. 1989); In re National Paragon Corp., 87 B.R. 11, 13 (E.D. Pa. 1988). Upon showing of the necessity for such conferences, conference time has been compensated. See, e.g., In re Citrone Development Corp., 106 B.R. 359, 362 (Bankr. S.D.N.Y. 1989); In re Mayes, 101 B.R. 494, 497 (Bankr. W.D. Mich. 1988). While Andersen has avoided unnecessary conferences, a certain amount of conference time was unavoidable. In addition these conferences enabled Andersen to utilize the specific knowledge and talents of certain members of the Andersen advisor team. Andersen respectfully submits that it should be compensated for that time.

VII.

During the period Andersen has rendered and provided services in this proceeding, all of the time and effort of Andersen has been devoted to the affairs of the Debtors and the Committee. The accounting, tax and financial advisory services rendered have been beneficial to the Debtors.

VIII.

There is no agreement or understanding of the existence between Andersen and any other party for the sharing of compensation, except that various members and professionals associated with Andersen may share in such compensation.

WHEREFORE, PREMISES CONSIDERED, Andersen prays that an allowance be approved to it for professional services rendered during the Subject Period in the amount of \$2,047,054, together with reimbursement of costs and out-of-pocket expenses in the amount of \$79,609 and that the Court authorizes Andersen to be paid out of the Debtors' estates as administrative expenses pursuant to Section 503 (b) (2) of the Bankruptcy Code (less amounts previously remitted on account of the services included herein) and that Andersen have such other and further relief to which Andersen may show itself to be justly entitled.

Respectfully submitted this 24th day of June, 2002.

ARTHUR ANDERSEN LLP

By: //s// James M. Lukenda
James M. Lukenda on behalf of
Arthur Andersen LLP
1345 Avenue of the Americas
New York, NY 10105
(212) 708-8037
As Authorized Jerry L. Turner, Partner

Auditors, Accounting, Tax and Financial Advisors for
Global Crossing Ltd., et al.
Debtors and Debtors-in-Possession

I certify that a) I have read the preceding interim application; b) to the best of my knowledge, information and belief, the fees and disbursements included herein fall within the Amended Guidelines and the UST Guidelines for Fees and Disbursements for Professionals in the Southern District of New York; (c) except to the extent that fees or disbursements are prohibited by the Amended Guidelines or UST Guidelines, the fees and disbursements sought are billed at rates and in accordance with practices customarily employed by Andersen and accepted by the Debtors; and (d) in providing a reimbursable service, Andersen does not make a profit on that service, whether the service is provided in-house or through a third party.

Arthur Andersen LLP

By: __/s// James M. Lukenda_
James M. Lukenda
Certifying Professional

June _24_, 2002

GLOBAL CROSSING LTD., et al.
INDEX OF EXHIBITS

- Exhibit 1 A. Application of Debtors for an Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Approving the Employment, Nunc Pro Tunc to January 28, 2002 of Arthur Andersen as Auditors and Accounting, Tax and Financial Advisors to the Debtors
- B. Affidavit of James M. Lukenda Pursuant to 11 U.S.C. Sec, 327 and Bankruptcy Rule 2014(a)
- C. First Supplement to the Affidavit of James M. Lukenda Pursuant to Section 327 of the Bankruptcy Code and Bankruptcy Rule 2014(a)
- D. Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Approving the Employment, Nunc Pro Tunc January 28, 2002, of Arthur Andersen as Auditors and Accounting, Tax and Financial Advisors to the Debtors
- Exhibit 2 A. Summary of Auditors, and Accounting, Tax and Financial Advisors Rates and Total Charges for the Period Beginning January 28, 2002 and Ending May 31, 2002
- B. Summary of Services by Activity Code
- Exhibit 3 Daily Time Diaries by Activity
- Exhibit 4 Summary of Expenses

Exhibit 1A. Application of Debtors for an Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Approving the Employment, Nunc Pro Tunc to January 28, 2002 of Arthur Andersen as Auditors and Accounting, Tax and Financial Advisors to the Debtors

cases. By this Application, the Debtors request that the Court enter an order, pursuant to sections 327(a) and 328(a) of title 11, the United States Code, approving the employment of Andersen to provide auditing and accounting, tax, and financial advisory services to the Debtors, nunc pro tunc to January 28, 2002, the date Andersen commenced work on the Debtors' behalf in these chapter 11 cases.

Background

2. On the date hereof (the "Commencement Date"), each of the Debtors commenced a case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code.

3. Global Crossing has built the world's most extensive fiber-optic network, spanning over 100,000 route miles and reaching five continents, 27 countries and more than 200 major cities (the "Network"). The markets in those cities represent approximately 85% of the world's international telecommunications traffic. The Network took over four years, multiple acquisitions and partnerships, and billions of dollars of capital to reach its current state of near-completion.

4. Global Crossing's Network operations and services in the Americas and Europe and across the Atlantic are owned and operated through a number of wholly owned subsidiaries incorporated in New York, Delaware, Canada, Bermuda, Venezuela, Mexico, Panama, Chile, Argentina, Brazil, the United Kingdom, Ireland, France, Italy, the Netherlands, Denmark, Spain, Switzerland, Norway, Sweden, Belgium, Germany, and Hungary, among other places. Services in Asia and the Pacific are provided through Global Crossing's majority-owned subsidiary, Asia

Global Crossing Ltd.,¹ as well as a number of in-country joint ventures between Asia Global Crossing and various local partners.

5. Through the Network, Global Crossing provides integrated telecommunications solutions to many of the world's largest corporations, government institutions and telecommunication carriers, including a full range of managed data and voice services over the world's first integrated global Internet Protocol² based fiber-optic network. The breadth of the Network, coupled with the wide scope of telecommunication services offered to its customers, distinguishes Global Crossing from all other telecommunications companies in existence today. Global Crossing is uniquely positioned to meet the challenges of the world's new economic regime populated by sophisticated multinational conglomerates, telecommunications companies and governments requiring high-end communications capabilities.

6. The recent and well-publicised failure of a number of telecommunications companies, compounded by the recessionary state of the national and global economy, have unnerved investors and all but foreclosed the capital markets as a source of additional funds for Global Crossing at this time. Given the lack of available financing, and anticipating forecasted liquidity constraints on the horizon, Global Crossing has commenced these cases to significantly revise its capital structure, including a reduction of its debt obligations.

7. Notwithstanding the foregoing constraints, Global Crossing and its Network is of great interest to any number of strategic and financial investors. Global Crossing is presently working with strategic investors with respect to a restructuring of the Company.

¹ Global Crossing owns 58.8% of the equity of Asia Global Crossing Ltd. Asia Global Crossing Ltd. is not a Debtor in these chapter 11 cases.

² Internet Protocol ("IP") is the method by which data is sent from one computer to another over the Internet.

8. Simultaneously herewith and in furtherance of these chapter 11 cases, each Debtor that is incorporated in Bermuda (collectively the “Bermuda Group”) is in the process of commencing a coordinated proceeding in the Supreme Court of Bermuda. The Bermuda Group will be petitioning the Supreme Court of Bermuda to issue an order appointing certain principals of KPMG International as Joint Provisional Liquidators (the “JPLs”) of the Bermuda Group. The Supreme Court of Bermuda will also be requested to empower and direct the JPLs to oversee the continuation of Global Crossing 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.

9. For the period ending December 31, 2001, Global Crossing recorded revenue of \$3,789,000,000 and a net loss of \$1,667,000,000.³ As of September 30, 2001, Global Crossing’s books and records, prepared in accordance with Generally Accepted Accounting Principles, reflected assets totaling approximately \$25,511,000,000 and liabilities totaling approximately \$14,639,000,000. Global Crossing has over \$600,000,000 in unrestricted cash and, based on projected cash outflows, has sufficient cash to fund its chapter 11 case.

Jurisdiction

10. This Court has subject matter jurisdiction to consider and determine this motion pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Relief Requested

11. Subject to the approval of this Court, the Debtors have employed Andersen to serve as their auditors and accounting, tax, and financial advisors and to perform certain

³ These figures are represented on a consolidated basis, including Debtors and non-Debtors.

additional functions in connection with the Debtors' restructuring efforts in their chapter 11 cases. Pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, the Debtors request that the Court approve the employment of Andersen in such capacities to perform the necessary auditing and accounting, tax, and financial advisory services that are incidental to the administration of the Debtors' chapter 11 estates, as well as any other advisory services that the Debtors may from time to time request and which the Debtors and Andersen find mutually agreeable.

12. In its capacity as auditors and accounting, tax and financial advisors, and in connection with its restructuring work relating to the Debtors' chapter 11 cases, Andersen will work closely with the Debtors and their professionals. Andersen will also work with the professionals retained by the Creditors' Committee. Andersen will provide the services set forth in the engagement letter annexed hereto as Exhibit A. The services provided by Andersen may include, but will not be limited to, the following:

- a. audit financial statements and assist in preparing and filing financial statements and disclosure documents required by the SEC and statutory and/or other regulatory authorities around the world;
- b. audit examinations of any benefit plans as may be required by the Department of Labor or by the Employee Retirement Income Security Act and provide consultation with respect to other employee matters;
- c. review unaudited quarterly financial statements of the Debtors as required by applicable law or regulations, or as requested by the Debtors; (a., b., and c. collectively, the "Audit Services");
- d. provide other tax consulting and preparation services (including transfer pricing studies);
- e. assist in preparing financial disclosures required by the Court, including the schedules of assets and liabilities, the statement of financial affairs and monthly operating reports;
- f. assist the Debtors, and other financial professionals retained by the Debtors, with the preparation of their business plan on a collaborative basis so as not to be duplicative in effort or expense;

- g. assist the Debtors by analyzing operations and identifying areas of potential cost savings and operating efficiencies;
- h. assist in the coordination of responses to creditor information requests and interfacing with creditors and their financial advisors;
- i. assist Debtors' legal counsel, to the extent necessary, with the analysis and revision of the Debtors' plan or plans of reorganization;
- j. attend meetings and assist in discussions with the Creditors' Committee, the U.S. Trustee, and other interested parties, to the extent requested by the Debtor;
- k. consult with the Debtors' management on other business matters relating to its chapter 11 reorganization efforts; and
- l. assist with such other matters as Debtors' management or legal counsel and Andersen may mutually agree.

Andersen's Services Are Necessary and in the Best Interests of the Debtors, Their Estates, Their Creditors, and All Parties In Interest

13. The services of Andersen as auditors and accounting, tax and financial advisors are necessary in order to enable the Debtors to execute their duties as debtors and debtors in possession. The services to be rendered by Andersen are not intended to be duplicative in any manner with the services performed and to be performed by any other party retained by the Debtors. Andersen, in concert with the other professionals retained by the Debtors, will undertake every reasonable effort to avoid any duplication of their respective services.

14. Andersen has stated its desire and willingness to act in these cases and render the necessary professional services as auditors and accounting, tax, and financial advisors to the Debtors. The employment of Andersen is necessary, essential, and in the best interests of the administration of these chapter 11 cases and should be approved. Andersen is well qualified to perform the auditing and accounting, tax, and financial advisory services as described above, and the Debtors know of no reason why Andersen should not be retained.

15. To the best of the Debtors' knowledge, the partners, principals, and employees of Andersen do not have any connection with the Debtors, their creditors, or any other party in

interest, or their respective attorneys, except as set forth in that certain affidavit of James M. Lukenda, a partner of Andersen, dated January 27, 2002 (the "Lukenda Affidavit").

16. To the best of the Debtors' knowledge, Andersen is a "disinterested person," as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code. The Lukenda Affidavit, executed on behalf of Andersen in accordance with section 327 of the Bankruptcy Code and Bankruptcy Rule 2014, is filed contemporaneously herewith and incorporated herein by reference. The Debtors' knowledge, information, and belief regarding the matters set forth in this Application are based, in part, upon the Lukenda Affidavit.

17. Andersen received certain amounts (as set forth in the Lukenda Affidavit) from the Debtors as compensation for auditing, accounting, tax and financial advisory services performed prepetition, and additional amounts (as set forth in the Lukenda Affidavit) for the reimbursement of reasonable and necessary expenses incurred in connection therewith.

18. Where possible and applicable, and in accordance with Andersen's historical billing practices with the Debtors, Andersen is providing fixed-fee or reduced hourly billing rate arrangements with the Debtors for non-restructuring related Audit Services, as set forth more fully in Exhibit A (for the audit of the financial statements for the year ending December 31, 2001) and anticipates providing fixed-fee or reduced hourly billing rate arrangements with the Debtors for non-restructuring related Audit Services, relating to the review of the Debtors' quarterly financial statements for 2002, audits of various benefit plans for the year ended December 31, 2001, and statutory audits of financial statements for Debtor and non-Debtor subsidiaries/affiliates throughout the world. As is customary, the Debtors have (or will have) an agreement with Andersen for the performance of the Audit Services at agreed upon fees which represent a discount from the cost of these services if priced out at normal rates and hours. Such

arrangements for these recurring, normal course services, as distinguished from the bankruptcy and business planning consulting services, are entered into to give effect to the timing of the work, expected company assistance, and other similar factors. Maintaining these arrangements is in the best interests of the Debtors, their estates, and their creditors because the services are obtained at a lower cost than might otherwise be charged. In order to facilitate providing these normal course services, the Debtors by this application seek Court approval to have Andersen not be required to submit detailed time entries in connection with the Audit Services. Such engagements do not involve restructuring services, are normal course services, and as discussed above, are billed on a fixed fee basis which reflects a discount from Andersen's normal hourly rates. This arrangement would only apply to the Audit Services.

19. For all other advisory services, Andersen will seek to be compensated for services actually rendered on an hourly basis at the firm's customary rates and disbursements incurred upon appropriate application to this Court pursuant to the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the local rules and orders of this Court (the "Local Rules"), and guidelines established by the U.S. Trustee. Andersen's current billing rates for professionals who may be assigned to this case are outlined in the Lukenda Affidavit. The Debtors believe these are customary charges for professionals performing similar services and submit that such rates are reasonable.

20. The appointment of Andersen on the terms and conditions set forth herein is necessary, essential, and in the best interests of the Debtors, their estates, their creditors, and all parties in interest and should be approved.

21. The Debtors' seek approval of the Application on an interim basis in order to provide parties an opportunity to object to the relief requested herein. If the Court approves the

Application, and no objections are timely filed, the Debtors' request that the Application be deemed granted on a final basis without further notice or hearing.

Waiver of Memorandum of Law

22. This Application does not raise any novel issues of law. Accordingly, the Debtors respectfully request that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted.

Notice

23. No trustee, examiner or creditors' committee has been appointed in the Debtors' chapter 11 cases. Notice of this Motion has been provided to (i) the Office of the United States Trustee for the Southern District of New York, (ii) the attorneys for the Debtors' prepetition lenders, (iii) the JPLs and their attorneys and (iv) the attorneys for certain of the Debtors' bondholders. The Debtors submit that no other or further notice need be provided.

24. No previous request for the relief sought herein has been made by the Debtors to

this or any other court.

WHEREFORE the Debtors respectfully request that the Court grant the Application in all respects and grant the Debtors such other and further relief as it deems just and proper.

Dated: New York, New York
January 28, 2002

Global Crossing Ltd., et al.
Debtors and Debtors in Possession

By: /s/ Mitchell C. Sussis
Mitchell C. Sussis
Secretary



The Audit Committee of the Board of Directors
Global Crossing Ltd
Wessex House
45 Reid St
Hamilton, HM 12
Bermuda

Arthur Andersen
11 Victoria Street
Hamilton HM 11
Bermuda

June 12, 2001

This letter (the Agreement) will confirm the arrangements between Global Crossing Ltd. and subsidiaries (the Company) and Arthur Andersen (AA) for the audit of the Company's consolidated balance sheet as of December 31, 2001, and the related consolidated statements of income, cash flows and comprehensive income for the year then ending.

Audit Responsibilities and Limitations

The objective of our audit is to provide you with our auditors' report expressing an opinion on the financial statements referred to above. We will conduct our audit in accordance with U.S. generally accepted auditing standards. Accordingly, we will examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assess the accounting principles used and significant estimates made by management and evaluate the overall financial statement presentation.

U.S. generally accepted auditing standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we will bring to your attention immaterial misstatements and any fraudulent or illegal acts of which we become aware during our audit. Pursuant to professional standards, in the unusual event that we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report.

While an audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed, it is not designed to provide assurance on internal control or to identify significant deficiencies in internal control. However, we are responsible for ensuring that the audit committee (or others with equivalent authority or responsibility) is aware of any such deficiencies that come to our attention.

As required by U.S. professional standards, we will meet with the audit committee to discuss (1) any relationships that may reasonably be thought to bear on our independence and (2) the quality of the Company's financial reporting. The discussion of financial reporting will cover, but will not be limited to: significant accounting policies; accounting estimates, judgments and uncertainties; accounting adjustments; and unusual transactions. The professional requirement for this discussion is new, and there is neither an agreed-upon definition of high quality financial reporting nor established criteria against which to evaluate reporting quality. The purpose of our audit is not to, and we will not, express an overall opinion or give assurance about reporting quality. We welcome suggestions from management and the audit committee regarding matters to be discussed.

The working papers prepared in conjunction with our work are the property of AA, constitute confidential and proprietary information and will be retained by us in accordance with our policies and procedures.

Management's Responsibilities and Representations

The Company's management is responsible for the financial statements and for adjusting those statements to correct material misstatements. Management is also responsible for maintaining effective internal control over financial reporting, identifying and ensuring the Company complies with the laws and regulations applicable to its activities and making available to us all financial records and related information and personnel with information of relevance to our work.

As required by U.S. generally accepted auditing standards, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control. Those standards also require that we obtain from certain members of management a representation letter which covers the financial statements and which affirms that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. The results of our audit tests, the responses to our inquiries and the written representations constitute the evidential matter we intend to rely upon in forming an opinion on the financial statements.

If you intend to publish or otherwise reproduce the financial statements together with our report (or otherwise make reference to AA) in a document that contains other information, you agree to provide us with a draft of the document to read and comment on before it is printed and distributed.

Reviews of Quarterly Financial Information

We also will review, in accordance with U.S. professional standards, the quarterly financial information to be included in the Company's reports filed with the Securities and Exchange Commission (SEC); however, unless requested by the Company, we will not issue a report. Our reviews will consist principally of applying analytical procedures to financial data, making inquiries of persons responsible for financial and accounting matters and obtaining a representation letter from management. Among other things, that letter will affirm that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial presentation taken as a whole. At the completion of each review, we will discuss the results with management. When, during our review, we have identified matters relating to the

interim information that are required to be communicated under professional standards (including the impact of significant events on financial reporting quality), we will attempt to make these communications prior to the Company's filing of its quarterly reports. The interim review procedures are substantially less in scope than an audit made in accordance with generally accepted auditing standards and, accordingly, they do not provide any assurance that we will become aware of errors, fraud, illegal acts or all matters affecting our judgments about financial reporting quality that would be identified during an audit. For the Company to comply with SEC regulations, the reviews are to be completed prior to the filing of each of the Company's quarterly reports. To enable us to complete our reviews on a timely basis, it is necessary that management fulfill its responsibilities, as outlined above.

Other Services

We will also assist in the Company's filing with the SEC of the annual report on Form 10K.

Any additional services that you may request including, but not limited to, due diligence, registration statements or statutory audits will be covered by separate arrangements.

Fees and Other Arrangements

The fee for the services referred to above will be \$1,125,000 plus out of pocket expenses. This estimate assumes we will receive appropriate assistance from your staff in the preparation of schedules and other matters. Billings will be made as follows:

2001 Q1 and Q2 Reviews	\$125,000 (previously billed)
October 10, 2001	\$200,000
November 10, 2001	\$200,000
December 10, 2001	\$200,000
January 10, 2002	\$200,000
February 10, 2002	\$200,000

Billings are payable upon receipt.

Except as instructed otherwise in writing, each party may assume that the other approves of properly addressed fax, email (including email exchanged via Internet media) and voicemail communication of both sensitive and non-sensitive documents, including third party confirmations, and other communications concerning this Agreement, as well as other means of communication used or accepted by the other party.

Neither party to this Agreement will directly or indirectly agree to assign, transfer or sell to anyone any claim against the other party arising out of this Agreement, except that the Company may assign its rights to any such claim to: (1) its insurer or (2) a third party who acquires all or substantially all of the voting securities or assets of the Company.

This Agreement reflects the entire agreement between the Company and AA relating to the services referred to herein and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreements of the Company and AA contained herein shall survive the completion or termination of this Agreement.

Exhibit 1B. Affidavit of James M. Lukenda Pursuant to 11 U.S.C.
Sec, 327 and Bankruptcy Rule 2014(a)

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

-----X
In re :
 : **Chapter 11 Case Nos.**
 :
GLOBAL CROSSING LTD., et al., : **02- _____ () through**
 : **02- _____ ()**
 :
Debtors. : **(Jointly Administered)**
 :
 :
-----X

**AFFIDAVIT OF JAMES M. LUKENDA, PURSUANT
TO 11 U.S.C. SEC. 327 AND BANKRUPTCY RULE 2014(a)**

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

James M. Lukenda being duly sworn, deposes and says as follows:

1. I am a partner in the independent public accounting firm of Arthur Andersen LLP, whose New York office is located at 1345 Avenue of the Americas, New York, New York 10105, and am authorized to execute this affidavit on behalf of Arthur Andersen and its member firms (“Andersen”). I am a duly licensed certified public accountant in the State of New York and a Certified Insolvency and Restructuring Advisor (CIRA).

2. Andersen is a firm of independent public accountants, as defined under the Code of Professional Conduct of the American Institute of Certified Public Accountants, operating throughout the United States since 1913. Andersen has been retained as auditors and accounting, tax, and financial advisors to render professional

services to debtors, creditors, creditors' committees, investors and others in numerous large bankruptcy cases.

3. Andersen has provided professional services to Global Crossing Ltd. and its subsidiaries (collectively, the "Debtors") since 1997. To the best of my knowledge, neither Andersen, nor any of its professional personnel, has any relationship with the Debtors that would impair Andersen's ability to continue to provide such professional services, including attest or audit services, as to which professional and regulatory requirements of independence exist.

4. To the best of my knowledge, Andersen has not had any prior association with the Debtors, any creditors of the Debtors, or any other parties in interest in these chapter 11 cases, or their respective attorneys and accountants, identified at the present time, except as follows:

- a. As independent auditors, Andersen has audited the financial statements of the Debtors since fiscal 1997. Andersen has, since the date of appointment as auditors, also performed various accounting advisory, transaction advisory, and tax services for the Debtors.
- b. Andersen has performed professional services in unrelated matters for certain parties of interest, whose names appear on the initial list of the Debtors' largest creditors as provided to Andersen by Debtors' counsel, Weil, Gotshal & Manges LLP ("WG&M"). Andersen performed conflict searches on the following categories of parties of interest identified by WG&M: professionals retained by the company, strategic partners, litigation parties, secured creditors, large vendor creditors (top 20), indentured trustees of bond offerings, underwriters and agents, significant stockholders, significant warrant holders, and major landlords. Andersen has provided to certain of these companies and/or their affiliates various professional services that include auditing, accounting, tax, and transaction and financial advisory services. None of the entities identified and listed on Attachment A, annexed hereto, represent more than one percent (1.0%) of Andersen's annual

revenues. Andersen has not been retained to assist any of these entities with regard to these chapter 11 cases.

- c. Andersen has worked, continues to work, and has mutual clients with WG&M, Skadden, Arps, Slate, Meagher, & Flom LLP, tax counsel, Simpson Thatcher & Bartlett, general counsel, and Milbank Tweed Hadley & McCloy LLP, counsel to the Debtors' bank group. Andersen has coordinated efforts with these firms on common client engagements and has been retained directly by these firms for professional services. Andersen has retained WG&M for legal representation in matters unrelated to these cases and WG&M has represented Andersen in matters significant to the firm.
- d. The Debtors have numerous additional creditors, equity security holders and other parties with whom they maintain significant business relationships beyond those identified in paragraph (b). Additionally, these creditors, equity security holders and other parties may be represented by counsel in addition to those firms identified in paragraph (c). Andersen may have audit, tax, financial advisory, consulting or other professional relationships with such entities or persons or Andersen may, from time to time, perform professional services for such entities or persons unrelated to the Debtors or their business affairs.
- e. Asia Global Crossing Ltd. and certain of its subsidiaries have engaged Andersen to perform audits of their December 31, 2001 financial statements. Andersen has, since the date of appointment as auditors, also performed various accounting advisory, transaction advisory, and tax services for the Asia Global Crossing Ltd. and its subsidiaries.
- f. Certain Debtors' (and non-Debtor subsidiaries/affiliates) have also engaged Andersen to perform various statutory audits as required by local regulation throughout the world. A listing of these Debtor and non-Debtor subsidiaries/affiliates is annexed as Attachment B.
- g. Andersen received a retainer of \$750,000 from the Debtors in connection with this case for pre-petition services and services to be rendered subsequent to January 28, 2002 and to be applied to Andersen's final allowance for services in this case.

5. Within the one-year and ninety day periods prepetition, Andersen received compensation of approximately \$13,800,000 and \$4,325,000, respectively and

inclusive of the retainer noted in 4(g) above, from the Debtors related to services provided including attest and audit services, assisting in the preparation of various forms and reports required to be filed with the Securities and Exchange Commission and other regulatory entities, rendering tax return preparation and tax consulting services, transaction advisory services, and restructuring assistance.

6. To the best of my knowledge, Andersen has not been retained to assist any entity or person other than the Debtors on matters relating to, or in connection with, these chapter 11 cases. If Andersen's proposed retention by the Debtors is approved by this Court, Andersen will not accept any engagement or perform any service for any entity or person in these chapter 11 cases other than the Debtors without prior approval of the parties in these cases. Andersen will, however, continue to provide professional services to entities or persons that may be creditors or equity security holders of the Debtors or parties-in-interest in these chapter 11 cases, provided that such services do not relate to, or have any direct connection with, these chapter 11 cases or the Debtors.

7. To the best of my knowledge, information and belief, Andersen does not have or represent any interest materially adverse to the interest of the Debtors, or of any class of creditors or equity security holders of the Debtors, by reason of any direct or indirect relationship to, connection with or interest in the Debtors, or for any other reason except as noted in paragraph 4 above. Andersen has no relationship with the United States Trustee or any person employed in the office of the United States Trustee other than a professional one and is a "disinterested person" as that term is defined under 11 U.S.C. Sections 327 and 101(14).

8. By virtue of its prior engagements on behalf of the Debtors, Andersen is familiar with the books, records and financial information and other data maintained by the Debtors and is well qualified by background information and experience to continue to provide professional services to the Debtors.

9. Andersen has been advised that the Debtors desire to retain them to provide such professional services as Andersen and the Debtors find mutually agreeable, and which may include the following:

- m. audit financial statements and assist in preparing and filing financial statements and disclosure documents required by the SEC and statutory and/or other regulatory authorities around the world;
- n. audit examinations of any benefit plans as may be required by the Department of Labor or by the Employee Retirement Income Security Act and consultation with respect to other employee matters;
- o. review unaudited quarterly financial statements of the Debtors as required by applicable law or regulations, or as requested by the Debtors;
- p. provide tax consulting and preparation services (including transfer pricing studies);
- q. assist in preparing financial disclosures required by the Court, including the schedules of assets and liabilities, the statement of financial affairs and monthly operating reports;
- r. assist the Debtors and other financial professionals, retained by the Debtors, with the preparation of its business plan on a collaborative basis so as not to be duplicative in efforts or expense;
- s. assist the Debtors by analyzing operations and identifying areas of potential cost savings and operating efficiencies;
- t. assist in the coordination of responses to creditor information requests and interfacing with creditors and their financial advisors;
- u. assist Debtors' legal counsel, to the extent necessary, with the analysis and revision of the Debtors' plan or plans of reorganization;
- v. attend meetings and assist in discussions with the creditors' committee, the U.S. Trustee, and other interested parties, to the extent requested by the Debtors;

- w. consult with the Debtors' management on other business matters relating to its chapter 11 reorganization efforts; and
- x. Assist with such matters as the Debtors' management or legal counsel and Andersen may agree from time-to-time.

10. In performing all of the above services for the Debtors, Andersen will not be assuming the role of management; Andersen's role will be advisory only. It is understood that any decision to implement Andersen's recommendations or to act on Andersen's advice will be solely in the Debtors' discretion.

11. The Debtors have engaged Andersen to audit the financial statements for the year ending December 31, 2001. Andersen anticipates that it will be compensated for these services (items 9.a.) pursuant to the terms of the engagement letter annexed as Exhibit A to the Debtors' application seeking approval of Andersen's retention, unless modified by orders of the Court. The Debtors anticipate engaging Andersen to review quarterly financial statements for 2002 and to audit various benefit plans for the year ended December 31, 2001. Andersen anticipates that it will be compensated for these services (items 9.b., and 9.c.) pursuant to the terms of separate engagement letters, unless modified by orders of the Court. Certain Debtors' (and non-Debtor affiliates) have also engaged Andersen to perform various statutory audits as required by local regulation throughout the world. A listing of these Debtor and non-Debtor affiliates is annexed as Attachment A. In addition, Asia Global Crossing Ltd. and Pacific Crossing Ltd. have engaged Andersen to perform audits of their December 31, 2001 financial statements. Andersen anticipates that it will be compensated for these statutory audits and non-Debtor affiliate audits pursuant to the terms of respective engagement letters, unless modified by the orders of the Court.

12. The Debtors', either directly or through their tax counsel, have also engaged Andersen to perform certain tax consulting work, including the preparation of transfer pricing studies. Andersen anticipates that it will be compensated for these services (item 9.d.) on an hourly basis pursuant to the terms of our retention in this case as approved by the Court.

13. Andersen's requested compensation for restructuring related services described in paragraph 9. shall be based upon the time expended to render such services and at billing rates commensurate with the experience of the person performing such services and will be computed at the hourly billing rates customarily charged by Andersen for such services. Expenses will be charged at actual costs incurred (and will include charges for typing, copying, travel, telephones, etc.). Out-of-pocket legal fees and expenses incurred by Andersen related to and as a result of the chapter 11 bankruptcy (including but not limited to legal services rendered in connection with the retention of Andersen or the presentation and prosecution of any interim or final fee applications or requests for payment of administrative expenses) as well as fees associated with administration of filings and reporting required by the Bankruptcy Code and/or the Court related to the Debtors' retention of Andersen will be billed.

14. Andersen will provide a monthly invoice covering services rendered and expenses incurred during the preceding month for each type of work performed and will seek compensation as allowed under any Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals that may be approved by this Court. Andersen understands that, in accordance with the

Bankruptcy Code, final payment and all interim payments are subject to approval by this Court.

15. The customary hourly rates of Andersen are as follows:

Partners/Principals	\$425 - 600
Managers/Directors	\$310 - 525
Seniors/Associates/Consultants	\$180 - 495
Staff/Analysts/Paraprofessionals	\$ 90 – 250

16. In the normal course of business, Andersen revises its hourly rates during the year. Andersen requests that the aforementioned rates be revised to the regular hourly rates which will be in effect at such time. Additionally, certain partners and consultants, primarily specialized tax and accounting professionals, have hourly rates in excess of \$600. Given the issues we are currently aware of we do not anticipate that such individuals will expend significant time on this engagement.

17. No payments have been made to Andersen for services rendered, or to be rendered, in connection with these chapter 11 cases except as disclosed in herein. Subject to the approval of this Court, the source of all compensation for professional services to be rendered on behalf of the Debtors shall be funds of the Debtors' estates.

18. No agreement exists between Andersen and any other person (other than partners of Andersen) for the sharing of compensation to be received by Andersen in connection with services rendered in these cases.

/s/ James M. Lukenda
James M. Lukenda
Partner

Sworn to before me on
This 27th day of January, 2002

/s/ Angela M. Williams
Notary Public, State of New York
No. 01W14917470
Qualified in Nassau County
My Commission Expires: January 19, 2006

GLOBAL CROSSING NORTH AMERICA , INC., et al.
RETENTION CHECKLIST

Professionals Retained by the Company

1. The Pacific Capital Group

Strategic Partners

1. CISCO Systems Inc.
2. Sonus Networks Inc.

Litigation Parties

1. Qwest Communications Corporation

Secured Creditors

1. ABN Amro bank N.V.
2. Alliance Capital Management
3. Allstate Insurance
4. Bank Leumi
5. Bank of America
6. Bank of China
7. Bank of Nova Scotia
8. Bank of Tokyo Mitsubishi
9. Bank One
10. Black Diamond Capital Mgmt., LLC
11. Caravelle Advisors LLC
12. CIBC Oppenheimer
13. Citibank
14. First Union
15. Industrial Bank of Japan
16. Indosuez
17. JP Morgan/Chase
18. Morgan Stanley Dean Witter
19. Pacific Investment Management Company
20. Sumitomo Trust & Banking Co.
21. West LB

Other Creditors

1. Banc One
2. Trust Company of the West

Vendor creditors

1. Alcatel
2. Lucent
3. Cisco
4. Sonus Networks Limited
5. Versatel Telecom Europe
6. Enron

Indenture Trustees of Bonds

1. United States Trust Company of New York

Underwriters and Agents

1. Canadian Imperial Bank of Commerce
2. Citicorp USA, Inc.
3. Salomon Smith Barney, Inc.
4. West LB

Significant Stockholders

1. Pacific Capital Group, Inc.
2. Softbank Corp.

Significant Warrant Holders

1. Pacific Capital Group

ATTACHMENT B

GLOBAL CROSSING LTD.
EUROPE
2001 STATUTORY AUDITS

COUNTRY/SUBSIDIARY GROUP	ENTITY	AUDIT and/ or TAX
IRELAND	GC Ireland Ltd	X
IRELAND	GC Services Europe Ltd	X
IRELAND	GC Services Ireland Ltd	X
IRELAND	AGC Ireland Ltd	X
UK	GC Europe Ltd	X
UK	GC Network Centre (UK) Ltd	X
SUBSEA	AC Holdings UK Ltd	X
SUBSEA	EAC UK Holdings Ltd	X
SUBSEA	GT UK Ltd	X
SUBSEA	Mid-Atlantic Crossing Holdings UK Ltd	X
SUBSEA	Pan American Crossing UK Ltd	X
SUBSEA	Pacific Crossing UK Ltd	X
PEC	PEC Holdings BV	X
PEC	GC PEC France SaRL	X
PEC	GC PEC Norway AS	X
PEC	GC PEC Denmark ApS	X
PEC	GC PEC Sweden	X
PEC	GC PEC UK Ltd	X
PEC	GC PEC Nederland BV	X
PEC	GC PEC Deutschland GmbH	X
PEC	GC PEC Switzerland GmbH	X
PEC	GC PEC Belgium BVBA	X
PEC	GC France SAS	X
PEC	GC Norway	X
PEC	GC Denmark	X
PEC	GC Sweden	X
PEC	GC Switzerland	X
PEC	GC Belgium	X
PEC	GC Networks	X
GLOBAL MARINE	GC UK Holding Ltd	X
GLOBAL MARINE	Global Marine Systems Ltd	X
GLOBAL MARINE	Global Marine Systems (Investments) Ltd	X
IX NET	IX Net UK Ltd	X
IX NET	Saturn Global Network Services (UK) Ltd	X
IX NET	Saturn Global Network Services Holding Ltd	X
GEOCONFERENCE	Geoconference Ltd	X
GEOCONFERENCE	Global Crossing Conferencing Ltd	X
GCUK	GC Intermediate UK Holdings Ltd	X
GCUK	GC (Holdco) Limited	X
GCUK	GC (Bidco) Limited	X
GCUK	GC (UK) Telecommunications Ltd	X
GCUK	ION Ltd 2000	X
MISC.	GC Hungary Holdings Property Management Limited	X
MISC.	AGC Hungary Holdings Property Management Limited	X
MISC.	Global Crossing Cypress Holdings Limited	X
MISC.	AGC Cyprus Holdings Limited	X
MISC.	GC Networks	X
PEC	GC Lux I	*
PEC	GC Lux II	*
PEC	PEC Spain	*
PEC	GC Spain	*
PEC	PEC Italy	□
PEC	GC Italy	*
PEC	PEC Austria	*
PEC	GC Austria	□
PEC	GC Germany	*

ATTACHMENT B

PEC

GC Netherlands

*

*These European entities do not require statutory audits for FY2001 but do require some degree of limited procedures.

ATTACHMENT B

**GLOBAL CROSSING LTD.
ASIA
2001 STATUTORY AUDITS**

COUNTRY	ENTITY	AUDIT and/ or TAX
BERMUDA	PAC Ltd.	X
HONG KONG	AGC AP Ltd.	X
HONG KONG	AGC COMM Ltd.	X
HONG KONG	AGC HK Ltd.	X
HONG KONG	Ixnet Hong Kong Ltd	X
HONG KONG	IPC Asia Pacific Ltd	X
TAIWAN	AGC Taiwan	X
TAIWAN	EAC Taiwan	X
TAIWAN	Ixnet Taiwan	X
KOREA	AGC Korea	X
KOREA	EAC Korea	X
KOREA	Ixnet Korea	X
JAPAN	AGC Japan	X
JAPAN	Global Center Japan	X
SINGAPORE	AGC Singapore Pte.Ltd.	X
SINGAPORE	AGC Services Pte. Ltd.	X
SINGAPORE	Global Marine Cable Singapore	*
SINGAPORE	Harmstorf Submarine	*
MALAS IA	AGC Malasia	X
PHILIPPINES	EAC Philippines	X
CHINA	AGC China Holding Ltd.	X
AUSTRALIA	AGC Australia	X
AUSTRALIA	IPC Australia	X

*These Asian entities do not require statutory audits for FY2001 but do require some degree of limited procedures,

**GLOBAL CROSSING LTD.
SOUTH AND LATIN AMERICA
2001 STATUTORY AUDITS**

COUNTRY	ENTITY	AUDIT and/ or TAX
ARGENTINA (BA)	SAC Argentina S.R.L.	X
CHILE (Sant)	SAC Chile SA	X
COLUMBIA (Bog)	SAC Colombia Ltd.	X
MEXICO	GC Mexico S de RL	X
MEXICO	GC Servicio SRL- Mexico	X
MEXICO	GC Landing Mex S de R.L.	X
VENEZUELA	GC Venezuela (PAC Landing BV)	X

Exhibit 1C. First Supplement to the Affidavit of James M. Lukenda
Pursuant to Section 327 of the Bankruptcy Code and
Bankruptcy Rule 2014(a)

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

-----x
In re :
 : **Chapter 11 Case Nos.**
GLOBAL CROSSING LTD., et al., : **02-40187 (REG)**
 : **through**
Debtors. : **02-40241 (REG)**
 : **Jointly Administered**
-----x

**FIRST SUPPLEMENT TO AFFIDAVIT OF JAMES M. LUKENDA
PURSUANT TO 11 U.S.C. SEC. 327 AND BANKRUPTCY RULE 2014(a)**

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

James M. Lukenda being duly sworn, deposes and says as follows:

1. I am a partner in the independent public accounting firm of Arthur Andersen LLP, whose New York office is located at 1345 Avenue of the Americas, New York, New York 10105, and am authorized to execute this first supplement ("First Supplement") to my prior affidavit (the "Lukenda Affidavit") on behalf of Arthur Andersen and its member firms ("Andersen"). I am a duly licensed certified public accountant in the State of New York and a Certified Insolvency and Restructuring Advisor (CIRA).

2. In connection with our retention in this matter, Andersen performed a search for business relationships on the following categories of parties in interest in these cases: (i) professionals retained by the company, (ii) strategic partners of the debtors, (iii) litigation parties, (iv) secured creditors, (v) major landlords, (vi) indentured trustees of bond offerings, (vii) underwriters and agents, (viii) significant stockholders and warrant holders, and (ix) to the extent not already included in the above, each of the parties on the Debtors' Schedule 1, List of

the 50 Largest Unsecured Claims (Excluding Insiders) filed pursuant to Local Bankruptcy Rule 1007-2(a)(4). Schedule 1 identified parties to whom the Debtors may owe \$619,000 or more based on lists available at the time Schedule 1 was prepared. Andersen has provided a number of the parties (or their affiliates) in the above categories various professional services that may include auditing, accounting, tax or other services. The parties identified are listed on Attachment A to this First Supplement. None of the client relationships identified represent more than one percent (1%) of Andersen's annual revenues. The services Andersen provides for the identified parties are unrelated to these chapter 11 cases. Andersen has not been retained to assist any of these entities with regard to these chapter 11 cases. At the present time, Andersen is not aware of any issue(s) related to the identified parties for which Andersen would be unable to assist the Debtors. In the event any such issue arises, Andersen will promptly identify the matter with the Debtors and to the extent necessary, other parties in these cases including the Office of the United States Trustee, and work with the Debtors to have another professional in these cases provide assistance with the specific matter.

3. As previously disclosed in the Lukenda Affidavit, Asia Global Crossing Ltd. and Pacific Crossing Ltd. have engaged Andersen to perform audits of their December 31, 2001 financial statements and issue reports thereon. Asia Global Crossing Ltd. is a majority owned consolidated non-debtor affiliate of Global Crossing Ltd. Asia Global Crossing Ltd. is a Securities and Exchange Commission registrant. Pacific Crossing Ltd. is a majority owned affiliate of Asia Global Crossing Ltd. The audits of Asia Global Crossing Ltd. and Pacific

Crossing Ltd. are an expansion of audit work that may be performed on these entities as part of auditing the consolidated financial statements of Global Crossing Ltd. At the present time, the Andersen audit partner responsible for the audit of the consolidated financial statements of Global Crossing Ltd. is also responsible for the audits of the Asia Global Crossing Ltd. and Pacific Crossing Ltd. financial statements. Such responsibilities are consistent with Andersen's professional and regulatory requirements of auditor independence. Notwithstanding the foregoing, Andersen shall not have a relationship with Asia Global Crossing Ltd. or Pacific Crossing Ltd. that would be adverse to the Debtors or their estates.

4. In the Lukenda Affidavit Andersen disclosed that it received a retainer of \$750,000 prior to the Debtors filing their petitions for relief. Subsequent to the filings, Andersen received notice that the payee bank did not honor the retainer check. Accordingly, Andersen has no retainer in these cases. Any amounts that may have been covered by the retainer check on account of pre-petition services are considered waived by Andersen.

5. Within the one-year and ninety day periods prepetition, Andersen received compensation from the Debtors of approximately \$13,000,000 and \$3,500,000, respectively, related to services provided including attest and audit services, assisting in the preparation of various forms and reports required to be filed with the Securities and Exchange Commission and other regulatory entities, rendering tax return preparation and tax consulting services, transaction advisory services, and restructuring assistance. These amounts have been adjusted from the Lukenda Affidavit to account for the failure of the retainer check to clear.

6. Andersen has worked, continues to work, and has mutual clients with many law firms involved in these cases including Foley & Lardner, Debevoise & Plimpton, Brown Rudnick Berlack Israels, Hunton & Williams, Maguire Woods, Dechert Price & Rhodes, Chadbourne & Park, Greenburg Traurig, Jones Day, Simpson Thatcher, Proskauer Rose, Reed Smith, Traub Bonacquist & Fox, and Baker & McKenzie. Andersen has coordinated efforts with these firms on common client engagements and may be retained directly by these firms for professional services unrelated to these cases.

7. On February 4, 2002, the Debtor issued a press release relating to allegations by a former employee regarding the company's accounting practices. The press release stated that "[a]lthough the company . . . continues to believe that its accounting and reporting are entirely appropriate, at the request of the company's audit committee and Arthur Andersen, it has decided to form a special committee of independent directors, including members of its audit committee, to conduct a further review of the allegations made in the August 2001 letter and related draft complaints. The special committee will retain independent counsel and a firm of independent accountants other than Arthur Andersen to review the matter." Since the press release was issued, a number of lawsuits have been filed against certain officers and directors of the Debtor, and some of those cases have also named Andersen as a defendant. Andersen is cooperating with the Special Committee of the Debtor. Andersen intends to defend the lawsuits vigorously.

8. Joseph P. Perrone, a retired Andersen partner, joined Global Crossing in May 2000 and currently is Executive Vice President-Finance. Andersen prepared Mr. Perrone's tax returns for year 2000 and understands that Mr. Perrone plans to have Andersen prepare his returns for 2001. A separate group of professionals within Andersen, apart from those working on the Global Crossing engagement, prepare tax returns for executives such as Mr. Perrone.

9. To the best of my knowledge, Andersen has not been retained to assist any entity or person other than the Debtors on matters relating to, or in connection with, these chapter 11 cases. Andersen will not accept any engagement or perform any service for any entity or person in these chapter 11 cases other than the Debtors without prior approval of the parties in these cases. Andersen will, however, continue to provide professional services to entities or persons that may be creditors or equity security holders of the Debtors or parties-in-interest in these chapter 11 cases, provided that such services do not relate to, or have any direct connection with, these chapter 11 cases or the Debtors.

10. The Debtors have engaged Andersen to audit the financial statements for the year ending December 31, 2001. Andersen anticipates that it will be compensated for these services pursuant to the terms of the engagement letter annexed as Exhibit "A" to the Debtors' application seeking approval of Andersen's retention (the Audit Engagement Letter), unless modified by orders of the Court. The Debtors anticipate engaging Andersen to review quarterly financial statements for 2002 and to audit various benefit plans for the year ended December 31, 2001. Andersen anticipates that it will be compensated for these services

pursuant to the terms of separate engagement letters (which reflect a negotiated fee representing a market discount from Andersen's standard rates) (collectively, with the Audit Engagement Letter, the "Audit and Quarterly Review Engagement Letters"), unless modified by orders of the Court. Andersen agrees that its fees under the Audit and Quarterly Review Engagement Letters will be subject to a reasonableness standard and Andersen will file a final fee application in an abbreviated form for each of the services under these letters at the conclusion of the specific work.



James M. Lukenda, CIRA
Partner

Sworn to before me on
This 1st day of March, 2002

 /s/ Vivian Salvano
Notary Public

My Commission Expires: 3/13/2003

Vivian Salvano
Notary Public State of New York
No. 01F15040984
Qualified Kings County
Commission Expires March 13, 2003

GLOBAL CROSSING NORTH AMERICA , INC., et al.**Professionals**

1. Weil Gotshal & Manges LLP
2. Swidler Berlin Shereff Friedman LLP
3. Simpson Thacher and Bartlett
4. Skadden, Arps, Slate, Meagher, & Flom LLP
5. Milbank Tweed Hadley & McCloy LLP (retained by Bank Group)
6. Foley & Lardner
7. Debevois & Plimpton
8. Brown Rudnick Berlack Israels (retained by Official Committee of Unsecured Creditors)

Strategic Partners

1. CISCO Systems Inc.
2. Sonus Networks Inc.

Secured Creditors

1. ABN Amro bank N.V.
2. Aegon USA
3. Alliance Capital Management
4. Allstate Insurance
5. American Express Asset Management
6. Bain Capital
7. Bank Leumi
8. Bank of America
9. Bank of China
10. Bank of Hawaii
11. Bank of Montreal
12. Bank of New York
13. Bank of Nova Scotia
14. Bank of Scotland
15. Bank of Tokyo Mitsubishi
16. Bank One
17. Bayerische Landesbank
18. Black Diamond Capital Mgmt., LLC
19. Caravelle Advisors LLC
20. CIBC Oppenheimer
21. Citibank
22. Credit Lyonnais
23. Credit Suisse Asset Management
24. Deutsche Bank

25. Equitable Life Insurance
26. First Union
27. Fleet BankBoston
28. Fuji Bank
29. GE Capital
30. Goldman Sachs
31. IBM Credit Corporation
32. Industrial Bank of Japan
33. Indosuez
34. ING Capital Advisors
35. Invesco
36. JP Morgan/Chase
37. KBC Bank
38. Merrill Lynch
39. Mitsubishi Trust
40. Morgan Stanley Dean Witter
41. Pacific Investment Management Company
42. Rabobank Nederland
43. Royal Bank of Canada
44. Scudder Investments
45. Sumitomo Trust & Banking Co.
46. Toronto Dominion
47. Trust Company of the West
48. UBS Warburg
49. West LB

Vendor creditors

1. Alcatel
2. Lucent
3. Cisco
4. Sonus Networks Limited
5. Versatel Telecom Europe
6. Enron
7. SBC Communications
8. Frontline Technologies Corp
9. MCI Worldcom
10. Sprint
11. AT&T
12. Verizon
13. Accenture
14. Polycom
15. CompUSA
16. Primus Telecommunications
17. Media Partnership

18. Hitachi
19. Cincinnati Bell
20. Level 3
21. Bell South Corporation
22. Mastec
23. Citizens Communications
24. Nortel Networks
25. Anixter
26. Alltel
27. Qwest Communications
28. Encompass
29. Juniper Networks
30. Telcobuy.com

Indenture Trustees of Bonds

1. United States Trust Company of New York

Underwriters and Agents

1. Canadian Imperial Bank of Commerce
2. Citicorp USA, Inc.
3. Salomon Smith Barney, Inc.
4. West LB

Significant Stockholders

1. Pacific Capital Group, Inc.
2. Softbank Corp.

Significant Warrant Holders

1. Pacific Capital Group

Exhibit 1D. Order Pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code Approving the Employment, Nunc Pro Tunc January 28, 2002, of Arthur Andersen as Auditors and Accounting, Tax and Financial Advisors to the Debtors

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

-----X
In re :
 :
 : **Chapter 11 Case Nos.**
 :
GLOBAL CROSSING LTD., et al., : **02- 40187 (REG) through**
 : **02- 40241 (REG)**
 :
 : **(Jointly Administered)**
 :
 :
-----X

**ORDER PURSUANT TO SECTIONS 327(a) AND 328(a) OF THE BANKRUPTCY
CODE APPROVING THE EMPLOYMENT, NUNC PRO TUNC TO
JANUARY 28, 2002, OF ARTHUR ANDERSEN LLP AS DEBTORS' AUDITORS
AND ACCOUNTING, TAX, AND FINANCIAL ADVISORS TO THE DEBTORS**

Upon the application dated January 28, 2002 (the "Application") of Global Crossing Ltd. and its subsidiaries, as debtors and debtors in possession (collectively, the "Debtors"), for an order pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the "Bankruptcy Code") approving the employment of Arthur Andersen LLP ("Andersen") as their auditors and accounting, tax, and financial advisors, nunc pro tunc to January 28, 2002, as more fully set forth in the Application; and upon the affidavit of James M. Lukenda, a partner of Andersen, sworn to on January 27th, 2002 (the "Lukenda Affidavit"), and the Court being satisfied, based on the representations made in the Application and the Lukenda Affidavit, that Andersen represents or holds no interest adverse to the Debtors or to their estates as to the matters upon which it is to be engaged and is disinterested under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and that the employment of Andersen is necessary and in the best interests of the Debtors and their estates; and the Court having jurisdiction to consider and determine the Application as a core proceeding in accordance

with 28 U.S.C. §§ 157 and 1334; and it appearing that the relief requested by the Application is necessary and in the best interests of the Debtors, their estates, and their creditors; and due notice of the Application having been provided, and it appearing that no other or further notice need be provided; and sufficient cause appearing therefor, it is

ORDERED that the Application is granted and approved; and it is further

ORDERED that, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, the employment of Andersen as the Debtors' auditors and accounting, tax, and financial advisors, nunc pro tunc to January 28, 2002, to perform the services described in the Application, is approved; and it is further

ORDERED that Andersen shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code, applicable Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), local rules and orders of the Court (the "Local Bankruptcy Rules"), guidelines established by the Office of the United States Trustee, and such other procedures as may be fixed by order of this Court; and it is further

ORDERED that notwithstanding any contrary provision in the Bankruptcy Code, the Bankruptcy Rules, or other order of this Court, Andersen shall not be required to submit detailed time entries for services rendered in connection with the Audit Services¹; and it is further

¹ Unless otherwise defined in this Order, capitalized terms shall have the meaning ascribed thereto in the Application.

ORDERED that, to the extent that this Order is inconsistent with any prior order, pleading, or the Engagement Letters with respect to Andersen, the terms of this Order shall govern; and it is further

~~ORDERED that the Application is granted on an interim basis; and it is further~~

ORDERED that the Debtors shall serve a copy of the Application and this Order upon their 50 largest creditors; and it is further

ORDERED that any objection to the relief requested by the Application on a permanent basis shall be filed with the Court, One Bowling Green New York, New York 10004-1408, by no later than February 22, 2002 at 4:00 p.m. and served on the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Carolyn Schwartz, Esq.; Weil, Gotshal & Manges LLP, attorneys for the Debtors, 767 Fifth Avenue, New York, New York 10153, Attention: Paul M. Basta, Esq.; and Arthur Andersen LLP, 1345 Avenue of the Americas, New York, New York 10105, Attention: James M. Lukenda so as to be actually received by such filing deadline; and it is further

ORDERED that any objections to the proposed retention shall be filed with the Court in accordance with General Order of the United States Bankruptcy Court for the Southern District of New York M-182, which order can be found at www.nysb.uscourts.gov; and it is further

ORDERED that if timely objections are received there shall be a hearing held on March 1, 2002 at 9:45 a.m. to consider any objections to the proposed retention herein; and it is further

ORDERED that if no objections to Andersen's retention are timely filed, served and received in accordance with this Order, this Order shall be deemed a final order without further notice or hearing, and the Application shall be granted ~~in its entirety~~, and Andersen's retention shall be made effective nunc pro tunc to the date of the commencement of these chapter 11 cases; and it is further

ORDERED that the requirement pursuant to Local Rule 9013-1(b) that the Debtors file a memorandum of law in support of the Application is hereby waived.

Dated: January 28, 2002
New York, New York

/s/ Robert E. Gerber
UNITED STATES BANKRUPTCY JUDGE

Exhibit 2A. Summary of Auditors, and Accounting, Tax and Financial
Advisors Rates and Total Charges for the Period
Beginning January 28, 2002 and Ending May 31, 2002

ARTHUR ANDERSEN LLP
IN RE: GLOBAL CROSSING LTD., ET AL.
SUMMARY OF AUDITORS, ACCOUNTING, TAX AND FINANCIAL ADVISORS
RATES AND TOTAL CHARGES FOR THE PERIOD
BEGINNING JANUARY 31, 2002 AND ENDING MAY 31, 2002

<u>Professional</u>	<u>Level</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
CORPORATE RESTRUCTURING/TAS:				
Howard Tucker	Partner	\$ 625	70.2	\$ 43,875
James M. Lukenda	Partner	550	341.5	187,825
Cheryl L. Flick	Exp. Manager	507	292.8	148,450
Robert A. Campagna	Sr. Director	400	372.3	148,920
Christopher A. Suozzo	Associate	324	204.8	66,355
Michael Reed	Associate	324	41.2	13,349
Kevin M. Haggard	Manager	310	509.6	157,976
Elliot Richman	Associate	302	4.0	1,208
George T. Carbone	Associate	287	485.0	139,205
Ameya G. Bijoor	Associate	287	598.6	171,798
Pierre-Oliver Lamoureux	Associate	287	172.3	49,450
Brian Dudley	Senior Manager	262	28.5	7,467
Andrea S. Will	Associate	250	172.4	43,100
Christopher C. Alberta	Associate	250	593.0	148,250
Lauren Moldawer	Analyst	241	61.2	14,749
Joanne Scarola	Analyst	230	169.3	38,939
David X. Allen	Associate	225	180.0	40,500
Joseph H. Cashel	Associate	225	346.5	77,963
Kimberly A. Wittrock	Associate	225	227.9	51,278
Gregory Cook	Experienced Mgr	189	29.1	5,500
Deep R. Parekh	Analyst	178	20.6	3,667
Tina Jimas	Analyst	178	5.0	890
Matthew P. Gavejian	Analyst	175	32.5	5,688
Michael A. Germana	Analyst	175	328.4	57,470
Angela Tsai	Analyst	150	681.6	102,240
Anne Robinson	Analyst	150	21.0	3,150
Daniel E. Erber	Analyst	150	111.8	16,770
Glenn M. Lubin	Analyst	150	9.0	1,350
Jennifer L. Hearne	Analyst	150	172.0	25,800
Lorrie A. Muldoon	Analyst	150	43.5	6,525
Michael P. Cohen	Analyst	150	340.4	51,060
Nicole J. Carri	Analyst	150	14.0	2,100
Rachelle L. Brace	Analyst	150	51.0	7,650
Ryan S. Osborne	Analyst	150	540.4	81,060
Sabrina D. Hartzog	Analyst	150	624.9	93,735
Corporate Restructuring Subtotal			7,896.3	\$ 2,015,307

HUMAN CAPITAL SERVICES:

Nick W. Bubnovich	Partner	\$	595	3.5	\$	2,083
Howard Freidin	Partner		595	1.0		595
Robert F. Schuldt	Manager		425	43.5		18,488
Erik Hubbard	Analyst		175	2.3		403
Christine Robovsky	Analyst		165	29.4		4,851

Human Capital Services Subtotal**79.7****\$ 26,419****TAX:**

Christopher J. Pimlott	Partner	\$	500	6.6	\$	3,300
John R. Keenan	Senior Manager		574	2.0		1,148
Alex R. Thurman	Manager		440	2.0		880

Tax Subtotal**10.6****\$ 5,328****Grand Total****7,986.6****\$ 2,047,054**

Exhibit 2B. Summary of Services by Activity Code

Global Crossing

Summary by Activity

ACTIVITY	TIME SPENT	FEES
2 Accounts Payable Issues	2015.4	\$420,080.00
1 Accounts Receivable Issues	23.2	\$6,900.40
5 Administrative - Miscellaneous	139.3	\$35,942.40
7 Asset Analysis/Sale/Recovery/Disposition	30.0	\$10,132.60
8 Auditing/General Accounting	10.1	\$4,713.40
9 Background Analysis	9.8	\$3,143.50
99 Background Research	31.6	\$5,879.20
44 Bankruptcy Consulting - General	92.5	\$25,668.10
12 Bankruptcy Schedules	276.2	\$58,905.40
109 Budget Preparation & Analysis	0.3	\$165.00
81 Business Analysis	9.3	\$5,115.00
14 Business Plan	11.8	\$6,100.00
102 Capital Expenditures	222.6	\$68,481.60
79 Case Administration - General	10.1	\$3,770.00
18 Cash Flow Issues/Analysis	155.9	\$50,424.70
19 Cash Management/Cash Usage	802.0	\$187,129.00
21 Claims Analysis, Assist, Processing, Reconcil'n.	60.8	\$20,984.00
23 Compensation Issues	73.6	\$26,315.50
103 Contract Development & Review	0.3	\$165.00
26 Correspondence - Drafted/Reviewed	41.7	\$14,094.20
27 Court/Hearing Appearance & Preparation	84.2	\$22,069.40
28 Creditor Committee Matters	36.5	\$16,589.00
17 Data Analysis/Data Entry	385.3	\$69,659.60
29 Debt Analyses	14.5	\$2,175.00
30 Debtor Issues/Debtor Presentations	11.8	\$5,930.00
31 DIP Financing	50.3	\$20,371.60
33 Disclosure Issues/Statements	7.0	\$3,350.30
34 Divestitures	143.4	\$68,567.80
105 Document Review & Analysis	51.5	\$11,367.90
35 Due Diligence	40.4	\$14,292.80
13 Employee Benefits & Pension Issues	1.7	\$935.00
39 Fee Application Preparation / Billing	32.3	\$11,277.60
84 Fee/Employment Objections	2.0	\$1,025.00
104 Financial Analysis	33.0	\$15,527.20
40 Financial Statements	277.6	\$80,628.87
83 Financing	3.7	\$1,061.90

Subject Period: 1/28/02 through 5/31/02

Page 1 of 2

Global Crossing

Summary by Activity

ACTIVITY	TIME SPENT	FEES
45 Insurance Issues	1.4	\$401.80
46 Intercompany Accounts/Analysis	212.7	\$80,037.50
72 Issues Related to SOP 90-7	20.3	\$9,845.00
49 Labor & Union Issues	1.3	\$373.10
55 Lease Issues	46.3	\$13,806.00
52 Legal Work/Legal Research	4.8	\$1,304.60
53 Liquidation Analysis	6.2	\$1,947.00
48 Meetings - External	227.0	\$62,020.50
15 Meetings - Internal	139.5	\$29,684.50
101 Meetings - Preparation	51.1	\$13,529.10
62 Miscellaneous and Other Bankruptcy Issues	33.2	\$5,580.00
57 Motion Work	523.2	\$95,351.50
58 Open Issues	29.9	\$7,792.90
60 Operational Budgets	0.3	\$86.10
61 Operations Review/Analysis/Operating Reports	83.9	\$27,012.20
63 Overhead Analysis	1.4	\$350.00
3 Preference Analysis/Preference Issues	35.1	\$17,795.70
108 Projections	6.8	\$2,618.30
111 Quality Control Procedures	180.0	\$32,398.00
65 Real Estate Data/Valuation	0.3	\$165.00
82 Reconstruction Accounting	20.7	\$3,105.00
67 Report Prep/Trustee Reports	15.0	\$7,720.00
11 Reporting Issues	18.8	\$9,258.60
68 Response to Creditors' Professionals	8.5	\$3,685.00
112 Restructuring Issues	12.2	\$6,270.80
110 S.E.C. Filings & Related Issues	7.0	\$3,655.00
75 Sale of Business and Related Issues	68.6	\$20,665.60
71 Secured Debt Transactions/Analysis of	4.8	\$1,920.00
69 Statements & Schedules - Preparation/Analysis	798.2	\$199,466.50
100 Statistical Analysis and Research	0.5	\$275.00
106 Status Updates/Discussions	47.1	\$10,010.60
77 Systems Review/Analysis/Update	0.2	\$57.40
78 Tax Issues/Tax Consulting	157.7	\$71,070.60
80 Vendor Issues/Vendor Assistance	30.9	\$8,857.50
	7,986.6	\$2,047,054.37

Subject Period: 1/28/02 through 5/31/02

Page 2 of 2

Exhibit 4 Summary of Expenses

Global Crossing

Summary of Expenses

1/28/02 through 5/31/02

Professional Name	Airfare	Mileage	Parking/ Tolls	Rental Cars	Transportation	Lodging	Tele- phone	Meals	Courier/ Federal Express	Postage/ Supplies	Faxes	Duplication	Computer Supplies	Other	Total
Ameya G. Bijoor			\$623	\$30	\$1,273	\$776	\$19	\$59						\$94	\$2,874
Angela Tsai			\$323	\$2,339	\$25	\$9,041		\$476					\$105	\$1,597	\$13,905
Cheryl L. Flick			\$1,177	\$2,397	\$74					\$23				\$51	\$3,722
Christopher A. Suozzo			\$624	\$30											\$654
Christopher C. Alberta		\$767			\$475									\$249	\$1,491
Daniel E. Erber	\$972				\$313	\$1,367	\$1							\$504	\$3,156
David M. Allen			\$1,046	\$1,842		\$243									\$3,130
Deep R. Parekh					\$54										\$54
George T. Carbone			\$564	\$2,987	\$129										\$3,680
Howard J. Tucker		\$62													\$62
James M. Lukenda		\$736	\$501	\$740	\$48		\$166							\$106	\$2,298
Joanne R. Scarola			\$173	\$100	\$718										\$990
Joseph H. Cashel, Jr.	\$1,408			\$1,244	\$1,096	\$3,558	\$18							\$1,176	\$8,499
Kevin M. Haggard		\$507	\$16	\$45	\$124	\$193								\$42	\$926
Kimberly A. Wittrock				\$424	\$224	\$497								\$168	\$1,313
Lauren E. Moldawer		\$72	\$66											\$34	\$172
Lorrie A. Muldoon					\$17										\$17
Michael A. Germana			\$50	\$800		\$312									\$1,162
Michael F. Reed			\$53		\$152										\$205
Michael P. Cohen	\$1,090			\$237	\$829	\$3,852								\$1,197	\$7,205

Global Crossing

Summary of Expenses

1/28/02 through 5/31/02

Professional Name	Airfare	Mileage	Parking/ Tolls	Rental Cars	Transportation	Lodging	Tele- phone	Meals	Courier/ Federal Express	Postage/ Supplies	Faxes	Duplication	Computer Supplies	Other	Total
Nicole J. Carri						\$5									\$5
Pierre-Oliver Lamoureux			\$708	\$2,592	\$155										\$3,454
Robert A. Campagna			\$1,765	\$3,213		\$243									\$5,221
Ryan S. Osborne						\$3,500								\$2,128	\$5,628
Sabrina D. Hartzog	\$2,584			\$386	\$947	\$4,497	\$7							\$1,365	\$9,786
Total	\$6,054	\$2,144	\$7,688	\$19,404	\$6,657	\$28,078	\$210	\$535		\$23			\$105	\$8,711	\$79,609