

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

..... X
In Re: :
: Chapter 11
GLOBAL CROSSING LTD., et al. : Case No. 02-40188 (REG)
: Jointly Administered
: Debtors. :
..... X

FIRST APPLICATION OF ERNST & YOUNG LLP
AS LITIGATION ADVISORS TO THE DEBTOR
FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED FROM
FEBRUARY 26, 2002 THROUGH APRIL 30, 2002

Name of Applicant: Ernst & Young LLP

Authorized to Provide Services to: the above-captioned debtor

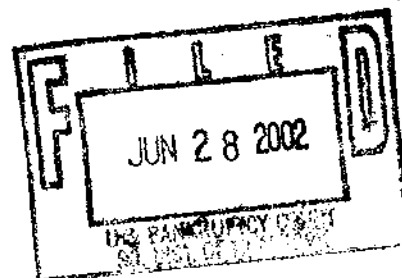
Date of Retention: February 26, 2002, nunc pro tunc

Period for which compensation
and reimbursement are sought February 26, 2002 through April 30, 2002

Amount of Compensation sought as
actual, reasonable, and necessary: \$ 1,496,217

Total Amount of Expense Reimbursement
sought as actual, reasonable, and necessary: To be submitted in next fee application

This is a: interim ___ final application ___ monthly statement



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

.....	X	
In Re:	:	Chapter 11
	:	Case No. 02-40188 (REG)
GLOBAL CROSSING LTD., <u>et al.</u>	:	Jointly Administered
	:	
Debtors.	:	
.....	X	

**FIRST INTERIM APPLICATION OF ERNST & YOUNG LLP
AS LITIGATION ADVISORS TO THE DEBTOR
FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED FROM
FEBRUARY 26, 2002 THROUGH APRIL 30, 2002**

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

Pursuant to 11 U.S.C. §330 and 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, Ernst & Young LLP (“E&Y”) hereby submits its First Interim Application (the “Application”) seeking allowance of compensation with respect to professional litigation advisory services rendered to Global Crossing LTD., (the “Debtors”) under the sole direction of Debevoise & Plimpton (“Debevoise”) in connection with the Debtors’ Chapter 11 cases, in the amount of \$1,496,217 for the period from February 26, 2002 through April 30, 2002 (the “First Compensation Period”). In support of its Application, E&Y respectfully represents as follows:

1. Beginning on January 28, 2002 (the “Petition Date”), and, in some instances, periodically thereafter, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their property as debtors-in-possession pursuant to sections 1107(a) and 1108 of

the Bankruptcy Code. The Debtors' Chapter 11 cases have been procedurally consolidated for administrative purposes.

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(A). The statutory predicate for the relief sought herein are section 1103 of the Bankruptcy Code.

3. The Debtor's retention of E&Y was approved by this Court's Order dated May 14, 2002 ("Retention Order"). The Retention Order authorized E&Y to be litigation advisors to the Debtors pursuant to the terms and conditions contained in the Engagement Letter, *nunc pro tunc* as of February 26, 2002. This Order, annexed hereto as Exhibit A, authorized E&Y to be compensated on an hourly basis and to be reimbursed for actual and necessary out-of-pocket expenses.

4. This Application has been prepared in accordance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the "Local Guidelines"), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses filed Under U.S.C §330, adopted on January 30, 1999 (the "UST Guidelines") and the Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals (the "Administrative Order" and, collectively with the Local Guidelines and UST Guidelines, the "Guidelines"). Pursuant to the Local Guidelines, a certification regarding compliance with same is attached hereto as Exhibit B.

5. E&Y makes this first application for interim allowance of professional fees incurred of \$1,496,217. E&Y is reviewing out-of-pocket expenses to ensure compliance with the Court's administrative orders. Request for reimbursement of

disbursements for the period from February 26, 2002 through April 30, 2002 will be included in the next monthly statement submitted, as well as included in the next interim application for allowance of compensation.

6. In rendering the services described below, E&Y has expended a total of 4,564.4 hours. An overall billing summary attached as Exhibit C hereto sets forth the hourly rates during the Application Period for the E&Y personnel that performed services for the Debtors and the total hours incurred by each professional. Based on the hours expended and the hourly rates effective during the First Compensation Period, E&Y is entitled to fees for professional services rendered during the First Compensation Period in the amount of \$1,496,217. This represents a blended hourly rate of \$328. E&Y maintains records of the time spent by all E&Y professionals in connection with the prosecution of the Debtors' chapter 11 cases. Such time records were made contemporaneously with the rendition of services by the person rendering such services. A copy of these records identifying each person performing professional services during the First Compensation Period, the date on which such services were performed, the amount of time spend by each individual performing them and a description of the services rendered, will be furnished to the Court, the Debtors' and their attorneys, the JPLs and their attorneys, counsel to the statutory committee of creditors, the Debtors' secured lenders' attorneys and the U.S. Trustee for the Southern District of New York.

7. To date, E&Y has not been paid any compensation for the First Application Period. Below is a table summarizing E&Y's fees, expenses, payments received and amounts owed for the First Compensation Period.

Bill Period	Fees	Expenses	Received	20% Holdback	Due
February 26, 2002 – April 30, 2002	\$1,496,217		To be submitted in next application	\$0	\$0 June, 28, 2002

8. The following is a summary of the primary services provided by E&Y to the Committee during the First Compensation Period:

Activity	Total Hours	Amount	Description
Planning, Supervision, Administration and Review	700.4	\$236,624	Meetings, discussions and other activities to staff, plan and coordinate work on behalf of counsel to the Debtors and the Officers and Directors of Debtors. Provided oversight and coordination of the work being performed by functional teams dispersed in various locations. Performed quality control review of work products produced.
Analysis / Work Product	1,785.2	\$509,531	Prepared work product in response to information requests made by counsel and other matters of importance to counsel.
Electronic Data Gathering, General	473.2	\$179,930	Includes creation of electronic data images of hard drives.
Meetings, Presentations and Discussions	598.1	\$223,290	Participated in meetings /interviews with counsel, Debtors' officers, directors and other employees, and E&Y engagement team members to gain additional understandings of facts and circumstances and to discuss engagement issues and strategies.
Firm Independence, Retention, Billing, and Administrative Matters	577.4	\$154,079	Performed a nationwide and international relationship and independence check in order to comply with the requirements to be retained by the bankruptcy courts. Results of activities disclosed in the affidavit supporting retention. Drafted affidavit to disclose relationships and support Debtors' retention as litigation advisors. Reviewed time and expenses submitted by E&Y professionals to ensure compliance with the Court's administrative orders.

Engagement Travel Time	216.7	\$65,836	Travel time incurred by engagement team as required in execution of the engagement, specifically to bring required technical and industry resources to the various locations where Debtors employees, documents and counsel were located. Represents only travel time within normal business hours.
Research and Discussions - Accounting	213.4	\$126,927	Reviewed relevant accounting pronouncements and industry practices to further develop understanding issues related to Debtors' accounting.

THE REQUESTED COMPENSATION SHOULD BE ALLOWED

9. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern a court's award of such compensation. 11 U.S.C. § 331. Section 330 provides that a court may award a professional employed by the Debtors under section 1103 of the Bankruptcy Code "reasonable compensation for actual necessary services rendered and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1).

10. Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

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

- (A) the time spent on such services;
 - (B) the fees charged for such services;
 - (C) whether the services were necessary to the administration of or beneficial at the time at which the service was rendered toward the completion of a case under this title;
 - (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- and

(E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. 330(a)(3).

11. As set forth in greater detail above, E&Y respectfully submits that it has satisfied the requirements of section 330 of the Bankruptcy Code. The services for which it seeks compensation in this Application were necessary for and beneficial to the Debtors. E&Y's request for compensation is reflective of a reasonable and appropriate amount of time expended in performing such services commensurate with the complexity, importance and nature of the problem, issue, or task involved. These services were performed without unnecessary duplication of effort by professionals employed by E&Y. The compensation sought by E&Y is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code. See e.g. In re Teligent, Case No. 01-12974 (SMB) (Bankr. S.D.N.Y. July 30, 2001); In re PSINet Inc., Case No. 01-13213 (REG) (Bankr. S.D.N.Y. July 11, 2001); In re Bridge Information Systems, Inc., Case No. 01-041593-293 (DPM) (Bankr. E.D. Mo. March 29, 2001). For all of the foregoing reasons, E&Y respectfully requests that the Court grant this Application.

WAIVER OF MEMORANDUM OF LAW

12. Pursuant to Local Bankruptcy Rule for the Southern District of New York 9013-1(b), because there are no novel issues of law presented by this Application, E&Y respectfully requests that the Court waive the requirement that E&Y file a memorandum of law in support of this Application.

NOTICE

13. Notice of this Application has been provided to (i) counsel to the Debtors, (ii) counsel to the official committee of unsecured creditors, (iii) counsel to the Debtors' senior secured lenders, (iv) the JPL's and their attorneys, (v) the Office of the U.S. Trustee for the Southern District of New York and (vi) those parties entitled to notice pursuant to this Court's order dated January 28, 2002 establishing certain notice procedures in these Chapter 11 cases. E&Y submits that this is good and sufficient notice and no other or further notice is necessary.

CONCLUSION

WHEREFORE, E&Y respectfully requests (i) an interim allowance of compensation for professional litigation advisory services for the Debtors in the amount of \$1,496,217 in fees for the period of February 26, 2002 through April 30, 2002, (ii) the allowance of such compensation for professional services rendered and reimbursement of actual and necessary expenses incurred be with without prejudice to E&Y's right to seek additional compensation for services performed and expenses incurred during the First Compensation Period, which were not processed at the time of the Application, (iii) authority for the Debtors to pay to E&Y outstanding compensation and reimbursement of expenses in the amount of \$1,496,217 and (iv) such other and further relief as is just.

Dated: San Francisco, California
June 27, 2002

/s/ Joseph R. Rosenbaum

Joseph R. Rosenbaum
Ernst & Young LLP
Suite 1700
555 California Avenue
San Francisco, CA 94104
(415) 951-3309

Subscribed and sworn to before me
this 27th day of June 2002.

/s/Lisa Barela
Lisa Barela

Notary Public
My Commission Expires on: 01/02/04
State of California
County of San Francisco

Exhibit A

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

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

**ORDER AUTHORIZING THE RETENTION
OF ERNST & YOUNG LLP TO PROVIDE LITIGATION ADVISORY
SERVICES FOR THE DEBTORS AND DEBTORS IN POSSESSION**

Upon the application dated May 14, 2002 (the "Application") of Global Crossing Ltd. and its debtor subsidiaries, as debtors in possession (collectively, the "Debtors"), for an order pursuant to sections 327(a) and 1107 of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), authorizing them to retain Ernst and Young LLP ("E&Y LLP") to assist Debevoise & Plimpton ("Debevoise") in its representation of the Debtors and certain current and former officers and directors of the Debtors (collectively the "Officers and Directors") in connection with governmental investigations and inquiries conducted by the Securities and Exchange Commission and the Department of Justice and any other similar or related investigations or inquiries as well as other related civil and shareholder litigation which has been or may be initiated against the Debtors or Officers and Directors (collectively the "Proceedings"); and upon the Affidavit of Joseph R. Rosenbaum in support of the Application, all as more fully set forth in the Application; and the Court having jurisdiction to consider the Application

and the relief requested therein pursuant to 28 U.S.C. § § 157 and 1334 and the Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 19, 1984 (Ward, Acting C.J.); and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. § § 1408 and 1409; and due and proper notice of the Application having been provided to the Office of the United States Trustee for the Southern District of New York, the attorneys for the Debtors' prepetition lenders, the Joint Provisional Liquidators (the "JPLs") appointed by the Supreme Court of Bermuda in respect of certain of the Debtors herein and their attorneys, and those parties entitled to notice pursuant to this Court's order dated January 28, 2002 establishing notice procedures in these cases, and no other or further notice need be provided; and it appearing that E&Y LLP neither holds nor represents any interest adverse to the Debtors' estates; and it appearing that E&Y LLP is "disinterested," as that term is defined in section 101(14) of the Bankruptcy Code; and it appearing that the relief requested in the Application is in the best interest of the estates and their creditors; after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Application is granted in its entirety; and it is further

ORDERED that in accordance with section 327(a) of the Bankruptcy Code, the Debtors are authorized to employ and retain E&Y LLP nunc pro tunc to February 26, 2002, assist Debevoise in its representation of the Debtors and the Officers and Directors in connection with the Proceedings on the terms and conditions set forth in the Application and Engagement Letters (as defined in the Application); and it is further

ORDERED that the status of any writings, analysis, communications, and mental impressions formed, made, produced, or created by E&Y LLP relating to this engagement as the work product solely of Debevoise & Plimpton in its capacity as counsel to the Debtor and the Officers and Directors in the Proceedings shall not be affected by the fact that E&Y LLP has been engaged by the Debtor rather than by Debevoise & Plimpton; and it is further

ORDERED that E&Y LLP shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code and such Bankruptcy Rules as may then be applicable, from time to time, and such procedures as may be fixed by order of this Court.

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

Dated: June 10, 2002
New York, New York

/s/ Robert E. Gerber
UNITED STATES BANKRUPTCY JUDGE

Exhibit B

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

In Re: GLOBAL CROSSING LTD., <u>et al.</u> <p style="text-align: center;">Debtors.</p>	X : : : : : : : X	Chapter 11 Case No. 02-40188 (REG) Jointly Administered
---	---	--

Joseph R. Rosenbaum, as and for his certification pursuant to and in accordance with the administrative orders regarding Guidelines for Fees and Disbursements for Professionals in the United States Bankruptcy Court for the Southern District of New York, dated June 24, 1991 and April 21, 1995 (the "Administrative Order"), does respectfully certify as follows:

- 1) I am a partner of the firm of Ernst & Young LLP ("E&Y") and submit this certification in connection with the application (the "Application") of E&Y for an award of fees and reimbursement of disbursements for the period from February 26, 2002 through April 30, 2002.
- 2) I hereby certify as follows:
 - a) I am primarily responsible for a substantial portion of the professional services rendered by Ernst & Young LLP as litigation advisors to the Debtors.
 - b) I have read the Application;
 - c) To the best of my knowledge, information and belief formed after reasonable inquiry of the E&Y professional staff, the Application complies with the mandatory guidelines set forth in the Administrative Order;
 - d) To the best of my knowledge, information and belief formed after reasonable inquiry of the E&Y professionals, the fees and disbursements sought fall within the guidelines set forth in the Administrative Order;

- e) E&Y has limited certain disbursement requests pursuant to the guidelines set forth in the Administrative Order; the fees and remaining disbursements sought are billed at rates in accordance with practices customarily employed by E&Y and generally accepted by E&Y's clients;
- f) The appropriate parties have been provided with a statement of fees and disbursements (the "Monthly Statement") accrued during the period February 26, 2002 through April 30, 2002. The Monthly Statement contains a list of professionals providing services, their respective billing rates, the aggregate hours spent by each professional, a general description of services rendered, and a reasonably detailed breakdown of disbursements incurred according to categories;
- g) To the best of my knowledge, information and belief formed after reasonable inquiry of E&Y's personnel, E&Y does not make a profit in connection with any disbursements sought in the Application except in recording certain disbursements which, for administrative convenience, charges are rounded up to the nearest dollar;
- h) To the best of my knowledge, information and belief formed after reasonable inquiry of E&Y accounting personnel, E&Y does not include in the amount of any disbursements the amortization of the cost of any investment, equipment or capital outlay;
- i) To the best of my knowledge, information and belief formed after reasonable inquiry of the E&Y accounting personnel, to the extent that E&Y has purchased or contracted for services from a third party, reimbursement is sought only for the amount billed by the third party to E&Y and paid; and
- j) E&Y maintains supporting documentation for each item for which reimbursement is sought, and such documentation is available for review on request by the Court or the United States Trustee.