

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

HEARING DATE: June 2, 2004
HEARING TIME: 11:00 a.m.

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In re :
GLOBAL CROSSING LTD., et al., : Chapter 11
 : Case Nos. 02-40187 through
 : 02-40241 (REG)
Debtors. : (Jointly Administered)
 :
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STATEMENT OF THE FEE COMMITTEE IN REGARD
TO THE FINAL APPLICATIONS FOR COMPENSATION
AND REIMBURSEMENT OF EXPENSES

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TO THE HONORABLE ROBERT E. GERBER, BANKRUPTCY JUDGE:

The Fee Committee hereby presents its response and/or recommendations with respect to the following applications seeking a final award of compensation and reimbursement of out-of-pocket expenses.

I.

MEMBERSHIP AND ACTIVITIES OF THE FEE COMMITTEE

By Order of the Court dated August 21, 2002, the Fee Committee and Fee Procedures Protocol (the "Fee Protocol") was approved, which established the Fee Committee. In accordance with the Fee Protocol, the Fee Committee is composed of the following representatives:

Mr. Daniel O'Brien, Executive Vice President, Chief Financial Officer¹ and Mr. Kirk Rossi, Senior Vice President of Finance and Treasury Operations, for the Debtors;

Mary Elizabeth Tom, Esq. and Lauren L. Landsbaum, Esq., for the United States Trustee;

Ms. Marina Flindell, Vice President, and Ms. Alex Goldenberg, Special Loans Group, JPMorgan Chase Bank, for the Senior Banks;

Mr. Ming Shao, Senior Portfolio Manager, Dupont Capital Management, for the Official Committee of Unsecured Creditors; and

John Milsom, Esq., partner of KPMG, LLP for the Joint Provisional Liquidators (ex officio).

The Fee Committee believes that its primary purpose is to ensure that the fees and expenses charged by the various professionals are reasonable and appropriate in the circumstances of this case.

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Mr. Joseph Perrone resigned from his position at the Debtors effective September 1, 2003. Mr. O'Brien has replaced Mr. Perrone as chairman of the Fee Committee.

The Fee Committee commenced its work with an in-person meeting on September 6, 2002. Starting at the first meeting and since that time, the Fee Committee has performed the following tasks:

We advised the professionals to start submitting monthly budgets and developed project billing code requirements;

We reviewed the scope of each professional's employment and the fees incurred to date by each firm, whether such firm was retained by court order under section 327 or 1103 of the Code or not. Those professionals not retained by court order included those for the Secured Banks, the JPLs, the Indenture Trustees, and Singapore Technologies Telemedia;

Given the successful results of the Fee Committee's review of the second interim fee applications, the Fee Committee did not to hire a staff or outside vendors to support the work of the Fee Committee.

We prepared numerous charts showing fees incurred monthly, budgeted fees and expenses and comparing actual fees to budgeted fees. Where appropriate, we questioned certain budgeted fees from certain professionals;

We compared the fees incurred to date in this case to other large cases pending in the Southern District of New York including Enron and World Comm.

We considered certain of the actions and positions taken by the fee committee appointed by the Court in the chapter 11 case of Enron Corp., et al. (the "Enron Fee Committee");

We discussed possible recovery of fees from third parties, such as insurers, with the General Counsel of the Debtors;

Upon service of the final fee applications, covering the period of April 1, 2003 through December 9, 2003, we divided the applications among the Fee Committee members, each of whom took responsibility for reviewing a particular set of fee

applications, which did not include their own professionals. After our review of the fee applications, individual comments on all reviewed fee applications were circulated to the Fee Committee members. We then discussed the specific items which the Fee Committee concluded were possibly subject to disallowance. We submitted our comments to the professionals, requested written responses from the professionals, and offered to meet with the professionals via conference call concerning their responses.

II.

OVERALL VIEW OF THE FEE COMMITTEE OF PERFORMANCE OF PROFESSIONALS

With the familiarity that each Fee Committee member has with this case and the performance of its own professionals as well as those representing other constituencies, the Fee Committee is of the view that, as a general matter, this case has been properly and well administered and that the professionals' overall performance was excellent. The Fee Committee acknowledges that this is a complicated case in a competitive industry, that a plan of reorganization was confirmed within one year of the filing date, and that approximately \$7.9 billion in debt will be discharged through the plan. Further, the Fee Committee recognizes that the major constituents attempted to resolve disputes where possible, rather than litigate.

The Fee Committee is also mindful of the fact that, when a complicated case attempts to move quickly and when there are many professionals involved on different fronts, that fees tend to escalate quickly. The Fee Committee is also mindful of the fact that the Debtors' proceeding has been in Chapter 11 for this past year not as a result of delay on the part of professionals, but because of a lengthy regulatory approval process. In light of the significant amount of aggregate fees, we concluded that, although the case moved quickly and was deemed by most to be a success, a thoughtful and comprehensive

review of fees incurred was necessary and appropriate.

The Fee Committee, having taken the foregoing steps and considered the pending fee applications, now wishes to report to the Court our comments and observations generally and to the individual requests for fees and expenses, as set forth below.

III.

GENERAL RECOMMENDATIONS OF THE FEE COMMITTEE

In connection with the review of the second interim fee applications, after extensive discussions and in person meetings, reference to The Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the “Guidelines”), the Bankruptcy Code, the experience of the Fee Committee members, the fees and expenses in other “mega” cases pending in the Southern District of New York, and the specific circumstances of the Debtors’ cases, the Fee Committee produced the following general recommendations, which were approved pursuant to the Order of the Court dated June 6, 2003:

A. Recommendations: The following represents the General Recommendations applicable to all professionals² beginning with the second fee applications and all subsequent fee applications submitted in this matter. In addition to those specific recommendations, the Fee Committee has requested that all professionals, adjust their respective fees and expenses to comply with the following:

General Recommendations Re: Fees:

1. Summer Associates: Given the size and complexity of this matter, the Fee Committee believes that the need to explain a task to a summer associate often outweighs any benefit that is added by the work performed. Consequently, the Fee

²The term “all professionals” does not include the professionals retained through the Bermudian process.

Committee recommends that all time incurred by a summer associate be excluded from the fees requested. The Fee Committee's recommendation is consistent with the position of Enron Fee Committee.

2. Paraprofessional/Clerical: The fee applications revealed that certain of the tasks performed by "paraprofessionals" were clerical in nature. Some of these tasks include, but are not limited to, copying, mailing, and filing. The Fee Committee noted that the firms charged "paraprofessionals" at rates ranging from approximately \$65 to \$180. The Committee recommends that the firms identify the clerical tasks subsumed within the "paraprofessional" time and reduce the hourly rate associated with the tasks to no more than \$65 per hour.
3. Preparation of Fee Applications: The Fee Committee analyzed the amount of fees incurred by the firms in connection with in the preparation of fee applications. Stated as a percentage of the total fees charged, the Fee Committee's analysis revealed that the average amount of fees incurred was 2 ½ % of total fees. The Fee Committee believes 2 ½ % is an appropriate and reasonable amount for a firm to charge for fee application preparation. Accordingly, the Fee Committee recommends that the firm's time with respect to fee application be limited to 2 ½ % of total fees incurred.
4. Response to Fee Committee: The Fee Committee recommends that time incurred by the firms in preparing the Responses should not be chargeable to the Debtors' estate.
5. Transitory Professionals: A timekeeper who works on a large matter for only a few hours is sometimes referred to as a "transitory timekeeper." Transitory timekeepers often add little or no value to the work; and the need to explain a task to a transitory timekeeper often outweighs any benefit that is added. In the Memorandum, the Fee Committee requested that the firms provide an explanation

as to how each of the transitory professionals was able to contribute value by working for a short time on this matter. Based upon its review, the Fee Committee recommends that all transitory paraprofessional time be disallowed.

General Recommendations Re: Expenses:

1. Meals: The Guidelines provide the following with respect to charges for daytime meals and overtime meals:

Overtime Expenses (Guidelines at Paragraph D.9.): “The reasonable expenses of a professional required to work on the case after 8:00 p.m. are reimbursable provided that, if the professional returns to the office to work for at least 1 ½ hours. In any event, the expense for an individual’s meal may not exceed \$20.00.”

Daytime Meals (Guidelines at Paragraph D.10.): “Daytime meals are not reimbursable unless the individual is participating, during the meal, in a necessary meeting respecting the case.”

Based upon the foregoing, the Fee Committee recommends the following with respect to meal expenses:

- a. Overtime meals shall be limited to \$20 per meal.
- b. Daytime meals are not reimbursable unless the client or a constituent in the Debtors’ cases is present at the meal.
- c. Meals charged while out of town on business are reimbursable at the lower of actual cost or \$15 for breakfast and \$20 for dinner. If the out of town meal is with the client or a constituent in the Debtors’ cases, the foregoing limits do not apply; however, such meal expenses are still subject to a reasonableness standard.

2. Travel Charges: The Guidelines provide at Paragraph D.7. that first class air fare is not reimbursable. Additionally, the Fee Committee believes that in this case the reasonable amount to charge the Debtors' estate for airfare is coach/economy class for both domestic and international flights.

3. Photocopying: The Guidelines provide at Paragraph D.3. as follows:

“Photocopying shall be reimbursable at **the lesser of \$0.20 per page or cost.**”

(Emphasis Added)

Based upon the foregoing, the Fee Committee recommends that in-house photocopying be allowed at the rate of \$0.10 per page in this case unless a professional can provide a detailed cost analysis justifying a higher rate. By reducing the per page charge to \$0.10, a firm is not waiving its right to justify and seek payment of a higher rate at a later date.

4. Secretarial Overtime/Special Secretary Services/Word Processing: The Fee Committee believes that charges for temporary personnel which would be overhead if performed by permanent employees are also overhead. The services of the temporary personnel permit timekeepers to perform additional billable services and the charges for those services include the cost of secretarial services and other overhead. It is a decision for each firm to make whether to hire more permanent secretaries or to avoid doing so by having existing personnel work overtime or by hiring temporary assistance. Each alternative serves the same end; each should be treated the same for billing purposes and disallowed as part of firm overhead. The Fee Committee recommends that charges described as word processing, document processing, special secretarial time, secretarial overtime be disallowed.

5. Transportation: The Fee Committee noted a significant number of taxi charges for court appearances and all day car service charges. Paragraph D.12. of the Guidelines provides as follows:

“Local taxi and limousine charges should be minimized and justified. Because of the proximity of mass transit to the court, mass transit should be used whenever practicable.”

The Fee Committee recommends that the firms attempt to minimize local transportation costs by utilizing public transportation options and limiting the use of all day car services.

IV.

SPECIFIC COMMENTS OF THE FEE COMMITTEE

The following represents the Fee Committee’s comments to the professionals’ fee applications and include the Fee Committee’s specific recommendations, the General Recommendations as they apply to the certain professionals’ fee applications and the professionals’ responses thereto, which were provided to the Fee Committee on or about May 20, 2004. **As is indicated herein below, the Fee Committee has consensually resolved all issues with respect to all of the fee applications.**

A. APPLEBY SPURLING & KEMPE ("Appleby")

Transitory Professionals: A timekeeper who works on a large matter for only a few hours is sometimes referred to as a “transitory timekeeper.” Transitory timekeepers often add little or no value to the work; and the need to explain a task to a transitory timekeeper often outweighs any benefit that is added. The Fee Committee requested that Appleby provide an explanation as to how each of the transitory professionals that

incurred less than 10 hours on this matter was able to contribute value by working for a short time on this matter. Pursuant to the Fee Committee's General Recommendations, the Fee Committee recommends that all transitory paraprofessional time be disallowed. The Fee Committee noted the following amounts for transitory personnel:

Attorneys: 10 attorneys billed less than 10 hours for a total of \$9,487.00 in fees.

Paraprofessionals: 4 paraprofessionals each billed less than 10 hours for a total of \$2,413.75 in fees.

Appleby provided the Fee Committee with a response which set forth the contributions made by the transitory professionals. After reviewing Appleby's response, the Fee Committee determined that the charges for the 10 attorneys and 4 paraprofessionals referenced above were appropriate and no reduction was necessary.

Retention/Fee Application: Although this category is entitled Retention/Billing/Fee Application, the time incurred therein related to billing and fee issues. The Fee Committee analyzed the amount of fees incurred by the firms in connection in the preparation of fee applications. Stated as a percentage of the total fees charged, the Fee Committee's analysis revealed that the average amount of fees incurred was 2 ½ % of total fees. The Fee Committee believes 2 ½ % is an appropriate and reasonable amount for a firm to charge for fee application preparation. The Fee Committee reviewed Appleby's written response concerning this issue and discussed the issue with Appleby via conference call. The Fee Committee determined that Appleby's time with respect to fee application preparation should comply with the Fee Committee's General Recommendations and should be limited to 2 ½ % of total fees incurred, which would result in a reduction of \$10,390.59. Appleby has consented to the

reduction of \$10,390.59 in fees.

B. BROWN RUDNICK BERLACK ISRAELS LLP ("Brown Rudnick")

Pre-Petition and Pre-Retention Services: Brown Rudnick is seeking payment of \$66,587 in fees related to services performed during the pre-petition period. Brown Rudnick is also seeking payment of \$45,605.50 in fees related to services performed during the pre-retention period. The United States Trustee did not appoint the Official Committee of Unsecured Creditors until February 7, 2002. The Fee Committee has been advised that in order for Brown Rudnick to be entitled to these fees that Brown Rudnick must show that the services provided conferred a substantial contribution upon the Debtors' estate. Based upon the foregoing standard, the Fee Committee does not believe that Brown Rudnick is entitled to be compensated out of the estate for the \$112,192.50 in fees related to work performed on behalf of an ad hoc committee during the pre-petition period and the pre-committee period. The Fee Committee has consented to the request of Brown Rudnick to adjourn this portion of the fee application in order to enable Brown Rudnick to respond and have a further hearing on this issue.

C. COUDERT BROTHERS LLP ("COUDERT")

Billing/Fee Application: Coudert's interim fee application reflects that Coudert incurred \$48,140 in fees related to billing and preparation of fee applications. The Fee Committee analyzed the amount of fees incurred by the firms in connection in the preparation of fee applications. Stated as a percentage of the total fees charged, the Fee Committee's analysis revealed that the average amount of fees incurred was 2 ½ % of total fees. The Fee Committee believes 2 ½ % is an appropriate and reasonable amount for a firm to charge for fee application preparation. The Fee Committee

determined that Coudert's time with respect to fee application preparation should comply with the Fee Committee's General Recommendations and should be limited to 2 ½ % of total fees incurred, which would result in a reduction of \$39,900.00.

Furthermore, pursuant to the Fee Committee's General Recommendations, the Fee Committee recommends that time incurred by the firms in preparing the Responses should not be chargeable to the Debtors' estate. A review of Coudert's fee application, reveals that a significant amount of time incurred in this category also relates to responses to the Fee Committee. The Fee Committee requested that this time be written off by Coudert.

Summer Associate Time: A review of Coudert's billing statements reveals that for the fourth interim period, Coudert had 2 summer associates work 106.80 hours on the Debtors' cases. Pursuant to the Fee Committee's General Recommendations, the Fee Committee has requested that no time incurred by summer associates be charged to the Debtors' estate. The Fee Committee also notes that for purposes of the second interim fee application, the Fee Committee requested and, Coudert agreed to write off time incurred by summer associates.

Coudert has satisfactorily resolved the issues raised by the Fee Committee by agreeing to reduce its time charges by \$57,542.04 for the amounts in question.

D. DEBEVOISE & PLIMPTON ("Debevoise")

Transitory Professionals: A timekeeper who works on a large matter for only a few hours is sometimes referred to as a "transitory timekeeper." Transitory timekeepers often add little or no value to the work; and the need to explain a task to a transitory timekeeper often outweighs any benefit that is added. The Fee Committee requests that Debevoise provide an explanation as to how each of the transitory professionals

that incurred less than 10 hours on this matter was able to contribute value by working for a short time on this matter. Pursuant to the Fee Committee's General Recommendations, the Fee Committee recommended that all transitory paraprofessional time be disallowed. The Fee Committee noted the following amounts for transitory personnel:

Attorneys: 6 attorneys each billed less than 10 hours for a total of \$12,834.10 in fees.

Paraprofessionals: 9 paraprofessionals each billed less than 10 hours for a total of \$2,623.30 in fees.

Practice Support: The Fee Committee requested an explanation for the services and benefit provided by Mary Ann Canuso, whose billing rate is \$215 per hour, and whose duties are described as practice support. Ms. Canuso billed \$7,482.00 in fees during the application period.

Debevoise satisfactorily responded to the concerns of the Fee Committee by consenting to the reduction of its fees by \$22,939.40.

E. DELOITTE & TOUCHE LLP (D&T)

Fee Application: Deloitte billed 219.4 hours and incurred \$62,194.00 in fees on tasks relating to preparation of fee applications and monthly professional fee statements. Pursuant to the Fee Committee's General Recommendations, the Fee Committee determined, based upon review of all fee applications in this matter, that time incurred with respect to fee application/billing preparation should not exceed of 2.5% of total fees. Deloitte incurred \$1,977,504.00 in fees during the relevant period. Deloitte

seeks to calculate the percentage based upon the period of March 1, 2003 through December 9, 2003; however, this is not the relevant time period¹¹¹¹. The fee application/billing preparation fees represent 3% of the overall fees incurred by Deloitte. The Fee Committee requested that Deloitte reduce its fees in this category by \$12,756.40 in order to comply with the General Recommendations.

Case Administration: D&T incurred 9% of its fees related to case administration, which appears to be excessive. Pursuant to the Fee Committee's General Recommendations, the Fee Committee has determined that 2.5% of total fees for the relevant period is reasonable for the case administration category. Without a justification, the Fee Committee believes that the fees in this category should be significantly reduced. Furthermore, a review of the detailed entries reveals that a significant portion of this time relates to daily entries, which range from .4 to 1.6 hours, by J. Lee at \$350 per hour wherein J. Lee provided services that are described as: "Updated the Global Crossing engagement team on significant news from periodicals/publications and developments in court filings on PACER." The fees incurred by J. Lee totaled approximately \$45,390.00. The Fee Committee requested that D&T provide an explanation as to what benefit the Debtors' estate derived from the lengthy daily searches at a cost of \$350 per hour. Deloitte provided a satisfactory response to the Fee Committee, agreeing to reduce its fee requests by \$36,039.

F. GRANT THORNTON LLP ("GT")

The Fee Committee was of the view that the fees charged by Grant Thornton for audit related activities was high. Upon review of various documents, the Fee Committee determined that such fees resulted from the overbroad scope of the project and project

¹¹¹¹The fees for the March, 2003 period were considered in the previous fee application period.

planning.

GT satisfactorily responded to the concerns of the Fee Committee and agreed to voluntarily reduce its fee request by \$500,000.

G. JAFFE, RAITT, HEUER & WEISS, P.C.

Lumped Time Entries: The United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. §330 (the “U.S.T. Guidelines”) at section II(D)(5) require that services should be noted in detail and not combined or “lumped” together, with each service showing a separate time entry. Jaffe has not complied with the foregoing guideline. Jaffe’s fee application reflects that at least eighty percent (80%) of Jaffe’s time entries, which amount to \$15,053.80 in fees, are improperly lumped.

Jaffe provided additional detail to its time records which satisfactorily resolved the Fee Committee’s concerns.

H. MILBANK, TWEED, HADLEY & MCCLOY LLP (“Milbank”)

Previous Reductions: In accordance with the Fee Protocol set forth by this Court, Milbank has provided the Fee Committee with Milbank’s billing statements for review and comment by the Fee Committee. During the second and third interim fee application periods, Milbank had agreed to certain reductions in order to comply with the Fee Committee’s General Recommendations. Despite the foregoing, Milbank did not take into account any of the agreed upon reductions in its invoices that Milbank presented to the Debtors. To date, Milbank has been paid 100% of fees and 100% of expenses. Accordingly, the Fee Committee requested that Milbank disgorge any and

all amounts for agreed upon reductions in fees and expenses that were not reflected in invoices paid by the Debtors.

Investigation of Causes of Action: A review of Milbank's detailed invoices reveals that Milbank has incurred a significant amount of fees reviewing documents and work product of Debevoise and Plimpton, among others. The purpose of this expensive review was to investigate causes of action that JP Morgan Chase, Milbank's client, not the Debtors may hold against third parties. The Fee Committee requested that Milbank specifically identify and quantify the time entries and fees incurred with respect to investigation of estate causes of action and identify and quantify the time entries and fees incurred with respect to investigation of causes of action held by Milbank.

Indenture: Milbank incurred a significant amount of fees with respect to the indenture/collateral review. During the third interim period, the Fee Committee requested that Milbank provide a justification for the significant amount of fees incurred with respect to this project. The Fee Committee determined that based upon Milbank's written response and discussion with the Fee Committee, the Fee Committee would defer making a determination regarding the indenture/collateral review work until the work is completed and reserves its rights with respect thereto. In accordance with the foregoing, the Fee Committee requested additional responses regarding the work performed on the collateral review.

The Fee Committee was satisfied with the additional responses provided which justified the fees requested by Milbank.

I. ROPES & GRAY

Ropes Fees: Pursuant to the Fee Committee's General Recommendations, the Fee Committee determined, based upon review of all fee applications in this matter, that time incurred with respect to fee application/billing preparation should not exceed of

2.5% of total fees. With respect to the Ropes' application, the time incurred with respect to these two matters appears excessive. A review of the time entries reveals that Ropes incurred \$42,120.00^{1////} in fees related to preparation of monthly billing statements and fee applications. This represents 26% of the overall fees incurred by Ropes for the Fourth Interim period. These fees also included^{2/} time incurred by Ropes responding to the Fee Committee on behalf of Ropes and behalf of Grant Thornton, which pursuant to the Fee Committee's General Recommendations is not compensable. The Fee Committee requested that Ropes reduce its fees in this category by \$38,029.19 in order to comply with the General Recommendations.

Retention: The Fee Committee notes that Ropes incurred at least \$9,882.00 in fees related to the substitution of Ropes as counsel for the examiner. The Fee Committee believes that this is an excessive amount of fees and that it should be reduced.

Pre-retention Fees: Ropes is seeking allowance and payment of \$13,387.50 in fees and \$139.37 in expenses incurred prior to the examiner's November 25, 2002 appointment in the Debtors' cases. The Fee Committee and the United States Trustee have informed Ropes that they do not believe that these fees are compensable out of the Debtors' estate without further justification.

Ropes & Gray has responded to the issues raised by the Fee Committee and has agreed to reduce its fees by \$20,000. The Fee Committee believes that the reduction satisfactorily addresses the concerns raised by it.

J. SIMPSON THACHER ("Simpson")

^{////}This amount does not include fees incurred related to forecasts requested by the audit committee.

^{//}The Fee Committee notes that the majority of the approximately \$42,000 in fees were not comprised of responses to the Fee Committee.

Photocopying: The Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases provide at Paragraph D.3. as follows:

“Photocopying shall be reimbursable at **the lesser of** \$.20 per page or cost.”
(Emphasis Added)

Based upon the foregoing, the Fee Committee recommends that in-house photocopying be allowed at the rate of \$0.10 per page in this case unless a professional can provide a detailed cost analysis justifying a higher rate. A review of Simpson’s fee application reveals that Simpson has charged the Debtors’ estate \$.15 per copy for internal photocopying. Based upon the foregoing General Recommendation, the Fee Committee requested that Simpson reduce their charges accordingly which Simpson has agreed to do..

Transitory Professionals: A timekeeper who works on a large matter for only a few hours is sometimes referred to as a “transitory timekeeper.” Transitory timekeepers often add little or no value to the work; and the need to explain a task to a transitory timekeeper often outweighs any benefit that is added. The Fee Committee requests that Simpson provide an explanation as to how each of the transitory professionals that incurred less than 10 hours on this matter was able to contribute value by working for a short time on this matter. Pursuant to the Fee Committee’s General Recommendations, the Fee Committee recommended that all transitory paraprofessional time be disallowed. The Fee Committee noted the following amounts for transitory personnel:

Attorneys: 37 attorneys billed less than 10 hours for a total of \$30,016.50 in fees.

Paraprofessionals: 33 paraprofessionals each billed less than 10 hours for a total of \$17,212.90 in fees.

Simpson has responded to the concerns of the Fee Committee and agreed to reduce the fees sought by 50%.

K. SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP (“Skadden”)

Retention/Fees: Pursuant to the Fee Committee’s General Recommendations, the Fee Committee determined, based upon review of all fee applications in this matter, that time incurred with respect to fee application/billing preparation should not exceed of 2.5% of total fees. The time incurred with respect to these two matters appears high. Exhibit “F” indicates that Skadden incurred \$47,238.50 in fees related to preparation of monthly billing statements and fee applications. A review of the detailed entries reveals that Skadden incurred in excess of \$47,238.50 in fees preparing Skadden’s retention application alone. This represents 13% of the overall fees incurred by Skadden. The Fee Committee requested that Skadden reduce its fees in this category by \$37,922.41 in order to comply with the General Recommendations. Skadden provided a satisfactory response to the Fee Committee and has agreed to reduce its fees by \$23,315.41.

L. SWIDLER BERLIN SHEREFF FRIEDMAN LLP (“Swidler”)

Response to Fee Committee: Pursuant to its General Recommendations, the Fee Committee indicated that time incurred responding to the Fee Committee should not

be charged to the Debtors' estate. The Fee Committee notes that Swidler has charged \$1,020.00 in fees related to responding to the Fee Committee's memo on the third interim fee application. Based upon the Fee Committee's General Recommendations, the Fee Committee requested that Swidler reduce its fees by \$1,020 which reduction was agreed to by Swidler.

Transitory Professionals: A timekeeper who works on a large matter for only a few hours is sometimes referred to as a "transitory timekeeper." Transitory timekeepers often add little or no value to the work; and the need to explain a task to a transitory timekeeper often outweighs any benefit that is added. The Fee Committee requested that Swidler provide an explanation as to how each of the transitory professionals that incurred less than 10 hours on this matter was able to contribute value by working for a short time on this matter. Pursuant to the Fee Committee's General Recommendations, the Fee Committee recommended that all transitory paraprofessional time be disallowed. The Fee Committee noted the following amounts for transitory personnel:

Attorneys: 4 attorneys billed less than 10 hours for a total of \$2,998.00 in fees.

Paraprofessionals: 2 paraprofessionals each billed less than 10 hours for a total of \$523.00 in fees.

Foreign Law Specialist: The Fee Committee requests an explanation for the services provided by Axes Spies, a "foreign legal consultant," at \$310.00 per hour and the services provided by Raquel Bierzwinsky, a "foreign law specialist," at \$175.00 per hour.

After reviewing Swidler's response, the Fee Committee determined that the charges for the attorneys and paraprofessionals referenced above were appropriate and no reduction was necessary.

M. WEIL GOTSHAL & MANAGES (“Weil”)

Reductions: Weil indicates in its fee application that it has made reductions in the fourth interim fee application in the amount of \$262,447.98 in order to comply with the Fee Committee’s General Recommendations. Since the specific reductions are not set forth in Weil’s fee application, the Fee Committee requested that Weil provide the Fee Committee with a list detailing the areas and the corresponding amounts in which the reductions were taken.

Weil subsequently provided written documentation evidencing the areas of reduction which was adequate.

Summer Associate Time: Given the size and complexity of this matter, the Fee Committee believes that the need to explain a task to a summer associate often outweighs any benefit that is added by the work performed. Consequently, the Fee Committee recommended that all time incurred by a summer associate be excluded from the fees requested. The Fee Committee’s recommendation is consistent with the position of Enron and Adelphia Fee Committees. As indicated in Weil’s fee application, Weil charged summer associate time at the rate of \$220 per hour to the Debtors’ estate during the second interim fee application period. Weil and the Fee Committee agreed to defer the issue of summer associate time to the hearing on the final application. Weil has offered to reduce summer associate time by \$106,407.50 which is satisfactory to the Fee Committee.

V.

CONCLUSION

Based upon the foregoing, the Fee Committee respectfully requests that the Court accept the recommendations of the Fee Committee.

Dated: New York, New York
June 1, 2004

Respectfully submitted,

GLOBAL CROSSING LTD., et al.,

FEE COMMITTEE

By: /s/Pamela J. Lustrin
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with the authority of the Global Crossing
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