

A - Federal Tax Consulting Services: (PCD 500-507)

13. This category includes time expended by the Applicant with respect to tax research, analysis and consulting regarding availability, limitations and preservation of net operating losses as well as research regarding cancellation of debt issues for tax year ended December 31, 2001.

14. Applicant expended 73.1 hours of time for a charge \$37,041 for services rendered with respect to the handling of these matters.

B - State and Local Tax Consulting (PCD 600-618 and 900-902)

15. This category includes time expended by the Applicant with respect to assisting the Debtors in connection with various state and local tax matters, other than property tax consulting and compliance which are separate categories described below.

16. This category includes the review and analysis of the business activities of the various Debtor entities with regard to the taxability of such transactions, specifically with regard to state sales tax and telecommunications related state taxes. A review of the Debtors' state tax compliance history was also incorporated into this review and analysis.

17. A review of the Debtors' billing system was performed with regard to the tax compliance function while taking into consideration the potential to pass through certain taxes that, by agreement, should be the responsibility of certain of the Debtors' customers.

18. A review of an asset sale contract was conducted with regard to potential tax implications. Additionally, the Applicant performed research and analysis, and provided advice with respect to state and local tax matters relative to the Debtors' business operations and the asset sale transaction.

19. The Applicant researched various states' tax laws and regulations in connection with determining whether certain taxes may be considered prepetition liabilities, as well as assisted the Debtors in establishing general guidelines for compliance matters related to the prepetition taxes of the Estate as

well as post-petition taxes. Additionally, tax research was performed in connection with state and local tax audits and notices received and advice regarding the preservation of taxpayer rights.

20. The Applicant assisted with the review and reconciliation of certain of the Debtors' accounts including tax payable accounts. Such review also included the analysis of certain customer accounts receivable with regard to potential bad debt recoveries.

21. The Applicant expended a large amount of time in connection with researching property tax matters and accumulating data related to property taxes assessed and assessable by the Debtors' numerous personal property tax jurisdictions in connection with certain provisions of the Bankruptcy Code, and for purposes of estimating annual tax burden for the business plan and budget preparation. Applicant reviewed its findings regarding these matters with Debtors' in-house counsel and Kronish Lieb, the Debtors' counsel.

22. The Applicant spent 489.1 hours of time for a charge of \$226,716 for services rendered with respect to the handling of these matters.

C - Property Tax Consulting (PCD 400-404)

23. This category of time expended by the Applicant relates primarily to property tax appeals and valuation matters and includes such activities as evaluating and estimating the fair market value of significant assets, reviewing the allocations of such values and providing such information to property tax jurisdictions. Applicant also provided services with regard to appealing assessed values issued by taxing jurisdictions, and representing the Debtors in negotiations with tax assessors and taxing jurisdiction appeals boards.

24. Applicant prepared and maintained various property tax related schedules regarding asset valuations, status of property tax appeals, and upcoming deadlines with regard to property tax filings, appeals deadline dates, and property tax hearing dates.

25. Applicant prepared certain data requests and provided such requests to property tax jurisdictions as required for certain appeals and hearings. Additionally, research was performed relating the valuation methodologies used by certain property tax jurisdictions in preparation for appeals and hearings.

26. Applicant expended 483.2 hours of time for a charge of \$240,599 for services rendered with respect to property tax consulting matters.

D - Property tax Compliance (PCD 800-805)

27. This category of time expended by the Applicant relates to property tax compliance services and includes such activities as gathering personal property data from the Debtors, determining the appropriate assessing and collecting taxing jurisdictions and preparing the personal property tax returns, as well as reconciling tax assessment notices to the amounts reported and reviewing tax bills.

28. Applicant has spent 707.8 hours of time for a charge of \$92,502 for services rendered with respect to the handling of these matters.

E -Federal and State & Local Income/Franchise Tax Compliance Outsourcing and Global Tax Operate Assistance (PCD 700-708)

29. This category of time spent by the Applicant is in connection with the preparation of the Debtors' federal and state and local income and franchise tax returns for the tax year ended December 31, 2001 and includes such activities as information gathering, research and analysis related to various tax matters and the completion of all appropriate tax forms. This category also includes time spent by a Global Tax Operate professional in connection with the management of the day-to-day miscellaneous federal and state income tax matters that arise, which includes activities such as assisting with the development of information for the returns and responding to notices.

30. The applicant has spent 544.2 hours of time for a charge of \$100,615 rendered with respect to the handling of these matters of which \$55,965 is for tax return preparation and \$44,650 for Global Tax Operate assistance.

Compensation Requested

31. Applicant has maintained contemporaneous time records that indicate the time that each tax consulting and compliance professional has spent working on a particular matter and the nature of the work performed. A summarization of the time spent by each of the Applicant's tax professionals is provided as **Exhibit "D"**. Copies of the detailed time records are annexed to this Application as **Exhibit "E"**. The total number of hours expended by Applicant's tax professionals from May 28, 2002 through September 30, 2002 in conjunction with this case is **2,539.9**. All of the services have been rendered by those individuals at Applicant's firm as listed on the Applicant's Personnel Chart attached hereto.

32. The foregoing summarizes and describes the services performed by Applicant on behalf of the Debtors during the Compensation Period. The summary is intended, however, only to highlight the general categories of services performed by Applicant on behalf of the Debtors. It is not intended to set forth each and every item of professional services that Applicant performed.

33. Annexed as **Exhibit "F"** is a list of the necessary and actual disbursements incurred during the Compensation Period in connection with the above-described work. The list is derived from the information in Exhibit "E". These records indicate that Applicant has advanced and will have advanced, from May 28, 2002 through and including September 30, 2002, the sum of **\$6,857** in necessary and actual out-of-pocket expenses.

Matters Pertaining To The Applicant

34. Applicant rendered all the professional services for which compensation is requested herein in connection with the Debtors' Chapter 11 cases in furtherance of Applicant's professional responsibilities as tax advisors for the Debtors.

35. This Application covers a period of approximately 126 days. During that time, the tax professionals of Applicant devoted substantial time in rendering professional services to the Debtors, all of which time was reasonable and necessary.

36. Applicant, by experience, training and ability, is fully qualified to perform the services for which compensation is sought here. Applicant represents or holds no interest adverse to the Debtors with respect to the matters upon which it is engaged.

37. No agreement or understanding exists between Applicant and any other entity for the sharing of compensation to be received for services rendered in or in connection with these Chapter 11 cases.

38. Applicant respectfully submits that the professional services it rendered during the Compensation Period to the Debtors were necessary and beneficial to the Debtors and respectfully requests that this Court allow and direct the Debtors to pay Applicant the sum of **\$808,603** for its services during the Compensation Period, plus the sum of **\$6,857**, representing Applicant's actual and necessary out-of-pocket disbursements incurred during the Compensation Period, for a total of **\$815,460**.

39. No prior application for the relief sought herein has been made to this or any other Court, except as specified herein.

Notice

Copies of the Notice and Application (without Exhibit "E") have been served upon the parties on the master service list. A complete copy of the Application with Exhibit "E" has been sent to counsel to the Debtors, counsel to the Committee, and the U.S. Trustee for the Southern District of New York.

Conclusion

WHEREFORE, Ernst and Young LLP hereby respectfully requests this Court to enter an order: (a) approving and allowing (i) compensation of Ernst & Young LLP for its duly authorized, necessary and valuable service to the Debtors during the Compensation Period in the aggregate amount of \$808,603 and (ii) reimbursement to Ernst & Young LLP for actual and necessary expenses incurred during the Compensation Period in connection with the aforesaid services in the aggregate amount of \$6,857; (b) directing the Debtors to pay said amounts to Applicant; and (c) granting such other and further relief as this Court deems just and proper.

Dated: December 3, 2002

ERNST & YOUNG, LLP

5 Times Square

New York, New York

By: Laura Shanley

Laura Shanley
Partner

Exhibit H

ERNST & YOUNG LLP
5 Times Square
New York, New York 10036
Laura Shanley, Partner

Tax Advisors for Metromedia Fiber Network, Inc., et al.
Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

METROMEDIA FIBER NETWORK, INC., et al.,

Debtors.

Chapter 11

Case Nos.
02-22736 (ASH) through
02-22742 (ASH); 02-22744
(ASH) through 02-22746
(ASH); 02-22749 (ASH); 02-
22751 (ASH) through 02-22754
(ASH)

(Jointly Administered)

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**SECOND APPLICATION OF ERNST & YOUNG LLP,
TAX ADVISORS FOR THE DEBTORS, FOR INTERIM COMPENSATION
AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD FROM
OCTOBER 1, 2002 THROUGH DECEMBER 31, 2002**

TO THE HONORABLE ADLAI S. HARDIN, JR.
UNITED STATES BANKRUPTCY JUDGE:

Ernst & Young LLP (the "Applicant"), tax advisors to Metromedia Fiber Network, Inc. and its debtor subsidiaries¹ (each a "Debtor" and collectively, the "Debtors" and/or "Debtors in Possession"), in the above-captioned Chapter 11 case, respectfully represents:

¹ The subsidiaries who have filed Chapter 11 petitions are: Metromedia Fiber Network Services, Inc., AboveNet Communications, Inc., SiteSmith, Inc., PAIX.net, Inc., Metromedia Fiber Network of Illinois, Inc., MFN Purchasing, Inc., Metromedia Fiber Network of New Jersey, Inc., MFN of Utah, L.L.C., MFN of Virginia, L.L.C., Metromedia Fiber National Network, Inc., Metromedia Fiber Network International, Inc., MFN International, L.L.C., MFN Japan Backhaul, Inc., and MFN Europe Finance, Inc.

Introduction

1. This is Applicant's second application (the "Application") for an interim allowance of compensation and reimbursement of expenses pursuant to section 331 of title 11 of the United States Code, *et seq.*, as amended (the "Bankruptcy Code"), the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Local Rules of the United States Bankruptcy Court for the Southern District of New York (the "Local Rules") and this Court's Order Pursuant to sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals, dated June 5, 2002 (the "Interim Compensation Procedures Order").

2. This Application requests compensation for tax advisory and compliance services rendered by the Applicant on behalf of the Debtors **for the period October 1, 2002 through December 31, 2002** (the "Compensation Period") and reimbursement of certain expenses incurred by (or first billed by outside vendors to) the Applicant during the Compensation Period in connection with the rendition of such services. This Application complies with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures Order, as stated in the certification accompanying this Application, made on behalf of the Applicant by Laura Shanley (the "Certification"). The Certification is attached hereto as **Exhibit "A"** to this Application.

3. This Application seeks an allowance of compensation in the amount of **\$221,040** representing Applicant's actual time charges for **566.1** hours of services rendered during the Compensation Period and reimbursement for expenses in the amount of **\$5,158** incurred by the Applicant and recorded during the Compensation Period, all as more fully set forth below. Pursuant to the United States Trustee Guidelines, Applicant has attached as **Exhibit "B"** a summary sheet of total compensation requested in this Application that identifies time and fees incurred by "project category" as more fully described below. The Applicant has also attached as **Exhibit "C"** a complete list of the "project code

descriptions” (PCD) that details the various tasks within each “project category” and the relative hours and total compensation sought for each PCD.

Background

4. On May 20, 2002 (the “Commencement Date”) the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the Clerk of this Court. The Debtors have continued in the management and operation of the business and property as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. An official committee of unsecured creditors (the “Committee”) has been appointed in these cases.

5. The Debtors, together with MFN’s non-debtor subsidiaries (collectively, the “Company”) provide fiber optic infrastructure, high-bandwidth Internet connectivity and managed Internet infrastructure services for its communications intensive customers. The Company is a facilities-based provider of technologically advanced, high-bandwidth, fiber optic communications infrastructure to communications carriers and corporate and government customers in the United States and Europe. The Company also provides high-bandwidth Internet connectivity, co-location services and a comprehensive Internet infrastructure management solution that includes design and architecture, hardware and software, installation, and ongoing management. MFN’s subsidiary PAIX.net, Inc. serves as a packet switching center for Internet service providers (“ISPs”) and also offers secure, fault-tolerant co-location services to ISPs.

6. The Company combines the most extensive metropolitan area fiber network with a global optical internet protocol network, state-of-the-art data centers and managed services to deliver fully integrated, outsourced communications solutions as well as point solutions for carriers, companies, and government. The Company has assembled a strategic set of physical and intellectual assets that enable the Company to deliver its digital communications infrastructure solutions.

Applicant's Retention

7. In July 2002, the Debtors filed an application to employ the Applicant as tax advisors pursuant to section 327(a) of the Bankruptcy Code, to which there was no objection. The Court approved the retention of the Applicant as of May 28, 2002 by order dated August 26, 2002.

8. To apprise this Court of the tax advisory services rendered during the Compensation Period, Applicant sets forth the following summary of tax advisory services rendered.

**SERVICES RENDERED DURING PRESENT COMPENSATION
PERIOD OF OCTOBER 1, 2002 THROUGH DECEMBER 31, 2002**

9. During the Compensation Period, Applicant's services to the Debtors have included tax advisory services related to federal, state and local tax consulting and compliance matters. The aggregate hours and amount for each category is set forth in Exhibit "B" to this Application. Applicant is requesting fees in the total amount of \$221,040 for services rendered during the Compensation Period and reimbursement of expenses in the amount of \$5,158.

10. The following is a description of the services rendered by the Applicant during the Compensation Period for each of the identified categories.

Case Administration and Meetings (PCD 100, 101, 103, 200 and 300)

11. This category includes time expended by Applicant relating to a variety of activities regarding the day-to-day management of the projects in connection with the tax matters of the Chapter 11 cases. This category includes such activities as internal meetings of Applicant's professionals regarding various project assignments and staffing, preparation for and attendance at frequent meetings with Debtors' Executive Committee, senior management and Debtors' in-house counsel and bankruptcy counsel. This category also includes time spent in the preparation of the first interim fee application.

12. Applicant expended 77.2 hours of time for a charge of \$35,880 for services rendered with respect to the handling of matters relating to case administration and meetings.

A - State and Local Tax Consulting (PCD 600, 603, 609, 610, 613, 614 and 618)

13. This category includes time expended by the Applicant with respect to assisting the Debtors in connection with various state and local tax matters, other than property tax consulting and compliance which are separate categories described below.

14. The Applicant expended a significant amount of time with regard to this category researching and analyzing property tax matters and accumulating data related to property taxes assessed and assessable by the Debtors' numerous personal property tax jurisdictions in connection with certain provisions of the Bankruptcy Code, and for purposes of estimating annual tax burden for the business plan and budget preparation. Applicant reviewed its findings regarding these matters with Debtors' in-house counsel and Kronish Lieb, the Debtors' counsel with regard to the bankruptcy.

15. The Applicant spent 128.8 hours of time for a charge of \$46,459 for services rendered with respect to the handling of these matters.

B - Property Tax Consulting (PCD 401-404)

16. This category of time expended by the Applicant relates primarily to property tax appeals and valuation matters and includes such activities as evaluating and estimating the fair market value of significant assets, reviewing the allocations of such values and providing such information to property tax jurisdictions. Applicant also provided services with regard to appealing assessed values issued by taxing jurisdictions, and representing the Debtors in negotiations with tax assessors and taxing jurisdiction appeals boards.

17. Applicant prepared and maintained various property tax related schedules regarding asset valuations, status of property tax appeals, and upcoming deadlines with regard to property tax filings, appeals deadline dates, and property tax hearing dates.

18. Applicant prepared certain data requests and provided such requests to property tax jurisdictions as required for certain appeals and hearings. Applicant expended 155.9 hours of time for a charge of \$74,092 for services rendered with respect to property tax consulting matters.

C - Property tax Compliance (PCD 801, 802 and 805)

19. This category of time expended by the Applicant relates to property tax compliance services and includes such activities as gathering personal property data from the Debtors, determining the appropriate assessing and collecting taxing jurisdictions and preparing the personal property tax returns, as well as reconciling tax assessment notices to the amounts reported and reviewing tax bills.

20. Applicant has spent 94.3 hours of time for a charge of \$9,576 for services rendered with respect to the handling of these matters.

D - Federal and State & Local Income/Franchise Tax Compliance Outsourcing and Global Tax Operate Assistance (PCD 700, 702, 703, 705 and 707)

21. This category of time spent by the Applicant is in connection with the preparation of the Debtors' federal and state and local income and franchise tax returns for the tax year ended December 31, 2001 and includes such activities as information gathering, research and analysis related to various tax matters and the completion of all appropriate tax forms. This category also includes time spent by a Global Tax Operate professional in connection with the management of the day-to-day miscellaneous federal and state income tax matters that arise, which includes activities such as assisting with the development of information for the returns and responding to notices.

22. The applicant has spent 109.9 hours of time for a charge of \$55,033 rendered with respect to the handling of these matters of which \$46,388 is for tax return preparation and \$8,645 for Global Tax Operate assistance.

Compensation Requested

23. Applicant has maintained contemporaneous time records that indicate the time that each tax consulting and compliance professional has spent working on a particular matter and the nature of the work performed. A summarization of the time spent by each of the Applicant's tax professionals is provided as **Exhibit "D"**. Copies of the detailed time records are annexed to this Application as **Exhibit "E"**. The total number of hours expended by Applicant's tax professionals from October 1, 2002 through December 31, 2002 in conjunction with this case is **566.1**. All of the services have been rendered by those individuals at Applicant's firm as listed on the Applicant's Personnel Chart attached hereto.

24. The foregoing summarizes and describes the services performed by Applicant on behalf of the Debtors during the Compensation Period. The summary is intended, however, only to highlight the general categories of services performed by Applicant on behalf of the Debtors. It is not intended to set forth each and every item of professional services that Applicant performed.

25. Annexed as **Exhibit "F"** is a list of the necessary and actual disbursements incurred during the Compensation Period in connection with the above-described work. The list is derived from the information in Exhibit "E". These records indicate that Applicant has advanced and will have advanced, from October 1, 2002 through and including December 31, 2002, the sum of **\$5,158** in necessary and actual out-of-pocket expenses.

Matters Pertaining To The Applicant

26. Applicant rendered all the professional services for which compensation is requested herein in connection with the Debtors' Chapter 11 cases in furtherance of Applicant's professional responsibilities as tax advisors for the Debtors.

27. This Application covers a period of approximately 92 days. During that time, the tax professionals of Applicant devoted substantial time in rendering professional services to the Debtors, all of which time was reasonable and necessary.

28. Applicant, by experience, training and ability, is fully qualified to perform the services for which compensation is sought here. Applicant represents or holds no interest adverse to the Debtors with respect to the matters upon which it is engaged.

29. No agreement or understanding exists between Applicant and any other entity for the sharing of compensation to be received for services rendered in or in connection with these Chapter 11 cases.

30. Applicant respectfully submits that the professional services it rendered during the Compensation Period to the Debtors were necessary and beneficial to the Debtors and respectfully requests that this Court allow and direct the Debtors to pay Applicant the sum of **\$221,040** for its services during the Compensation Period, plus the sum of **\$5,158**, representing Applicant's actual and necessary out-of-pocket disbursements incurred during the Compensation Period, for a total of **\$226,198**.

31. No prior application for the relief sought herein has been made to this or any other Court, except as specified herein.

Notice

Copies of the Notice and Application (without Exhibit "E") have been served upon the parties on the master service list. A complete copy of the Application with Exhibit "E" has been sent to counsel to the Debtors, counsel to the Committee, and the U.S. Trustee for the Southern District of New York.

Conclusion

WHEREFORE, Ernst and Young LLP hereby respectfully requests this Court to enter an order: (a) approving and allowing (i) compensation of Ernst & Young LLP for its duly authorized, necessary and valuable service to the Debtors during the Compensation Period in the aggregate amount of \$221,040 and (ii) reimbursement to Ernst & Young LLP for actual and necessary expenses incurred during the Compensation Period in connection with the aforesaid services in the aggregate amount of \$5,158; (b) directing the Debtors to pay said amounts to Applicant; and (c) granting such other and further relief as this Court deems just and proper.

Dated: February 6, 2003

ERNST & YOUNG, LLP

5 Times Square

New York, New York

By:

Laura Shanley

Laura Shanley
Partner

Exhibit I

ERNST & YOUNG LLP
5 Times Square
New York, New York 10036
Laura Shanley, Partner

Tax Advisors for Metromedia Fiber Network, Inc., et al.
Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

METROMEDIA FIBER NETWORK, INC., et al.,
Debtors.

Chapter 11

Case Nos.
02-22736 (ASH) through
02-22742 (ASH); 02-22744
(ASH) through 02-22746
(ASH); 02-22749 (ASH); 02-
22751 (ASH) through 02-22754
(ASH)

(Jointly Administered)

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**THIRD APPLICATION OF ERNST & YOUNG LLP,
TAX ADVISORS FOR THE DEBTORS, FOR INTERIM COMPENSATION
AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD FROM
JANUARY 1, 2003 THROUGH MAY 31, 2003**

TO THE HONORABLE ADLAI S. HARDIN, JR.
UNITED STATES BANKRUPTCY JUDGE:

Ernst & Young LLP (the "Applicant"), tax advisors to Metromedia Fiber Network, Inc. and its debtor subsidiaries¹ (each a "Debtor" and collectively, the "Debtors" and/or "Debtors in Possession"), in the above-captioned Chapter 11 case, respectfully represents:

1. This is Applicant's third application (the "Application") for an interim allowance of compensation and reimbursement of expenses pursuant to section 331 of title 11 of the United States

¹ The subsidiaries who have filed Chapter 11 petitions are: Metromedia Fiber Network Services, Inc., AboveNet Communications, Inc., SiteSmith, Inc., PAIX.net, Inc., Metromedia Fiber Network of Illinois, Inc., MFN Purchasing, Inc., Metromedia Fiber Network of New Jersey, Inc., MFN of Utah, L.L.C., MFN of Virginia, L.L.C., Metromedia Fiber National Network, Inc., Metromedia Fiber Network International, Inc., MFN International, L.L.C., MFN Japan Backhaul, Inc., and MFN Europe Finance, Inc.

Code, *et seq.*, as amended (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Rules of the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”) and this Court’s Order Pursuant to sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals, dated June 5, 2002 (the “Interim Compensation Procedures Order”).

2. This Application requests compensation for tax advisory and compliance services rendered by the Applicant on behalf of the Debtors for the period January 1, 2003 through May 31, 2003 (the “Compensation Period”) and reimbursement of certain expenses incurred by (or first billed by outside vendors to) the Applicant during the Compensation Period in connection with the rendition of such services. This Application complies with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures Order, as stated in the certification accompanying this Application, made on behalf of the Applicant by Laura Shanley (the “Certification”). The Certification is attached hereto as Exhibit A to this Application.

3. This Application seeks an allowance of compensation in the amount of \$52,353 representing Applicant’s actual time charges for 178.6 hours of services rendered during the Compensation Period and reimbursement for expenses in the amount of \$887 incurred by the Applicant and recorded during the Compensation Period, all as more fully set forth below. Pursuant to the United States Trustee Guidelines, Applicant has attached as Exhibit B a summary sheet of total compensation requested in this Application that identifies time and fees incurred by “project category” as more fully described below. The Applicant has also attached as Exhibit C a complete list of the “project code descriptions” (PCD) that details the various tasks within each “project category” and the relative hours and total compensation sought for each PCD.

Background

4. On May 20, 2002 (the “Commencement Date”) the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the Clerk of this Court. The Debtors have continued in the management and operation of the business and property as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. An official committee of unsecured creditors (the “Committee”) has been appointed in these cases.

5. The Debtors, together with MFN’s non-debtor subsidiaries (collectively, the “Company”) provide fiber optic infrastructure, high-bandwidth Internet connectivity and managed Internet infrastructure services for its communications intensive customers. The Company is a facilities-based provider of technologically advanced, high-bandwidth, fiber optic communications infrastructure to communications carriers and corporate and government customers in the United States and Europe. The Company also provides high-bandwidth Internet connectivity, co-location services and a comprehensive Internet infrastructure management solution that includes design and architecture, hardware and software, installation, and ongoing management. MFN’s subsidiary PAIX.net, Inc. serves as a packet switching center for Internet service providers (“ISPs”) and also offers secure, fault-tolerant co-location services to ISPs.

6. The Company combines the most extensive metropolitan area fiber network with a global optical internet protocol network, state-of-the-art data centers and managed services to deliver fully integrated, outsourced communications solutions as well as point solutions for carriers, companies, and government. The Company has assembled a strategic set of physical and intellectual assets that enable the Company to deliver its digital communications infrastructure solutions.

Applicant's Retention

7. In July 2002, the Debtors filed an application to employ the Applicant as tax advisors pursuant to section 327(a) of the Bankruptcy Code, to which there was no objection. The Court approved the retention of the Applicant as of May 28, 2002 by order dated August 26, 2002.

8. To apprise this Court of the tax advisory services rendered during the Compensation Period, Applicant sets forth the following summary of tax advisory services rendered.

Services Rendered During Present Compensation Period of January 1, 2003 through May 31, 2003

9. During the Compensation Period, Applicant's services to the Debtors have included tax advisory services related to federal, state and local tax consulting and compliance matters. The aggregate hours and amount for each category is set forth in Exhibit B to this Application. Applicant is requesting fees in the total amount of \$52,353 for services rendered during the Compensation Period and reimbursement of expenses in the amount of \$887.

10. The following is a description of the services rendered by the Applicant during the Compensation Period for each of the identified categories.

C - Property Tax Consulting (PCD 101, 401, 402 and 404)

11. This category of time expended by the Applicant relates primarily to property tax appeals and valuation matters and includes such activities as evaluating and estimating the fair market value of significant assets, reviewing the allocations of such values and providing such information to property tax jurisdictions. Applicant also provided services with regard to appealing assessed values issued by taxing jurisdictions, and representing the Debtors in negotiations with tax assessors and taxing jurisdiction appeals boards.

12. Applicant prepared certain data and analyses and provided such information to property tax jurisdictions as required for certain appeals and hearings. This category also includes time spent by Applicant's professionals for internal staff meetings regarding property tax consulting matters. Applicant expended 95.5 hours of time for a charge of \$41,196 for services rendered with respect to property tax consulting matters.

D - Property tax Compliance (PCD 801, 805)

13. This category of time expended by the Applicant relates to property tax compliance services and includes such activities as gathering and organizing property tax compliance data such as bills, notices and assessments. Applicant also incurred time reconciling property tax assessment notices received from taxing authorities to the information that was reported, and reviewing tax bills on behalf of the Debtors.

14. Applicant has spent 70.1 hours of time for a charge of \$4,604 for services rendered with respect to the handling of these matters.

E - Federal Tax Compliance Outsourcing (PCD 700)

15. This category of time spent by the Applicant is in connection with reviewing data and responding to inquiries from the Debtors regarding the Debtors' federal tax return for the tax year ended December 31, 2001.

16. The applicant has spent 2.0 hours of time for a charge of \$708 for services rendered with respect to the handling of these matters.

G - Case Administration and Meetings (PCD 101 and 300)

17. This category includes time expended by Applicant relating to internal meetings of Applicant's professionals regarding various project assignments and staffing, as well as time spent preparing the second interim fee application.

18. Applicant expended 11.0 hours of time for a charge of \$5,845 for services rendered with respect to the handling of matters relating to case administration and meetings.

Compensation Requested

19. Applicant has maintained contemporaneous time records that indicate the time that each tax consulting and compliance professional has spent working on a particular matter and the nature of the work performed. A summary of the time spent by each of the Applicant's tax professionals is provided as Exhibit D. Copies of the detailed time records are attached to this Application as Exhibit E. The total number of hours expended by Applicant's tax professionals from January 1, 2003 through May 31, 2003 in conjunction with this case is 178.6. All of the services have been rendered by those individuals at Applicant's firm as listed on Exhibit E.

20. The foregoing summarizes and describes the services performed by Applicant on behalf of the Debtors during the Compensation Period. The summary is intended, however, only to highlight the general categories of services performed by Applicant on behalf of the Debtors. It is not intended to set forth each and every item of professional services that Applicant performed.

21. Attached, as Exhibit F is a list of the necessary and actual expenses incurred during the Compensation Period in connection with the above-described work. These records indicate that Applicant has advanced, or will have advanced, from January 1, 2003 through and including May 31, 2003, the sum of \$887 in necessary and actual out-of-pocket expenses.

Matters Pertaining To The Applicant

22. Applicant rendered all the professional services for which compensation is requested herein in connection with the Debtors' Chapter 11 cases in furtherance of Applicant's professional responsibilities as tax advisors for the Debtors.

23. This Application covers a period of approximately 151 days. During that time, the tax professionals of Applicant devoted substantial time in rendering professional services to the Debtors, all of which time was reasonable and necessary.

24. Applicant, by experience, training and ability, is fully qualified to perform the services for which compensation is sought here. Applicant represents or holds no interest adverse to the Debtors with respect to the matters upon which it is engaged.

25. No agreement or understanding exists between Applicant and any other entity for the sharing of compensation to be received for services rendered in or in connection with these Chapter 11 cases.

26. Applicant respectfully submits that the professional services it rendered during the Compensation Period to the Debtors were necessary and beneficial to the Debtors and respectfully requests that this Court allow and direct the Debtors to pay Applicant the sum of \$52,353 for its services during the Compensation Period, plus the sum of \$887, representing Applicant's actual and necessary out-of-pocket disbursements incurred during the Compensation Period, for a total of \$53,240.

27. No prior application for the relief sought herein has been made to this or any other Court, except as specified herein.

Notice

Copies of the Notice and Application have been served upon the parties on the master service list, as well as Debtors' counsel.

Conclusion

WHEREFORE, Ernst and Young LLP hereby respectfully requests this Court to enter an order: (a) approving and allowing (i) compensation of Ernst & Young LLP for its duly authorized, necessary and valuable service to the Debtors during the Compensation Period in the amount of \$52,353 and (ii) reimbursement to Ernst & Young LLP for actual and necessary expenses incurred during the Compensation Period in connection with the aforementioned services in the amount of \$887; (b) directing the Debtors to pay said amounts to Applicant; and (c) granting such other and further relief as this Court deems just and proper.

Dated: July 9, 2003

ERNST & YOUNG, LLP

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