

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

-----X

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)

-----X

**APPLICATION OF ERNST & YOUNG LLP,  
TAX ADVISORS FOR THE DEBTORS, FOR FINAL COMPENSATION  
AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD FROM  
MAY 28, 2002 THROUGH SEPTEMBER 8, 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 subsidiaries<sup>1</sup> (each a “Debtor” and collectively, the “Debtors” and/or “Debtors in Possession”), in the above-captioned Chapter 11 case, respectfully represents:

---

<sup>1</sup> 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.

1. This is Applicant's final application (the "Application") for 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 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 May 28, 2002 through September 8, 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 \$1,103,420<sup>2</sup> representing Applicant's actual fees incurred for services rendered during the Compensation Period and reimbursement for expenses in the amount of \$12,916 incurred by the Applicant and recorded during the Compensation Period. 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

---

<sup>2</sup> The Applicant and Debtors have agreed in principal to enter a stipulation, subject to execution and approval by this Court, whereby Applicant agrees to reduce the amount requested in this Application by \$265,750. The parties, thereby, have agreed to the allowance of Applicant's fees in the amount of \$837,670 and reimbursement of E&Y's expenses in the amount of \$12,916.

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.

4. This Application also seeks an allowance of Applicants most recently incurred fees included in the above referenced Compensation Period. Approval is sought for compensation in the amount of \$21,424 representing Applicant’s actual fees incurred for services rendered during the period June 1, 2003 through September 8, 2003 (“Current Period”) and reimbursement for expenses in the amount of \$14 incurred by the Applicant and recorded during the Current Period. Pursuant to the United States Trustee Guidelines, Applicant has attached as Exhibit B a summary sheet of Current Period 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 Current Period compensation sought for each PCD.

### **Background**

5. 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.

6. 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.

7. 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**

8. 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.

9. 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 the Compensation Period of May 28, 2002 through September 8, 2003**

10. 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. Applicant is

requesting fees in the total amount of \$1,103,420 for services rendered during the Compensation Period and reimbursement of expenses in the amount of \$12,916.

11. Following are general descriptions of the services rendered by the Applicant during the Compensation Period for each of the identified categories. Further detail of the services rendered, including time and fees incurred by category, is provided in the each of the three interim fee applications previously filed with the Court and attached hereto as Exhibits G, H, and I.

**Federal Tax Consulting**

12. This category includes services provided by the Applicant including tax research, analysis and consulting with regard to availability, limitations and preservation of net operating losses as well as research regarding cancellation of debt issues for tax year ended December 31, 2001.

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

**State and Local Tax Consulting**

14. This category includes services provided by the Applicant including 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.

15. 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.

16. 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.

17. 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 Debtors 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.

18. 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.

19. 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, including relief under Section 505, 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.

20. Applicant has spent 617.9 hours of time for a charge of \$273,175 for services rendered with respect to the handling of these matters.

### **Property Tax Consulting**

21. This category of services provided 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.

22. 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.

23. 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.

24. Applicant has spent 785.2 hours of time for a charge of \$376,830 for services rendered with respect to the handling of these matters.

#### **Property Tax Compliance**

25. This category of services provided 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.

26. Applicant has spent 887.7 hours of time for a charge of \$107,163 for services rendered with respect to the handling of these matters.

#### **Federal and State & Local Income/Franchise Tax Compliance Outsourcing and Global Tax**

##### **Operate Assistance**

27. This category of services provided 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, including activities such as assisting with the development of information for the returns and responding to notices.

28. Applicant has spent 656.1 hours of time for a charge of \$156,356 for services rendered with respect to the handling of these matters.

**Case Administration and Meetings**

29. This category includes fees incurred 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.

30. Applicant has spent 330.7 hours of time for a charge of \$152,855 for services rendered with respect to the handling of these matters.

**Services Rendered During the Current  
Period of June 1, 2003 through September 8, 2003**

31. During the Current 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 \$21,424 for services rendered during the Compensation Period and reimbursement of expenses in the amount of \$14.

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



C - Property Tax Consulting (PCD 402)

33. This category of services provided 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.

34. Applicant prepared certain data and analyses and provided such information to property tax jurisdictions as required for certain appeals and hearings. Applicant expended 50.6 hours of time for a charge of \$20,943 for services rendered with respect to property tax consulting matters.

D - Property tax Compliance (PCD 805)

35. This category of services provided 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.

36. Applicant has spent 15.5 hours of time for a charge of \$481 for services rendered with respect to the handling of these matters.

37. 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 during the Current Period by each of the Applicant's tax professionals is provided as Exhibit D. Copies of the detailed time records for the Current Period are attached to this Application as Exhibit E. The total amount of time expended by Applicant's tax professionals for the Current Period in conjunction with this case is 66.1 hours. All of the services

provided in the Current Period have been rendered by those individuals at Applicant's firm as listed on Exhibit E.

38. Attached, as Exhibit F is a list of the necessary and actual expenses incurred during the Current Period in connection with the above-described work. These records indicate that Applicant has advanced, or will have advanced the sum of \$14 in necessary and actual out-of-pocket expenses for the Compensation Period.

39. 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.

#### **Matters Pertaining To The Applicant**

40. 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.

41. The Applicant's tax professionals devoted substantial time in rendering professional services to the Debtors, all of which time was reasonable and necessary. 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.

42. 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.

43. 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 approve the Debtors to pay Applicant the sum of \$1,103,420 for its services during the Compensation Period, plus the sum of \$12,916, representing Applicant's actual and necessary out-of-pocket disbursements incurred during the Compensation Period, for a total of \$1,116,336.

44. 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 \$1,103,420<sup>3</sup>, (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 \$12,916; (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: October 15, 2003

ERNST & YOUNG, LLP  
5 Times Square  
New York, New York

By: /s/ Laura Shanley  
Partner

---

<sup>3</sup>The Applicant and Debtors have agreed in principal to enter a stipulation, subject to execution and approval by this Court, whereby Applicant agrees to reduce the amount requested in this Application by \$265,750. The parties, thereby, have agreed to the allowance of Applicant's fees in the amount of \$837,670 and reimbursement of E&Y's expenses in the amount of \$12,916.

**EXHIBIT A**

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

\_\_\_\_\_ X

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)

\_\_\_\_\_ X

**CERTIFICATION**

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

LAURA SHANLEY, being first duly sworn, deposes and says;

1. I am a partner of the firm of Ernst & Young LLP ("Applicant") tax advisor to Metromedia Fiber Network, Inc. and its debtor subsidiaries (the "Debtors") herein.
2. I have read the foregoing third interim application (the "Application") for compensation by Applicant and know the contents thereof. The contents of the Application are true to the best of my knowledge, except as to matters therein alleged to be upon information and

belief, and as to those matters, I believe them to be true. I am thoroughly familiar with all work performed on behalf of the Debtors by the Applicant's tax professionals.

3. In accordance with Bankruptcy Rule 2016(a) and section 504 of the Bankruptcy Code, no agreement or understanding exists between the Applicant and any other person for the sharing of compensation to be received in connection with this case.

Laura Shanley  
Laura Shanley

Sworn to me this  
14 day of October, 2003

Lester A. Marks  
Notary Public

LESTER A. MARKS  
Notary Public, State of New York  
No. 30-2540170  
Qualified in Nassau County  
Commission Expires 12/31/2006

EXHIBIT B  
 METROMEDIA FIBER NETWORK, INC., et al.  
 JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Project	Description		Hours	Fees	Expenses	Total
C	Property Tax Consulting	Assistance with valuation and appeals process related to real and personal property taxes	50.6	\$20,943	\$14	\$20,957
D	Property Tax Compliance	Analysis of data and preparation of real and personal property tax returns	15.5	\$481	\$0	\$481
<b>Total</b>			<b>66.1</b>	<b>\$21,424</b>	<b>\$14</b>	<b>\$21,438</b>

EXHIBIT C  
METROMEDIA FIBER NETWORK, INC., et al.  
SUMMARY OF HOURS AND FEES BY PROJECT CODE DESCRIPTION (PCD)  
JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

<b>PCD</b>	<b>Description</b>	<b>Hours</b>	<b>Fees</b>	<b>Expenses</b>	<b>Total</b>
402	Assistance with Formal Board hearings	50.6	\$20,943	\$14	\$20,957
805	Data gathering and reconciliation	15.5	\$481	\$0	\$481
<b>Total</b>		<b>66.1</b>	<b>\$21,424</b>	<b>\$14</b>	<b>\$21,438</b>



EXHIBIT D  
 METROMEDIA FIBER NETWORK, INC., et al.  
 TIME AND FEES BY PERSON  
 JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Professional	Functional Area	Level	Rate	Hours	Fees	Expenses	Total
Cardenas, Kathy C.	Consulting	Manager	\$451	1.2	\$541	\$0	\$541
Felton, Merrie	Compliance	Administrative	\$31	15.5	\$481	\$0	\$481
Smith, Michael	Consulting	Manager	\$413	49.4	\$20,402	\$14	\$20,416
<b>Total</b>				<b>66.1</b>	<b>\$21,424</b>	<b>\$14</b>	<b>\$21,438</b>

EXHIBIT E  
METROMEDIA FIBER NETWORK, INC., et al.  
DETAIL DESCRIPTION OF PROJECTS BY PERSON AND PCD  
JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Professional	Date	Proj	PCD	Rate	Hours	Fees	Expenses	Total	Description
Cardenas,Kathy C.	08/25/2003	C	402	\$451	0.7	316	\$0	\$316	E-mail from Michael Smith re: allowable evidence at appellate level, and phone conversation re: legal issues.
Cardenas,Kathy C.	08/26/2003	C	402	\$451	0.5	226	\$0	\$226	Email from Mike Smith re: extension granted from Santa Clara County for audit, discuss waiver, and unusual time frame.
<b>Cardenas,Kathy C. Total</b>					1.2	541	\$0	\$541	
Felton,Merri E.	06/03/2003	D	805	\$31	1.0	\$31	\$0	\$31	review property tax correspondence and forward to M. Smith, add data to ECF database, and forward correspondence to A. Mosden
Felton,Merri E.	06/11/2003	D	805	\$31	0.5	\$16	\$0	\$16	review property tax correspondence and forward to M. Smith, add data to ECF, and forward correspondence to A. Mosden
Felton,Merri E.	06/16/2003	D	805	\$31	0.6	\$19	\$0	\$19	research - Tarrant County for B. Rightmyer
Felton,Merri E.	06/18/2003	D	805	\$31	0.5	\$16	\$0	\$16	target page - ECF - hearing notice - phone calls to Travis CAD and Williamson County to determine client companies
Felton,Merri E.	06/23/2003	D	805	\$31	0.5	\$16	\$0	\$16	review property tax correspondence - copy delinquent tax bills, etc.
Felton,Merri E.	06/25/2003	D	805	\$31	0.5	\$16	\$0	\$16	review property tax correspondence, add data to ECF database
Felton,Merri E.	06/27/2003	D	805	\$31	1.0	\$31	\$0	\$31	forward correspondence to A. Mosden, copies & ECF pages
Felton,Merri E.	06/30/2003	D	805	\$31	0.5	\$16	\$0	\$16	per phone discussion w/B.Rightmyer - forwarded copies of property tax bills previously mailed to MFN via fax, check ECF data
Felton,Merri E.	06/30/2003	D	805	\$31	0.5	\$16	\$0	\$16	research CA and Tarrant Counties for M. Smith and draft email
Felton,Merri E.	07/07/2003	D	805	\$31	1.0	\$31	\$0	\$31	property tax. research & filing
Felton,Merri E.	07/07/2003	D	805	\$31	0.3	9	\$0	\$9	property tax research & copies

001948562

EXHIBIT E  
METROMEDIA FIBER NETWORK, INC., et al.  
DETAIL DESCRIPTION OF PROJECTS BY PERSON AND PCD  
JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Felton,Merri E.	07/16/2003	D	805	\$31	1.0	\$31	\$0	\$31	review property bills - research
Felton,Merri E.	07/16/2003	D	805	\$31	1.2	37	\$0	\$37	prop. tax correspondence
Felton,Merri E.	07/17/2003	D	805	\$31	0.5	\$16	\$0	\$16	research delinq. tax bills - ECF - mail to Avi Mosden
Felton,Merri E.	07/17/2003	D	805	\$31	0.5	16	\$0	\$16	property tax research, correspondence to M. Smith
Felton,Merri E.	07/23/2003	D	805	\$31	0.5	\$16	\$0	\$16	research and correspondence re Tarrant County property tax
Felton,Merri E.	07/23/2003	D	805	\$31	2.7	\$84	\$0	\$84	research Tarrant County property tax - per B. Rightmyer's request
Felton,Merri E.	07/23/2003	D	805	\$31	1.0	31	\$0	\$31	review property tax correspondence, forward to M. Smith
Felton,Merri E.	07/23/2003	D	805	\$31	0.5	16	\$0	\$16	research, review property tax correspondence
Felton,Merri E.	07/25/2003	D	805	\$31	0.5	\$16	\$0	\$16	prop. Tax correspondence, time report to M. Smith
Felton,Merri E.	07/25/2003	D	805	\$31	0.2	6	\$0	\$6	review property tax correspondence
<b>Felton,Merri E. Total</b>					15.5	481	\$0	\$481	
Smith,Michael	06/02/2003	C	402	\$413	0.5	\$207		\$207	Santa Clara appeal - respond to assessor questions about SJ4
Smith,Michael	06/05/2003	C	402	\$413	0.5	\$207	\$0	\$207	advise Baron on Dallas CAD appeals for 2003
Smith,Michael	06/05/2003	C	402	\$413	2.5	\$1,033	\$0	\$1,033	discuss 2001 valuation with Santa Clara assessor and merits of consolidating 2002 appeals, submit request to Board to consolidate appeals and ask for 60 day continuance
Smith,Michael	06/12/2003	C	402	\$413	1.5	\$620	\$0	\$620	discuss MFN tax liability status for ECI IRUs in Burleson, Caldwell & Fayette Counties
Smith,Michael	06/23/2003	C	402	\$413	0.5	\$207	\$0	\$207	advise on 2003 assessment appeal petition for California State Board of Equalization
Smith,Michael	06/23/2003	C	402	\$413	0.5	\$207	\$0	\$207	followup on Los Angeles 2001 & 2002 appeals
Smith,Michael	06/30/2003	C	402	\$413	0.5	\$207	\$0	\$207	check status of Los Angeles appeals
Smith,Michael	06/30/2003	C	402	\$413	1.0	\$413	\$0	\$413	research Tarrant County, Texas filing situation for determination of need for appeal
Smith,Michael	07/02/2003	C	402	\$413	1.5	\$620	\$0	\$620	review latest info request from Santa Clara assessor and request relevant data from MFN

EXHIBIT E  
METROMEDIA FIBER NETWORK, INC., et al.  
DETAIL DESCRIPTION OF PROJECTS BY PERSON AND PCD  
JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Smith,Michael	07/08/2003	C	402	\$413	0.5	\$207	\$0	\$207	update contact information for Los Angeles appeals
Smith,Michael	07/10/2003	C	402	\$413	1.5	\$620	\$0	\$620	research petition filing requirements for the California State Board of Equalization
Smith,Michael	07/21/2003	C	402	\$413	1.0	\$413	\$0	\$413	research Dallas appraisal district and appraisal review findings for 2003 tax value
Smith,Michael	07/22/2003	C	402	\$413	4.0	\$1,652	\$0	\$1,652	compose response to Santa Clara assessor request for information and statement of issue regarding consolidated 2001 and 2002 appeals
Smith,Michael	07/22/2003	C	402	\$413	2.0	\$826	\$0	\$826	extract revenue and expense data from general ledger download for inclusion in information request by Santa Clara assessor regarding 2002 appeal
Smith,Michael	07/23/2003	C	402	\$413	2.0	\$826	\$0	\$826	extract revenue and expense data from 2002 general ledger downloads and summarize by data center
Smith,Michael	07/24/2003	C	402	\$413	0.5	\$207	\$0	\$207	review general ledger downloads for accuracy in response to John Kida's concern that all revenue and data were unaccounted for
Smith,Michael	07/24/2003	C	402	\$413	1.5	\$620	\$0	\$620	revise issue statement letter for narrative and 2002 cost changes suggested by Rob Sokota
Smith,Michael	07/30/2003	C	402	\$413	2.0	\$826	\$0	\$826	Review latest 2001 and 2002 Revenue and Expense info provided by John Kida for outstanding Santa Clara appeals and reconcile with earlier data already provided to assessor
Smith,Michael	08/01/2003	C	402	\$413	2.0	826	\$0	\$826	review additional data submitted by John Kida, update information, and send to Santa Clara assessor for 2001 and 2002 appeals
Smith,Michael	08/06/2003	C	402	\$413	0.5	207	\$0	\$207	follow-up with Santa Clara County appraiser, Richard Leong regarding latest information sent in response to 2001 - 2003 appeals

EXHIBIT E  
METROMEDIA FIBER NETWORK, INC., et al.  
DETAIL DESCRIPTION OF PROJECTS BY PERSON AND PCD  
JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Smith,Michael	08/06/2003	C	402	\$413	0.5	207	\$0	\$207	review 2003 assessment with Dallas CAD appraiser, Steve Wise
Smith,Michael	08/07/2003	C	402	\$413	1.5	620	\$0	\$620	review Dec 31, 2002 asset reconciliation to be submitted to Santa Clara assessor
Smith,Michael	08/08/2003	C	402	\$413	0.5	207	\$0	\$207	discuss Dallas lawsuit and need for valuation detail with Avi and Mark Hutcheson
Smith,Michael	08/08/2003	C	402	\$413	0.5	207	\$0	\$207	review affidavit sent to Dallas County appraiser Steve Wise
Smith,Michael	08/08/2003	C	402	\$413	0.7	289	\$0	\$289	submit MFN 12/31/02 reconciliation to Santa Clara appraiser and request conference call on Monday
Smith,Michael	08/11/2003	C	402	\$413	1.5	620	\$0	\$620	conference call and followup for continuance (Avi Mosden assisted with call)
Smith,Michael	08/11/2003	C	402	\$413	3.5	1,446	\$0	\$1,446	preparation for conference call with Santa Clara assessor representatives, Richard Leong, Lilia Yalong, Marci Beckman and Jennie Hamley
Smith,Michael	08/12/2003	C	402	\$413	1.0	413	\$0	\$413	secure continuance for Santa Clara Board hearing until Sept 10th
Smith,Michael	08/15/2003	C	402	\$413	0.3	124	\$0	\$124	response to e-mail from Los Angeles appraiser regarding 2001 and 2002 appeals
Smith,Michael	08/15/2003	C	402	\$413	0.1	41	\$0	\$41	submit updated data center utilization info to Santa Clara assessor
Smith,Michael	08/18/2003	C	402	\$413	0.5	207	\$0	\$207	respond to information request from Los Angeles appraiser, Gordon Kwan and relay opinion to request continuance beyond Nov 4 to Avi Mosden
Smith,Michael	08/19/2003	C	402	\$413	1.5	620	\$0	\$620	begin compilation of Dallas County valuations and support for 1999 thru 2002 and discuss same with Mark Hutcheson
Smith,Michael	08/19/2003	C	402	\$413	1.5	620	\$0	\$620	review Dec 31, 2001 reconciliation from Chris Marano and submit to Santa Clara assessor for outstanding appeal

EXHIBIT E  
METROMEDIA FIBER NETWORK, INC., et al.  
DETAIL DESCRIPTION OF PROJECTS BY PERSON AND PCD  
JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Smith,Michael	08/19/2003	C	402	\$413	1.0	413	\$0	\$413	identify critical Texas County assessments regarding provisions of recently passed Senate Bill 340 and provide to Avi Mosden
Smith,Michael	08/20/2003	C	402	\$413	2.0	826	\$0	\$826	review Dallas County data used in valuation negotiations for 1999 - 2002
Smith,Michael	08/25/2003	C	402	\$413	1.0	413	\$0	\$413	discuss question of evidence posed by Rob Sokota with Sacramento attorney Bob Rubin and California based EY employec, Cathy Cardenas. Report results of inquiry.
Smith,Michael	08/26/2003	C	402	\$413	1.0	413	\$0	\$413	draft request for hearing continuance until April, 2004, review with Avi and send to Santa Clara Assessment Appeals Board and Assessor representative, Richard Leong
Smith,Michael	08/26/2003	C	402	\$413		-	9	\$9	postage charges for certified, return receipt letters to Santa Clara appeals Board and appraiser requesting continuance
Smith,Michael	08/27/2003	C	402	\$413	0.3	124	\$0	\$124	conversations with Bob Rubin concerning appeal remedies for adverse California State Board of Equalization decision
Smith,Michael	08/28/2003	C	402	\$413	2.0	826	\$0	\$826	draft letter, review and send to Santa Clara assessor requesting review of decision to oppose continuance
Smith,Michael	08/28/2003	C	402	\$413		-	5	\$5	postage charges for certified, return receipt letter to Santa Clara Assessor requesting concurrence with requested continuance.
Smith,Michael	09/04/2003	C	402	\$413	2.0	826	\$0	\$826	Initial preparation for Santa Clara County assessment appeal board hearing of September 10th.
<b>Smith,Michael Total</b>					49.4	\$20,402	\$14	\$20,416	
<b>Grand Total</b>					66.1	\$21,424	\$14	\$21,438	

EXHIBIT F  
 METROMEDIA FIBER NETWORK, INC., et al.  
 EXPENSES INCURRED JUNE 1, 2003 THROUGH SEPTEMBER 8, 2003

Persons	Date	Ground Transportation	Air Fare	Sundry	Lodging	Meal	Telephone	Total	Description
Smith, Michael	08/26/2003			\$9				\$9	postage charges for certified, return receipt letters to Santa Clara appeals Board and appraiser requesting continuance
Smith, Michael	08/28/2003			\$5				\$5	postage charges for certified, return receipt letter to Santa Clara Assessor requesting concurrence with requested continuance.
<b>Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$14</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14</b>	

Exhibit G

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

----- X

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)

----- X

**FIRST APPLICATION OF ERNST & YOUNG LLP,  
TAX ADVISORS FOR THE DEBTORS, FOR INTERIM COMPENSATION  
AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD FROM  
MAY 28, 2002 THROUGH SEPTEMBER 30, 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 subsidiaries<sup>1</sup> (each a "Debtor" and collectively, the "Debtors" and/or "Debtors in Possession"), in the above-captioned Chapter 11 case, respectfully represents:

<sup>1</sup> 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.

001948562



## Introduction

1. This is Applicant's first 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 May 28, 2002 through September 30, 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 **\$808,603** representing Applicant's actual time charges for **2,539.9** hours of services rendered during the Compensation Period and reimbursement for expenses in the amount of **\$6,857** 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 MAY 28, 2002 THROUGH SEPTEMBER 30, 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 \$808,603 for services rendered during the Compensation Period and reimbursement of expenses in the amount of \$6,857.

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 100-104 and 200-204)**

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.

12. Applicant expended 242.5 hours of time for a charge of \$111,130 for services rendered with respect to the handling of matters relating to case administration and meetings.