

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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FINAL APPLICATION

Name of Applicant:

LAZARD FRÈRES & CO. LLC

Authorized to Provide
Professional Services to:

Debtors and Debtors-in-Possession

Date of Retention:

October 24, 2002, effective a/o July 1, 2002

Period for which Compensation
and Reimbursement is Sought:

July 1, 2002 through September 7, 2003

Final Compensation Requested:

\$2,650,000.00

Amount of Expenses Requested:

\$17,379.77

Total Amount of Compensation Requested: **\$2,667,379.77**

Less: Amounts Paid to Date:

(1,090,051.02)

Net Amount of Compensation Requested: **\$1,577,328.75**

This is a(n): _____ monthly _____ interim _____ X final application

Total time expended for the preparation of this application is approximately 12 hours.

Prior Interim Applications filed:

Date Filed	Period Covered	Fees	Expenses	Status
11/25/02	07/1/02 – 10/31/02	\$1,000,000.00	\$3,756.63 ¹	Approved ² and Paid ³
03/06/03	11/01/02 – 01/31/03	\$600,000.00	\$6,732.39	Approved ⁴ and Paid ⁵
07/22/03	02/28/03 – 06/30/03	\$750,000.00	\$4,720.34	Approved ⁶

LAZARD FRÈRES RESTRUCTURING GROUP CREDENTIALS

Metromedia Fiber Network Official Committee of Unsecured Creditors Restructuring Team

Name	Highest Degree, Date	Licenses ⁷	Title	Business Experience (Years)
James Millstein	J.D., Columbia University, 1982	NY Bar, Series 7	Managing Director	20
Alexander Stern	M.B.A., University of Pennsylvania, 1994	Series 7	Managing Director	11
Marek Chatrny	M.B.A., University of Pennsylvania, 1995	Series 7	Director	7
Scott Seymour	M.B.A., University of Chicago, 2000	Series 7	Associate	5
Ari Lefkovits	J.D., Stanford University, 1999	MA Bar, NY Bar, Series 7	Associate	3
Bradley Meyer	B.A., Harvard University, 2001	---	Financial Analyst	2
Andrew Glaser	B.S.E., University of Pennsylvania, 2002	---	Financial Analyst	1

¹ This amount includes a reduction of \$551.66 for Word Processing expenses that are not reimbursable.

² This Court approved Lazard's First Interim Application in the Order dated January 8, 2003.

³ Payment of \$500,000.00 of the fee approved is deferred until consummation of Restructuring pursuant to terms of the Engagement Letter.

⁴ This Court approved Lazard's Second Interim Application in the Order dated March 27, 2003.

⁵ Payment of \$300,000.00 of the fee approved is deferred until consummation of Restructuring pursuant to terms of the Engagement Letter.

⁶ This Court approved Lazard's Third Interim Application in the Order dated August 19, 2003.

⁷ The **Series 7** examination is a required exam to obtain the main NASD series license. It is a comprehensive standardized test that covers 3 broad areas of expertise in business and financial matters: Securities Markets and Customer Accounts, Product Knowledge, and Investment and Economic Analysis.

The **Series 24** examination is for licensing NYSE managers to supervise branch activities as a General Securities Principal. The test covers such topics as: Supervision of Investment Banking, Trading Market Supervision, Sales Supervision, Primary and Secondary Markets, Supervising Customer Accounts and Orders, and Investment Companies and Retirement Plans.

The **Series 63** is required for most individuals who solicit orders for any type of security in that state. The exam covers topics such as: State Registration Laws and Procedure, Lawful Practices, and a Definition of Terms.

Engagement Letter
Please see Exhibit A

Certification for Interim Compensation and Reimbursement of Expenses for Professionals
Please see Exhibit B

Professional Biographies
Please see Exhibit C

Fee Calculation and Detail of Out of Pocket Expenses
Please see Exhibit D

Compensation by Project Category
Please see Exhibit E – Detail of Hours Expended

Note: Lazard, in its normal course of business, invoices its clients a flat monthly fee and does not charge by the hour. Thus, Lazard does not ordinarily keep time records. However, for the benefit of the Court, Lazard is recording its hourly time and has provided summaries of the time spent by professionals during the Final Compensation Period.

Retention Order
Please see Exhibit F

Affidavit of Jim Millstein
Please see Exhibit G

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02-22749 (ASH); 02-22751 (ASH) through
02-22754 (ASH)
(Jointly Administered)

-----X
FINAL APPLICATION OF LAZARD FRERES & CO. LLC, AS
INVESTMENT BANKER FOR THE COMMITTEE, FOR INTERIM ALLOWANCE OF
COMPENSATION FOR PROFESSIONAL SERVICES RENDERED AND
REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES
INCURRED FROM JULY 1, 2002 THROUGH SEPTEMBER 7, 2003

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

Lazard Frères & Co. LLC (“Lazard”), investment banker for the Official Committee of Unsecured Creditors of the debtors and debtors in possession in the above captioned cases (the “Committee”), for its final application (the “Application”), pursuant to sections 327(a) and 328(a) of title 11, United States Code (the “Bankruptcy Code”) and Rule 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for the interim allowance of compensation for professional services performed by Lazard for the period commencing July 1, 2002 through and including September 7, 2003 (the “Final Compensation Period”), and for reimbursement of its actual and necessary expenses incurred during the Final Compensation Period as set forth in their engagement letter (the “Engagement Letter”) attached hereto as Exhibit A, respectfully represents as follows:

**SUMMARY OF PROFESSIONAL COMPENSATION
AND REIMBURSEMENT OF EXPENSES REQUESTED**

1) This Application has been prepared in accordance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the “Local Guidelines”), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 adopted on January 30, 1996 (the “UST Guidelines”), and the Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals dated June 5, 2002 (the “Administrative Order,” and collectively with the Local Guidelines and UST Guidelines, the “Guidelines”). Pursuant to the Local Guidelines, a certification regarding compliance with same is attached hereto as **Exhibit B.**

2) Lazard seeks final allowance of interim compensation for professional services rendered to the Committee during the Final Compensation Period in the aggregate amount of **\$2,650,000.00**, and for reimbursement of expenses incurred in connection with the rendition of such services in the aggregate amount of **\$17,379.77**. During the Final Compensation Period, Lazard expended a total of approximately 2,040 hours for which compensation is requested.

3) Lazard has not entered into any agreement, express or implied, with any party in interest, including the Committee, any creditors or debtors, or any representative of any of them, or with any attorney for such party in interest, for the purpose of fixing the fees or other compensation to be paid to Lazard for services rendered in connection herewith, from the assets of the Debtors. There is no agreement or understanding between Lazard and any other person,

other than members, associates and employees of Lazard, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

4) Pursuant to the UST Guidelines, attached hereto as **Exhibit C** are the biographies that briefly describe the education and experience of all Lazard professionals who have performed services in these chapter 11 cases during the Final Compensation Period.

5) Attached hereto as **Exhibit D** is a summary of the Fee Calculation and Detail of Out of Pocket Expenses specifying the categories of expenses for which Lazard is seeking reimbursement and the total amount for each such expense category incurred during the Final Compensation Period.

6) Lazard, in its normal course of business, invoices its clients a flat monthly fee and does not charge by the hour. Thus, Lazard does not ordinarily keep time records. However, for the benefit of the Court, Lazard is recording its hourly time and has provided summaries of the time spent by professionals on each of the aforementioned services during the Final Compensation Period, attached hereto as **Exhibit E**.

BACKGROUND

7) Metromedia Fiber Network, Inc. and certain of its subsidiaries (hereinafter, collectively referred to as "Debtors") filed Voluntary Petitions for relief under Chapter 11 of Title 11, United States Code in this Court on May 20, 2002 (the "Petition Date").

8) The Debtors have continued to operate and manage their businesses and properties as debtors-in-possession pursuant to Bankruptcy Code Sections 1107(a) and 1108.

9) On May 29, 2002, the Office of the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed the Committee in these chapter 11 cases. No trustee or examiner has been appointed in these chapter 11 cases.

10) Lazard was retained as investment banker to the Committee to perform services set forth in the Engagement Letter dated as of July 1, 2002. The Committee retained Lazard due to its well-established reputation and expertise in investment banking, particularly in the restructuring and bankruptcy area. Lazard's Restructuring Group consists of an experienced group of professionals dedicated to providing advisory services in the area of debt restructuring and business reorganizations. Lazard's Restructuring Group has been involved in over 200 assignments since 1990, including both out-of-court and Chapter 11 restructurings, representing over \$300 billion of aggregate liabilities.

11) The Court approved the Committee's retention of Lazard as investment banker to the Committee pursuant to sections 328(a) and 1103(a) of the Bankruptcy Code and Bankruptcy Rule 2014(a) effective as of July 1, 2002 at a rate of \$250,000 for the months of July, August, September and October of 2002; \$200,000 for the months of November and December 2002 and the month of January 2003, \$150,000 for the months of February, March, April, May and June of 2003, and \$100,000 for each month thereafter, plus reimbursement of expenses, in the Retention Order dated October 24, 2002, and attached hereto as **Exhibit F**. The Engagement Letter provides that 50% of such amounts would be payable on the first day of each month during the term of the engagement, with the remaining 50% payable upon consummation of a Restructuring (as defined in the Engagement Letter).

12) All services for which Lazard requests compensation were performed for or on behalf of the Committee.

13) On August 5, 2002, each of the Debtors filed a Statement of Financial Affairs, Schedule of Assets and Liabilities, and Schedule of Executory Contracts and Unexpired Leases (the "Schedules and Statements").

14) By Order dated and entered August 21, 2003, this Court confirmed the Second Amended Plan of Reorganization of Metromedia Fiber Network, Inc. et al. (the "Plan"). The Plan's Effective Date occurred on September 8, 2003. Thus, the Debtors have emerged from bankruptcy as of September 8, 2003, thereby consummating a Restructuring on such date.

SUMMARY OF SERVICES

15) Lazard is acting as financial advisor to the Committee while the Debtors have been in Chapter 11 bankruptcy. As a financial advisor, Lazard is advising the Committee on the Debtors' restructuring and reorganization as well as offering advice to the Debtors' management in other related matters. The Managing Directors, Director, Associates, and Financial Analysts of Lazard who have rendered professional services in these cases are as follows: James Millstein, Managing Director; Alexander F. Stern, Managing Director, Marek Chatrny, Director; Scott Seymour, Associate, Ari Lefkovits, Associate; Bradley Meyer, Financial Analyst and Andrew Glaser, Financial Analyst.

16) During the Final Compensation Period, the Committee relied heavily on the experience and expertise of the above-named persons in dealing with matters relating to the Company's restructuring, including strategy, financing alternatives, management issues and interfacing with the Banks' and Committee's advisors and other parties-in-interest. As a result, Lazard's highly-skilled restructuring professionals devoted significant time and effort to perform properly and expeditiously the required professional services.

17) The restructuring professionals who rendered services relating to each category are identified, along with the number of hours for each individual and the total compensation sought for each category, set forth in **Exhibit E** annexed hereto. The services rendered by Lazard during the Final Compensation Period are as follows:

- a) Review and analyze the business, operations, cash flows, assets and liabilities, financial condition and prospects of the Debtors;
- b) Monitor the Debtors' ongoing performance;
- c) Evaluate the Debtors' debt capacity in light of its projected cash flows;
- d) Review and provide an analysis of any proposed capital structure for the Debtors;
- e) Review and provide an analysis of any valuation of the Debtors on a going concern basis and on a liquidation basis;
- f) Advise and attend meetings of the Committee and attend due diligence meetings with the Debtors;
- g) Review and provide an analysis of any proposed public or private placement of the debt or equity securities of the Debtors, or any loan or other financing (including any proposed debtor-in-possession financing);
- h) Assist in the development of proposed Chapter 11 plans (as the same may be modified from time to time, a "Plan") and/or review and provide an analysis of all proposed Plans proposed by any party;
- i) Assist counsel for the Committee in the preparation of documents within our area of expertise for submission to the Bankruptcy court;
- j) Assist the Committee in the review, evaluation and negotiation of management retention and severance programs for the Debtors;

k) Assist the Committee and/or participate in negotiations with the Debtors, or any groups affected by a Plan;

l) Review and provide an analysis of any proposed disposition of some, or a substantial portion, of the assets of the Debtors or any offers to purchase some, or a substantial portion, of the assets of the Debtors and advise the Committee in connection with and participate in negotiations; and

m) Participate, to the extent necessary, in hearings before the Bankruptcy Court with respect to the matters upon which Lazard has provided advice, including, as relevant, coordinating with the Committee's counsel with respect to testimony in connection therewith, as well as providing such testimony.

18) Lazard advised the Committee on the Debtors' strategic alternatives while in Chapter 11. As part of this process, Lazard prepared various timetables and presentations for the Committee describing different exit scenarios and potential outcomes.

19) Lazard assisted the Committee with due diligence and related activities throughout the Debtors' Chapter 11 process, including meetings with the Debtors' management, preparation and review of certain documents, and acting as a liaison between the Committee and other parties-in-interest.

20) Lazard assisted the Committee in reviewing numerous asset divestitures and other transactions involving the Debtors during the Chapter 11 process. Lazard reviewed the proposed terms of these transactions, discussed the terms of and alternatives to these transactions with Debtors' management and advisors, and evaluated their potential impact on the Debtors' future operating and financial performance.

21) Lazard assisted the Committee in reviewing, developing and negotiating a key employee retention program. Lazard analyzed various retention programs used by other companies in Chapter 11 for comparison with the Debtors' plan.

22) Lazard spent significant time assisting the Committee in its review of multiple iterations of the Debtors' internal business plan and other corporate finance related activities. In order to accomplish this, Lazard created a financial model with the ability to perform sensitivity analyses on the Debtors' operating assumptions and capital structure. To construct this model, Lazard undertook significant due diligence and met frequently with the Debtors' management and financial advisors.

23) Lazard assisted the Committee in reviewing, developing and negotiating employment contracts for the management of the Debtors upon consummation of a plan of reorganization. Lazard analyzed various compensation agreements of other companies exiting from Chapter 11 for comparison. Lazard participated in detailed negotiations with committee members, the Debtors' management team, the Debtors' committees and other advisors as part of this process.

24) Lazard assisted the Committee in reviewing the Debtors' plans to develop a viable plan of reorganization. In that capacity, Lazard held discussions with the Debtors and other parties-in-interest regarding the Debtors' business plan, the Chapter 11 process and the feasibility of financial proposals. Lazard also performed numerous financial analyses required to evaluate a plan of reorganization. Lazard developed a framework, along with the members of the Committee and other parties in interest, that formed the basis for the capital structure underlying the Debtors' plan of reorganization.

25) Lazard has assisted the Committee's counsel with in its ongoing litigation with the Debtors' Senior Secured Creditors. Lazard evaluated the potential claims of the Debtors and the Committee against the Senior Secured Creditors and assisted counsel in developing a framework for quantifying the damages associated with such claims.

26) Lazard assisted the Committee and Debtors in negotiating the terms of the AboveNet Senior Secured Notes. Lazard reviewed the proposed terms of the Notes and undertook multiple financial analyses to evaluate them. Lazard participated in numerous meetings and telephone conversations with the Committee, the Debtors, and the Senior Lenders to assist in reaching agreement on the terms of the notes.

FEE STATEMENTS

27) Lazard requests a final allowance of **\$2,650,000.00** for the period of July 1, 2002 through September 7, 2003, as compensation for professional services rendered during the Final Compensation Period pursuant to its Engagement Letter. This amounts consists of \$250,000 for the months of July, August, September and October of 2002 (subtotal of \$1,000,000); \$200,000 for the months of November and December 2002 and the month of January 2003 (subtotal of \$600,000); \$150,000 for the months of February, March, April, May and June of 2003 (subtotal of \$750,000); and \$100,000 for the months of July, August and September 2003 (subtotal of \$300,000). The Engagement Letter provides that 50% of such amounts would be payable on the first day of each month during the term of the engagement, with the remaining 50% payable upon consummation of a Restructuring.

28) As Noted, the Debtors consummated a Restructuring on September 7, 2003. Consequently, all such amounts referred to in paragraph 27 are now earned and payable.

ACTUAL AND NECESSARY DISBURSEMENTS OF LAZARD

29) As set forth on **Exhibit D** annexed hereto, Lazard has disbursed **\$17,379.77** as expenses incurred in providing professional services during the Final Compensation Period. Lazard has maintained detailed records of actual and necessary expenses incurred during the Final Compensation Period. With respect to expenses, it should be noted that Lazard has absorbed certain expenses customarily charged by other professionals in bankruptcy cases. For example, Lazard does not allocate office telephonic charges by client and thus these costs are absorbed by Lazard in its overhead and not charged to the Debtors' estate. Lazard respectfully submits that the expenses for which it seeks allowance during the Final Compensation Period are necessary and reasonable both in scope and amount.

CONCLUSION

30) It is respectfully submitted that the amount requested by Lazard is fair and reasonable given (a) the complexity of the issues presented, (b) the time and labor required, (c) the skill necessary to perform the financial advisory services, (d) the preclusion of other employment, (e) the employment of proprietary knowledge and experience with respect to the industry and capital markets and (f) the customary fees charged to clients in bankruptcy and non-bankruptcy situations. Moreover, Lazard has reviewed the requirements of the Administrative Order and believes that this Application complies with that Order.

31) WHEREFORE Lazard respectfully requests (i) an final allowance of compensation for professional services rendered during the Final Compensation Period in the amount of **\$2,650,000.00** and reimbursement for actual and necessary expenses Lazard incurred during the Final Compensation Period in the amount of **\$17,379.77**; (ii) the allowance of such compensation for professional services rendered and reimbursement of actual and necessary expenses incurred be without prejudice to Lazard’s right to seek additional compensation for services performed and expenses incurred to during the Final Compensation Period which were not processed at the time of this Application; and (iii) such other and further relief as is just.

Final Compensation Requested:	\$2,650,000.00
Amount of Expenses Requested:	17,379.77
Total Amount of Compensation Requested:	2,667,379.77
Less: Amounts Paid to Date:	(1,090,051.02)
Net Amount Requested:	\$1,577,328.75

Dated: New York, New York
October 20, 2003

/s/ Jim Millstein
 Jim Millstein
 Managing Director
 LAZARD FRÈRES & CO. LLC
 30 Rockefeller Plaza
 New York, New York 10020
 (212) 632-6000
 Investment Banker for the Committee