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- 1 Marafioti Aff. ¶ 9, In re Am. Banknote Corp. (Bankr. S.D.N.Y. Dec. 8, 1999) (No. 99-11577)
- 2 Butler Aff. ¶¶ 14, 28, In re Singer Co. (Bankr. S.D.N.Y. Sept. 13, 1999) (No. 99-10578)
- 3 Holtzer Aff. ¶¶ 15, 17, In re Parmalat USA Corp. (Bankr. S.D.N.Y. Feb. 24, 2004) (No. 04-11139)
- 4 Basta Aff. ¶ 4, In re Global Crossing Ltd. (Bankr. Feb. 28, 2002 S.D.N.Y.) (No. 02-40188)
- 5 Walsh Aff. ¶ 12, In re Global Crossing Ltd. (Bankr. S.D.N.Y. Jan. 28, 2002) (No. 02-40188)
- 6 Abrams Aff. ¶¶ 5, 12, In re Adelphia Communications Corp. (Bankr. S.D.N.Y. June 26, 2002) (No. 02-41729)
- 7 Goldstein Aff. ¶¶ 12, 17, In re Worldcom, Inc. (Bankr. S.D.N.Y. July 22, 2002) (No. 02-13533)
- 8 Rosen Aff. ¶ 14, In re Enron Corp. (Bankr. S.D.N.Y. Jan. 25, 2002) (No. 01-16034)

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
Attorneys for American Banknote Corporation  
Debtor and Debtor-in-Possession  
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New York, New York 10022-3897  
(212) 735-3000  
Michael L. Cook (MC 7887)  
Kayalyn A. Marafioti (KM 9362)  
Neal Jacobson (NJ 3937)

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11
	:	
AMERICAN BANKNOTE	:	Case No. 99 B
CORPORATION,	:	
	:	
Debtor.	:	
	:	
-----	x	

AFFIDAVIT OF KAYALYN A. MARAFIOTI PURSUANT TO FED. R. BANKR.  
P. 2014 AND 2016 IN SUPPORT OF APPLICATION TO EMPLOY AND RETAIN  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP AS ATTORNEYS  
FOR DEBTOR-IN-POSSESSION UNDER 11 U.S.C. §§ 327(a) AND 329

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

KAYALYN A. MARAFIOTI, being duly sworn, deposes and says:

1. I am a member of Skadden, Arps, Slate, Meagher & Flom LLP

("Skadden, Arps" or the "Firm"), with an office in this district at 919 Third Avenue,

New York, New York 10022-3897, and am an attorney in good standing to practice in the State of New York and before the United States District Courts for the Southern, Eastern, Northern, and Western Districts of New York. I submit this affidavit in support of the Application, dated December 8, 1999 (the "Application"),<sup>1</sup> of American Banknote Corporation, debtor and debtor-in-possession ("ABN" or the "Debtor"), for an order under section 327(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), and Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing the employment and retention of Skadden, Arps under a general retainer as the Debtor's attorneys. I have personal knowledge of certain of the matters set forth herein.<sup>2</sup>

#### Qualification Of Professionals

2. Skadden, Arps has represented the Debtor since April 1999. The Firm has rendered extensive legal services to the Debtor in connection with certain restructuring matters. The Debtor has now engaged Skadden, Arps as restructuring and general bankruptcy counsel in its present effort to prosecute its Chapter 11 case.

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<sup>1</sup> Unless otherwise defined, capitalized terms used herein have the meanings ascribed to them in the Application.

<sup>2</sup> Certain information set forth herein relates to matters (i) contained in Skadden, Arps' books and records and (ii) within the knowledge of other Skadden, Arps attorneys, and is based on information provided by them.

3. As a result of the Firm's services to the Debtor, Skadden, Arps has extensive knowledge of ABN's capital structure, financing documents, and other material agreements. Moreover, the Firm is uniquely familiar with the Debtor's business affairs and many of the potential legal issues that may arise in this Chapter 11 case.

4. Skadden, Arps has extensive experience and knowledge in debtors' and creditors' rights and business reorganizations under Chapter 11 of the Bankruptcy Code. The Firm has represented large Chapter 11 debtors-in-possession, and is well qualified to represent ABN in its Chapter 11 case in a cost-effective, efficient, and timely manner.

#### Services To Be Rendered

5. ABN has requested that Skadden, Arps render the following services in connection with this case:

(a) advise ABN with respect to its powers and duties as debtor-in-possession in the continued management of its business and properties;

(b) attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the conduct of the case, including all of the legal and administrative requirements of operating in Chapter 11;

(c) take all necessary action to protect and preserve ABN's estate, including the prosecution of actions on its behalf, the defense of any actions commenced against it, negotiations concerning all litigation involving the Debtor, and objections to claims filed against the Debtor's estate, if any;

(d) prepare on ABN's behalf all motions, applications, answers, orders, reports, and papers necessary to the administration of the estate;

(e) take any necessary action on ABN's behalf to (i) obtain approval of the Disclosure Statement and confirmation of the plan, (ii) negotiate any alternative plan of reorganization, disclosure statement, and related agreements and/or documents, (iii) implement all transactions related thereto, and (iv) prosecute any modifications, revisions, or appeals thereto;

(f) advise the Debtor in connection with any sale of assets;

(g) appear before this Court, any appellate courts, and the United States Trustee, and protect the interest of the Debtor's estate;

(h) advise ABN with respect to all corporate and Securities and Exchange Commission matters;

(i) perform all other necessary legal services and provide all other necessary legal advice to ABN in connection with this Chapter 11 case; and

(j) provide general real estate, tax, and financing advice to the Debtor.

6. Subject to this Court's approval of the Application, Skadden, Arps is willing to serve as the Debtor's counsel and to perform the services described above.

Disinterestedness Of Professionals<sup>3</sup>

7. Except as may be otherwise set forth herein, to the best of my knowledge the members, counsel, and associates of Skadden, Arps (i) do not have any connection with ABN or its affiliates, its creditors, or any other party in interest, or their respective attorneys and accountants, (ii) are "disinterested persons," as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b), and (iii) do not hold or represent any interest adverse to the estate.<sup>4</sup>

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<sup>3</sup> The statements respecting Skadden, Arps and its members, associates, and employees contained herein are based upon a conflicts check of the Firm's client database (which includes information from as far back as 1982) as of November 7, 1999. The entities subject to the conflicts check are set forth on Schedule 1 attached hereto, which is incorporated herein by reference.

<sup>4</sup> Skadden, Arps has instituted and is carrying on further inquiries of its attorneys with respect to the matters contained herein, including the circulation of a "disinterestedness" questionnaire to each of the approximately 1,325 attorneys in the Firm's ten domestic and eleven international offices regarding their connections, if any, with ABN, its officers and directors, unsecured creditors, major bondholders, 5% or greater shareholders, attorneys, investment bankers, and accountants. The Firm will review the responses to these questionnaires, and will promptly advise the Court and file supplemental affidavits if, as a result of responses to the questionnaires or otherwise, further disclosure is required.

8. Skadden, Arps does not and has not represented any entity, other than ABN, in matters related to this Chapter 11 case.

9. Skadden, Arps has in the past represented, currently represents, and may in the future represent, certain creditors of the Debtor and other parties-in-interest, or their respective attorneys, accountants, and investment banks, in matters unrelated to ABN, this Chapter 11 case, or such entities' claims against or interests in ABN. ABN has numerous business relationships. To the extent that the conflicts check of the Firm's client database showed that Skadden, Arps has represented any of the foregoing entities, these are identified on Schedule 2 attached hereto. Skadden, Arps has represented or currently represents the entities listed on Schedule 2 or their affiliates (as disclosed in the schedule) in matters unrelated to this Chapter 11 case. If required, Skadden, Arps will disclose any further connections upon review of the responses to the "disinterestedness" questionnaire.<sup>5</sup>

10. Representation Of Independent Auditors. Skadden, Arps represents Deloitte & Touche, LLP ("Deloitte & Touche"), which has served as ABN's independent auditors and is also one of ABN's top twenty unsecured creditors, on matters unrelated to ABN or this Chapter 11 case. ABN has scheduled Deloitte & Touche's claim in this case as "disputed." Skadden, Arps cannot and will not

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<sup>5</sup> Except as otherwise noted in Schedule 2, none of the entities listed on Schedule 2 accounted for more than 0.1% of the Firm's client billings for the 12-month period ending September 30, 1999.

represent Deloitte & Touche or ABN in any dispute between Deloitte & Touche and ABN.

11. Consequently, to the best of my knowledge:

- (1) neither Skadden, Arps nor any attorney at the Firm is a creditor, an equity security holder, or an insider of ABN, except that Skadden, Arps has previously rendered legal services to ABN for which it has been compensated, as disclosed herein;
- (2) neither Skadden, Arps nor any attorney at the Firm is or was an investment banker for any outstanding security issued by the Debtor;
- (3) neither Skadden, Arps nor any attorney at the Firm has been, within three years before the commencement of this case, an investment banker for a security issued by the Debtor, or an attorney for an investment banker in connection with the offer, sale, or issuance of a security by the Debtor;
- (4) neither Skadden, Arps nor any attorney at the Firm is or was, within two years before the Petition Date, a director, officer, or employee of the Debtor or of an investment banker of the Debtor; and
- (5) Skadden, Arps does not have an interest materially adverse to the interests of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in the Debtor or an investment banker specified in the foregoing paragraphs, or for any other reason.

12. I am not related, and to the best of my knowledge, no attorney at the Firm is related, to any United States Bankruptcy Judge in the Southern District of New York or to the United States Trustee for such district or any employee in the office thereof. Carolyn S. Schwartz, the United States Trustee for the Second



Circuit, was an associate of the Firm during the period from January 30, 1984 through July 1, 1992.

13. For all of the foregoing reasons, I believe that Skadden, Arps is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code.

#### Professional Compensation

14. According to Skadden, Arps' books and records, during the period from April 1, 1999 through December 8, 1999, the Firm received \$225,000 (including the Retainer, defined below) from American Bank Note Company ("ABNCo"), ABN's wholly-owned domestic Subsidiary, and \$625,974 from ABN for services rendered or to be rendered to ABN in respect of various corporate and restructuring matters, including, but not limited to, the preparation of the filing of this Chapter 11 case and the negotiation of a plan of reorganization with certain of the Debtor's largest creditors and the Debtor's financial advisor.

15. For the services rendered or to be rendered in contemplation of or in connection with this Chapter 11 case, Skadden, Arps received \$50,000 from ABNCo, ABN's wholly-owned domestic Subsidiary (the "Retainer"). Thereafter, Skadden, Arps periodically invoiced the Debtor for its services. As of December 8, 1999, after application of all pre-petition fees, charges and disbursements incurred and posted as of that date, the amount of the Retainer was \$50,000. Any portion of

the pre-petition amounts received by Skadden, Arps that has not been applied to pre-petition fees and expenses will be held by Skadden, Arps as a retainer for and applied against post-petition fees and expenses that are allowed by the Court.

16. Skadden, Arps intends to apply to the Court for allowance of compensation for professional services rendered and reimbursement of expenses incurred in this Chapter 11 case in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, the orders of the Court, and the United States Trustee Guidelines. Skadden, Arps will seek compensation for the services of each attorney and paraprofessional acting on behalf of the Debtor in this case at the then-current rate charged for such services on a non-bankruptcy matter.

17. The current standard hourly rates for Skadden, Arps' professionals and paraprofessionals are (a) between \$380 and \$590 for partners and of counsel, (b) \$365 for special counsel and counsel, (c) between \$190 and \$365 for associates, (d) between \$170 and \$295 for associate/consultant specialists, and (e) between \$65 and \$125 for legal assistants. These hourly rates are subject to periodic increases in the normal course of the Firm's business, often due to the increased experience of a particular professional.

18. The hourly rates set forth above are the Firm's standard hourly rates for work of this nature. These rates are set at a level designed to compensate

Skadden, Arps fairly for the work of its attorneys and legal assistants and to cover fixed and routine overhead expenses. Such hourly rates do not include charges for non-legal personnel who also record time spent working on matters for particular clients, including word processing, clerical, library, proofreading, and secretarial staff. It is the Firm's policy to charge its clients for all other services provided and for disbursements and expenses incurred in the rendition of services. These disbursements and expenses include, among other things, costs for telephone and facsimile charges, photocopying, travel, business meals, computerized research, messengers, couriers, postage, witness fees, and other fees related to trials and hearings.

19. Skadden, Arps has agreed to accept as compensation the Retainer and such additional sums as may be allowed by the Court based upon the professional time spent, the rates charged for such services, the necessity of such services to the administration of the estate, the reasonableness of the time within which the services were performed in relation to the results achieved, and the complexity, importance, and nature of the problems, issues, or tasks addressed in this case.

20. Other than as set forth above, there is no proposed arrangement between ABN and Skadden, Arps for compensation to be paid in this case.

21. Skadden, Arps has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted under section 504(b)(1) of the Bankruptcy Code.

/s/ Kayalyn A. Marafioti  
KAYALYN A. MARAFIOTI

Sworn to and subscribed  
before me this 8<sup>th</sup> day  
of December, 1999

\_\_\_\_\_  
Notary Public

## SCHEDULE 1

### **Indenture Trustees**

Bank of New York  
HSBC Bank USA  
State Street Bank & Trust Co.

### **Current And Recent Officers And Directors**

Morris Weissman  
John Gorman  
Patrick Gentile  
Ward Urban  
Patrick Reddy  
Sheldon Cantor  
Ira Horowitz  
Joseph Caffarella  
David Rowe-Beddoe  
Alfred Teo  
Gerald Goldsmith  
Sidney Levy  
Oscar Arias

### **Top 20 Unsecured Creditors**

Thomas De La Rue AG  
The Bank of Lithuania  
RGC International Investors, LDC  
Morgan, Lewis & Bockius, LLP  
PriceWaterhouseCoopers LLP  
AI Credit Corp.

American Manufacturers Mutual Insurance Company  
Delaware State Escheator  
First Union National Bank  
CBS, Inc.  
Deloitte & Touche LLP  
August & Debouzy  
Maciel, Norman, Martelli & Beretta

Weil, Gotshal & Manges  
Halifax Fund, L.P.  
Simulation Systems Technologies, Inc.  
Kramer, Levin, Naftalis & Frankel  
James Rigby,  
Trustee in Bankruptcy For Holosonics Inc.  
Glenn Backer, Esq.

**Other Professionals**

Morgan Lewis & Bockius LLP  
The Blackstone Group LP

**Underwriters Of 11¼% Senior Subordinated Notes**

Chase Securities, Inc.  
NationsBanc Montgomery Securities, Inc.  
Bear Stearns & Co. Inc.  
Societe Generale Securities Corporation

**Underwriters Of 10<sup>3</sup>/<sub>8</sub>% Senior Notes and 11<sup>5</sup>/<sub>8</sub>% Senior Notes**

Citicorp Securities Markets, Inc.  
Bear Stearns & Co.  
First Boston Corp.

**Underwriters Of Common Stock**

Ladenburg Thalmann  
Bear Stearns & Co.  
First Boston Corp.

**Underwriters Of Stock Of American Banknote Holographics, Inc., ABN's  
Former Subsidiary**

Lazard Freres  
Salomon Smith Barney  
Raymond James & Associates

**Lender To Wholly-Owned Domestic Subsidiary**

The CIT Group/Credit Finance, Inc.

**Insurers**

Lloyds of London  
American Motorists Insurance Co.  
Lumberman's Mutual Casualty Co.  
Federal Insurance Co.  
Gulf Insurance Co.  
Great Northern Insurance Co.  
Chubb Insurance Co. of New Jersey  
Washington International (AZ)  
RLI Insurance Co.  
National Union Fire Insurance Co. of Pittsburgh.

**Former Subsidiary**

American Bank Note Holographics, Inc.

**Known Holders of 11¼% Senior Subordinated Notes**

Aetna Life Insurance & Annuity  
Bank of New York  
Bankers Trust Co.  
Bay Harbour Management L.C.  
Bear Stearns  
Bear Stearns Asset Management  
Boston Safe Deposit & Trust Co.  
Charles Schwab  
Chase Securities  
Chase Manhattan  
Chase Bank  
Custodial Trust  
Dain Rausch  
Delaware Management Co.  
Donaldson Lufkin & Jenrette  
Duncan Williams Inc.  
Highland Capital Management  
Romulus Holdings, Inc.

Imperial Tr  
Lewco Securities Corp.  
Magten Asset Management  
Mars-Normes/MPP Plan  
Medbush  
ML SFKPG  
ML Sternm  
National Financial Sv  
National Inv.  
Paine Webber  
PNC Bank Nat'l Association  
Salomon Smith Barney  
SSB Trust  
Security Force Company  
SSB - Trust Custody  
SSB&T Co.  
USCC/FSI  
Zurich Kemper

Leo Abern  
James Boscole  
Cecelia Boscole  
Gus Chelepis  
Katherine Chelepis  
Marjorie Cross  
Scott Davis  
Tom Dengler  
John Durling  
Jerry Durling  
Robert Dyson  
Celia Dyson  
Woodring Family Trust  
Quiros Family Trust  
Saul Fischeler  
Sylvia Fischler  
Nancy Friedland  
Eleanor Fuller  
Robert Ganiere  
The Gleason Revocable Trust  
Bernstein Grantor Trust



Martin Grusin  
Joseph Gualderon  
Rose Gualderon  
Lois Hanson  
Robert Hawk  
Sonia Idelson Meyers  
Jean Indriksons  
Andris Indriksons  
Francis Lafrance  
William Laven  
Keith Levesque  
Raymond Liccini  
Meredith Mallory, Jr.  
Herbert Matthews  
Cary May  
James McKinley  
Elizabeth Merritt  
E.C. Neelly III  
Marjory Nelson  
Edward Perry Revocable Trust  
Elizabeth Perry  
Elizabeth Pluchek  
Wayne Pluchek  
Marie Roth  
George Roth  
George Salvati  
Charles Schardin  
Dorothy Schardin  
Richard Schilling, Jr.  
Elmer Seibel  
Katherine Shen  
Louis Shepard  
Robert Soldan  
Daniel Teich  
Dorothy Vaccaro  
Alan Vest  
Rosita Victoria  
John Worley

**Known Holders of 10 3/8% Senior Notes**

Advest Inc  
Arkano Establissement De Finnacement  
Atlantic Group Securities  
Bank of New York  
Bankers Trust  
Bear Stearns  
Bear Stearns Asset Management  
Bernstein SC  
BHC Securities  
Bos Safe  
Bradford J  
Brown Brothers Harriman & Co.  
BT Alex Brown  
Cede & Co  
Cen Securities  
Charles Schwab  
Chase Bank  
Chase/TR  
Chase Manhattan  
CIBC Oppenheimer  
Citicorp  
Commonwealth Advisors  
Conseco Inc.  
Dain Rausch  
Davidson  
Dean & Co.  
Donaldson, Lufkin & Jenrette  
Edwards AG  
Equitable Life Insurance Co.  
Fahnestock & Co.  
Ferris B.W.  
First Southwest Co.  
First South Co  
FSV Services  
G.K. Baum  
Magten Asset Management  
Marine Trust & Investment Company  
Morgan Brokerage Profit Sharing TR  
Morgan Stanley Dean Witter

National Financial Services Corp.  
Philadelphia Life Insurance Co.  
Prudential Securities, Inc.  
Raymond James & Assoc.  
Ryback Management  
S. E. R. DAR Enterprise, Inc.  
Secured Financial Investments  
Spear Leeds & Kellog  
SPT Enterprise Inc.  
Turboff Investors Ltd.  
Union Bank of California, NA  
Western Asset Management

Donna Abels  
James Abels  
Rex Adams  
Vera Adams  
William Adams  
Mildred Adams  
Frances Allen  
Harvey Amster  
Edward Anderson  
Myrle Anderson  
Robert Apte  
Eelyn Apte  
Steven Aranoff  
Julian Bagenski  
Donald Bareilles  
Lois Bareilles  
Newton Bass  
Frances Bass  
Joseph Becker  
Mary Becker  
Agnes Belluomini  
Ralph Belluomini  
Joseph Benkovic  
Caroline Benkovic  
Harry Bernbaum  
Diana Biggs  
Eugene Birsinger

Barbara Birsinger  
Charles Bishop  
Idora Bishop  
Herbert Blumberg  
Jean Bottger  
Blaine Bowlin  
Elizabeth Bowlin  
Joan Briody  
George Brouzas  
Mary Brouzas  
Anne Brown  
Sylvia Burford  
Floyd Burford  
Betty Cahraman  
Thomas Cahraman  
Robera Carlson  
Vincent Carlson  
Charles Carruthers  
Marjorie Carruthers  
Doris Casad  
Leroy Cates  
Bonnie Cates  
Richard Chang  
Shirley Cheadle  
Edwin Cheadle  
Katherine Cook  
Donald Cook  
Patrick Corcoran  
W.J. Crothers  
Julia Dagenais  
Sarah Davis  
Henry Davis  
Ralph Dorward  
Evan Dreyer  
Douglas Duly  
Ada Duly  
William Eder  
Michelle Eder  
David Eder  
Phyllis Egbert

Gilbert Egbert  
James Eldorado  
Gloria Eldorado  
Bernard Ellis  
Donald Engelskirchen  
Suzanne Engelskirchen  
Edmund Ensman  
Anna Ensman  
Victor Epport  
Harriet Epport  
Miriam Epstein  
Helen Faibish  
Leslie Fishler  
Roger Forbis  
Sandra Forbis  
James Frank  
Lindberch Gang Low  
Elsie Giani  
Albina Giani  
Duane Gibson  
Barbara Gibson  
Margaret Gillespie  
Shea Gillespie  
Jack Gillespie  
Andria Glassman  
Florence Glassman  
Michael Glassman  
Francis Goldstein  
Edwin Goldstein  
Linda Gorman  
Stanley Gorman  
Armella Gottschalk  
Bobbie Grant  
Robert Grant  
Richard Gray  
Betty Gray  
Peggy Greenberg  
Jacob Greenberg  
Sidney Greenfield  
Pearl Greenfield

R. Gump  
Jack Haber  
Tomiko Haber  
Frederick Haeg  
Elizabeth Halleck  
Marion Halleck  
Jerry Hanson, Inc.  
Richard Hassinger  
Virginia Hassinger  
Susan Hatch  
Gertrude Hellman  
Leon Hellmand  
Elsie Henry  
Nell Hoglan  
George Hoglan  
Larry Hunt  
Mary Hunt  
Paul Jacobson  
Keith Jacobson  
Afton Jandro  
Allan Jandro  
Alexander Jonlin  
Erica Jonlin  
Kristine Jung  
Daniel Jung  
Robert Kalinowski  
Alice Kalinowski  
Lila Kantrowitz  
Paul Karakozoff  
Michael Karasik  
Bereni Karasik  
Charlotte Killeen  
John Kirkpatrick  
Margaret Knuth  
Eldon Knuth  
Lisa Koenig  
Jerome Krueger  
Melonae Kunz  
Thomas Kunz  
Meredith Laskow

Thomas Lavosky  
William Lavosky  
Gerald Laws  
Thomas Lee Yee  
Sharon Leonard  
L. Leonard  
Keith Levesque  
Joel Levin  
Ronald Levy  
Sharon Levy  
Etka Liebowitz  
Rifka Liebowitz  
Shane Limited Partnership  
Carmen Llama  
Dwight Look  
Rosemary Lorentzen  
Kerry Low  
Remington Low  
Eunice Maddalena  
James Maddalena  
Harry Madley  
Merredith Mallory, Jr.  
Edward Manak  
Marie Manak  
Joseph Mansfield  
Ralph Marek  
Carolyn Martin  
Joe Martin  
Howard Martin  
Joan Martin  
Robert McAulay  
Betty McAulay  
Paul McBride  
Karen McBride  
Scott McKenry  
Charles Meecke  
Anna Meecke  
Ken Mercer  
Julie Mercer  
Rose Mercy

Paul Merschman  
Dorothy Miller  
Bob Moore  
Lillian Morlee  
William Myers  
Mary Myers  
Lori Myres  
Ruth Naiman  
Vernon Nedland  
Vien Nguyen  
Hoai Nguyen  
HFH Nominee Company  
William Norton  
Wesley Norwood  
Marietta O'Neill  
Vera Obermeyer  
Walter Obermeyer  
Lenore Orfirer  
Mark Orfirer  
Julie Owens  
Frank Papay  
Vivian Papay  
Orlando Pellegrini  
Lettie Pence-Norton  
Vera Peterson  
Arnold Peterson  
Madaline Phillips  
Nancy Press  
Marla Press  
Philip Press  
Steven Press  
Harry Rathbourn  
Kathryn Rathbourn  
Robert Rector  
Etheline Ring  
Vincent Ring  
Leonard Rising  
Helen Rising  
Ruth Rizzo  
T. Rizzo



William Robinsn  
Barbato Roccanova  
Bella Rosenbloom  
Barbara Rubin  
Michael Rubin  
Louis Rusconi  
Jeffrey Schlein  
Barbara Schlein  
Paul Schnuriger  
Gertrud Schnuriger  
Denver Schubert  
Bernard Selber  
Mildred Selber  
Bernard Shapiro  
Al Sheahen  
Fern Shefko  
Rosemary Shields  
Eleanor Silverstein  
William Simmons  
Mary Simmons  
Michael Singelyn  
Barbara Smith  
Robert Smith  
Tristan Smith  
Cecille Smith  
Charles Smith  
Stanley Snyder  
Charlotte Snyder  
Joanne Sobel  
Rae Sovel  
Marlene Spector  
Rachel SQ Yee  
Jeane Steelman  
Ernest Steelman  
Margery Sterns  
Theron Stullken  
Phyllis Sue  
Marjorie Swig  
Rick Taylor  
Moses Tell

Michael Thomas  
Muriel Thomas  
Olive Thompson  
Edward Thompson  
Hawaiian Trust Company  
Brenda Tsiag  
Angie Tsiang  
George Tsiang  
Theodore Turner  
Vincenta Viladot  
Betty Vordenberg Jesiek  
Stephen Vosika  
Patricia Vosika  
Mary Wannebo  
Guy Wannebo  
Reba Ward  
Theresa Wasczac  
John Wasczak  
Thomas Watts  
Harry Werner  
Irene Werner  
Florence Whetstone  
Roy Whetstone  
Mildred Willard  
Alton Willard  
Aaron Williams  
Gary Wilson  
Paul Wilt  
Marilyn Windfeldt  
Rudolf Winkler  
Carl Wise  
Ronald Wolf  
Sheila Wolf  
Eva Wong  
Raymond Wong  
Gloria Wright  
Joan Wright  
Lewis Wright  
Erma Yeagley  
Thomas Yeates

Elaine Yeates  
Rose Yee Low  
Reba Young  
Carl Young  
Jerome Yutkowitz  
Marian Yutkowitz

**Known Holders of 11 5/8% Senior Notes**

ABN Amro  
Bank of New York  
Bear Stearn  
Brown Brothers  
Charles Schwab  
Dain Rausch  
Donaldson, Lufkin & Jenrette  
Edwards AG  
Fahnestock  
G.K. Baum  
Howe Barne  
J.H. Genesis  
Jones, E.D.  
Lewco Securities  
May Financial  
Mil & Schinc  
Morgan K  
National Financial Services  
Olde Discount  
Paine Webber  
Penson Fex  
Rickel Securities  
Salomon Smith Barney  
Scotia MX  
SG Cowen Securities Corp  
Southwest Securities  
Sterne AG  
National Investor Services Corp.  
Southwest Securities Inc.  
Fleet Securities, Inc.  
MBC Investment Club

Water Way of Florida, Ltd.

L.W. & B.J. Prewitt  
Ronald Levy  
Sharon Levy  
Dwight Look

**Holders of Zero Coupon Convertible Subordinated Debentures**

Halifax Fund, L.P.  
Palladin Group, L.P.  
Palladin Capital Management LLC  
RGC International Investors, LDC  
Rose Glen Capital Management, L.P.

**Equipment Lessors**

First Farmers Bank  
Heller Financial, Inc.  
Nations Credit Commercial Corp.  
New England Capital Corp.  
The CIT Group/Equipment Financing, Inc.  
General Electric Capital Corp.

## SCHEDULE 2

### **Record Bondholders**

ABN Amro  
Advest Inc.  
AG Edwards  
Bankers Trust Co.<sup>1</sup>  
Bear Stearns Asset Management  
Bear Stearns & Co.<sup>2</sup>  
Brown Brothers Harriman & Co.  
BT Alex Brown  
Charles Schwab  
CIBC Oppenheimer  
Citicorp  
Conseco  
Donaldson, Lufkin & Jenrette<sup>3</sup>  
Fahnestock & Co.  
Fleet Securities<sup>4</sup>  
JC Bradford  
Morgan Stanley Dean Witter<sup>5</sup>  
Philadelphia Life Insurance Co.<sup>6</sup>

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- <sup>1</sup> Bankers Trust Company accounted for approximately 0.45% of the Firm's client billings for the 12 month period ending September 30, 1999.
- <sup>2</sup> Bear Stearns & Co. accounted for approximately 0.59% of the Firm's client billings for the 12 month period ending September 30, 1999.
- <sup>3</sup> Donaldson, Lufkin & Jenrette accounted for approximately 1.19% of the Firm's client billings for the 12 month period ending September 30, 1999.
- <sup>4</sup> Fleet Financial Group, the parent of Fleet Securities, is a client of the Firm on unrelated matters.
- <sup>5</sup> Morgan Stanley Dean Witter accounted for approximately 0.35% of the Firm's client billings for the 12 month period ending September 30, 1999.
- <sup>6</sup> Consenco, Inc., the parent of Philadelphia Life Insurance Co., is a client of the  
(continued...)

National Financial Services Corp.<sup>7</sup>  
Paine Webber<sup>8</sup>  
Prudential Securities  
Salomon Smith Barney<sup>9</sup>  
Salomon Smith Barney Trust Custody  
SG Cowen Securities Corp.  
Union Bank of California

**Underwriters Of 11¼% Senior Subordinated Notes**

Chase Securities, Inc.<sup>10</sup>  
NationsBanc Montgomery Securities, Inc.<sup>11</sup>  
Bear Stearns & Co., Inc.  
Societe Generale Securities Corporation

**Underwriters Of Stock Of American Banknote Holographics, Inc., ABN's  
Former Subsidiary**

Lazard Freres  
Salomon Smith Barney

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<sup>6</sup> (...continued)  
Firm on unrelated matters.

<sup>7</sup> FMR Corp., the parent of National Financial Services Corp., is a client of the Firm on unrelated matters.

<sup>8</sup> Paine Webber accounted for approximately 0.14% of the Firm's client billings for the 12 month period ending September 30, 1999.

<sup>9</sup> Citigroup, Inc., an affiliate of Salomon Smith Barney, is a Firm client on unrelated matters. Citigroup, Inc. accounted for approximately 1.9% of the Firm's client billings for the 12 month period ending September 30, 1999.

<sup>10</sup> Chase Manhattan Bank, an affiliate of Chase Securities, Inc., is a client of the Firm on unrelated matters. Chase Manhattan Bank accounted for approximately 0.56% of the Firm's client billings for the 12 month period ending September 30, 1999.

<sup>11</sup> NationsBanc Montgomery Securities, Inc. accounted for approximately 0.2% of the Firm's client billings for the 12 month period ending September 30, 1999.

### **Indenture Trustees**

HSBC Bank USA  
State Street Bank & Trust Co.

### **Equipment Lessors**

General Electric Capital Corp.<sup>12</sup>  
The CIT Group/Equipment Financing, Inc.<sup>13</sup>  
Nations Credit Commercial Corporation<sup>14</sup>  
Heller Financial, Inc.<sup>15</sup>

### **Insurance Companies**

Chubb Co.  
Federal Insurance Co.  
Lumbermens Mutual Casualty Co.  
National Union Fire Insurance Co. of Pittsburgh

### **Underwriters Of 10<sup>3</sup>/<sub>8</sub>% Senior Notes and 11<sup>5</sup>/<sub>8</sub>% Senior Notes**

Citicorp Securities Markets, Inc.  
Bear Stearns & Co.<sup>16</sup>  
First Boston Corp.

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<sup>12</sup> General Electric Co., the parent of General Electric Capital Corporation, is a client of the Firm on unrelated matters. General Electric Co. accounted for approximately 0.12% of the firm's client billings for the 12 month period ending September 30, 1999.

<sup>13</sup> Dai-Ichi Kangyo Bank, an affiliate of The CIT Group/Credit Finance, Inc., is a client of the Firm on unrelated matters.

<sup>14</sup> Bank of America Corp., Nationsbank, and Banc America Securities LLC, affiliates of Nations Credit Commercial Corporation, are clients of the Firm on unrelated matters.

<sup>15</sup> Heller Financial, Inc. is a former client on unrelated matters. Fuji Bank, the parent of Heller Financial, Inc., is a client of the Firm on unrelated matters.

<sup>16</sup> See note 2, supra.

### **Underwriters Of Common Stock**

Ladenburg Thalmann  
Bear Stearns & Co.  
First Boston Corp.

### **Top Twenty General Unsecured Creditors**

Morgan, Lewis & Bockius, LLP  
PriceWaterhouseCoopers LLP<sup>17</sup>  
CBS Corp.  
Deloitte & Touche, LLP (has also served as independent auditors)<sup>18</sup>  
AI Credit Corp.<sup>19</sup>

### **Other Professionals**

Morgan Lewis Bockius, LLP (proposed special counsel and also a top twenty unsecured creditor)  
The Blackstone Group, LP. (proposed financial advisor)

### **Other Parties**

The CIT Group/Credit Finance, Inc. (lender to American Bank Note Company, ABN's wholly-owned domestic subsidiary)<sup>20</sup>  
PricewaterhouseCoopers LLP (pre-petition forensic accountants)

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<sup>17</sup> PriceWaterhouseCoopers LLP accounted for approximately 0.28% of the Firm's client billings for the 12 month period ending September 30, 1999.

<sup>18</sup> ABN has scheduled the claim of Deloitte & Touche, LLP as disputed. Skadden, Arps cannot represent ABN or Deloitte & Touche, LLP in any dispute between ABN and Deloitte & Touche, LLP. Deloitte & Touche, LLP accounted for approximately 0.3% of the Firm's client billings for the 12 month period ending September 30, 1999.

<sup>19</sup> National Union Fire Insurance Company of Pittsburgh, American International Group, Sun America, and Sun Life Insurance, affiliates of AI Credit Corp., are clients of the Firm on unrelated matters.

<sup>20</sup> Dai-Ichi Kangyo Bank, an affiliate of The CIT Group/Credit Finance, Inc., is a client of the Firm on unrelated matters.



Deloitte & Touche, LLP (which has served as independent auditors and is also a top twenty unsecured creditor)<sup>21</sup>

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<sup>21</sup> See note 18, supra.

John Wm. Butler, Jr. (JB 4711)  
Jeffrey W. Linstrom (JL 2690)  
SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM (ILLINOIS)  
333 West Wacker Drive  
Chicago, Illinois 60606-1285  
(312) 407-0700

- and -

Jay M. Goffman (JG 6722)  
SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM LLP  
919 Third Avenue  
New York, New York 10022-3897  
(212) 735-3000

Counsel for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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	:	
In re	:	Chapter 11
	:	
THE SINGER COMPANY N.V.,	:	Case Nos.: 99-
et al.,	:	through 99-
	:	
Debtors.	:	(Jointly Administered)
-----	x	

AFFIDAVIT AND STATEMENT OF JOHN WM. BUTLER, JR.  
PURSUANT TO BANKRUPTCY RULES 2014 AND 2016 IN  
SUPPORT OF APPLICATION FOR AN ORDER PURSUANT  
TO 11 U.S.C. §§ 327(a) AND 329 AUTHORIZING THE  
EMPLOYMENT AND RETENTION OF SKADDEN, ARPS,  
SLATE, MEAGHER & FLOM (ILLINOIS) AND AFFILIATED  
LAW PRACTICE ENTITIES AS ATTORNEYS FOR THE DEBTORS

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

JOHN WM. BUTLER, JR., being duly sworn, deposes and says:

1.       I am a member of the firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), which maintains an office for the practice of law at 333 West Wacker Drive, Chicago, Illinois 60606-1225. I am a member in good standing of the bars of, and am admitted to practice in, the States of Illinois and Michigan, the United States District Courts for the Northern District of Illinois and the Eastern and Western Districts of Michigan, the United States Court of Appeals for the Sixth and Seventh Circuits, and the United States Supreme Court. I have appeared in other chapter 11 cases in the Southern District of New York including, most recently, in the jointly administered chapter 11 cases styled In re Bradlees Stores, Inc. et. al. (Case Nos. 95 B 42777 through 95 B 42784). I submit this affidavit pursuant to 11 U.S.C. §§ 327 and 329 and Fed. R. Bank. P. 2014 and 2016 in support of the Application For Order Pursuant To 11 U.S.C. §§ 327(a) And 329 Authorizing The Employment And Retention Of Skadden, Arps, Slate, Meagher & Flom (Illinois) And Affiliated Law Practice Entities As Attorneys For The Debtors (the "Application"), filed contemporaneously herewith by the Debtors. Except as otherwise indicated, I have personal

knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.<sup>1</sup>

#### QUALIFICATION OF PROFESSIONALS

2. The predecessor law firm partnership to Skadden, Arps, Slate, Meagher & Flom (Illinois) and its affiliated law practice entities including Skadden, Arps, Slate, Meagher & Flom LLP first performed legal work for certain of the Debtors and/or their predecessors in the early 1980s. In July 1999, pursuant to the engagement letter dated as of July 9, 1999 (a copy of which is attached hereto as Exhibit A) (the "Engagement Agreement"), Skadden, Arps began representing the Debtors in their present efforts to restructure their businesses, which has resulted in the preparation and filing of the Debtors' chapter 11 petitions.

3. Skadden, Arps believes it has assembled a highly qualified team of attorneys to service the Debtors during their reorganization efforts. I am the partner in charge of the corporate restructuring group in Skadden, Arps' Chicago office. Over the past 15 years, I have served as counsel in transactional work with sellers, purchasers and creditors of financially troubled companies, nonjudicial restructurings, and chapter 11 reorganization cases, in several hundred transactions in 25 states and in international transactions located in Asia, Australia, Europe, South

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<sup>1</sup> Certain of the disclosures herein relate to matters within the knowledge of other attorneys at Skadden, Arps and are based on information provided by them.

America and the Middle East. I am a Fellow of the American College of Bankruptcy, am currently a director of, and served from 1995-97 as Chairman of, the Turnaround Management Association, was President of the American Board of Certification from 1995-97, was a director of the American Bankruptcy Institute from 1991-98, was Chairman of the Governing Board of the Commercial Finance Association Education Foundation from 1994-96, and am presently Associate General Counsel of the Commercial Finance Association. During 1995 and 1996, I organized and moderated *ABI's National Bankruptcy Reform Symposia* series across the United States and testified before the National Bankruptcy Review Commission.

4. Other principal Skadden, Arps partners and counsel working on the engagement include Jay M. Goffman, Thomas H. Kennedy, Jeffrey W. Linstrom and Peter J. Neckles. Mr. Goffman is a corporate restructuring partner resident in the New York office with expertise in all types of transactions and restructurings related to troubled company situations -- including Chapter 11 cases, out-of-court workouts, exchange offers, tender offers and prepackaged restructurings and acquisitions -- throughout the United States and the world. Mr. Goffman has led several of the landmark prepackaged and international Chapter 11 cases over the past decade, including the multibillion dollar restructuring of Memorex Telex Corporation and its affiliates, which was the first successful prepackaged reorganization of an international company (operating in 32 countries worldwide).

5. Mr. Kennedy is the national coordinator of Skadden, Arps's corporate technology practice concentrating on mergers, acquisitions, corporate finance and other transactions worldwide. He represented United Air Lines in its global code-sharing and marketing alliance with Lufthansa, in its acquisition of the London-Heathrow and Latin American routes of Pan American World Airways, as debtor-in-possession under Chapter 11, and in other proposed acquisition transactions. He has previously represented the Debtors from time to time on various transactional matters including in its global restructuring and initial public offering in the early 1990s.

6. Peter J. Neckles, who practices in the areas of commercial banking and institutional finance and is resident in the New York office, represents commercial banks, insurance companies and other capital market funding sources, as well as corporate borrowers from such institutions, in a wide range of financing transactions, including secured and unsecured loan agreements, acquisition financings, leveraged lease financings, project financings, workouts, restructurings, and debtor-in-possession financings.

7. Jeffrey W. Linstrom is counsel to the corporate restructuring group in the Chicago office and has extensive experience representing debtors in large chapter 11 reorganizations over the last twelve years including, most recently, Philips Services Corp. (an industrial services provider with business operations in Africa,

Europe and the Americas), Montgomery Ward Holding Company, Morrison Knudsen Corporation, USG Corporation and Federated Department Stores.

8. Skadden, Arps is generally familiar with the Debtors' capital structure, financing documents and other material agreements. Additionally, Skadden, Arps is generally familiar with the Debtors' business affairs and many of the potential legal issues that may arise in the context of the Debtors' chapter 11 cases.

#### SERVICES TO BE RENDERED

9. The Debtors have requested that Skadden, Arps render the following services in connection with these cases:

- a. advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management and operation of their businesses and properties;
- b. attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the conduct of the case, including all of the legal and administrative requirements of operating in chapter 11;
- c. take all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on their behalf, the defense of any actions commenced against them, negotiations concerning all litigation in which the Debtors are involved and objections to claims filed against the estates;
- d. prepare on behalf of the Debtors all motions, applications, answers, orders, reports and papers necessary to the administration of the estates;
- e. negotiate and prepare on the Debtors' behalf plan(s) of reorganization, disclosure statement(s) and all related agreements and/or

documents and take any necessary action on behalf of the Debtors to obtain confirmation of such plan(s);

f. advise the Debtors in connection with the sale of assets;

g. appear before this Court, any appellate courts and the U.S. Trustee and protect the interests of the Debtors' estates before such courts and the U.S. Trustee;

h. perform all other necessary legal services and provide all other necessary legal advice to the Debtors in connection with these Chapter 11 cases; and

i. provide general corporate, real estate, tax and financing legal advice to the Debtors.

10. Subject to this Court's approval of the Application, Skadden, Arps is willing to serve as the Debtors' counsel and to perform the services described above.

#### DISINTERESTEDNESS OF PROFESSIONALS

11. Except as otherwise set forth herein, the members and associates of Skadden, Arps (i) do not have any connection with the Debtors or their affiliates, their creditors, or any other party in interest, or their respective attorneys and accountants, (ii) are "disinterested persons," as that term is defined in section 101(14) of the Bankruptcy Code, and (iii) do not hold or represent any interest adverse to the estates.

12. Skadden, Arps represented, represents and in the future likely will represent certain creditors of the Debtors and other parties in interest in matters



unrelated to the Debtors, the Debtors' reorganization cases or such entities' claims against or interests in the Debtors. Of the Debtors' largest secured creditors, major unsecured creditors, significant suppliers, professionals, officers, directors, and, the Debtors' indenture trustees (as determined by and disclosed by the Debtors to Skadden, Arps as of September 5, 1999) , Skadden Arps currently represents, or has represented, the entities disclosed below on matters unrelated to the Debtors.

13.     Largest Secured Creditors: Skadden, Arps has previously represented The Bank of Nova Scotia and The Hong Kong and Shanghai Banking Corporation Ltd. Both institutions are former clients.

14.     Major Unsecured Creditors: Skadden Arps presently represents ABN Amro Bank, American Express Ltd., ANZ Bank, Banco Espirito Santo, Banque Indosuez, Barclays Bank Plc., Cariplo S.p.A., The Chase Manhattan Bank, Citibank N.A., Deutsche Bank, First Union, International Nederlands Leale Espana, National Bank of Canada, Standard Chartered Bank (affiliate of CWB Capital Partners) and Trinkaus & Burkhardt kgaA. Skadden, Arps has in the past represented Banque National de Paris, Hong Kong Shanghai Banking Corp. and Kredietbank. These three institutions are former clients.

15.     Significant Suppliers: Skadden, Arps represents, or has represented certain of the Debtors or their subsidiaries' major suppliers, including:

Goldstar (a potential affiliate of LG Chemicals Co. (a former client)), Matsushita (a former client and an affiliate of present client Panasonic Finance), Samsung (affiliate of firm client Samsung Electronic), Sanyo (an affiliate of firm client Sanyo Shokuhin), and Sharp (an affiliate of firm client Sharp S.A. Equipamentos Electronics).

16. Professionals: Skadden, Arps represents, or has represented, certain of the Debtors' and its secured lenders' professionals, including: Arthur Andersen LLP (affiliate of firm client Andersen Consulting), the proposed financial advisors to the Debtors; Deloitte & Touche LLP, the Debtors' prepetition accountants; Ernst & Young LLP, which provided some prepetition services to the Debtors and/or its subsidiaries; PricewaterhouseCoopers LLP, financial advisor to The Bank of Nova Scotia; Salomon Smith Barney, Inc. (Salomon Brothers), the investment banker to the Debtors in connection with the acquisition of G.M. Pfaff. The law firm of Tory Tory Des Lauriers & Bington, which is Canadian counsel to The Bank of Nova Scotia, secured lender to Debtors, is a former Skadden, Arps' client.

17. Directors and Officers: Skadden, Arps has, in the past and as an accommodation to the Debtors and its then affiliates, represented James Ting, Chairman and director of The Singer Company N.V. ("Singer"), and Phillip Watson, President of Singer Limited, in certain litigation described below. The Debtors have informed me that Mr. Ting is also the Chairman of the Board and Chief Executive Officer of Semi-Tech Corporation and Akai Holdings Limited and certain other

affiliated companies and/or former affiliates of Semi-Tech Corporation. The Debtors have further informed me that, as of January 2, 1999, Mr. Ting beneficially owned shares providing him with approximately 44.5% of the total votes outstanding with respect to the shares of Semi-Tech Corporation. Skadden, Arps does not represent Mr. Ting or Mr. Watson on any current matter. Mr. Ting and Mr. Watson are former clients of the firm.

18. Indenture Trustees: Skadden, Arps represents The Chase Manhattan Bank in matters unrelated to the Debtors or the Debtors' reorganization cases. The Chase Manhattan Bank (New York branch) serves as the indenture trustee for the unsecured notes issued by The Singer Company N.V. The Chase Manhattan Bank (United Kingdom branch) serves as the indenture trustee for the unsecured notes issued by Singer do Brasil Industria e Comercio Ltda. Skadden, Arps attorney Helene L. Kaplan is a director of The Chase Manhattan Bank. Ms. Kaplan is not working on the Debtors' cases.

19. Skadden, Arps' representation of the above entities will not affect the firm's representation of the Debtors in these cases. Skadden, Arps does not represent the above entities in any matters adverse and/or related to the Debtors. Many of the firm's representations of the above clients consist of representations in episodic transactional matters.

20. In addition to the foregoing, Skadden, Arps has represented certain affiliates or former affiliates of the Debtors in various episodic transactional matters as identified below (with each paragraph relating to transactions with respect to an affiliate or former affiliate).

21. G.M. Pfaff AG: Skadden, Arps has in the past represented G.M. Pfaff AG, an indirect 80% owned subsidiary of The Singer Company N.V. organized under the laws of the Federal Republic of Germany ("Pfaff"), on various matters both prior to and after the acquisition of Pfaff by Singer in December, 1997 from Akai Holdings Limited including the sale of assets by A/O Concern Podolsk, a closed joint stock company organized under the laws of the Russian Federation ("Podolsk") to Pfaff in 1996, and a proposed public offering of notes by Pfaff in 1998 that was not consummated. As more fully described in the Affidavit of Stephen H. Goodman In Support of Chapter 11 Petitions and First Day Orders and Pursuant to Local Bankruptcy Rule 1007-2, filed contemporaneously herewith (the "Goodman Affidavit"), certain members of the managing board of Pfaff commenced insolvency proceedings for Pfaff in Germany on September 6, 1999. Skadden, Arps did not represent Pfaff in connection with its commencement of insolvency proceedings in Germany. Skadden, Arps does not currently represent Pfaff on any matters. Pfaff is a former client of the Firm.

22. Semi-Tech Corporation: Skadden, Arps has in the past represented Semi-Tech Corporation ("Semi-Tech") (owner of 49.6% of the common stock of The Singer Company N.V.) on various matters including serving as United States counsel in connection with the issuance by Semi-Tech of its Senior Discount Notes due 2003 (the "Semi-Tech Notes") and general corporate matters, including a proposed acquisition of a U.S. company unrelated to the Debtors that was not consummated . The Debtors have informed me that all of the 25,310,700 common shares of Singer held directly or indirectly by Semi-Tech are pledged to secure the Semi-Tech Notes. Skadden, Arps also represented Semi-Tech in connection with a settlement of a dispute between Semi-Tech and Bicoastal Corporation in connection with a license agreement. This settlement resulted in litigation commenced by a former shareholder of Bicoastal Corporation in which the firm represented Semi-Tech and Akai. As set forth in the Goodman Affidavit, Semi-Tech filed chapter 11 cases on September 7, 1999. Skadden, Arps did not represent Semi-Tech in connection with its chapter 11 filing. Semi-Tech is a former client of the firm.

23. Akai Holdings Limited: Skadden, Arps has represented in the past Semi-Tech Global Company Limited (now known as Akai Holdings Limited) and certain subsidiaries on various discrete matters. Akai Holdings Limited is the owner of \$75 million Convertible Preferred Stock of The Singer Company N.V. and, upon

information and belief, is no longer affiliated with Semi-Tech or the Debtors.<sup>2</sup> The nature of the former Akai representation included Hart-Scott-Rodino advice, corporate and securities advice, the acquisition of Podolsk in 1994, the admission of Pfaff as a shareholder in Podolsk, PBGC matters relating to the liquidation of Consumers' Distributing, and intellectual property matters. Singer acquired Pfaff from Akai Holdings Limited in December, 1997.<sup>3</sup> Further, Skadden, Arps represented SSMC Inc. N.V. in connection with certain litigation relating to the sale of Singer Furniture Company to SFAC, Inc. In connection with that litigation, the controlling shareholder of SFAC brought counterclaims and third-party actions against SSMC Inc., N.V., Semi-Tech, Akai, James Ting, Phillip Watson and Shinwa Company Limited ("Shinwa"), then an affiliate of Semi-Tech. Skadden, Arps also represented James Ting, Phillip Watson, Shinwa and Akai in connection with such third party claims. The litigation is no longer pending. Additionally, Skadden, Arps represented SSMC Inc., Akai, Shinwa, James Ting, and Phillip Watson in connection with a parallel proceeding brought against them by SFAC and related parties. All of the defendants were dismissed from the litigation on a motion to dismiss except Shinwa, for which a

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<sup>2</sup> As described in the Goodman Affidavit, on information and belief, Semi-Tech owned a controlling interest in Akai Holdings Limited until approximately September 3, 1999.

<sup>3</sup> In connection with the acquisition of Pfaff from Akai Holdings Limited, Skadden, Arps provided Hart-Scott-Rodino advice to Singer.

motion for reconsideration has been pending for nearly three years. The firm also represented SSMC Inc. in a related litigation arising out of a bankruptcy proceeding filed by the controlling shareholders of SFAC. An appeal of one matter from the bankruptcy proceeding is still pending before the district court. Skadden, Arps is not currently representing Akai on any matters. Akai is a former client of the Firm.

24. Sansui Electric Co. Ltd.: Skadden, Arps has represented a former affiliate of Semi-Tech, Sansui Electric Co. Ltd. ("Sansui"), in connection with certain intellectual property matters. Skadden, Arps no longer represents Sansui in connection with any matters. Sansui is a former client of the firm.

25. Guestlink International, Inc.: Skadden, Arps represented a subsidiary of Akai, Guestlink International, Inc, ("Guestlink") beginning in November, 1998 with respect to a discrete intellectual property matter that has no relation to Singer. Skadden, Arps no longer represents Guestlink in connection with any matters. Guestlink is a former client of the firm.

26. Skadden, Arps' representation of the affiliate entities described above will not affect the Firm's representation of the Debtors in these cases. Skadden Arps does not currently represent any of these affiliates in matters adverse to or related to the Debtors.

27. Skadden, Arps represented The Singer Company N.V. in connection with the initial public offering of Singer's common stock in 1991. The

firm also represented Singer in connection with the 1992 secondary stock offering of Singer common shares by Akai and the 1993 issuance of the Company's 7% Notes. More recently, during 1999, the firm represented Singer in matters stemming from the "Russian Transaction" described in the Goodman Affidavit including in connection with the amended agreement to acquire certain property and equipment from Podolsk. In addition, the firm was requested by Singer to conduct an investigation of certain matters relating to the December 1997 Russian Transaction.

28. Skadden, Arps is one of the largest law firms in the world and has a diverse client base. Indeed, in 1998, no single client of the firm represented more than 2.4% of the value of the time charged to client matters. With the exception of Citicorp USA, Inc., none of the entities listed above represent more than 1.0% of the value of the time charged to client matters in 1998.

29. Skadden, Arps currently is engaged in extensive further inquiry (including the individual written response of approximately 1,400 Skadden, Arps attorneys worldwide) regarding the Debtors' constituencies and, if appropriate, will be filing promptly with the Court a supplemental disclosure when the results of this inquiry are obtained.

30. Neither Skadden, Arps nor any attorney at the firm holds or represents an interest adverse to the estates.



31. Neither Skadden, Arps nor any attorney at the firm is or was a creditor, an equity security holder or an insider of the Debtors, except that Skadden, Arps previously rendered legal services to the Debtors for which it was compensated and two Skadden, Arps, John L. Gardiner and Thomas H. Kennedy, have informed me that they own 1,000 and 500 shares, respectively, of the common stock of The Singer Company, N.V. Pursuant to the internal policy of Skadden, Arps, the Debtors have been placed on the firm's "restricted list" and no sale or purchase of securities or claims relating to the Debtors will be authorized or permitted during the pendency of our retention as the Debtors' counsel in the chapter 11 cases.

32. Certain attorneys at Skadden, Arps previously have been employed by (or are related to employees, officers, or directors of) the Debtors' financial advisors or certain of their creditors, but none of these attorneys are working on the Debtors' chapter 11 cases.

33. Neither Skadden, Arps nor any attorney at the firm is or was an investment banker for any outstanding security of the Debtors.

34. Neither Skadden, Arps nor any attorney at the firm is or was, within three years before the filing of the Debtors' chapter 11 cases, an investment banker for any security of the Debtors, or an attorney for an investment banker in connection with the offer, sale or issuance of any security of the Debtors.

35. Neither Skadden, Arps nor any attorney at the firm is or was, within two years before the Petition Date, a director, officer or employee of the Debtors or of an investment banker of the Debtors.

36. Skadden, Arps does not have an interest materially adverse to the interests of the estates or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in the Debtors or an investment banker specified in the foregoing paragraphs, or for any other reason.

37. In view of the foregoing, Skadden, Arps is a "disinterested person" within the meaning of section 101(14) of the Bankruptcy Code.

#### PROFESSIONAL COMPENSATION

38. Pursuant to the Engagement Agreement, the Debtors retained Skadden, Arps to, among other things, advise them regarding their financial and operational restructuring efforts and to represent the Debtors as debtors-in-possession if chapter 11 cases were commenced.

39. The Engagement Agreement provided for the implementation of a retainer program, pursuant to which the Debtors paid an initial retainer of \$200,000 for professional services to be rendered and expenses to be charged by Skadden, Arps in connection with those services described in the Engagement Agreement (the "Initial Retainer"). Thereafter, Skadden, Arps periodically invoiced

the Debtors and drew down the Initial Retainer in payment of such invoices. The Initial Retainer was periodically replenished in order to maintain it at a level sufficient to fund fees, charges and disbursements incurred during the engagement. Pursuant to the Engagement Agreement, such replenishments included the Debtors' payment to Skadden, Arps of an additional filing retainer of \$500,000 to cover a portion of the projected fees, charges and disbursements to be incurred in final preparation of and during the reorganization cases (the "Filing Retainer", and, together with the Initial Retainer, the "Retainer"). Pursuant to the Retainer Agreement, Skadden, Arps will apply the Retainer to pay any fees, charges and disbursements which remain unpaid as of the Petition Date and will retain the remainder of the Retainer to be applied to any fees, charges and disbursements which remain unpaid at the end of the reorganization cases. As of September 12, 1999, after application of all prepetition fees, charges and disbursements incurred and posted as of that date and including a reasonable estimate of unposted but incurred fees, charges and disbursements, the amount of the Retainer was \$251,938.

40. Pursuant to the Engagement Agreement, Skadden, Arps sends the Debtors invoices no less frequently than monthly for services rendered and charges and disbursements incurred. During the course of the reorganization cases, the monthly invoices constitute a request for interim payments against the reasonable fee to be determined at the conclusion of the representation.

41. For professional services, Skadden, Arps' fees are based in part on its guideline hourly rates, which are periodically adjusted. Based upon the Engagement Agreement, Skadden, Arps and the Debtors have agreed that Skadden, Arps bundled rate structure will apply to these cases and, therefore, Skadden, Arps will not be seeking to be separately compensated for certain staff, clerical and resource charges. Presently, the hourly rates under the bundled rate structure range from \$390 to \$650 for partners, \$375 for special counsel and counsel, \$180 to \$360 for associates, and \$65 to \$130 for legal assistants and support staff. The hourly rates set forth above are subject to periodic increases in the normal course of the firm's business, often due to the increased experience of a particular professional.

42. Consistent with the firm's policy with respect to its other clients, Skadden, Arps will continue to charge the Debtor for all other services provided and for other charges and disbursements incurred in the rendition of services. These charges and disbursements include, among other things, costs for telephone charges, photocopying (at \$.10 per page), travel, business meals, computerized research, messengers, couriers, postage, witness fees and other fees related to trials and hearings. Charges and disbursements are invoiced pursuant to Skadden, Arps' Policy Statement Concerning Charges and Disbursements. (The "Policy Statement Concerning Charges and Disbursements" is attached to the Engagement Agreement, which is annexed as Exhibit A hereto.) Certain charges and disburse-

ments are not separately charged for under the bundled rate structure as described in the Engagement Agreement.

43. Skadden, Arps intends to apply to the Court for allowance of compensation for professional services rendered and reimbursement of charges and disbursements incurred in these chapter 11 cases in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and the orders of this Court. Skadden, Arps will seek compensation for the services of each attorney and paraprofessional acting on behalf of the Debtors in these cases at the then-current bundled rate charged for such services on a non-bankruptcy matter.

44. The hourly rates set forth above are the firm's standard hourly rates for work of this nature. These rates are set at a level designed to compensate Skadden, Arps fairly for the work of its attorneys and legal assistants and to cover fixed and routine overhead expenses, including the items discussed above, that it normally would bill separately to other clients.

45. Skadden, Arps has agreed to accept as compensation such sums as may be allowed by the Court on the basis of the professional time spent, the rates charged for such services, the necessity of such services to the administration of the estate, the reasonableness of the time within which the services were performed in

relation to the results achieved, and the complexity, importance, and nature of the problems, issues or tasks addressed in these cases.

46. According to Skadden, Arps' books and records, for the year prior to September 12, 1999, the total value of services worked and expenses charged (posted and estimated as of September 11, 1999) was approximately \$733,584 for fees and \$116,421 for charges and disbursements. Skadden, Arps' books and records further reflect that for such same period, Skadden, Arps received (exclusive of the unapplied Retainer) approximately \$1,009,463 from the Debtors for legal services performed and in reimbursement of expenses incurred, including approximately \$473,551 of fees and expenses incurred in contemplation of, or in connection with, these cases. Of the amounts received during the past year, Skadden, Arps received (exclusive of the unapplied Retainer) approximately \$757,160 during the 90 days preceding the Petition Date. Any portion of the prepetition amounts received by Skadden, Arps that has not yet been applied to prepetition fees, charges and disbursements will be applied when such amounts are identified and, should any balance remain after such application, the remainder will be held as a retainer for and applied against postpetition fees, charges and disbursements that are reasonable in relation to the results achieved, and the complexity, importance and nature of the problems, issues or tasks addressed in these cases.

47. Other than as set forth above, no arrangement is proposed between the Debtors and Skadden, Arps for compensation to be paid in these cases.

48. Except for such sharing arrangements among Skadden, Arps, Slate, Meagher & Flom (Illinois), its affiliated law practice entities and their respective members, Skadden, Arps has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted under section 504(b)(1) of the Bankruptcy Code.

49. I am not related, and to the best of my knowledge, no attorney at the firm is related, to any United States District Judge or United States Bankruptcy Judge in the Southern District of New York or to the United States Trustee for such district or any employee in the office thereof.

50. Carolyn S. Schwartz, the United States Trustee for such district, was an associate of Skadden, Arps during the period from January 30, 1984 through July 1, 1992.

51. Skadden, Arps has instituted and is carrying on further inquiries of its partners and associates with respect to the matters contained herein, including the circulation of a special "disinterestedness" questionnaire to each of the approximately 1,400 attorneys in the firm's ten domestic and eleven international

offices. Skadden, Arps will file supplemental affidavits regarding this retention if any additional relevant information comes to its attention. Additionally, as a matter of retention and disclosure policy, Skadden Arps will periodically review its past and present relationships with entities materially participating in these cases from time to time and file a supplemental disclosure affidavit, if warranted, approximately every 120 days at or around the time of the filing of periodic fee applications.

FURTHER AFFIANT SAYETH NOT.

S/ John Wm. Butler, Jr.  
John Wm. Butler, Jr.

Sworn to before me this 12th  
day of September, 1999

s/ Cat Bistransin  
Notary Public

Cat Bistransin  
Notary Public, State of New York  
No. 01BI6007915  
Qualified in New York County  
Commission Expires May 26, 2000



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

### Debtors.

**(Jointly Administered)**

## COUNTY OF NEW YORK

)  
) **SS:**  
)

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London, United Kingdom; Budapest, Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt and Munich, Germany; Prague, The Czech Republic; Paris, France; and Singapore. I am admitted to practice before this Court.

2. I submit this affidavit in connection with the application, (the "Application"), dated February 24, 2004 (the "Commencement Date"), of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WG&M as their attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329 and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). Unless otherwise stated in this Affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WG&M's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

3. Except as set forth herein, to the best of my knowledge, after due inquiry, neither I, WG&M, nor any member or counsel, or associate of the Firm represent any party in interest other than the Debtors and their affiliates in connection with the Debtors' chapter 11 cases.

4. WG&M is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code.

### **WG&M's Prepetition Relationship with the Debtors**

5. The Debtors are subsidiaries of Parmalat Finanziaria S.p.A. (together with all its direct and indirect subsidiaries, "Parmalat"). In December 2003, Parmalat engaged WG&M to provide representation and advice in connection with strategic alternatives, financial restructuring and insolvency matters, worldwide asset recovery, and general litigation matters, including actions commenced against Parmalat in the United States by the Securities and Exchange Commission and private parties. In that regard, WG&M represented Parmalat, under the direction of the Extraordinary Administrator, Mr. Enrico Bondi, in connection with proceedings under section 304 of the Bankruptcy Code.

6. In connection with the global restructuring process, WG&M prepared the chapter 11 petitions for the Debtors and the initial motions, applications, and affidavits relating to these chapter 11 cases. WG&M may in the future represent Parmalat entities in connection with the commencement and prosecution of (i) ancillary proceedings under section 304 and/or (ii) chapter 11 cases for other Parmalat affiliates that may or may not be administratively consolidated with the Debtors' chapter 11 cases.

7. Prior to December 2003, WG&M represented Parmalat entities in a variety of matters unrelated to the Debtors' pending chapter 11 cases. In 1998, WG&M performed work for the Debtors to ensure that labels of Parmalat products sold in the United States complied with legal requirements relating to the labeling of milk. WG&M also represented Parmalat in 1998 in its acquisition of a Hungarian company, Cegledtej, and WG&M performed additional diligence work in connection with an attempted acquisition of a second Hungarian dairy company. In 1999, WG&M assisted Parmalat's lead counsel with diligence relating to real estate and certain corporate matters in

connection with Parmalat's acquisition of Farmland Dairies. Also in 1999, WG&M advised Parmalat in connection with certain real property leases for Gelateria Parmalat ice cream stores in Florida and Puerto Rico.

8. In unrelated matters, WG&M represented clients that were adverse or potentially adverse to Parmalat and its related entities. In 1987, WG&M represented clients potentially adverse to the Debtors in connection with antitrust and trade regulation investigations. Furthermore, WG&M believes that it has represented at least one unrelated party in its chapter 11 case in which the Debtors have been unsecured creditors. Specifically, in 2000, one of the Debtors was an unsecured creditor of the Grand Union Company, Inc., a company that WG&M represented in its chapter 11 case.

9. WG&M is not a creditor of the Debtors. In the one year prior to the Commencement Date, WG&M received advances in the amounts of \$625,000 from the Debtors on account of services performed and to be performed and expenses incurred and to be incurred in connection with services to be provided by WG&M, including the commencement and prosecution of the chapter 11 cases.<sup>1</sup> As of the Commencement Date, the fees and expenses incurred by WG&M and debited against the amounts advanced to it by the Debtors approximated \$525,000. The precise amount will be determined upon the final recording of all time and expense charges. As of the Commencement Date, WG&M has a remaining credit balance in favor of the Debtors in the approximate amount of \$100,000 for additional professional services performed and

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<sup>1</sup> In addition to the amounts received from the Debtors, WG&M received advances aggregating \$675,000 from other Parmalat entities in connection with Parmalat's global restructuring process.

to be performed and expenses incurred and to be incurred in connection with these chapter 11 cases. After application of amounts for payment of any additional prepetition professional services and related expenses, the excess advance amounts will be held by WG&M for application to and payment of postpetition fees and expenses that are allowed by the Court.

#### **WG&M Disclosure Procedures**

10. WG&M has in the past represented, currently represents, and may in the future represent entities that are claimants or interest holders of the Debtors in matters unrelated to the Debtors' pending chapter 11 cases. WG&M, which employs approximately 1,000 attorneys, has a large and diversified legal practice that encompasses the representation of many financial institutions and commercial corporations. Some of those entities are or may consider themselves to be creditors or parties in interest in the Debtors' pending chapter 11 cases or to otherwise have interests in these cases.

11. In preparing this affidavit, I used a set of procedures developed by WG&M to ensure compliance with the requirements of the Bankruptcy Code and the Bankruptcy Rules regarding the retention of professionals by a debtor under the Bankruptcy Code (the "Firm Disclosure Procedures"). Pursuant to the Firm Disclosure Procedures, I performed, or caused to be performed, the following actions to identify the parties relevant to this affidavit and to ascertain WG&M's connection to such parties:

- a. A comprehensive list of the types of entities who may have contacts with the Debtors was developed through discussions with the WG&M attorneys who have provided services to the Debtors and in consultation with senior management of the Debtors (the

"Retention Checklist"), a copy of which is annexed hereto as Exhibit A.

- b. Using the Retention Checklist, the information provided by the Debtors, and additional information identified by WG&M, a list of names of entities who may be parties in interest to these chapter 11 cases (the "Potential Parties In Interest") was assembled.
- c. WG&M compared the Potential Parties In Interest to the names that WG&M has compiled into a master client database from its conflict clearance and billing records compiled since 1980 (the "Client Database"). The Client Database is comprised of the names of the entities for which any attorney time charges have been billed and includes the name of each current or former client, the name of the parties who are or were related or adverse to such current or former client, and the names of the WG&M personnel who are or were responsible for current or former matters for such client.
- d. Any matches between the Client Database and the list of Potential Parties In Interest were identified (the "Client Match List"), together with the names of the respective WG&M personnel responsible for current or former matters for the entities on the Client Match List.
- e. An attorney then reviewed the Client Match List and deleted obvious name coincidences and individuals or entities that were adverse to WG&M's clients in both this matter and the matter referenced on the Client Match List. The remaining client connections with regard to which WG&M had represented the client within the last two years were compiled for purposes of this Affidavit.
- f. In addition, a general inquiry to all WG&M attorneys was sent by electronic mail to determine whether any such individuals were ever employed by the Debtors or an investment banker of the Debtors. No responses were received.

**WG&M's Connections with Parties in Interest  
in Matters Unrelated to these Chapter 11 Cases**

12. Any identified client connections with regard to which WG&M had represented the client within the last two years were reviewed by an attorney working under my supervision and from such review it was determined that, in respect of each

connection between WG&M and such parties, WG&M does not hold or represent an interest that is adverse to the Debtors' estates, and that WG&M is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, for the reasons discussed below.

13. WG&M previously has represented, currently represents, and may represent in the future the entities described below (or their affiliates), in matters totally unrelated to the Debtors:

Matched Entity	Relationship to Debtors	Relationship to WG&M
Citibank, NA	Lender	Current Client
Citigroup	Lender	Current Client
Deloitte & Touche	Accountants	Current Client
GE Capital	Significant Lessor	Current Client
GE Capital Public Finance	Significant Lessor	Current Client
ING Capital	Significant Lessor	Current Client
Intesa BCI	Unsecured Creditor	Current Client
PricewaterhouseCoopers	Accountants	Current Client
Societe Generale	Significant Lessor	Current Client
International Paper	Unsecured Creditor	Former Client
Wells Fargo	Significant Lessor	Current Client

14. In addition to the entities identified above, the following entities either (i) have a name similar to a client in the Client Database, or (ii) are or may be related to a client (collectively, the "Potential Clients"). After a diligent effort, WG&M was unable to determine whether the similarity of names was in fact a name coincidence or whether, and to what extent, the Potential Client is related to a client in the Client Database. However, out of an abundance of caution, WG&M has confirmed that, similar to the clients identified above, WG&M does not represent any of the Potential Clients in matters related to the Debtors' chapter 11 cases.

Matched Entity	Relation to Debtors	Relation to WG&M
Banca Di Roma	Unsecured Creditor	May be Related to Client
Comerica	Unsecured Creditor	May be Related to Client
Bank Hapoalim	Significant Lessor	May be Related to Client
New Jersey Department of Transportation	Regulatory Agency	May be Related to Client
U.S. Department of Transportation	Regulatory Agency	May be Related to Client

15. To the best of my knowledge and information, the annual fees for each of the last twelve months paid to WG&M by each of the entities listed above did not exceed 1% of the annual gross revenue of WG&M other than General Electric Capital Corporation and Citigroup, which accounted for approximately 6.2% and 2.1% of such gross revenues, respectively.

16. Because distressed bank debt is actively traded in the commercial markets, WG&M may be unaware of the actual holder of such debt at any given moment. Because WG&M represents in unrelated matters numerous entities that may buy and sell distressed debt of chapter 11 debtors, out of an abundance of caution, I am listing here many such entities represented by WG&M: Salomon Smith Barney, Donaldson Lufkin Jenrette, JP Morgan/Chase Manhattan Bank, Bank of America, Bay Harbour Management, Mackay Shields, Perry Corporation, Whipporwill Associates, Teachers Insurance Company, Elliott Associates, Morgens Waterfall Vintiades & Co., Oaktree Associates, Argent Capital, AIG Corporation, Leucadia Corporation, Halcyon Management Co., Bennett Management Co., Resurgence Asset Management Co., and M.D. Sass & Co. Additionally, WG&M has represented, may currently represent, and may in the future represent entities with respect to matters involving legal and regulatory



authorities such as the Securities Exchange Commission and the Federal Trade Commission, among others, which may be involved in the Debtors' chapter 11 cases. WG&M has not and will not represent any of the aforementioned entities, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

17. Contemporaneously herewith the Debtors have filed an application to retain McDermott, Will & Emery ("MWE") as general conflicts counsel. To the extent issues may arise which would cause the Debtors to be adverse to any of WG&M's clients such that it would not be appropriate for WG&M to represent the Debtors with respect to such matters, MWE or another firm will be retained to represent the Debtors with respect to such matters. Prior to the commencement of the Debtors' chapter 11 cases, MWE represented the Debtors in connection with the negotiations concerning the postpetition financing with General Electric Capital Corporation and Citibank.

18. As stated above, WG&M represents other Parmalat affiliates in connection with an overall restructuring and in connection with pending litigation, including the SEC inquiry. To the extent issues may arise which would cause the Debtors to be adverse to any other Parmalat affiliate(s), MWE or another firm will represent the Debtors in connection with such matters. In particular, to the extent it is necessary, MWE or another firm will represent the Debtors in connection with the investigation and assertion of any claims of the Debtors against non-Debtor Parmalat affiliates. WG&M will not represent non-Debtor affiliates in connection with the defense of any claims asserted by the Debtors against such affiliates.

19. WG&M will continue to apply the Firm Disclosure Procedures as additional information concerning entities having a connection with the Debtors is developed and will file appropriate supplemental disclosure with the Court.

**WG&M is Disinterested**

20. Based on the foregoing, insofar as I have been able to ascertain after diligent inquiry, I believe WG&M does not hold or represent an interest adverse to the Debtors' estates in the matters upon which WG&M is to be employed, and WG&M is "disinterested" as such term is defined in section 101(14) of the Bankruptcy Code, as modified by Section 1107(b) of the Bankruptcy Code, in that WG&M, its members, counsel, and associates:

- a. are not creditors or insiders of the Debtors;
- b. are not and were not investment bankers for any outstanding security of the Debtors;
- c. have not been, within three years before the date of this affidavit, (i) investment bankers for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors;
- d. are not and were not, within two years before the date of this affidavit, a director, officer, or employee of the Debtors or any investment banker as specified in subparagraph (b) or (c) of this paragraph; and
- e. has certain relationships with certain creditors, other parties in interest, and other professionals in connection with unrelated matters, but has not represented any such party in connection with matters relating to the Debtors, except as set forth herein.

### **WG&M's Retainer, Rates and Billing Practices**

21. WG&M's current customary hourly rates, subject to change from time to time, are \$500 to \$775 for members and counsel, \$240 to \$505 for associates and \$125 to \$225 for paraprofessionals in our United States offices.<sup>2</sup>

22. WG&M's disbursement policies pass through all out-of-pocket expenses at actual cost or at estimated actual cost when the actual cost is hard to determine. These expenses include facsimiles, toll calls, overtime, overtime meals, computerized research, deliveries, court costs, transcript fees, travel, clerk fees, and other expenses.

23. No promises have been received by WG&M or any member, counsel or associate thereof as to payment or compensation in connection with these cases other than in accordance with the provisions of the Bankruptcy Code. WG&M has no agreement with any other entity to share with such entity any compensation received by WG&M or by such entity.

24. The Debtors' Application requests, pursuant to section 328(a) of the Bankruptcy Code, approval of their retention of WG&M on rates, terms and conditions consistent with what WG&M charges non-chapter 11 debtors, namely, prompt payment of its hourly rates as adjusted from time to time and reimbursement of out-of-pocket disbursements at cost or based on formulae that approximate the actual cost where the actual cost is not easily ascertainable. Subject to these terms and conditions, WG&M intends to apply pursuant to section 330 of the Bankruptcy Code for allowances of

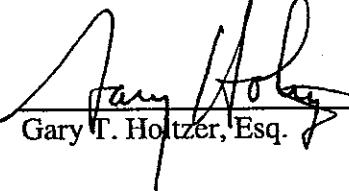
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<sup>2</sup> WG&M is charging the Debtors' WG&M's normal and customary hourly rates for professional services, and is not providing the Debtors with any discounts.

compensation for professional services rendered in these chapter 11 cases and for reimbursement of actual and necessary expenses incurred in connection therewith.

25. As noted earlier, WG&M understands that the Debtors will seek to retain additional law firms as counsel in connection with the Debtors' chapter 11 cases. WG&M intends to carefully coordinate with such firms and clearly delineate their respective duties so as to prevent duplication of effort whenever possible. Rather than resulting in any extra expense to the Debtors' estates, it is anticipated that the efficient coordination of efforts of the Debtors' attorneys will greatly add to the progress and effective administration of these chapter 11 cases.

26. The foregoing constitutes the statement of WG&M pursuant to sections 327(a), 328(a), 329, and 504 of the Bankruptcy Code and Bankruptcy Rules 2014(a) and 2016(b).

  
\_\_\_\_\_  
Gary T. Holtzer, Esq.

Sworn before me this 23rd day  
of February, 2004

  
\_\_\_\_\_  
Notary Public

**EILEEN LECHKI**  
Notary Public, State of New York  
No. 41-4658066  
Qualified in Queens County  
Commission Expires April 30, 2007

## Exhibit A

### RETENTION CHECKLIST

- 20 Largest Bondholders
- 20 Largest Unsecured Creditors of each Debtor-- Include holders of claims for borrowed money or similar indebtedness (actual, contingent, liquidated or unliquidated), including claims on account of guarantees and legal judgments.
- Bank Lenders
- Significant Lessors and Lessees (a reasonable number)
- Secured Creditors (significant)
- Government and State regulatory agencies.
- Members of Ad Hoc or Unofficial Creditors' Committees -- Those formed prior to the Commencement Date, to the extent known at the Commencement Date.
- Partnerships -- If Debtor is a partnership, its outside general and limited partners.
- Significant Stockholders -- If Debtor is a corporation, any significant stockholders (greater than 5%).
- Directors and Officers -- Current and former (up to three years) members of a corporation's board of directors and its officers, as well as the names of the entities with whom such directors or officers were, during their tenure with the Debtor, affiliated as an employee.
- Former Employees of Debtor or Underwriting Investment Bankers -- All persons who were officers, directors or employees of Debtor or any underwriting investment banker during the two years prior to the Commencement Date, who are now attorneys at Weil, Gotshal & Manges LLP
- Underwriting Investment Bankers for Debtor's securities for all securities issued or outstanding on the Commencement Date or during the three years prior to the Commencement Date.
- Indenture Trustee -- In respect of all securities outstanding at the Commencement Date and those outstanding for the prior three years.
- Accountants who were employed or retained during the two years prior to the Commencement Date
- Unions

WEIL, GOTSHAL & MANGES LLP  
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Telephone: (212) 310-8000  
Facsimile: (212) 310-8007  
Harvey R. Miller, Esq. (HRM 6078)  
Michael F. Walsh, Esq. (MFW 8000)  
Paul M. Basta, Esq. (PMB 4434)

Attorneys for Debtors and  
Debtors In Possession

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

-----X	
In re	:
	:
	:
GLOBAL CROSSING LTD., <u>et al.</u> ,	:
	:
	:
Debtors.	:
	:
-----X	

Chapter 11 Case Nos.  
02- 40187 (REG) through  
02- 40241 (REG)  
(Jointly Administered)

**FIRST SUPPLEMENTAL AFFIDAVIT OF  
WEIL, GOTSHAL & MANGES LLP AND DISCLOSURE STATEMENT  
PURSUANT TO BANKRUPTCY CODE SECTIONS 327, 328(a), 329 AND  
504 AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

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

PAUL M. BASTA, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WG&M" or the "Firm"), a law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Washington, D.C.; Houston and Dallas, Texas; Miami, Florida; and Menlo Park, California; and foreign offices in London, United Kingdom; Budapest, Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt, Germany; and Prague, the Czech Republic.

2. I submit this first supplemental affidavit in connection with the application dated January 28, 2002 (the "Application")<sup>1</sup> of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WG&M as attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329, and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). This affidavit supplements the affidavit of my partner, Michael F. Walsh, dated January 27, 2002, filed in support of the retention of WG&M in these cases (the "Walsh Affidavit").

3. Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WG&M's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

4. As disclosed in the Walsh Affidavit, WG&M has represented, currently represents and may represent in the future various entities, or their affiliates, in matters totally unrelated to the Debtors' chapter 11 cases.<sup>2</sup> To the extent that issues may arise which would

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<sup>1</sup> Capitalized terms otherwise not defined herein shall have the meanings ascribed to them in the Application.

<sup>2</sup> In order to identify parties relevant to WG&M's retention in these cases, WG&M prepared the Retention Checklist. Included in WG&M's Retention Checklist were approximately 138 of the Debtors' vendors who may be creditors in these chapter 11 cases (the "Vendor List"). The Vendor List is comprised of the 38 vendors that were among the fifty largest creditors of the Debtors and the Debtors' next 100 largest vendors.



cause the Debtors to be adverse to Cisco, General Electric Capital Corporation, or any of WG&M's clients such that it would not be appropriate for WG&M to represent the Debtors with respect to such matters, WG&M has arranged with Willkie Farr & Gallagher to represent the Debtors' with respect to such matters. Willkie Farr & Gallagher was retained as special counsel to the Debtors by Order of the Court dated January 28, 2002.

5. In addition, in paragraph 8(f) of the Walsh Affidavit, WG&M disclosed that approximately 15 WG&M employees, including 5 members of the Firm, own, in the aggregate, 8,800 shares of Global Crossing Ltd. stock. None of these employees has been or will be assigned to perform services in connection with the representation of the Debtors. Additionally, each of the 5 members of WG&M have advised me that they have divested their stock holdings as of the date hereof.

**Leo J. Hindery**

6. Paragraph 15 of the Walsh Affidavit discloses that WG&M represents Leo J. Hindery, a former director who also served as a chief executive officer of Global Crossing Ltd., in connection with personal matters unrelated to these cases. WG&M has instituted an internal screen in order to preserve confidential information and to ensure that none of the attorneys engaged in the Hindery representation will provide services in connection with these chapter 11 cases.

**JPMorgan Chase**

7. In January 2001, WG&M was retained by JPMorgan Chase, as administrative agent for the Debtors' prepetition secured lenders, to advise such lenders on certain issues of Hungarian law with respect to prepetition loans to the Debtors. WG&M expended a total of

approximately 105.3 hours on such representation. WG&M has terminated its representation of JPMorgan Chase in connection with prepetition loans to the Debtors and will not represent JPMorgan Chase in matters adverse to the Debtors in these chapter 11 cases.

8. WG&M also represents a creditor of the Debtors in its restructuring.<sup>3</sup> Such creditor maintains a contract with the Debtors for the provision of telecommunications services. WG&M did not represent this creditor in connection with its claims against the Debtors and will not represent such creditor in matters adverse to the Debtors in these cases. Willkie, Farr & Gallagher will represent the Debtors with respect to any matters relating to this creditor.

/s/ Paul M. Basta  
Paul M. Basta  
A Member of the Firm

Sworn to before me this  
28th day of February, 2002

/s/ Clara Holder  
Notary Public

CLARA HOLDER  
Notary Public, State of New York  
No. 01HO4917471  
Qualified in Queens County  
Commission Expires January 19, 2006

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<sup>3</sup> Because WG&M's representation of such creditor is presently confidential, the name of such creditor cannot be disclosed in this Affidavit.



WEIL, GOTSHAL & MANGES LLP  
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Harvey R. Miller (HRM 6078)  
Michael F. Walsh (MFW 8000)  
Paul M. Basta (PMB 4434)

Attorneys for Debtors and  
Debtors In Possession

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

-----X	
In re	:
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GLOBAL CROSSING LTD., <u>et al.</u> ,	:
	:
	:
	:
Debtors.	:
	:
-----X	

Chapter 11 Case Nos.  
02-40187 (REG) through  
02-40241 (REG),  
02-11982 (REG)  
(Jointly Administered)

**SECOND SUPPLEMENTAL AFFIDAVIT OF  
WEIL, GOTSHAL & MANGES LLP AND DISCLOSURE STATEMENT  
PURSUANT TO BANKRUPTCY CODE SECTIONS 327, 328(a), 329 AND  
504 AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

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

PAUL M. BASTA, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WGM" or the "Firm"), a law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Washington, D.C.; Houston and Dallas, Texas; Miami, Florida; and Menlo

Park, California; and foreign offices in London, United Kingdom; Budapest, Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt, Germany; and Prague, The Czech Republic.

2. I submit this second supplemental affidavit in connection with the application dated January 28, 2002 (the "Application")<sup>1</sup> of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WGM as attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329, and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). This affidavit supplements the affidavit of my partner, Michael F. Walsh, dated January 27, 2002, filed in support of the retention of WG&M in these cases (the "Walsh Affidavit").

3. Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WGM's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

**PF.Net Construction Corp. & Velocita Corp.**

4. WG&M currently represents PF.Net Construction Corp. ("PF.Net") and Velocita Corp. ("Velocita"), together with their affiliates, in their chapter 11 cases which are currently pending in the United States Bankruptcy Court for the District of New Jersey. These

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<sup>1</sup> Capitalized terms otherwise not defined herein shall have the meanings ascribed to them in the Application.

cases are captioned In re Velocita Corp., et al., Case Nos. 02-35894 (DHS) through 02-35905 (DHS), and are being jointly administered before the Honorable Donald H. Steckroth. PF.Net and Velocita maintain contracts with the Debtors for the provision of telecommunication services and are each creditors of the Debtors. WG&M has not and will not represent PF.Net, Velocita, or any of their affiliates in connection with their claims against the Debtors and has not and will not represent PF.Net, Velocita, or any of their affiliates in matters adverse to the Debtors in these cases. The Debtors will use separate counsel with respect to any matters directly involving Velocita, PF.Net and/or any of their affiliates.

**Adelphia Business Solutions, Inc.**

5. In the first supplemental affidavit submitted in connection with the retention of WG&M as attorneys for the Debtors in these chapter 11 cases, WG&M disclosed that it represented a creditor of the Debtors in connection with such creditor's own restructuring. That creditor, Adelphia Business Solutions, Inc., and certain of its subsidiaries (collectively, "ABIZ") filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. WG&M represents ABIZ in their chapter 11 cases which are currently pending in the United States Bankruptcy Court for the Southern District of New York. These cases are captioned In re Adelphia Business Solutions, Inc. et al., Case No. 02-11389 (REG), and are being jointly administered before the Honorable Robert E. Gerber. ABIZ maintains a contract with the Debtors for the provision of telecommunication services. WG&M has not and will not represent ABIZ in connection with its claims against the Debtors and has not and will not represent ABIZ in matters adverse to the Debtors in these cases. The Debtors will use separate counsel with

respect to any matters directly involving ABIZ.

/s/ Paul M. Basta

Paul M. Basta

A Member of the Firm

Sworn to before me this  
18th day of June, 2002

/s/ Gary O. Ravert

Notary Public

GARY O. RAVERT  
Notary Public, State of New York  
02RA6062205  
Certificate Filed in Kings County  
Commission Expires July 30, 2005





WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
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Facsimile: (212) 310-8007  
Michael F. Walsh (MFW 8000)  
Paul M. Basta (PMB 4434)

Attorneys for Debtors and  
Debtors In Possession

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

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In re	:
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	:
GLOBAL CROSSING LTD., <u>et al.</u> ,	:
	:
Debtors.	:
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Chapter 11 Case Nos.  
02-40188 (REG)  
(Jointly Administered)

**THIRD SUPPLEMENTAL AFFIDAVIT OF  
WEIL, GOTSHAL & MANGES LLP AND DISCLOSURE STATEMENT  
PURSUANT TO BANKRUPTCY CODE SECTIONS 327, 328(a), 329 AND  
504 AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

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

PAUL M. BASTA, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WGM" or the "Firm"), a law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Washington, D.C.; Houston and Dallas, Texas; Miami, Florida; and Menlo Park, California; and foreign offices in London, United Kingdom; Budapest, Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt, Germany; and Prague, The Czech Republic.

2. I submit this third supplemental affidavit in connection with the application dated January 28, 2002 (the "Application")<sup>1</sup> of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WGM as attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329, and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). This affidavit supplements the affidavit of my partner, Michael F. Walsh, dated January 27, 2002, filed in support of the retention of WG&M in these cases (the "Walsh Affidavit").

3. Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WGM's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

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<sup>1</sup> Capitalized terms otherwise not defined herein shall have the meanings ascribed to them in the Application

**WorldCom, Inc.**

4. WGM currently represents WorldCom, Inc. and its affiliates ("WorldCom"). WorldCom maintains numerous contracts with the Debtors for the provision of telecommunication services. WGM will not represent the Debtors in matters adverse to Worldcom in these cases. The Debtors will use separate counsel with respect to any matters directly involving WorldCom.

**Singapore Technologies Telemedia Pte Ltd**

5. WGM currently represents Singapore Technologies Telemedia Pte Ltd. ("STT"), one of the investors in the Debtors' chapter 11 cases, in matters wholly unrelated to these cases. STT is represented by Latham & Watkins in connection with these chapter 11 cases and its equity investment in the Debtors. WGM will continue to represent the Debtors in connection with their restructuring and STT's equity investment. WGM will not represent STT in matters adverse to the Debtors in these cases.

/s/ Paul M. Basta  
Paul M. Basta  
A Member of the Firm

Sworn to before me this  
23rd day of September, 2002

/s/ Angela M. Williams  
Notary Public

ANGELA M. WILLIAMS  
Notary Public, State of New York  
No. 01W14917470  
Qualified in Nassau County  
Commission Expires January 19, 2006

WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, NY 10153-0119  
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Michael F. Walsh (MFW 8000)  
Paul M. Basta (PMB 4434)

Attorneys for Debtors and  
Debtors In Possession

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

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In re	:
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GLOBAL CROSSING LTD., <u>et al.</u> ,	:
	:
Debtors.	:
	:
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Chapter 11 Case Nos.  
02-40188 (REG)  
(Jointly Administered)

**FOURTH SUPPLEMENTAL AFFIDAVIT OF WEIL,  
GOTSHAL & MANGES LLP AND DISCLOSURE STATEMENT  
PURSUANT TO BANKRUPTCY CODE SECTIONS 327, 328(a), 329 AND  
504 AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

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

PAUL M. BASTA, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WGM" or the "Firm"), a law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Washington, D.C.; Houston and Dallas, Texas; Miami, Florida; and Menlo Park, California; and foreign offices in London, United Kingdom; Budapest, Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt, Germany; and Prague, The Czech Republic.

2. I submit this fourth supplemental affidavit in connection with the application dated January 28, 2002 (the "Application")<sup>1</sup> of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WGM as attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329, and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). This affidavit supplements the affidavit of my partner, Michael F. Walsh, dated January 27, 2002, filed in support of the retention of WG&M in these cases (the "Walsh Affidavit").

3. Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WGM's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

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<sup>1</sup> Capitalized terms otherwise not defined herein shall have the meanings ascribed to them in the Application

**Howard Jonas**

4. WGM currently represents Howard Jonas, Chairman of IDT Corporation (International Discount Telecommunications), in estate planning matters wholly unrelated to these cases. IDT is represented by McDermott, Will & Emery, David Albalah, Esq., in connection with its interest in the Debtors. WGM will not represent Howard Jonas in matters adverse to the Debtors in these cases.

/s/ Paul M. Basta  
Paul M. Basta  
A Member of the Firm

Sworn to before me this  
3rd day of March, 2002

/s/ Angela M. Williams  
Notary Public

ANGELA M. WILLIAMS  
Notary Public, State of New York  
No. 01W14917470  
Qualified in Nassau County  
Commission Expires January 19, 2006

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Michael F. Walsh, Esq. (MFW 8000)  
Paul M. Basta, Esq. (PMB 4434)

Attorneys for Debtors and  
Debtors In Possession

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

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

**AFFIDAVIT OF WEIL, GOTSHAL & MANGES LLP AND  
DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY  
CODE SECTIONS 327, 328(a), 329 AND 504 AND FEDERAL  
RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

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

Michael F. Walsh, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WG&M" or the "Firm"), a law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Washington, D.C.; Houston and Dallas, Texas; Miami, Florida; and Menlo Park, California; and foreign offices in London, United Kingdom; Budapest,

Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt, Germany; Prague, The Czech Republic.

2. I submit this affidavit in connection with the application dated January 28, 2002 (the "Application") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WG&M, their attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329 and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WG&M's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

3. Neither I, WG&M, nor any member, counsel or associate of the Firm represent any entities other than the Debtors in connection with the Debtors' chapter 11 cases. In addition, except as set forth herein, to the best of my knowledge, after due inquiry, neither I, WG&M, nor any member or counsel, or associate of the Firm represent any party in interest other than the Debtors in these chapter 11 cases.

4. WG&M is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code.



### **WG&M's Prepetition Relationship with the Debtors**

5. In November 2001, the Debtors engaged WG&M to represent and advise them in connection with a potential restructuring of their financial obligations. At such time, WG&M also began advising the Debtors on various restructuring options, including commencement of these chapter 11 cases. WG&M further advised and assisted the Debtors in preparation of the chapter 11 petitions and various pleadings and documents that are being filed with the Court contemporaneously with this affidavit.

6. WG&M is not a creditor of the Debtors. For the period prior to December 30, 2001, the Debtors have paid WG&M approximately \$800,000 for services performed prior to the commencement of the chapter 11 cases. The precise amount will be determined upon the final recording of all time and expense charges. WG&M has been paid an additional approximately \$2.0 million as a retainer for professional services to be performed and expenses in connection with the prosecution of these chapter 11 cases.

### **WG&M Disclosure Procedures**

7. WG&M has in the past represented, currently represents, and may in the future represent entities that are claimants or interest holders of the Debtors in matters unrelated to the Debtors' pending chapter 11 cases. WG&M, which employs approximately 950 attorneys, has a large and diversified legal practice that encompasses the representation of many financial institutions and commercial corporations. Some of those entities are or may consider themselves to be creditors or parties in interest in the Debtors' pending chapter 11 cases or to otherwise have interests in these cases.

8. In preparing this affidavit, I used a set of procedures developed by WG&M to ensure compliance with the requirements of the Bankruptcy Code and the

Bankruptcy Rules regarding the retention of professionals by a debtor under the Bankruptcy Code (the "Firm Disclosure Procedures"). Pursuant to the Firm Disclosure Procedures, I performed, or caused to be performed, the following actions to identify the parties relevant to this affidavit and to ascertain WG&M's connection to such parties:

- a. A comprehensive list of the types of entities who may have contacts with the Debtors was developed through discussions with the WG&M attorneys who have provided services to the Debtors and in consultation with senior management of the Debtors (the "Retention Checklist"), a copy of which is annexed hereto as Exhibit A.
- b. Using the Retention Checklist, the information provided by the Debtors, and additional information identified by WG&M, a list of the names of entities who may be parties in interest to these chapter 11 cases (the "Potential Parties In Interest") was assembled.
- c. WG&M compared each of the Potential Parties In Interest to the names that WG&M has compiled into a master client database from its conflict clearance and billing records, comprised of the names of the entities for which any attorney time charges have been billed since the database was first created approximately twenty-three years ago (the "Client Database"). The Client Database includes the name of each current or former client, the name of the parties who are or were related or adverse to such current or former client, and the names of the WG&M personnel who are or were responsible for current or former matters for such client.
- d. Any matches between the Client Database and the list of Potential Parties In Interest were identified (the "Client Match List"), together with the names of the respective WG&M personnel responsible for current or former matters for the entities on the Client Match List.
- e. An attorney then reviewed the Client Match List and deleted obvious name coincidences and individuals or entities that were adverse to WG&M's clients in both this matter and the matter referenced on the Client Match List. The remaining client connections with regard to which WG&M had represented the

client within the last two years were compiled for purposes of this Affidavit.

- f. In addition, a general inquiry to all WG&M personnel (attorneys and staff) was sent by electronic mail to determine whether (i) any such individual or immediate family member holds any claims against, or stock of, the Debtors, and (ii) any such individuals were ever employed by the Debtors. Responses were received by approximately 15 individuals who own, in the aggregate, approximately 8,800 shares of Global Crossing Ltd. stock. As of November 1, 2001, there were 910,668,000 shares of common stock of Global Crossing Ltd. outstanding. These individuals do not currently, and will not in the future, do work in connection with these chapter 11 cases.

**WG&M's Connections with Parties in Interest  
in Matters Unrelated to these Chapter 11 Cases**

9. Any client connections with regard to which WG&M had represented the client within the last two years were reviewed by an attorney working under my supervision and from such review it was determined that, in respect of each connection between WG&M and such parties, WG&M does not hold or represent an interest that is adverse to the Debtors' estates, and that WG&M is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code for the reasons discussed below.

10. WG&M previously has represented, currently represents, and may represent in the future the entities described below (or their affiliates), in matters totally unrelated to the Debtors.

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
360networks Inc.	Litigation Party	Current Client
ABN AMRO Bank	Lender	Current Client
AEGON	Lender	Current Client
Allstate	Affiliate is a Lender	Current Client
American Express Asset Managmeent	Lender	Current Client
Avaya	Vendor	Current Client
Avon Inc.	Affiliate of Outside Director	Current Client
BAIN Capital Inc.	Lender	Current Client
Banc One	Creditor	Current Client
Bank of Hawaii	Lender	Current Client
Bank of Montreal	Lender	Current Client
Bank of New York	Lender	Current Client
Bank of Nova Scotia	Lender	Current Client
Bank of Scotland	Lender	Current Client
Bank of Tokyo	Lender	Current Client
BankAmerica	Lender	Current Client
Barclays Bank	Lender	Current Client
Bayerische Landesbank	Lender	Current Client
Bell Atlantic Nynex Mobile	Vendor	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Bellsouth	Vendor; Litigation Party	Current Client
BHF Bank	Lender	Current Client
Brownstein, Hyatt & Farber	Partner is Director	Formerly Related to a Client
Canadian Imperial Bank of Commerce	Underwriter or Agent	Current Client
Cendant Corporation	Affiliate of Outside Director	Current Client
Centre Pacific	Lender	Related to Current Client
Chase Manhattan Bank	Lender; Underwriter	Current Client
CIBC Oppenheimer	Lender; Underwriter	Current Client
Cisco Systems Inc.	Strategic Partner	Current Client
Citibank	Lender; Underwriter	Current Client
City National Bank	Lender	Current Client
Clifford Chance	Clifford Chance Securities Limited – Member of Board	Current Client
CNet	Affiliate of Outside Director	Related to Current Client
CompUSA, Inc.	Litigation Party	Current Client
Credit Lyonnais	Lender	Current Client
Credit Suisse Asset Management Group	Lender	Current Client
Credit Suisse First Boston	Affiliate of a Lender	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Dai Ichi Kangyo Bank Ltd	Lender	Current Client
Denmark Military Equipment Company	Litigation Party	Related to Current Client
Deutsche Bank Alex Brown	Lender; Underwriter	Current Client
Dresdner Kleinwort Wasserstein	Lender	Current Client
E.W. Scripps	Affiliate of Outside Director	Current Client
EMC Corporation	Strategic Partner	Current Client
Ericsson UK	Litigation Party	Parent is Current Client
Erste Bank	Lender	Current Client
Falck	Vendor	Related to Former Client
FleetBoston	Lender	Current Client
Franklin Advisors Inc.	Lender	Current Client
Fuji Bank Ltd.	Lender	Current Client
General Electric Capital Corp.	Lender	Current Client
General Reinsurance – New England Asset Management	Lender	Current Client.
Goldman Sachs & Co.	Lender; Underwriter; Advisor to Prospective Investor	Current Client
GTE Airfone	Vendor	Current Client
GTS Carrier Services	Vendor	Related to Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Hitachi	Affiliate is Strategic Partner	Current Client
Hypo Vereinsbank	Lender	Current Client
Iberdrola Redes SA	Vendor	Affiliate of Current Client
IBJ Schroder Bank & Trust	Lender	Current Client
ICA Fluor Daniel S.D.	Vendor	Affiliate of Current Client
Imperial Credit Industries	Lender	Current Client
ING Capital Advisors	Lender	Current Client
Intermedia Partners	Affiliate of Outside Director	Related to Former Client
JP Morgan Chase	Lender	Current Client
KBC	Lender	Current Client
KBC Bank	Lender	Current Client
KPN	Vendor	Related to an Affiliate of Current Client
Kreditanstalt Fur Wiederaufbau	Lender	Current Client
Kreditanstalt Fur Wiederaufbbau	Lender	Current Client
Lazard Freres & Co. LLC	Advisor to Asia Global Crossing	Affiliate of Current Client
Leumi & Co.	Affiliate is a Lender	Current Client
Louis Dreyfus	Vendor	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Manufacturer's Hanover Trust Company	Indenture Trustee for Bondholders	Current Client
MCI Communications Corporation	Affiliate of Outside Director	Related to Current Client
Merrill Lynch Asset Management	Lender; Underwriter	Current Client
Merrill Lynch Pierce Fenner Smith	Lender; Advisor to Prospective Investor	Current Client
Microsoft Corporation	Significant Stockholder	Current Client
Mitsubishi Trust & Banking	Lender	Current Client
Morgan Stanley Dean Witter	Lender	Current Client
Morgan Stanley Dean Witter Advisors	Lender	Current Client
National Cable Televisions Assoc.	Affiliate of Outside Director	Current Client
Oppenheimer Funds, Inc.	Lender	Current Client
Pacific Century Cyberworks	Vendor	Current Client
Pioneer Management	Landlord	Affiliate of Current Client
PPM America Inc.	Lender	Former Client
Qwest Communications	Litigation Party	Current Client
Rabobank Nederland	Lender	Current Client
Royal Bank of Canada	Lender	Current Client
Salomon Smith Barney, Inc.	Underwriter or Agent	Current Client



<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Siemens	Vendor	Related to Current Client
Societe Generale	Creditor	Current Client
Southwestern Bell Telephone Company	Litigation Party	Current Client
Stanfield Capital	Lender	Former Client
Starwood Hotels & Resorts	Affiliate of Outside Director	Current Client
Sumitomo Bank Ltd.	Affiliate is a Lender	Current Client
Swisscom AG	Vendor	Related to Current Client
TCI Music Inc.	Affiliate of Outside Director	Related to Current Client
TD Waterhouse Group, Inc.	Affiliate of Outside Director	Current Client
Tele-Communications, Inc.	Affiliate of Outside Director	Current Client
Telia	Vendor	Current Client
Textron Financial Corporation	Lender	Current Client
The Carlyle Group	Affiliate of Outside Director	Current Client
Toronto Dominion Bank	Lender	Current Client
Travelers Casualty and Surety Company of America	Litigation Party	Current Client
Travelers Companies	Lender	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
UBS Warburg	Lender	Current Client
United States Trust Company of New York	Indenture Trustee for Bondholders	Current Client
Verizon Public Communications	Litigation Party	Current Client
Wachovia Bank	Creditor	Current Client
Washington Mutual Inc.	Creditor	Current Client
Washington Mutual Insurance	Creditor	Current Client
West LB	Underwriter	Current Client
Westdeutsche Landesbank	Creditor	Current Client
Yahoo!, Inc.	Affiliate of Outside Director	Current Client

11. In addition to the entities identified above, the following entities either (i) have a name similar to a client in the Client Database, or (ii) are or may be related to a client (collectively, the "Potential Clients"). After a diligent effort, WG&M was unable to determine whether the similarity of names was in fact a name coincidence or whether, and to what extent, the Potential Client is related to a client in the Client Database. However, out of an abundance of caution, WG&M has confirmed that, similar to the clients identified above, WG&M does not represent any of the Potential Clients in matters related to the Debtors' chapter 11 cases.

<b>Matched Entity</b>	<b>Relation to Debtors</b>	<b>Relation to WG&amp;M</b>
Acterna	Vendor	May be Related to a Client
Alcatel SA	Creditor	May be Related to a Client
Alliance Capital	Lender	May be Related to a Client
Bennet Management Corporation	Lender	May be Related to a Client
Credit Agricole Indosuez	Affiliate is a Lender	May be Related to a Client
Crescent Real Estate Services Inc.	Landlord	May be Related to a Client
Cypress Tree Investment Inc.	Lender	May be an Affiliate of a Client
Gulf International Bank	Lender	May be Related to a Client
IBM Credit Corporation	Lender	May be Related to a Client
IDB Communications Group, Inc.	Lender	May be Related to a Client
IDX Corporation	Affiliate of Outside Director	May be Related to a Client
Invesco Real Estate Advisors Ltd.	Lender	May be Related to a Client
Key Bank	Lender	May be Related to a Client
PIMCO Holdings LP	Lender	May be an Affiliate of a Client
Simpson Thacher & Bartlett	Retained Professional	May be Related to a Client
Softbank	Significant Stockholder	May be Related to a Client

<b>Matched Entity</b>	<b>Relation to Debtors</b>	<b>Relation to WG&amp;M</b>
Stadtwerke Munchen Gmbh	Vendor	May be an Affiliate of a Client
Telefonica S.A.	Affiliate of Outside Director	May be Related to a Client
Tesco	Vendor	May be an Affiliate of a Client
Trust Company of the West (TCW)	Lender	May be Related to a Client
Tyco	May be an affiliate of a Litigation Party	Current Client
Van Kampen	Lender	May be Related to a Client
Zurich Financial Services	Affiliate of Lender	May be Related to a Client

12. To the best of my knowledge and information, the annual fees for each of the last two years paid to WG&M by each of the entities listed above did not exceed 1.5% of the annual gross revenue of WG&M other than General Electric Capital Corp., which accounted for over 2% of such gross revenues.

13. In addition to the above entities, WG&M represents infomart new york, llc ("Infomart"). Infomart is comprised of several members, including, Goldman Sachs & Co. ("Goldman"), a current client of WG&M. An affiliate of the Debtors and a subsidiary of Exodus Communications, Inc., itself a subsidiary of the Debtors (collectively, the "Exodus Entity"), leases nonresidential real property from Infomart (the "Lease"). Global Crossing, Ltd. guarantees the obligations of the Exodus Entity in respect to the Lease. On September 26, 2001, Exodus Communications, Inc. and certain

of its subsidiaries and affiliates, including the Exodus Entity, commenced cases under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Exodus Chapter 11 Cases"). Global Crossing Ltd. has continued, on a month to month basis, to pay the obligations of the Exodus Entity under such Lease. In addition, pursuant to an order of the United States Bankruptcy Court for the District of Delaware, Global Crossing Ltd. has the right to direct the Exodus Entity to assume and assign the Lease for the benefit of any party chosen by Global Crossing Ltd. in its sole discretion. WG&M was retained by Infomart to represent it in connection with the refinancing of its nonresidential real property. Since the commencement of the Exodus Chapter 11 Cases, WG&M has consulted Infomart on the Exodus Chapter 11 Cases, including issues related to the Lease, the guarantee and the Exodus Entity. WG&M will continue to represent Goldman in matters unrelated to Goldman's claims in these cases, but WG&M will not represent Infomart or Goldman in any matters adverse to the Debtors. In connection with the Exodus matters generally, the Debtors' have been, and will continue to be, represented by Willkie, Farr & Gallagher.

14. WG&M serves as special corporate counsel to Nextwave Telecom, Inc. and its affiliates in their chapter 11 cases. Pacific Capital Group, a private equity fund in which the Chairman of Global Crossing's board is a principal, and Global Crossing, entered into subscription agreements with Nextwave to purchase preferred stock in Nextwave. WG&M represented Nextwave in connection with such subscription agreements. Pacific Capital Group objected to Nextwave's proposed disclosure statement and proposed break-up fee to new investors based upon its subscription

agreements. WG&M does not represent Pacific Capital Group. Global Crossing has not objected in the NextWave proceeding.

15. WG&M has also represented Leo J. Hindery, a former director who also served as chief executive officer of Global Crossing Ltd. for approximately one year, in connection with issues relating to his prior employment with Global Crossing Ltd. Mr. Hindery is no longer employed by the Debtors. WG&M continues to represent Mr. Hindery in connection with certain personal matters unrelated to the assertion of claims in these cases.

16. Additionally, WG&M has represented, and may currently represent, entities which hold certain of the Debtors' debt in beneficial accounts on behalf of unidentified parties. However, these entities maintain no direct financial stake in the Debtors' economic performance. Such institutions include Advest, Inc.; AG Edwards and Co.; Bear Stearns & Co.; Charles Schwab & Co.; Donaldson Lufkin & Jenrette; E\*Trade; Janney Montgomery Scott Inc.; Mesirow Europe Ltd.; MSDW Inc.; National Financial Services; Prudential Securities; UBS PaineWebber; and USCC/FSI.

17. Because distressed bank and note debt is actively traded in the commercial markets, WG&M may be unaware of the actual holder of such debt at any given moment. Because WG&M represents in unrelated matters numerous entities that may buy and sell distressed debt of chapter 11 debtors, out of an abundance of caution, I am listing here many such entities represented by WG&M: Salomon Smith Barney, Donaldson Lufkin Jenrette, JP Morgan/Chase Manhattan Bank, Bank of America, Bay Harbour Management, Mackay Shields, Perry Corporation, Whipporwill Associates, Teachers Insurance Company, Elliott Associates, Morgens Waterfall Vintiades & Co., Oaktree

Associates, Argent Capital, AIG Corporation, Leucadia Corporation, Halcyon Management Co., Bennett Management Co., Resurgence Asset Management Co., and M.D. Sass & Co. Generally, WG&M does not represent any of such entities in connection with the purchase or sale of distressed debt.

18. WG&M has not, does not, and will not represent any of the aforementioned entities or their respective affiliates or subsidiaries, except as stated above, in matters related to the Debtors or their chapter 11 cases.

19. Contemporaneously herewith the Debtors have filed applications for authority to employ the law firms of Simpson Thacher & Bartlett ("ST&B") as the Debtors' special corporate, litigation and tax counsel, Appleby Spurling & Kempe ("Appleby") as the Debtors' Bermuda insolvency counsel, Swidler Berlin Shereff Friedman, LLP ("Swidler Berlin") as the Debtors' regulatory counsel and Willkie Farr & Gallagher ("WF&G") as counsel on certain real estate matters and special counsel to the Board of Directors for Global Crossing Ltd. on various matters. To the extent issues may arise which would cause the Debtors' to be adverse to any of WG&M's clients such that it would not be appropriate for WG&M to represent the Debtors with respect to such matters, ST&B or WF&G or another firm will be retained to represent the Debtors' with respect to such matters.

20. WG&M will continue to apply the Firm Disclosure Procedures as additional information concerning entities having a connection with the Debtors is developed and will file appropriate supplemental disclosure with the Court.

### **WG&M's Rates and Billing Practices**

21. WG&M's current customary hourly rates, subject to change from time to time, are \$375 to \$700 for members and counsel, \$165 to \$440 for associates and \$50 to \$175 for paraprofessionals in our United States offices.

22. WG&M's disbursement policies pass through all out of pocket expenses at actual cost or at estimated actual cost when the actual cost is hard to determine. These expenses include facsimiles, toll calls, overtime, overtime meals, computerized research, deliveries, court costs, transcript fees, travel, clerk fees, and other expenses.

23. No promises have been received by WG&M or any member, counsel or associate thereof as to payment or compensation in connection with these cases other than in accordance with the provisions of the Bankruptcy Code. WG&M has no agreement with any other entity to share with such entity any compensation received by WG&M or by such entity.

24. The Debtors' Application requests, pursuant to section 328(a) of the Bankruptcy Code, approval of their retention of WG&M on rates, terms and conditions consistent with what WG&M charges non-chapter 11 debtors, namely, prompt payment of its hourly rates as adjusted from time to time and reimbursement of out-of-pocket disbursements at cost or based on formulae that approximate the actual cost where the actual cost is not easily ascertainable. Subject to these terms and conditions, WG&M intends to apply pursuant to section 330 of the Bankruptcy Code for allowances of compensation for professional services rendered in these chapter 11 cases and for reimbursement of actual and necessary expenses incurred in connection therewith.



25. As noted earlier, WG&M understands that the Debtors will seek to retain ST&B, Appleby, Swidler Berlin and WF&G as counsel in connection with the Debtors' chapter 11 cases. WG&M, ST&B, Appleby, Swidler Berlin, and WF&G intend to carefully coordinate their efforts and clearly delineate their respective duties so as to prevent duplication of effort whenever possible. Rather than resulting in any extra expense to the Debtors' estates, it is anticipated that the efficient coordination of efforts of the Debtors' attorneys will greatly add to the progress and effective administration of these chapter 11 cases.

26. The foregoing constitutes the statement of WG&M pursuant to sections 327(a), 328(a), 329, and 504 of the Bankruptcy Code and Bankruptcy Rules 2014(a) and 2016(b).

Dated: January 27, 2002  
New York, New York

/s/ Michael F. Walsh  
Michael F. Walsh  
A Member of the Firm

Sworn to and subscribed before me, a notary public for the State of New York, County of New York, this 27th day of January, 2002.

/s/ Maria Toy  
Notary Public

Notary Public, State of New York  
No. 02-T06043573  
Qualified in New York County  
Commission Expires June 19, 2002

## EXHIBIT A

### Global Crossing Entities

1. Atlantic Crossing Holdings Ltd. (Bermuda)
2. Atlantic Crossing Holdings U.K. Limited (U.K.)
3. Atlantic Crossing Ltd. (Bermuda)
4. GC Pan European Crossing Holdings B.V. (Netherlands)
5. GC Pan European Crossing Luxembourg I S.a.r.l. (Luxembourg)
6. GC Pan European Crossing Luxembourg II S.a.r.l. (Luxembourg)
7. Global Crossing Cyprus Holdings Limited (Cyprus)
8. Global Crossing Holdings Ltd. (Bermuda)
9. Global Crossing Holdings U.K. Limited (U.K.)
10. Global Crossing International Ltd. (Bermuda)
11. Global Crossing Ltd. (Bermuda)
12. Global Crossing Network Center Ltd. (Bermuda)
13. Mid-Atlantic Crossing Holdings Ltd. (Bermuda)
14. Mid-Atlantic Crossing Ltd. (Bermuda)
15. Pan American Crossing Holdings Ltd. (Bermuda)
16. Pan American Crossing Ltd. (Bermuda)
17. Pan American Crossing U.K. Ltd. (U.K.)
18. South American Crossing Holdings Ltd. (Bermuda)
19. ALC Communications Corporation (DE)
20. Budget Call Long Distance, Inc. (DE)
21. Business Telemanagement, Inc. (CA)
22. GC Dev. Co., Inc. (DE)
23. GC Mart LLC (MI)
24. GC Pacific Landing Corp (DE)
25. GC St. Croix Co. (USVI)
26. Global Crossing Advanced Card Services, Inc. (LA)
27. Global Crossing Bandwidth, Inc. (CA)
28. Global Crossing Billing, Inc. (MI) (f/k/a/ Frontier Billing Corp.)
29. Global Crossing Development Co. (DE)
30. Global Crossing Employee Services, Inc. (DE)
31. Global Crossing GlobalCenter Holdings, Inc. (DE)
32. Global Crossing Government Markets USA, Inc. (DE)
33. Global Crossing Holdings USA LLC (DE)
34. Global Crossing Internet Dial-Up, Inc. (DE)
35. Global Crossing Latin America & Caribbean Co. (DE)
36. Global Crossing Local Services, Inc. (MI)
37. Global Crossing Management Services, Inc. (DE)
38. Global Crossing North America, Inc. (NY)
39. Global Crossing North American Holdings, Inc. (DE)
40. Global Crossing North American Networks, Inc. (DE)
41. Global Crossing Telecommunications, Inc. (MI)

42. Global Crossing Telemanagement VA, LLC (VA)
43. Global Crossing Telemanagement, Inc. (WI)
44. Global Crossing USA Inc. (DE)
45. Global Crossing Ventures, Inc. (DE)
46. GT Landing Corp. (DE)
47. GT Landing II Corp. (DE)
48. IXNet, Inc. (DE)
49. MAC Landing Corp. (DE)
50. Metacolor Investco II, Inc. (DE)
51. PAC Landing Corp. (DE)
52. Subsidiary Telco, LLC (DE)
53. US Crossing, Inc. (DE)
54. Equal Access Networks, LLC (DE)
55. Atlantic Crossing II Ltd. (Bermuda)
56. GC Pan European Crossing UK Limited (UK)
57. Global Crossing Venezuela B.V. (Netherlands)
58. AGC Bandwith USA, Inc. (DE)
59. AGC Hungary Holdings Property Management LLC (Hungary)
60. Asia Global Crossing (Singapore) Pte Ltd. (Singapore)
61. Asia Global Crossing Asia Pacific Commercial Ltd. (Hong Kong)
62. Asia Global Crossing Asia Pacific Limited (Hong Kong)
63. Asia Global Crossing Australia Pty Ltd. (Australia)
64. Asia Global Crossing Development Company (US)
65. Asia Global Crossing Holdings China Ltd. (Bermuda)
66. Asia Global Crossing Hong Kong Limited (Hong Kong)
67. Asia Global Crossing IPC Trading Systems Australia Pty Ltd. (Australia)
68. Asia Global Crossing Ireland Limited (Ireland)
69. Asia Global Crossing Japan Corporation (Japan)
70. Asia Global Crossing Korea (Korea)
71. Asia Global Crossing Ltd. (Bermuda)
72. Asia Global Crossing Sdn. Bhd. (Malaysia)
73. Asia Global Crossing Taiwan, Inc. (Taiwan)
74. Bazisco Limited (Cyprus)
75. Business Networks of New York, Inc. (DE)
76. DACOM Crossing Corporation (Korea)
77. EAC Japan Ltd. (Japan)
78. EAC UK Holdings Ltd. (UK)
79. East Asia Crossing 2 Ltd. (Bermuda)
80. East Asia Crossing Korea (Korea)
81. East Asia Crossing Ltd. (Bermuda)
82. East Asia Crossing Philippines, Inc. (Philippines)
83. East Asia Crossing Taiwan Inc. (Taiwan)
84. GC Hungary Holdings Property Management Limited Liability Company (Hungary)
85. GC Landing Co. GmbH
86. GC Pan European Crossing Belgie b.v.b.a. (Belgium)

87. GC Pan European Crossing Czech s.r.o. (Czech Republic)
88. GC Pan European Crossing Danmark ApS (Denmark)
89. GC Pan European Crossing Espana S.L. (Spain)
90. GC Pan European Crossing France s.a.r.l. (France)
91. GC Pan European Crossing Italia s.r.l. (Italy)
92. GC Pan European Crossing Nederland B.V. (Netherlands)
93. GC Pan European Crossing Networks B.V. (Netherlands)
94. GC Pan European Crossing Norge AS (Norway)
95. GC Pan European Crossing Osterreich GmbH (Austria)
96. GC Pan European Crossing Slovakia s.r.o. (Slovak Republic)
97. GC Pan European Crossing Sverige A.b. (Sweden)
98. GC Pan European Crossing Switzerland GmbH (Swiss)
99. GC Pan European Crosssing Deutscheland GmbH (Germany)
100. GC SAC Argentina S.R.L. (Argentina)
101. GC Trading GmbH (Austria)
102. GC UK Holding Ltd. (UK)
103. GCT Pacific Holdings Ltd. (Bermuda)
104. General Offshore (UK) Limited (UK)
105. Geoconference Limited (UK)
106. Global Crossing (Bidco) Limited (UK)
107. Global Crossing (Holdco) Limited (UK)
108. Global Crossing (UK) Internet Services Limited (UK)
109. Global Crossing (UK) Telecommunications Limited (UK)
110. Global Crossing (UK) Telecommunications Networks Limited (UK)
111. Global Crossing Asia Holdings Ltd. (Bermuda)
112. Global Crossing Belgie b.v.b.a. (Belgium)
113. Global Crossing Communications International Limited (UK)
114. Global Crossing Conferencing Limited (UK)
115. Global Crossing Conferencing-Canada, Ltd. (Canada)
116. Global Crossing Danmark ApS (Denmark)
117. Global Crossing Deutschland GmbH (Germany)
118. Global Crossing Espana S.L. (Spain)
119. Global Crossing Europe Limited (UK)
120. Global Crossing France SAS (France)
121. Global Crossing Holdings II Ltd. (Bermuda)
122. Global Crossing Intellectual Property Ltd. (Bermuda)
123. Global Crossing Intermediate UK Holdings Limited
124. Global Crossing Investments Ltd. (Bermuda)
125. Global Crossing Ireland Limited (formerly Danbytec, Ltd.) (Ireland)
126. Global Crossing Italia s.r.l. (Italy)
127. Global Crossing IXnet EMEA Holdings Limited (U.K)
128. Global Crossing Japan Corporation (Japan)
129. Global Crossing Landing Mexicana, S. de R.L. de C.V. (Mexico)
130. Global Crossing Marketing (UK) Limited (UK)
131. Global Crossing Mexicana S. de R.L. de C.V. (Mexico)

132. Global Crossing Nederland B.V. (Netherlands)
133. Global Crossing Network Center (UK) Ltd. (UK)
134. Global Crossing Norge AS (Norway)
135. Global Crossing Panama Inc. (SA) (Panama)
136. Global Crossing Portfolio Holdings Ltd. (Bermuda) (f/k/a Global Crossing Landing Holdings Ltd.)
137. Global Crossing Services Europe Limited (Ireland)
138. Global Crossing Services Ireland Limited (Ireland)
139. Global Crossing Servicios, S. de R.L. de C.V. (Mexico)
140. Global Crossing Sverige AB
141. Global Crossing Switzerland GmbH (Switzerland)
142. Global Crossing Telecommunications-Canada, Ltd. (Ontario)
143. Global Crossing Worldwide Customer Help Desk Canada Ltd. (Canada)
144. Global Marine (Americas) Systems (DE)
145. Global Marine Cable Systems Pte Limited (Singapore)
146. Global Marine Holdings, Bermuda, Ltd. (Bermuda)
147. Global Marine Systems (Bermuda) Limited (Bermuda)
148. Global Marine Systems (Depots) Ltd. (Canada)
149. Global Marine Systems (Federal) Inc. (DE)
150. Global Marine Systems (Guernsey) Limited (Guernsey, C.I.)
151. Global Marine Systems (Investments) Ltd. (UK)
152. Global Marine Systems (Japan) Ltd. (Japan)
153. Global Marine Systems Limited (UK)
154. Global Marine Systems Pension Trustee Limited (UK)
155. GlobalCenter Japan Corporation (Japan)
156. GlobalCenter Japan Holdings Ltd. (Bermuda)
157. GMS Guernsey Pension Trustee Ltd. (Guernsey, C.I.)
158. GT Netherlands B.V. (Netherlands)
159. GT U.K. Ltd. (UK)
160. GX Information Systems, Inc. (DE)
161. Harmstorf Submarine Systems Sdn Bhd (Malaysia)
162. HNG Corp. (DE)
163. International Exchange Network GmbH (Germany)
164. International Exchange Network SAS (France)
165. International Exchange Networks (Mexico) S.A. de C.V. (Mexico)
166. International Exchange Networks, Ltd. (DE)
167. IPC Funding Corp. (DE)
168. IPC Information Systems Asia Pacific, Limited (Hong Kong)
169. IPC Information Systems Canada, Inc. (Canada)
170. IPC Information Systems Far East Inc. (DE)
171. IPC Information Systems U.K.
172. IPC Information Systems, Inc. (DE)
173. IPC UK Holdings Limited (UK)
174. IPC UK SPC Limited (UK)
175. IXnet (Singapore) Ptc., Ltd. (Singapore)

176. IXnet (South Africa) (Proprietary) Ltd. (South Africa)
177. IXnet Brasil Comercio e Participacoes Ltda. (Brazil)
178. IXnet Hong Kong Ltd. (Hong Kong)
179. IXnet Japan, K.K. (Japan)
180. IXnet Korea Ltd. (Korea)
181. Ixnet Taiwan Ltd. (Taiwan)
182. IXnet Telecommunications Japan K.K. (Japan)
183. IXnet UK Limited (UK)
184. IXnet, Inc. (DE)
185. Mid-Atlantic Crossing Holdings UK Ltd. (UK)
186. MXnet, Inc. (DE)
187. PAC Panama Ltd. (Bermuda)
188. Pacific Crossing Holdings Ltd. (Bermuda)
189. Pacific Crossing Ltd. (Bermuda)
190. Pacific Crossing UK Ltd. (UK)
191. PC Landing Corp. (DE)
192. PCL Japan Ltd. (Japan)
193. PT Macasar Indonesia (Indonesia)
194. Racal Telecommunications Inc. (DE)
195. SAC Brasil Holding Ltda. (Brazil)
196. SAC Brasil Ltda. (Brazil)
197. SAC Brazil (Backhaul) Ltd. (Bermuda)
198. SAC Chile S.A. (Chile)
199. SAC Columbia Ltda. (Columbia)
200. SAC Panama Landing Ltd. (Bermuda)
201. SAC Panama S.A. (Panama)
202. SAC Peru S.R.L. (Peru)
203. Saturn Global Network Services (UK) Ltd. (UK)
204. Saturn Global Network Services Holdings Limited (UK)
205. SCS (Bermuda) Ltd. (Bermuda)
206. South American Crossing (Backhaul) Ltd. (Bermuda)
207. South American Crossing (Subsea) Ltd. (Bermuda)
208. South American Crossing Holdings (Backhaul) Ltd. (Bermuda)
209. South American Crossing Holdings (Subsea) Ltd. (Bermuda)
210. South American Crossing Holdings Ltd. (Bermuda)
211. South American Crossing Ltd. (Bermuda)
212. StarHub Crossing Pte. Ltd. (Singapore)
213. SubServ Limited (UK)
214. SubServ Pro Limited (UK)
215. System Programming and Network Computing, Inc. (DE)
216. V Band Corporation (DE)
217. Vibro Einspultechnik Duker und Wasserbrau GmbH (Germany)

**Officers, Directors & Other Insiders (Current & Former up to 3 years)**

1. **Gary Winnick** - Chairman of the Board and Director; Chairman of Executive Committee
2. **Lodwick M. Cook** – Co-Chairman of the Board and Director; Chairman, Global Marine Systems; Chairman of Nominating Committee and member of Executive Committee
3. **Mark Attanasio** - Director; Member of Compensation and Executive Committees
4. **Norman Brownstein** - Director; Member of Nominating Committee
5. **Joseph P. Clayton** - Director; Vice Chairman of the Board
6. **William S. Cohen** - Director; Member of Audit, Compensation and Nominating Committees
7. **Steven J. Green** - Director; Member of Executive Committee
8. **Eric Hippeau** - Director; Chairman of Audit Committee and member of Nominating Committee
9. **Geoffrey J.W. Kent** - Director; Chairman of Compensation Committee
10. **Maria Elena Lagomasino** - Director; Member of Audit Committee
11. **John J. Legere** - Director; Chief Executive Officer; Chief Executive Officer of Asia Global Crossing Ltd.
12. **Dan J. Cohrs** – Executive Vice President and CFO
13. **Thomas J. Casey** - CEO
14. **William E. Conway, Jr** - Director
15. **Jose Antonio Rios**, President Global Crossing Int'l, Global Crossing Ltd.
16. **Gary A. Cohen** - President and Chief Operating Officer, Global Crossing Solutions
17. **John L. Comparin** - Executive Vice President, Human Resources S. Wallace
18. **S. Wallace Dawson, Jr** - Executive Vice President, Global Network
19. **James C. Gorton** - Executive Vice President & General Counsel
20. **Joseph P. Perrone** - Executive Vice President, Finance
21. **David A. Walsh** - President & Chief Operating Officer
22. **James F. McDonald** - Compensation Committee of our Board of Directors
23. **Douglas McCorkindale** - Compensation Committee of our Board of Directors
24. **Robert Annunziata**
25. **Leo J. Hindery**
26. **Chris Nash** – Senior VP Corporate Development
27. **Carl Grivner** – Executive VP Global Operations
28. **Patrick Joggerst** – Executive VP, Carrier Sales and Marketing
29. **Margaret Lockwood** – Senior VP Business Sales and Marketing
30. **James Cali** – Senior VP Product Management
31. **Gerald Santos** – Senior VP Corporate Communications
32. **Barry A. Crozier** – VP ALC Communications Corp.
33. **Barbara J. LaVerdi** – Secretary
34. **James G. Dole** – Treasurer
35. **Patricia F. Genzel** – Assistant Secretary
36. **Richard N. Kappler** – Assistant Treasurer
37. **James M. Demitrius** – President ALC Communications

38. **Robert A. King** – CFO ALC Communications
39. **Mitchell C. Sussis** – VP
40. **Joseph S. Tesoriero** – VP
41. **Lorraine Dean** – Secretary VP
42. **Ian McLean** – President
43. **Deryck Winch** – CFO
44. **Susan E. Dullabh** – Treasurer
45. **Gary Julien** – VP GC Development Co.
46. **Glen Tobias** – VP GC Development Co.
47. **Kevin Voong** – Assistant Treasurer
48. **Robert A. Klug** – CFO
49. **Marc A. Aron** – VP, Assistant Secretary
50. **Jeff Cohen** – VP, Assistant Secretary
51. **Juan R. Garcia** – VP
52. **Joseph Guzman** – COO
53. **Kelly Lynch**
54. **D. Rhett Brandon** – VP & Acting General Counsel
55. **Douglas H. Molyneux** – VP Global Crossing Network Center Ltd.
56. **Donald C. Salerno** – President Global Crossing Network Center Ltd
57. **Bernard Keogh** – Secretary
58. **David Walsh** – President Global Crossing Telecomm. Inc.
59. **Clifford Chance Secretaries Limited**
60. **Todd Putnam** – President GX Information Systems, Inc., Global Crossing Billing, Inc.
61. **Sherri L. Cook** – President
62. **Roy Olofson** – Secretary
63. **Dawn Steehler** – President Global Crossing Advanced Card
64. **Brian Fink** – VP Global Crossing Billing
65. **John M. McDuffie** – President/Treasurer Global Crossing Government Markets USA
66. **Ernest J. Tiberino, III** – VP/Secretary Global Crossing Government Markets
67. **Colleen O'Keefe** – Senior Vice President Global Customer Service
68. **Dan Wagner** – President of Global Crossing Europe
69. **William Adiletta** - Officer
70. **Mike Markley** - Officer
71. **John McShane** - Officer
72. **Justin O'Neil** - Officer
73. **John Scanlon** – Officer
74. **Barry Porter**



### **Affiliations of Outside Directors**

1. @Home (or "At Home")
2. Abercrombie & Kent Group
3. American Israel Public Affairs Committee
4. AT&T
5. Avon Products, Inc.
6. Belfint, Lyons & Shuman
7. Brown University Third Century Fund
8. Brownstein Hyatt & Farber, P.C.
9. Cable in the Classroom
10. Cendant Corporation
11. Center for international Policy and Commerce
12. Chase Manhattan Bank
13. CNet
14. Continental Airlines, Inc.
15. Copley, Clark & Bennett
16. Coreon
17. C-SPAN
18. Dialpad.com
19. Diamonds.com
20. E.W. Scripps
21. Electron Economy
22. Empower America
23. Endemol Entertainment
24. Gannett Co., Inc.
25. GT Group Telecom
26. Guatemala Cellular Corporation
27. IBM
28. IDX Corporation
29. InterMedia Partners
30. JP Morgan Private bank
31. Linkmax Corporation
32. Log On America, Inc.
33. MCI Communications Corporation
34. National Cable Television Association
35. National Jewish Center for Immunology and Respiratory Medicine
36. Nextel Communications, Inc.
37. North American Board of the International Group of Accounting Firms
38. OneMediaPlace, Inc. (formerly Adauction.com, Inc.)
39. Pacific Capital Group
40. Phillips Van Heusen Corporation
41. PointOne Telecommunications
42. Prudential
43. Sanrise

44. Semiconductor Corporation
45. Simon Wiesenthal Center
46. Softbank International Ventures
47. Starwood Hotels and Resorts Worldwide, Inc.
48. StorageNetworks, Inc.
49. Synergos Institute
50. Tanning Technology Corp.
51. TCI music, Inc.
52. TCW Asset Management Company
53. TCW Group
54. TD Waterhouse Group, Inc.
55. Telecommunications Development Corporation
56. Tele-Communications, Inc.
57. Telefonica S.A.
58. Teleport Communications Group
59. The Carlyle Group
60. The Good Guys
61. ThruPoint
62. Trust Company of the West
63. Value America, Inc.
64. VerticalNet
65. Wyndham International
66. Yahoo!, Inc.
67. zUniversity.com, Inc.

#### **Professionals Retained by the Company**

1. The Pacific Capital Group
2. Appleby, Spurling & Kempe (Bermuda)
3. Simpson, Thacher & Bartlett
4. The Blackstone Group L.P.
5. Arthur Andersen
6. KPMG
7. Wilkie, Farr & Gallagher
8. Swidler Berlin Shereff Friedman, LLP
9. Freshfields Bruckhaus Deringer

#### **Strategic Partners**

1. CISCO Systems Inc.
2. EMC Corporation
3. Financial Fusion, Inc.
4. Juniper Networks, Inc.
5. Nortel Networks

6. Sonus Networks Inc.
7. Withit
8. Communicator Inc.
9. Exodus Communications
10. Hitachi Telecom (USA) Inc.
11. Lucent Technologies
12. PRC
13. Swift

#### **Litigation and Non-Litigation Claimants**

1. Exodus Communications, Inc.
2. TyCom (US) Inc.
3. TyCo Submarine Systems Ltd.
4. Qwest Communications Corporation
5. 360networks Inc.
6. Alenco Holding
7. Alma Telephone Company
8. APCC Services, Inc.
9. Ari Benowitz
10. Armstrong Race
11. Barbara Belsher
12. Barbara Pannel
13. Bay Distribution
14. BellSouth Telecommunications, Inc.
15. Bitro Communications, inc.
16. Bonnie Ceroll
17. CALNET, Inc.
18. Centillion Data Systems, Inc.
19. Chariton Valley Telecommunications Corp.
20. Cheryl Croll
21. Choctow Telephone Company
22. Citizens Communications Company
23. CompUSA, Inc.
24. Comsults
25. Creditors on behalf of Fastpoint
26. Culver Personnel
27. Daniel Locey
28. Darrell Cheney
29. Datawave Systems, Inc
30. Daval Communications, Inc.
31. DCI Communications
32. Deborah Hanley
33. Deborah Page

34. Denmark's Military Equipment Co.
35. Dial Contracts Limited
36. Diane Commodore
37. Ed Kilb Data Net Systems, LLC
38. Edward Hennessy
39. ElroyNet, Inc.
40. Ericsson UK
41. Euromart New York
42. Executive Enterprise Institute
43. First Class Painting
44. Gaffney Management Consultants
45. George Amandola
46. Global Payphone Systems
47. Goodrich & Sherwood Associates, Inc.
48. Guy White
49. Hitchcock Automotive Resources
50. Iberdrola Redes, SA
51. Indair Limited – UK
52. Intera Communications Corporation
53. Inter-Continental Telephone, Inc.
54. Irene Herrera
55. James Barnett
56. Jasmine Peters
57. Jeff White
58. Jeffrey Abdelnour
59. John Armstrong
60. Kate Cummings
61. Ken Brooks
62. LaBreche Murray, LLC
63. Level (3) Communications, LLC
64. Littlejohn Communications
65. Madison Communications LLC
66. Mark Feil
67. MCI WorldCom Network Services, Inc
68. McNicholas Construction Services
69. MCSi, Inc.
70. Melissa Trace
71. Metrophones Telecommunications, Inc.
72. Mexiport, Inc.
73. Michael Poole
74. Michael Stanton
75. Michelle Santucci
76. Mid-Missouri Telephone Company
77. Modern Telecommunications Company
78. MoKan Dial, Inc.

79. MSGW New Jersey I, LLC
80. Mujo Muhanovic and Dzevada Nuhanovic
81. Net2000 Communications
82. NetVoice Technologies, Inc.
83. Network Associates, Inc
84. Nevada Telephone, Inc.
85. Northeast Missouri Rural Telephone Company
86. Northwest Women's Law Center
87. NovoMedia Group, Inc.
88. Parallel Creative Design Ltd.
89. Paul Brooks
90. Peter Seif
91. Philip M. Cirella
92. PointOne Telecommunications, Inc.
93. Power Direct
94. Precision Pay Phones
95. Prestige Financial Group Ltd.
96. Professional Communications
97. Public Payphones Fresno
98. QAI/Pathfinder Communications
99. Raccomandata A.R.
100. RCI Long Distance
101. Richard Janis
102. Richard Lesco
103. Robert Cook
104. Ronnie Gordon
105. Royce Tawney
106. Russell Allanson
107. Ruth Jaeger
108. SavonCalling.com, LLC
109. Shaffer, Wilson, Sarver & Gray
110. Sonya Williams
111. Southern California Edison
112. Southwestern Bell Telephone Company
113. Stepak
114. Storage Networks, Inc.
115. Studio Bovetti
116. System, Ltd.
117. T2 Technologies, Inc.
118. Talent+, Inc.
119. TECO BGA Thermal Systems, Inc.
120. Teltran International Group Ltd.,
121. Teltran International, Inc. d/b/a Savon Calling
122. Thomas Keane Jaroth, Inc.
123. Timothy Callahan

124. TON Services
125. Tracy Eustace
126. Transworld Telephone
127. Travelers Casualty and Surety Company of America
128. Trimpac, Inc.
129. Union Station Venture
130. United Technological Systems, Inc.
131. Uni-tel
132. US Network Services, Inc.
133. Valerie DiCostanza
134. Verizon Public Communications
135. Western Payphone Systems
136. William Sievers
137. Zane Greene

#### **Secured Creditors**

1. ABN Amro bank N.V.
2. Aegon USA, Inc.
3. Alliance Capital Management
4. Allstate Insurance
5. American Express Asset Management
6. Apollo Advisors
7. Bain Capital, Inc.
8. Bank Leumi
9. Bank of America
10. Bank of China
11. Bank of Hawaii
12. Bank of Montreal
13. Bank of New York
14. Bank of Nova Scotia
15. Bank of Scotland
16. Bank of Tokyo Mitsubishi
17. Bank One
18. Bank United
19. Barclays
20. Bayerische Landesbank Giro
21. Bennett Management
22. BHF
23. Black Diamond Capital Mgmt., LLC
24. Caravelle Advisors LLC
25. Centre Pacific
26. Chang Hwa Commercial Bank
27. CIBC Oppenheimer

28. Citibank
29. City National Bank
30. CoBank
31. Credit Lyonnais
32. Credit Suisse Asset Management
33. Cypress Tree Investment Management, Inc.
34. Deutsche Bank
35. Dai Ichi Kangyo Bank Ltd.
36. Dresdner Kleinwort Wasserstein
37. Equitable Life Insurance
38. Erste Bank
39. First Union
40. Fleet BankBoston
41. Franklin Advisors Inc.
42. Fuji Bank Ltd.
43. General Electric Capital Corporation
44. General Reinsurance – New England Asset Mangement
45. Goldman Sachs & Co.
46. Gulf International Bank
47. HypoVereinsbank
48. Industrial Bank of Japan
49. IBM Credit Corporation
50. Imperial Credit Industries
51. Institutional Debt Management
52. IKB Capital Corporation
53. Indosuez
54. ING Capital Advisors
55. Invesco
56. JP Morgan Chase
57. Katonah Capital
58. KBC Bank
59. Key Bank
60. Kreditanstalt Fur Wierderaufbau
61. LB Series Inc.
62. Lutheran Brotherhood High Yield
63. Merrill Lynch Asset Management
64. Merrill Lynch
65. Mitsubishi Trust & Banking Corp.
66. Monument
67. Morgan Stanley Dean Witter
68. Mountain Capital Advisors
69. Oppenheimer Funds
70. Pacific Investment Management Company
71. PPM American Incorporated
72. Rabobank Nederland

73. Royal Bank of Canada
74. Scotia Capital
75. Scudder Investments
76. Stanfield Capital Partners
77. Stein Roe Farnham, Inc.
78. Sumitomo Trust & Banking Co.
79. TaipeiBank
80. TCW
81. Textron Financial Corporation
82. Toronto Dominion, Inc.
83. Travelers Companies
84. UBS Warburg
85. Van Kampen
86. West LB

#### **Other Creditors**

1. Banc One
2. Chase Manhattan Bank
3. Credit Suisse First Boston
4. PB Capital Corp.
5. Trust Company of the West
6. Wachovia Bank
7. Washington Mutual
8. Westdeutsche Landesbank
9. Zurich Scudder Investments

#### **Vendor creditors**

1. Abinco
2. Acterna
3. AIB CC
4. Albacom Spa
5. Alcatel
6. Allstat
7. American Express
8. Amex
9. Amtorel
10. Anixter
11. Anritsu
12. Antalis
13. Arendal
14. Arge Pop-Site Stuttgart
15. Audiomedia
16. Avaya
17. B Box



18. Ballygowan
19. Bankgirot
20. Bectel
21. Bectel Roth Bros
22. Belforte
23. Bestel Sa De Cv
24. Bewley's
25. Binders
26. Birka
27. Bucknall Pmi
28. Cisco
29. Compañia Auxiliar De Voladuras
30. Comsat
31. Constel
32. Corning Incorporated
33. Crown Cleaning Contracts
34. Datametrix
35. Dhv Aib Bv
36. Dynamis Abc Vastgoedmanagers
37. Eirpac
38. Elecnor de Argentina S.A.
39. Elgrossist
40. Equant
41. Ergion
42. Erhvervsin
43. Exodus Internet Limited
44. Falck
45. Filcom
46. Fresh
47. Gasline
48. Gasline Gmbh And Co
49. Gensler
50. Gentofte Erhvervsinvest A/S
51. Geoconfere
52. Gesmall
53. Global Switch
54. Grana y Montero
55. Gts Carrier Services
56. Harcourt Printing & Office Supplies
57. Herbert Park Hotel
58. Horizon Open Systems Uk
59. Iberdrola Redes Sa Contract
60. Ica Fluor Daniel S De Rl De Cv
61. Impsat S.A.
62. Indair

63. Inovatel
64. Insignia Richard Ellis Limited
65. Interconnect Exchange Europe Ltd/
66. Interserve
67. Itsaa
68. Jetzler
69. Juniper Networks
70. Kajima
71. KIR srl
72. Knoll International Gmbh
73. Kpn
74. KPN Qwest
75. Logimix
76. Louis Dreyfus
77. Lucent Technologies
78. Lyncole
79. Mallia Properties
80. Manuf Metalica
81. Marke Tel
82. Mastec North America Inc
83. Matra Nortel Communications
84. McNicholas Ltd.
85. Metalirgica el Ag
86. Metro New Media Ltd.
87. Migros
88. Mk International Ltd
89. Neterna
90. Nobus
91. Nordisk
92. Nortel Networks
93. Orgatec
94. Pacific Century Cyberworks
95. Palmer
96. Posten
97. Powertech
98. Radionics
99. Reach Networks Hong Kong Limited
100. Redex
101. Regus
102. Reseaux Systemes D'Informations
103. Roberts & Partners (Intl) Limited
104. Rotating Eq Corp
105. Rotating Equipment Corporation
106. Rugas
107. Scandinavisk Bustrafik Aps

108. SDA Security
109. Shain
110. Sicisa
111. Siemens
112. Signtgps
113. Sintel
114. Sirti
115. Sodexho
116. Sonus Networks Limited
117. Stadtwerke Munchen Gmbh
118. Stat Power Serv
119. Structuretone
120. Suter
121. Swisscom Ag - Wholesale
122. Techlink
123. Tekelec
124. Telecity
125. Teledk
126. Telenor
127. Telia
128. Tesco
129. TNT Norge
130. Tolley
131. Tridex
132. Triomec
133. Unisphere
134. Versatel Telecom Europe
135. Walls
136. Wandel
137. Waterland
138. Wettergren

#### **Members of Committees**

#### **Professionals Retained by Committees**

#### **Indenture Trustees of Bonds**

1. United States Trust Company of New York
2. Manufacturers Hanover Trust Company

3. Chase Manhattan Bank

#### **Underwriters and Agents**

1. Deutsche Bank AG
2. CIBC Inc.
3. Canadian Imperial Bank of Commerce
4. Goldman Sachs Credit Partners L.P.
5. Citicorp USA, Inc.
6. Merrill Lynch Capital Corporation
7. Salomon Smith Barney, Inc.
8. CIBC World Markets Corp.
9. Deutsche Bank Securities, Inc.
10. Chase Securities, Inc.
11. West LB

#### **Significant Stockholders**

1. Pacific Capital Group, Inc.
2. Winnick, Gary
3. Cook, Lodwick M.
4. Casey, Thomas J.
5. Clayton, Joseph P.
6. Cohen, Gary
7. Attanasio, Mark L
8. Brownstein, Norman
9. Conway, William E., Jr.
10. Hippeau, Eric
11. Kent, Geoffrey J.W.
12. Lee, David
13. Scanlon, John M.
14. Microsoft Corp.
15. Softbank Corp.

#### **Significant Warrant Holders**

1. Pacific Capital Group

### **Major Landlords**

1. 32 AA Associates, LLC
2. 80 Pine LLC
3. Alameda Main LP
4. Berrueta Family LLC
5. Carlyle Seventh Street, LLC
6. Colo.com
7. Concar Detroit One, LLC
8. Consolidated Rail Corp.
9. Foothills Corporate Centre Two, LLC
10. Hudson Telegraph Associates
11. Impsat Comunicacaoes LTDA
12. Impsat Peru S.A.
13. Internap
14. JFK Investments Co., LLC
15. MSGW New Jersey I, LLC
16. National Blinds & Wall Paper Inc.
17. Pioneer Management
18. PW/MS Management Co.
19. Seattle Telecom LLC
20. Technology Center of the Americas, LLC
21. Telecomunicaciones Impsat S.A.
22. Union Station Venture
23. Widewaters Woodcliff VI Co., LLC
24. WXIII/PHL Real Estate Limited Partnership
25. Yale Properties

**EXHIBIT A**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11 Cases
Adelphia Communications Corporation, <u>et al.</u> ,	)	Case No. 02-_____ (    )
Debtors.	)	Jointly Administered

**AFFIDAVIT OF MARC ABRAMS IN SUPPORT OF  
APPLICATION TO EMPLOY AND RETAIN  
WILLKIE FARR & GALLAGHER AS ATTORNEYS  
FOR DEBTORS AND DEBTORS IN POSSESSION**

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

MARC ABRAMS, being duly sworn, deposes and says:

1.       I am a member of Willkie Farr & Gallagher ("WF&G"), which maintains offices for the practice of law at 787 Seventh Avenue, New York, New York 10019. I am an attorney-at-law, duly admitted to practice in the States of New York, Delaware (inactive) and the Commonwealth of Pennsylvania (inactive), the United States District Courts for the Southern District of New York, the Eastern District of New York and the District of Delaware, and the United States Courts of Appeal for the Second and Third Circuits. I submit this affidavit in connection with the application of the debtors and debtors in possession (the "Debtors") in the above-captioned cases to retain WF&G as counsel to the Debtors in their chapter 11 cases pursuant to section 327(a) of title 11 of the United States Code (the "Bankruptcy Code") and to provide the disclosures required under section 329 of the Bankruptcy Code, the rules of this Court, and Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

## WF&G'S CONNECTIONS WITH THE DEBTORS

2. WF&G utilizes a number of procedures (the "Firm Procedures") to determine its relationships, if any, to parties that may have connections to a client debtor. In implementing the Firm Procedures in connection with the Debtors' retention of WF&G in these cases, WF&G took the following actions to identify parties that may have connections to the Debtors and WF&G's relationship with such parties:

- (a) Upon and since its retention, WF&G requested and obtained from the Debtors extensive (but not necessarily comprehensive) lists of interested parties and significant creditors (the "Potential Parties In Interest").<sup>1</sup> The Potential Parties In Interest include the Debtors and their non-debtor affiliates, secured lenders under the Debtors' various credit facilities, noteholders, indenture trustees, equity holders, preferred noteholders, certain non-Debtor contract parties, the (50) largest unsecured creditors (on a consolidated basis and excluding indenture trustees), competitors, suppliers of cable programming, joint venture partners and other parties holding ownership interests in the Debtors, and litigation claimants. The Debtors have not yet provided WF&G with a comprehensive list of all of their creditors, including contract parties, landlords and other interested parties.<sup>2</sup>
- (b) WF&G then compared each of the Potential Parties In Interest to the names in its master electronic database of current and former clients (the "Client Database"). The Client Database generally includes the name of each client of the firm, the name of each party who is or was known to be adverse to such client of the firm, the name of each party that has or had a substantial role with regard to the subject matter of WF&G's retention,

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<sup>1</sup> The list of Potential Parties In Interest is expected to be updated during these cases. If appropriate, WF&G will update its disclosures after the Debtors' list of creditors is filed. Further, WF&G continues to review the relationships its attorneys may have with potentially interested parties and to determine whether any relationships other than those set forth herein exist. As may be necessary, WF&G will supplement this affidavit if there is a relationship that may adversely affect WF&G's retention in these cases or otherwise should be disclosed. WF&G also will update this disclosure if it is advised of any trading of claims against or interests in the Debtors that may relate to WF&G's retention or otherwise requires such disclosure.

<sup>2</sup> In reviewing its records and the relationships of its attorneys, WF&G did not seek information as to whether any WF&G attorney or member of his/her immediate family: (a) indirectly owns securities of the Debtors or any other party in interest through a public mutual fund, partnership or other quasi "blind trust" in which the WF&G attorney has no control over or knowledge of investment decisions; or (b) has engaged in any ordinary course consumer transaction with any party in interest. If any such relationship does exist, I do not believe it would impact WF&G's disinterestedness or otherwise give rise to a finding that WF&G holds or represents an interest adverse to the Debtors' estates.

and the names of the WF&G partners who are or were primarily responsible for matters for such clients.

- (c) A questionnaire was issued by e-mail and hard copy to all WF&G attorneys requesting disclosure of information regarding any known connections between the respondent and/or WF&G on the one hand, and the Potential Parties In Interest, on the other. In addition, all WF&G attorneys were asked directly if they were aware of any conflict that may exist respecting the Potential Parties In Interest if WF&G represented the Debtors.
- (d) Known connections between former or current clients of WF&G and Potential Parties In Interest then were compiled and reviewed for purposes of preparing this Affidavit.

3. Based on the foregoing procedures, I thus far have ascertained that to the best of my knowledge, WF&G:

- (a) is not a creditor of the Debtors and is not an equity security holder of the Debtors or an "insider" of the Debtors, as that term is defined in section 101(31) of the Bankruptcy Code;
- (b) is not and has not been an investment banker for any outstanding securities of the Debtors;
- (c) is not and has not been, within three years before the date of the filing of the Debtors' chapter 11 petitions (the "Petition Date"), an investment banker for securities of the Debtors, or an attorney for such an investment banker in connection with the offers, sales, or issuances of securities of the Debtors;
- (d) is not and has not been, within two years before the Petition Date, a director, officer, or employee of the Debtors or of an investment banker specified in subparagraph (b) or (c) of this paragraph; and
- (e) does not have an interest materially adverse to the interest of the Debtors' estates, or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors or an investment banker specified in subparagraph (b) or (c) of this paragraph, or for any other reason.

Accordingly, I believe WF&G is a "disinterested person" as that term is defined in section 101(14), as modified by section 1107(b), of the Bankruptcy Code.

- 4. Insofar as I have been able to ascertain, WF&G has no connection with the



Debtors, their significant creditors, professionals or any other party in interest herein, or their respective attorneys or professionals, except as disclosed herein.

5. As a result of the foregoing procedures, I have thus far ascertained that WF&G has neither an actual nor potential conflict of interest. Because of its broad-based general practice, WF&G: (i) has appeared in the past and may appear in the future in cases unrelated to these chapter 11 cases where one or more of the Potential Parties In Interest may be involved; and (ii) has represented in the past, currently represents and/or may represent in the future one or more of such parties or other potentially interested parties or creditors in matters unrelated to these chapter 11 cases. Other than as described herein and upon information and belief, WF&G does not represent these entities on matters in any way related to the Debtors. Nevertheless, in the interest of full disclosure, I point out the following relationships for review by the Court, the Office of the United States Trustee, and other parties in interest:

(a) WF&G's Prior Representation of the Debtors: In March, 2002, WF&G was retained by the Debtors to represent them in connection with the chapter 11 proceedings of Adelphia Business Solutions, Inc. et al, Case Nos. 02-11388 through 02-11394. At the time, such representation included representing the Debtors' interests as a Debtor In Possession lender to Adelphia Business Solutions and its affiliate debtors (collectively, "ABIZ") as well as a major creditor of ABIZ.<sup>3</sup> In May 2002, WF&G's representation of the Debtors was expanded to include general restructuring advice in

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<sup>3</sup> As explained in the Affidavit of Christopher T. Dunstan in Support of Chapter 11 Petitions and First Day Orders and Pursuant to Local Bankruptcy Rule 1007-2 (the "Dunstan Affidavit") filed contemporaneously herewith, until January 2002, Adelphia Communications Corporation ("ACC"), the parent Debtor herein, owned approximately 79% of the outstanding stock of ABIZ and held approximately 95.9% of the total voting power. On January 11, 2002, ACC distributed, by way of a dividend, all of the shares of ABIZ common stock owned by ACC to holders of ACC's common stock (the "Spin-off"). Since the Spin-off, ACC has maintained a business relationship with ABIZ through which, among other things, ABIZ has borrowed funds from ACC and the companies provide management and other services to each other.

connection with certain potential third-party transactions relating to certain of the Debtors' assets and possible financing in connection therewith and, ultimately, preparation for the filing of these cases. In addition, since early June 2002, WF&G has represented ACC and its indirect subsidiary Century Communications Corporation ("CCC") in certain litigation and, on June 10, 2002, WF&G filed a chapter 11 petition on behalf of CCC.

(b) WF&G's Unrelated Representation of Certain Members of the Debtors' Prepetition Secured Lender Groups: As set forth in detail in the Dunstan Affidavit, the Debtors have six separate pre-petition secured credit facilities, pursuant to which approximately \$6.8 billion, in the aggregate, is outstanding. Approximately 200 lenders participate in these facilities. WF&G has in the past represented and currently represents certain individual members or affiliates of individual members of these lender groups in matters unrelated to the Debtors. Such members of the Debtors' pre-petition secured lender groups are identified on Schedule 1 hereto and include, inter alia, numerous Agents of such facilities. WF&G may continue its representation of such parties or their affiliates but has not and will not represent any of them in any matters relating to the Debtors or these chapter 11 cases. No one party on Schedule 1 accounted for more than 1.0% of WF&G's aggregate revenue for the year 2001, except for Credit Suisse First Boston and Salomon Smith Barney<sup>4</sup> and their respective affiliates.

(c) WF&G's Unrelated Representation of Certain Indenture Trustees and Noteholders and their Affiliates: As set forth in the Dunstan Affidavit, the Debtors have

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<sup>4</sup> WF&G considers the percentage of its revenue from such parties to be confidential information and will disclose such information to the Court and/or the United States Trustee confidentially if requested.

approximately \$6.9 billion in debt issued and outstanding pursuant to 16 public indentures. WF&G has in the past represented and currently represents certain of the Debtors' indenture trustees, individual noteholders, and their respective affiliates in matters unrelated to the Debtors, including those parties listed on Schedule 2 hereto. WF&G may continue its representation of such parties, but has not represented and will not represent such parties on any matter relating to the Debtors or these chapter 11 cases. No one party listed on Schedule 2 accounted for more than .4% of WF&G's revenue for the year 2001.

(d) WF&G's Unrelated Representation of Other Creditors and Potential Parties in Interest of the Debtors: WF&G has represented and continues to represent certain other creditors and potential parties in interest, or their affiliates, in matters unrelated to the Debtors. Such parties include cable programmers, contract parties, joint venture partners and general unsecured creditors, as more fully set forth on Schedule 3 hereto. In particular, WF&G currently provides regulatory advice to several of the Debtors' cable programmers, including HBO, The Weather Channel and Tech TV. WF&G will continue its representation of such parties, but will not do so on any matter relating to the Debtors. No one party listed on Schedule 3 hereto accounted for more than 1.0% of WF&G's revenue for the year 2001.

(e) WF&G's Unrelated Representation of Certain of the Debtors' Competitors or their Affiliates: WF&G currently provides or has in the past provided legal advice to certain of the Debtors' competitors, including AT&T Broadband, AOL Time Warner and Comcast Corporation. These representations generally involve regulatory policy matters before the FCC and, in certain instances, before Congress and other federal agencies.

Such representations are unrelated to the Debtors. In addition, WF&G currently represents Level 3 Communications (“Level 3”), which owns an approximate 32% interest in one of the Debtors’ largest competitors, RCN Corporation. WF&G also represented Walter Scott, Chairman of Level 3, in connection with his investment of \$50 million in common stock of RCN Corporation. WF&G has represented Level 3 and certain of its affiliates respecting certain corporate and real estate matters wholly unrelated to the Debtors or their affiliates. WF&G has neither represented Level 3 and its affiliates, nor the Debtors and their affiliates, in any transaction between the two parties. WF&G intends to continue to represent Level 3 and its affiliates, but will not represent them in any matters related to the Debtors or their affiliates or these cases.

(f) WF&G’s Unrelated Representation of Certain of the Debtors’ Equity

Holders or their Affiliates: WF&G currently represents or has represented several of ACC’s largest institutional equity holders on matters unrelated to the Debtors. For example, WF&G currently represents AIG, Morgan Stanley, Goldman Sachs, Vanguard Group, Jennison Associates, State Street Corporation and certain affiliates of General Electric Company, each an equity holder of the Debtors, on matters unrelated to the Debtors. In addition, WF&G has in the past represented affiliates of AXA Financial and Wachovia Corporation, also equity holders of ACC, on matters unrelated to the Debtors. WF&G will continue to and may in the future represent certain of the Debtors equity holders or affiliates; however, any such representation will not relate to the Debtors.

(g) WF&G’s Other Relationships with the Debtors and Potential Parties in

Interest: (i) WF&G represents Bloomberg L.P. (“Bloomberg”) in connection with, among other things, real estate, general corporate, tax and regulatory matters. From time

to time, WF&G has represented Bloomberg in connection with matters relating to Bloomberg's cable programming network, Bloomberg Television, that is carried on the Debtors' cable systems. While WF&G will continue to represent Bloomberg, it will not represent Bloomberg on matters related to the Debtors. Furthermore, to the extent issues may arise which would cause the Debtors to be adverse to Bloomberg thus making it inappropriate for WF&G to represent the Debtors respecting such matters, the Debtors will request one of their other retained counsel to handle such matters.

(ii) In 1990, WF&G represented a group of insurance companies led by Prudential (collectively, the "Lender Group") in a private placement of \$250 million principal amount of 10.66% Senior Secured Notes due August 1, 1998 of Chauncey Communications Corporation, Clear Cablevision, Inc, International Cablevision Inc. and Chauncey Acquisition Subsidiary, Inc. (the "Note Agreement"). All of such companies were, at the time of this transaction, subsidiaries of the Adelphia Communications Corporation and only one, Clear Cablevision Inc., is a Debtor herein. Adelphia Communications Corporation pledged its stock of these companies as part of the security for the notes. WF&G represented the Lender Group again in 1991 in connection with an amendment of the Note Agreement, but has not done any work on this matter since then. Moreover, the notes were paid in full in 1998.

(iii) WF&G currently retains PricewaterhouseCoopers, LLP ("PWC") to perform internal auditing services. WF&G would need to determine, under the facts and circumstances then present, whether it could represent the Debtor in any action or proceeding against PWC. WF&G does not currently, nor will it in the future, represent PWC in any matter relating to the Debtors or these bankruptcy cases.

(iv) WF&G currently represents Deloitte and Touche LLP on matters unrelated to the Debtors. Due to the events which precipitated the Debtors' entry into chapter 11 and the Debtors' recent termination of Deloitte & Touche as auditors and accountants, it is possible claims against Deloitte & Touche may be investigated and potentially commenced. If any such actions or investigations are commenced, WF&G would evaluate the need for separate counsel to represent the Debtors in connection with such actions and would make any necessary supplemental disclosures to the Court in respect thereof.

(v) Since early June 2002, WF&G has represented certain of the Debtors in connection with certain litigation involving CCC (the "CCC Litigation"). Specifically, on June 10, 2002, WF&G, on behalf of ACC and CCC, filed a complaint seeking to enjoin ML Media Partners L.P. ("ML Media") from taking certain actions against CCC in connection with, among other things, a joint venture agreement between the parties. ML Media and CCC each hold a 50 percent interest in Century/ML Cable Venture (the "Joint Venture"), a New York partnership. In 2001, in a matter unrelated to the CCC Litigation or the Joint Venture, WF&G represented an investor in connection with a transaction involving a proposed joint bid with CCC to purchase certain assets of an unaffiliated entity. ML Media was an adverse party to this proposed transaction. This transaction was never consummated and the matter has since been closed.

6. Certain members and certain associates of, and "of counsel" attorneys to, WF&G, and certain of such persons' relatives may have familial or personal relationships with officers, directors and/or shareholders of creditors of the Debtors, competitors of the Debtors

and/or other parties in interest in these cases. As of the date hereof, I am not aware of any such relationships that are material.

7. Certain of my partners at WF&G and certain of the associates of and “of counsel” attorneys to WF&G, and certain of such persons’ relatives, may directly or indirectly be shareholders of creditors of the Debtors, competitors of the Debtors and/or other parties in interest. I believe such persons’ holding are insignificant and, insofar as I have been able to ascertain, none of these shareholders controls or has any influence on such creditor or party in interest. I do not believe these shareholders’ interests, considered separately or collectively, are material.

8. Certain of my partners at WF&G and certain of the associates and “of counsel” attorneys to WF&G, and certain of their relatives, may have business, contractual and/or economic with creditors of the Debtors and/or other parties in interest or such entities’ respective officers, directors or shareholders. Insofar as I have been able to ascertain, none of these officers, directors and/or shareholders has any substantial or direct involvement in these cases or, alternatively, such relationships are insignificant. I do not believe these familial or personal relationships, considered separately or collectively, are material.

9. In addition to the foregoing, WF&G hereby discloses that WF&G regularly represents the American Institute of Certified Public Accountants (the “AICPA”) and certain members thereof. The AICPA is not, to WF&G’s knowledge, a party in interest in this case. Due to WF&G’s representation of the AICPA, however, WF&G has adopted policies respecting WF&G’s representation of parties in actions or proceedings against accounting firms. Thus, WF&G would need to determine, under the facts and circumstances then present, whether

it could represent the Debtors in any such action or proceeding. As of the Petition Date, WF&G is not aware of any claims against any accounting firms that have been asserted.

10. I believe none of the representations or relationships recited above would give rise to a finding that WF&G represents or holds an interest adverse to the Debtors with respect to the services for which WF&G would be retained.

11. The office of the United States Trustee supplied a list of its employees to WF&G. Based on WF&G's review in accordance with the Firm Procedures, and insofar as I have been able to ascertain, WF&G has no connection with the United States Trustee or any person employed in the office of the United States Trustee that would represent an actual or potential conflict of interest.

12. It is my understanding that simultaneously with the filing of its application to employ and retain WF&G, the Debtors are seeking to retain the law firms Fried, Frank, Harris, Shriver & Jacobson ("Fried Frank"); Boies, Schiller & Flexner, LLP ("BS&F"); and Fleischman & Walsh, L.L.P. ("F&W"), to perform discrete services for the Debtors unrelated to the reorganization services that WF&G will perform. WF&G intends to work closely with Fried Frank, BS&F, F&W and the other professionals retained in these cases to ensure that there is no unnecessary duplication of services performed for or charged to the Debtors' estates. In the unlikely event any matter were, in the future, to give rise to a potential conflict with respect to matters that otherwise would have been handled by WF&G, one of the Debtors' other counsel would handle such matter and WF&G would not be involved.

#### **WF&G'S COMPENSATION**

13. Subject to this Court's approval in accordance with sections 330 and 331 of the Bankruptcy Code, such Federal Rules of Bankruptcy Procedure as may be applicable, the rules of this Court, and such other procedures as may be fixed by order of this Court,



compensation will be payable to WF&G on an hourly basis, plus reimbursement of actual and necessary expenses incurred by WF&G. The WF&G attorneys that are likely to represent the Debtors in these cases have current standard hourly rates ranging between \$205 and \$695. The paralegals that likely will assist the attorneys who will represent the Debtors have current standard hourly rates ranging between \$105 and \$145. These rates are subject to periodic adjustments.

14. The hourly rates that will be charged in these cases are WF&G's standard rates for work of this nature. The rates are set at a level designed to fairly compensate WF&G for work of its attorneys and paralegals and to cover fixed and routine overhead expenses. It is WF&G's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the respective clients' cases. The expenses charged to clients include, among other things, telephone and telecopier toll charges, mail and express mail charges, special or hand delivery charges, document processing and photocopying charges, travel expenses, expenses for "working meals" and computerized research and transcription costs. WF&G bills these expenses at cost to its clients and makes no profit from these expenses. WF&G believes that it is appropriate to charge these expenses to the clients incurring them rather than to increase its hourly rates and thereby spread the expenses among all clients.

15. This Affidavit is intended to comply with Federal Rule of Bankruptcy Procedure 2016(b). WF&G intends to apply to this Court for compensation for professional services rendered in connection with these cases in accordance with the procedures established by the Bankruptcy Code, Bankruptcy Court, Local Bankruptcy Rules, and the administrative and other orders entered by this Court.

16. Since its initial retention, WF&G has received payments, including retainers, totaling \$2.78 million in the aggregate. WF&G has applied such funds to unpaid amounts due for services rendered and expenses incurred prior to the Petition Date. A precise disclosure of the remaining amount, if any, of the prepetition retainer held by WF&G, or any unpaid fees or expenses owing, as of the Petition Date will be supplied in WF&G's first interim fee application in these cases.

17. Further, to the extent there are any unpaid fees and expenses owing as of the Petition Date, WF&G intends to write off all such amounts and will disclose any such account reconciliation in its first interim fee application.

18. No promises have been received by WF&G or by any member or associate thereof as to compensation in connection with these cases other than in accordance with the provisions of the Bankruptcy Code. WF&G has no agreement with any other entity to share with such entity any compensation received by WF&G.

19. Neither I, WF&G, nor any member or associate thereof, insofar as I have been able to ascertain, represents any interest adverse to the Debtors or their estates in the matters regarding which WF&G is to be engaged. Except as may be stated above, I believe WF&G is a "disinterested person" as that term is defined in section 101(14), as modified by section 1107(b), of the Bankruptcy Code. Moreover, I believe none of the representations or

relationships recited herein would give rise to a finding that WF&G represents or holds an interest adverse to the Debtors with respect to the services for which WF&G would be retained.

20. By reason of the foregoing, I believe WF&G is eligible for employment and retention by the Debtors pursuant to sections 327 (as modified by section 1107(b)) and 328 of the Bankruptcy Code and the applicable Bankruptcy Rules.

/s/Marc Abrams  
Marc Abrams

Sworn to before me this  
24th day of June, 2002

/s/Larissa A. Lockyer (Baker)  
Notary Public

Larissa A. Lockyer (Baker)  
Notary Public, State of New York  
No. 01L0606069907  
Qualified in New York County  
Commission Expires Feb. 19, 2006

## SCHEDULE 1

Members of the Debtors' Prepetition Secured Lender Groups (some of which may also be Noteholders or Equity Holders) as to which WF&G Represents or Has Represented<sup>1</sup> such Entities or their Affiliates in Unrelated Matters

ABN AMRO Bank N.V.  
Bank of America Securities LLC  
Bank of New York  
Bank of Nova Scotia  
Bank of Tokyo Mitsubishi Trust Company\*  
Bankers Trust Company  
Banque Mees Pierson Gonet  
Barclays Capital  
BNP  
Canadian Imperial Bank of Commerce  
Chase Manhattan Bank\*  
CIBC World Markets\*  
Citicorp\*  
Citibank, N.A.  
Corestates Bank\*  
Credit Agricole Indosuez  
Credit Lyonnais Americas  
Credit Suisse First Boston<sup>2</sup>  
Deutsche Bank  
DLJ  
Dresdner Bank  
First Allamerica Financial Group  
First Union National Bank\*  
Fleet Securities\*  
FleetBank Financial  
General Electric Capital  
Goldman Sachs  
J.P. Morgan  
Long-Term Credit Bank of Japan\*

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<sup>1</sup> An asterisk denotes former client or past representation of affiliate of such entity.

<sup>2</sup> The precise Credit Suisse First Boston entities which WF&G currently represents are: Credit Suisse First Boston Asset Management Income Fund, Inc.; Credit Suisse Asset Management; Credit Suisse First Boston; Credit Suisse High Yield Bond Fund; CS First Boston; CSAM CSFB Open-End Funds.

Mellon Bank, N.A.\*  
Merrill Lynch<sup>3</sup>  
Morgan Guaranty  
Nippon Credit Bank, Ltd.\*  
Pacific Life Insurance Company  
PNC Bank\*  
Royal Bank of Canada  
Royal Bank of Scotland plc  
Salomon Brothers Holding Company Inc.  
Societe Generale  
Sumitomo Trust and Banking Co., Ltd.\*  
TD Securities Inc.  
Travelers Insurance Company  
US Trust

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<sup>3</sup> The precise Merrill Lynch entities which WF&G currently represents include Merrill Lynch Canada, Inc., Merrill Lynch Capital Markets Bank Limited; Merrill Lynch Mortgage Capital Inc. As stated, one of the Debtors' indirect subsidiaries, CCC, is a 50% joint venture partner with ML Media, an indirect subsidiary of Merrill Lynch & Co. The CCC Litigation does not involve any of WF&G's current Merrill Lynch clients.

**SCHEDULE 2**

Indenture Trustees and Noteholders (some of which may also be Secured Lenders) as to which WF&G Represents or Has Represented<sup>1</sup> such Entities or their Affiliates in Unrelated Matters

Angelo Gordon & Co., L.P.	Noteholder
Bank of America	Indenture Trustee
Bank of New York	Indenture Trustee
Oppenheimer & Co., Inc.	Noteholder
US Trust	Indenture Trustee

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<sup>1</sup> An asterisk denotes former client or past representation of affiliate of such entity.

### SCHEDULE 3

Certain Other Creditors and Potential Parties in Interest as to which WF&G  
Represents or Has Represented<sup>1</sup> Such Entities or their Affiliates in Unrelated Matters

AOL Time Warner	Programmer
BankOne, NA*	Contract Party
Boeing*	Contract Party
Clifford Chance*	Professional
CNN	Programmer
Deloitte & Touche LLP	Professional
Discovery Communications*	Programmer
Fox Sports Net*	Programmer
Home Box Office	Programmer
in Demand (formerly Viewer's Choice)	Programmer
Lazard Freres	Professional
Morrison & Foerster*	Professional
Motorola	Contract Party
National Broadcasting Company (NBC)*	Programmer
Pepper Hamilton LLP*	Professional
PricewaterhouseCoopers LLP	Professional
Schulte Roth & Zabel LLP*	Professional
Speedvision Cable Programming Channel*	Programmer
Tech TV, LLC	Programmer
The Weather Channel	Programmer
Tribune Media Services*	Programmer
Turner Broadcasting Company*	Programmer
Viacom International, Inc.*	Programmer
Weil Gotshal & Manges*	Professional
Yankee Microwave Inc.*	Programmer
Quantum Corporate Funding, Ltd.	Litigation Claimant

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<sup>1</sup> An asterisk denotes former client or past representation of affiliate of such entity.

1052645.14



WEIL, GOTSHAL & MANGES LLP  
Attorneys for Debtors and Debtors In Possession  
767 Fifth Avenue  
New York, NY 10153-0119  
Telephone: (212) 310-8000  
Facsimile: (212) 310-8007  
Marcia L. Goldstein, Esq. (MG 2606)  
Lori R. Fife, Esq. (LF 2839)  
Alfredo R. Perez, Esq.

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

-----X	
	:
In re	:
	:
WORLDCOM, INC., <u>et al.</u> ,	:
	:
Debtors.	:
	:
-----X	

**Chapter 11 Case No.**  
**02- \_\_\_\_\_ ( )**  
**(Jointly Administered)**

**AFFIDAVIT OF MARCIA L. GOLDSTEIN AND  
DISCLOSURE STATEMENT PURSUANT TO BANKRUPTCY  
CODE SECTIONS 327, 328(a), 329 AND 504 AND FEDERAL  
RULES OF BANKRUPTCY PROCEDURE 2014(a) AND 2016(b)**

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

Marcia L. Goldstein, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WG&M" or the "Firm"), a law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Washington, D.C.; Houston and Dallas, Texas; Miami, Florida; and Menlo Park, California; and foreign offices in London, United Kingdom; Budapest, Hungary; Warsaw, Poland; Brussels, Belgium; Frankfurt, Germany; and Prague, The Czech Republic.

2. I submit this affidavit in connection with the application dated July 21, 2002 (the "Application") of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for approval of the Debtors' retention of WG&M, their attorneys in the above-captioned chapter 11 cases at their normal hourly rates in effect from time to time and in accordance with their normal reimbursement policies, in compliance with sections 328(a), 329 and 504 of title 11 of the United States Code (the "Bankruptcy Code"), and to provide disclosure required under rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent any information disclosed herein requires amendment or modification upon WG&M's completion of further review or as additional party-in-interest information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

3. Neither I, WG&M, nor any member, counsel or associate of the Firm represent any entities other than the Debtors in connection with the Debtors' chapter 11 cases. In addition, except as set forth herein, to the best of my knowledge, after due inquiry, neither I, WG&M, nor any member or counsel, or associate of the Firm represent any party in interest other than the Debtors in these chapter 11 cases.

4. WG&M is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code, as modified by Section 1107(b) of the Bankruptcy Code, in that WG&M, its members, counsel, and associates:

- a. are not creditors or insiders of the Debtors;

- b. are not and were not investment bankers for any outstanding security of the Debtors;
- c. have not been, within three years before the date of this affidavit, (i) investment bankers for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors;
- d. are not and were not, within two years before the date of this affidavit, a director, officer, or employee of the Debtors or any investment banker as specified in subparagraph (b) or (c) of this paragraph; and
- e. has certain relationships with certain creditors, other parties in interest, and other professionals in connection with unrelated matters, but has not represented any such party in connection with matters relating to the Debtors, except as set forth herein.

**WG&M's Prepetition Relationship with the Debtors**

5. In June 2002, the Debtors engaged WG&M to represent and advise them in connection with strategic alternatives, financial restructuring and bankruptcy matters. In that regard, WG&M represented the Debtors in connection with certain litigation commenced against them by members of their prepetition bank group. WG&M prepared the chapter 11 petitions for the Debtors and the initial motions, applications, and affidavits relating to these chapter 11 cases and negotiated on behalf of the debtors the proposed debtor-in-possession financing facility.

6. WG&M is not a creditor of the Debtors. In the one year prior to July 21, 2002, the Debtors advanced \$8,000,000 to WG&M on account of services performed and to be performed and expenses incurred and to be incurred in connection with the commencement and prosecution of the chapter 11 cases. As of the Commencement Date, the fees and expenses incurred by WG&M and debited against the amounts advanced to it approximated \$1,900,000 (including an estimate of the charges for the period from July

19, 2002 through July 21, 2002). The precise amount will be determined upon the final recording of all time and expense charges. As of the Commencement Date, WG&M has a remaining credit balance in favor of the Debtors in the approximate amount of \$6,000,000 for additional professional services performed and to be performed and expenses incurred and to be incurred in connection with these chapter 11 cases. After application of amounts for payment of any additional prepetition professional services and related expenses, the excess advance amounts will be held by WG&M for application to and payment of postpetition fees and expenses that are allowed by the Court.

#### **WG&M Disclosure Procedures**

7. WG&M has in the past represented, currently represents, and may in the future represent entities that are claimants or interest holders of the Debtors in matters unrelated to the Debtors' pending chapter 11 cases. WG&M, which employs approximately 950 attorneys, has a large and diversified legal practice that encompasses the representation of many financial institutions and commercial corporations. Some of those entities are or may consider themselves to be creditors or parties in interest in the Debtors' pending chapter 11 cases or to otherwise have interests in these cases.

8. In preparing this affidavit, I used a set of procedures developed by WG&M to ensure compliance with the requirements of the Bankruptcy Code and the Bankruptcy Rules regarding the retention of professionals by a debtor under the Bankruptcy Code (the "Firm Disclosure Procedures"). Pursuant to the Firm Disclosure Procedures, I performed, or caused to be performed, the following actions to identify the parties relevant to this affidavit and to ascertain WG&M's connection to such parties:

- a. A comprehensive list of the types of entities who may have contacts with the Debtors was developed through discussions with the WG&M attorneys who have provided services to the Debtors and in consultation with senior management of the Debtors (the "Retention Checklist").
- b. Using the Retention Checklist, the information provided by the Debtors, and additional information identified by WG&M, a list of names of entities who may be parties in interest to these chapter 11 cases (the "Potential Parties In Interest") was assembled.
- c. WG&M compared the Potential Parties In Interest to the names that WG&M has compiled into a master client database from its conflict clearance and billing records, comprised of the names of the entities for which any attorney time charges have been billed since the database was first created approximately twenty-three years ago (the "Client Database"). The Client Database includes the name of each current or former client, the name of the parties who are or were related or adverse to such current or former client, and the names of the WG&M personnel who are or were responsible for current or former matters for such client.
- d. Any matches between the Client Database and the list of Potential Parties In Interest were identified (the "Client Match List"), together with the names of the respective WG&M personnel responsible for current or former matters for the entities on the Client Match List.
- e. An attorney then reviewed the Client Match List and deleted obvious name coincidences and individuals or entities that were adverse to WG&M's clients in both this matter and the matter referenced on the Client Match List. The remaining client connections with regard to which WG&M had represented the client within the last two years were compiled for purposes of this Affidavit.
- f. In addition, a general inquiry to all WG&M attorneys was sent by electronic mail to determine whether (i) any such individual or immediate family member holds any claims against, or stock of, the Debtors, and (ii) any such individuals were ever employed by the Debtors or an investment banker of the Debtors. Responses were received by approximately 30 individuals who held securities of the Debtors. Each of these individuals has since divested of all securities of the Debtors.

**WG&M's Connections with Parties in Interest  
in Matters Unrelated to these Chapter 11 Cases**

9. Any identified client connections with regard to which WG&M had represented the client within the last two years were reviewed by an attorney working under my supervision and from such review it was determined that, in respect of each connection between WG&M and such parties, WG&M does not hold or represent an interest that is adverse to the Debtors' estates, and that WG&M is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, for the reasons discussed below.

10. WG&M previously has represented, currently represents, and may represent in the future the entities described below (or their affiliates), in matters totally unrelated to the Debtors:

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
American Express	Bondholder	Current Client
Bank of New York	Bondholder	Current Client
Bank of NY/Barclays Capital	Bondholder	Current Client
First Union	Bondholder	Current Client
Lasalle Bank	Bondholder	Current Client
Merrill Lynch Safekeeping	Bondholder	Current Client
SG Cowen Securities	Bondholder	Current Client
Prudential	Bondholder / Landlord	Current Client
PNC Bank	Bondholder / Significant Stockholder	Current Client
Bank of America	Bondholder / Underwriter	Current Client
BT Alex. Brown	Bondholder / Underwriter	Current Client
Credit Suisse First Boston	Bondholder / Underwriter	Current Client
Goldman Sachs	Bondholder / Underwriter	Current Client
UBS PaineWebber	Bondholder / Underwriter	Current Client
Donaldson Lufkin Jenrette	Bondholder/ Underwriter	Current Client
Morgan Stanley	Bondholder/ Underwriter / Unsecured Creditor	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Mellon Bank N.A.	Indenture Trustee / Landlord	Former Client
Arab Bank PLC	Bank Lender	Current Client
Banco Bilbao Vizcaya	Bank Lender	Current Client
Bank of Nova Scotia	Bank Lender	Current Client
Bank of Tokyo Mitsubishi	Bank Lender	Current Client
Bank One NA	Bank Lender	Former Client
Bayerische Landesbank	Bank Lender	Current Client
Credit Lyonnais	Bank Lender	Current Client
Fortis Capital Corp.	Bank Lender	Current Client
Governor & Co. Bank of Scotland	Bank Lender	Current Client
Intesabci S P A	Bank Lender	Current Client
JP Morgan Chase	Bank Lender	Current Client
Lloyds TBS Bank PLC	Bank Lender	Former Client
Mizuho Holdings -- DKB/Fuji/IBJ	Bank Lender	Affiliate of a Current Client
Royal Bank of Scotland	Bank Lender	Current Client
Westdeutsche Landesbank Girozentral	Bank Lender	Current Client
ABN AMRO	Bank Lender / Bondholder / Underwriter	Current Client
Deutsche Bank	Bank Lender / Bondholder / Underwriter	Current Client
Citibank, N.A./Salomon Smith Barney	Bank Lender / Bondholder / Underwriter / DIP Lender	Current Client
J.P. Morgan Chase	Bank Lender / Bondholder Underwriter / DIP Lender	Current Client
BNP Paribas	Bank Lender / Underwriter	Current Client
Fleet	Bank Lender / Underwriter/ Indenture Trustee	Affiliate of a Current Client
GE Capital	DIP Lender	Current Client
Arthur Andersen-Morgan Stanley	Underwriter	Current Client
Bear Stearns	Underwriter	Current Client
Lehman Brothers	Underwriter	Current Client
NationsBanc Montgomery Securities, LLC	Underwriter	Current Client
The Bank of Tokyo- Mitsubishi, Ltd.	Underwriter	Current Client
UBS Warburg LLC	Underwriter	Current Client

<b>Matched Entity</b>	<b>Relationship to Debtors</b>	<b>Relationship to WG&amp;M</b>
Warburg Dillon Read	Underwriter	Current Client
AMC Corporation (American Airlines)	Unsecured Creditor	Current Client
AT&T Communications	Unsecured Creditor	Former Client
BellSouth Corporation	Unsecured Creditor	Current Client
Cisco Systems	Unsecured Creditor	Current Client
Compaq Computer Corp.	Unsecured Creditor	Current Client
Electronic Data Systems, Inc.	Unsecured Creditor	Current Client
GC Services Inc.	Unsecured Creditor	Former Client
Hewlett Packard	Unsecured Creditor	Current Client
Indostat	Unsecured Creditor	Current Client
Messner Velere Berger McNamee	Unsecured Creditor	Former client
Motorola	Unsecured Creditor	Current Client
Qwest Communications	Unsecured Creditor	Former Client
SBC Communications, Inc.	Unsecured Creditor	Current Client
Verizon Communications	Unsecured Creditor	Current Client
Wells Fargo	Unsecured Creditor	Current Client
CIT Capital Finance (TYCO)	Landlord	Current Client
Daimler Chrysler Services North America	Landlord	Affiliate of a Current Client
NYNEX	Landlord	Current Client
Pacificorp	Landlord	Former Client
The Department of Justice	Regulatory Agency	Current Client
The Federal Communications Commission (FCC)	Regulatory Agency	Former Client
Ernst & Young LLP	Accountant	Current Client
KPMG	Accountant	Current Client
PricewaterhouseCoopers LLP	Accountant	Current Client

11. In addition to the entities identified above, the following entities either (i) have a name similar to a client in the Client Database, or (ii) are or may be related to a client (collectively, the "Potential Clients"). After a diligent effort, WG&M was unable



to determine whether the similarity of names was in fact a name coincidence or whether, and to what extent, the Potential Client is related to a client in the Client Database. However, out of an abundance of caution, WG&M has confirmed that, similar to the clients identified above, WG&M does not represent any of the Potential Clients in matters related to the Debtors' chapter 11 cases.

<b>Matched Entity</b>	<b>Relation to Debtors</b>	<b>Relation to WG&amp;M</b>
Sprint	Unsecured Creditor	May be an Affiliate of a Current Client
AXA Financial, Inc.	Significant Stockholder	May be an Affiliate of a Former Client
EOP-Quadrant, LLC	Landlord	May be an Affiliate of a Current Client
Equity Office Properties	Landlord	May be an Affiliate of a Former Client
Valence Co. Technology, Inc.	Affiliate of Officer or Director	May be an Affiliate of a Current Client
MFS CableCo. US.Inc. MFS Datanet, Inc. MFS Telecom, Inc. MFS-Telephone (various) MFS/C-TEL MFSA Holdings	Filing Entity	May have Claims against a Current Client
UUNET	Filing Entity	May have Claims against a Current Client

12. To the best of my knowledge and information, the annual fees for each of the last twelve months paid to WG&M by each of the entities listed above did not exceed 2.4% of the annual gross revenue of WG&M other than General Electric Capital Corp., which accounted for 6.5% of such gross revenues.

13. Additionally, WG&M has represented, and may currently represent, entities which hold certain of the Debtors' debt in beneficial accounts on behalf of

unidentified parties. However, these entities maintain no direct financial stake in the Debtors' economic performance.

14. Because distressed bank and note debt is actively traded in the commercial markets, WG&M may be unaware of the actual holder of such debt at any given moment. Because WG&M represents in unrelated matters numerous entities that may buy and sell distressed debt of chapter 11 debtors, out of an abundance of caution, I am listing here many such entities represented by WG&M: Salomon Smith Barney, Donaldson Lufkin Jenrette, JP Morgan/Chase Manhattan Bank, Bank of America, Bay Harbour Management, Mackay Shields, Perry Corporation, Whipporwill Associates, Teachers Insurance Company, Elliott Associates, Morgens Waterfall Vintiades & Co., Oaktree Associates, Argent Capital, AIG Corporation, Leucadia Corporation, Halcyon Management Co., Bennett Management Co., Resurgence Asset Management Co., and M.D. Sass & Co. Generally, WG&M does not represent any of such entities in connection with the purchase or sale of distressed debt.

15. Additionally, WG&M has represented, may currently represent, and may in the future represent entities with respect to matters involving legal and regulatory authorities such as the Securities Exchange Commission and the Federal Trade Commission, among others, which may be involved in the Debtors chapter 11 cases.

16. WG&M has not, does not, and will not represent any of the aforementioned entities or their respective affiliates or subsidiaries, except as stated above, in matters related to the Debtors or their chapter 11 cases.

17. Contemporaneously herewith the Debtors have filed applications for authority to employ certain professionals, including other law firms. To the extent issues

may arise which would cause the Debtors to be adverse to any of WG&M's clients such that it would not be appropriate for WG&M to represent the Debtors with respect to such matters, such firms or another firm will be retained to represent the Debtors with respect to such matters.

18. WG&M will continue to apply the Firm Disclosure Procedures as additional information concerning entities having a connection with the Debtors is developed and will file appropriate supplemental disclosure with the Court.

**WG&M's Rates and Billing Practices**

19. WG&M's current customary hourly rates, subject to change from time to time, are \$375 to \$700 for members and counsel, \$200 to \$410 for associates and \$120 to \$175 for paraprofessionals in our United States offices.

20. WG&M's disbursement policies pass through all out-of-pocket expenses at actual cost or at estimated actual cost when the actual cost is hard to determine. These expenses include facsimiles, toll calls, overtime, overtime meals, computerized research, deliveries, court costs, transcript fees, travel, clerk fees, and other expenses.

21. No promises have been received by WG&M or any member, counsel or associate thereof as to payment or compensation in connection with these cases other than in accordance with the provisions of the Bankruptcy Code. WG&M has no agreement with any other entity to share with such entity any compensation received by WG&M or by such entity.

22. The Debtors' Application requests, pursuant to section 328(a) of the Bankruptcy Code, approval of their retention of WG&M on rates, terms and conditions consistent with what WG&M charges non-chapter 11 debtors, namely, prompt payment

of its hourly rates as adjusted from time to time and reimbursement of out-of-pocket disbursements at cost or based on formulae that approximate the actual cost where the actual cost is not easily ascertainable. Subject to these terms and conditions, WG&M intends to apply pursuant to section 330 of the Bankruptcy Code for allowances of compensation for professional services rendered in these chapter 11 cases and for reimbursement of actual and necessary expenses incurred in connection therewith.

23. As noted earlier, WG&M understands that the Debtors will seek to retain additional law firms as counsel in connection with the Debtors' chapter 11 cases. WG&M intends to carefully coordinate with such firms and clearly delineate their respective duties so as to prevent duplication of effort whenever possible. Rather than resulting in any extra expense to the Debtors' estates, it is anticipated that the efficient coordination of efforts of the Debtors' attorneys will greatly add to the progress and effective administration of these chapter 11 cases.

24. The foregoing constitutes the statement of WG&M pursuant to sections 327(a), 328(a), 329, and 504 of the Bankruptcy Code and Bankruptcy Rules 2014(a) and 2016(b).

/s/ Marcia L. Goldstein  
Marcia L. Goldstein

Sworn before me this 21st day  
of July, 2002

/s/ Angela M. Williams  
Notary Public

WEIL, GOTSHAL & MANGES LLP  
Attorneys for the Debtors  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000  
Martin J. Bienenstock (MB 3001)  
Brian S. Rosen (BR 0571)

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

<hr/>		<b>x</b>
<b>In re</b>	:	<b>Chapter 11</b>
	:	
<b>ENRON CORP., ET AL.,</b>	:	<b>Case No. 01-16034 (____)</b>
	:	
<b>Debtors.</b>	:	<b>Jointly Administered</b>
<hr/>		<b>x</b>

**AFFIDAVIT OF BRIAN S. ROSEN AND DISCLOSURE STATEMENT  
ON BEHALF OF WEIL, GOTSHAL & MANGES LLP PURSUANT TO 11  
U.S.C. §§ 327(a), 328(a), 329 AND 504 AND FEDERAL RULES OF BANKRUPTCY  
PROCEDURE 2014(a) AND 2016(b) IN SUPPORT OF APPLICATION OF  
DEBTORS FOR ORDER AUTHORIZING EMPLOYMENT AND RETENTION  
OF WEIL, GOTSHAL & MANGES LLP AS ATTORNEYS FOR THE DEBTORS**

STATE OF TEXAS                     )  
  )     ss:  
COUNTY OF HARRIS               )

BRIAN S. ROSEN, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WG&M" or the "Firm"), an international law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Houston and Dallas, Texas, Washington, D.C., Miami, Florida, and Redwood Shores, California; and international offices in London, United Kingdom, Frankfurt, Germany, Budapest, Hungary, Warsaw, Poland, Brussels, Belgium, and Prague, The Czech Republic. I am resident in the Firm's New York office.

2. I submit this affidavit in connection with the application of Enron Corp. and certain of its affiliates, as debtors in possession (collectively, the "Debtors"), for authorization to employ WG&M as their attorneys in the above-captioned chapter 11 cases and in compliance with sections 327(a), 328(a), 329 and 504 of title 11 of the United States Code (the "Bankruptcy Code"), as well as to provide disclosure required under Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

3. Unless otherwise stated in this affidavit, I have personal knowledge of the facts set forth herein. To the extent that any information disclosed herein requires amendment or modification upon WG&M's completion of further analysis or as additional creditor information becomes available to it, a supplemental affidavit will be submitted to the Court reflecting such amended or modified information.

4. Neither I, WG&M, nor any member of, associate of, or of counsel to the Firm represents any entity (or its attorneys or accountants) other than the Debtors in connection with the Debtors' chapter 11 cases. In addition, except as set forth herein, to the best of my knowledge, after due inquiry, neither I, WG&M, nor any member of, counsel to, or associate of the Firm represents any party in interest (or its attorneys or accountants) in these chapter 11 cases in matters unrelated to the Debtors' chapter 11 cases.

5. Certain interrelationships exist among the Debtors. Nevertheless, the Debtors have advised WG&M that the Debtors' relationships to each other do not pose any conflict of interest because of the general unity of interest among the Debtors. Insofar as I have been able to ascertain, I know of no conflict of interest that would preclude WG&M's joint representation of the Debtors in these cases.

6. WG&M is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code in that WG&M, its members, counsel, and associates:

- a. are not creditors or insiders of the Debtors;
- b. are not and were not investment bankers for any outstanding security of the Debtors;
- c. have not been, within three years before the date of this affidavit, (i) investment bankers for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors;
- d. are not and were not, within two years before the date of this affidavit, a director, officer, or employee of the Debtors or any investment banker as specified in subparagraph (b) or (c) of this paragraph; and
- e. has certain relationships with certain creditors, other parties in interest, and other professionals in connection with unrelated matters, but has not

represented any such party in connection with matters relating to the Debtors, except as set forth herein.

7. In October 2001, WG&M was engaged to advise the Debtors in connection with strategic alternatives and financial restructuring and bankruptcy matters. In that regard, WG&M represented Enron Corp. in connection with its attempted merger with Dynegy. Thereafter, upon termination of the merger, WG&M became primarily responsible for the preparation of the chapter 11 petitions for the Debtors and the initial motions, applications, and affidavits relating to these chapter 11 cases. Additionally, WG&M represents certain of the Debtors and their affiliated non-debtor entities in other non-bankruptcy related matters.

8. WG&M is not a creditor of the Debtors. Within the year prior to the commencement of the Debtors' chapter 11 cases, WG&M received payment from the Debtors of approximately \$3.4 million for professional services rendered and expenses incurred by WG&M prior to the date hereof. In addition, WG&M currently holds a retainer of approximately \$4 million for payment of professional services to be rendered and expenses to be incurred with respect to these chapter 11 cases.

9. WG&M has in the past represented, currently represents, and may in the future represent entities that are claimants or interest holders of the Debtors in matters totally unrelated to the Debtors' pending chapter 11 cases. WG&M, which employs over 1,000 attorneys, has a large and diversified legal practice that encompasses the representation of many financial institutions and commercial corporations, some of which are or may consider themselves to be creditors or parties in interest in the Debtors' pending chapter 11 cases or to otherwise have interests in these cases.

#### **WG&M Disclosure Procedures**

10. In preparing this affidavit, I used a set of procedures developed by WG&M to ensure full compliance with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and any local rules of the Court regarding the retention of professionals by a debtor under the Bankruptcy Code (the "Firm Disclosure Procedures"). Pursuant to the Firm Disclosure Procedures, I performed, or caused to be performed, the following actions to identify the parties relevant to this affidavit and to ascertain WG&M's connection to such parties:

- a. Using information provided by the Debtors, and additional information identified by WG&M, a list of the names of entities who may be parties in interest to these chapter 11 cases (the "Potential Parties In Interest") was assembled.
- b. WG&M then compared each of the Potential Parties In Interest to the names that WG&M has compiled into a master client database from its conflict clearance and billing records, comprised of the names of the entities for which any attorney time charges have been billed since the database was first created approximately nineteen years ago (the "Client Database"). The Client Database includes the name of each current or former client, the name of the parties who are or were related or adverse to



such current or former client, and the names of the WG&M personnel who are or were responsible for current or former matters for such client.

- c. Any matches between the Client Database and the list of Potential Parties In Interest were identified (the "Client Match List"), together with the names of the respective WG&M personnel responsible for current or former matters for the entities on the Client Match List.
- d. An attorney then reviewed the Client Match List and deleted obvious name coincidences and entities that were adverse to WG&M's client in both this matter and the matter referenced on the Client Match List. The remaining client connections with regard to which WG&M had represented the client within the last two years were compiled for purposes of this Affidavit.

11. In addition to the foregoing, a general inquiry to all WG&M personnel was sent by e-mail to determine whether (i) any such individuals held any securities of or claims against the Debtors and (ii) any such individuals were ever employed by the Debtors. In response to this e-mail, the following relationships between WG&M personnel and the Debtors were ascertained: (a) the mother of Melanie Gray (a member of the Firm and one of the lead attorneys in these cases) holds stock in the Debtors; (b) Susman Godfrey LLP, the law firm in which Melanie Gray's husband is a partner, represents Enron Corp. in a number of securities actions filed against it; (c) the husband and brother-in-law of Sylvia Baker, of counsel working on these chapter 11 cases, are employed by the Debtors; and (d) several WG&M lawyers and support staff and/or their family members hold stock in the Debtors and/or are or were employed by the Debtors or one of their affiliated entities. It should be noted that WG&M has a long-standing policy prohibiting all lawyers and support staff from using confidential information that may come to their attention in the course of their work. In this regard all personnel are barred from trading in securities with respect to which they possess confidential information.

#### **WG&M's Connections with Parties in Interest in Matters Unrelated to the Chapter 11 Case**

12. Following the foregoing procedures, the remaining entities in the Client Match List in which WG&M had represented the client within the last two years was reviewed by an attorney working under my supervision and from such review it was determined that, in respect of each connection between WG&M and such parties, WG&M does not hold or represent an interest that is adverse to the Debtors' estate, and that WG&M is a "disinterested person" as such term is defined in section 101(14) of the Bankruptcy Code for the reasons discussed below.

13. WG&M previously has represented, currently represents, and may represent in the future the entities described below (or their affiliates), in matters totally unrelated to the Debtors. The following lists are the product of implementing the Firm Disclosure Procedures described above and are based on the relationship of the indicated entities with the Debtors, arranged under the following categories: (a) the Debtors and their affiliates, (b) officers and directors of the Debtors, (c) professionals representing the Debtors and other parties in interest, (d) secured creditors, (e) the Debtors' lenders, (f)

the twenty largest unsecured non-insider creditors of each Debtor, (g) 5% stockholders of each of the Debtors, (h) indenture trustees, (i) principal landlords of the Debtors and (j) other potentially adverse parties in interest.

- a. The Debtors and their Non-Debtor Affiliates. WG&M has not represented the Debtors or their non-Debtor affiliates in any capacity that was adverse or potentially adverse to the Debtors.
- b. Officers or Directors. WG&M has not represented any of the Debtors' officers or directors.
- c. Professionals Representing the Debtors and Other Parties in Interest. As a routine part of its practice, WG&M appears in cases, proceedings, and transactions involving many different attorneys, accountants, financial consultants, real estate consultants and investment bankers, including other professionals representing the Debtors and other parties in interest. In certain instances, such professionals may be direct clients of WG&M. For example, WG&M has represented and continues to represent Deloitte & Touche LLP (accountants for the Special Committee of the Board of Directors) and Arthur Andersen (the Debtors' prepetition accountants) in matters unrelated to these chapter 11 cases. WG&M has been both aligned with and adverse to Deloitte & Touche LLP and Arthur Andersen in a number of matters unrelated to these cases.

In addition, the Debtors have hired a number of professionals in the ordinary course of their businesses. WG&M does not represent and has not represented any of the Debtors' ordinary course professionals in connection with these chapter 11 cases. However, of the professionals that provide a significant amount of legal services to the Debtors, each of the following entities may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, or (3) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph. The ordinary course professionals with which WG&M may have a relationship are: Allen & Overy; Arent Fox Kintner Plotkin & Kahn; Baker & Botts LLP; Bingham Dana; Davis Wright Tremaine LLP; Figueroa Sierra & Asociados; Filteau Sullivan & O'Rourke P.C.; Foley & Lardner; Fulbright & Jaworski; Gibson Dunn & Crutcher LLP; Gorrisen Federspiel Kierkegaard; Gowling Lafleur Henderson LLP; Hahn Loeser Parks LLP; Holland & Knight LLP; Kim & Chang; Kirkland & Ellis; Mayer Brown & Platt; Mayor Day Caldwell & Keeton; McDermott Will & Emery; Milbank Tweed Hadley & McCloy; Morrison & Foerster LLP; Olser Hoskin & Harcourt LLP; O'Melveny & Myers LLP; Piper Marbury

Rudnick & Wolfe; Poten & Partners Inc.; Simmons & Simmons; Stikeman Elliot; Sutherland Asbill & Brennan LLP; and Trenite Van Doorne.

In addition, the Debtors employ the law firm of Rajah & Tann in the ordinary course of their businesses. WG&M has a professional affiliation with this Singapore firm.

WG&M has not and will not represent any of the aforementioned parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

- d. Secured Creditors. WG&M does not represent and has not represented any of the Debtors' secured creditors in connection with these chapter 11 cases.
- e. The Debtors' Lenders. WG&M does not represent and has not represented any of the Debtors' lenders in connection with these chapter 11 cases. However, each of the entities listed in this paragraph and/or their affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph and/or their affiliates. The lenders with which WG&M may have relationships are: ABN Amro Bank, Ltd.; AIG Global Investment Corp.; ANZ Investment Bank; Allied Irish Bank; American Express Bank; BNP-Paribas; BSCH-Banco Santander; Banco Espirito Santo; Bank Austria Creditanstalt; Bank One Capital Markets; Bank Polska Kasa Opieki, S.A.; Bank of America; Bank of Montreal; Bank of New York; Bank of Nova Scotia; Bank of Scotland; Bank of Tokyo-Mitsubishi Ltd.; Barclays Bank PLC; Bayerische Hypo-Und Vereinsbank; Bayerische Landesbank; Bear, Stearns & Co., Inc.; CIBC Oppenheimer; Citigroup—Salomon Smith Barney; Comerica Inc.; Commerzbank; Credit Agricole Indosuez; Credit Local de France (Dexia); Credit Lyonnais; Credit Suisse First Boston; DG Bank; De Nationale Inversteringsbank N.V. (DNIB); Den Danske Bank Aktieselskab; Deutsche Banc Alex Brown; Development Bank of Singapore; Donaldson, Lufkin & Jenrette; Dresdner Kleinwort Wasserstein/Allianz; Erste Bank; Export Import Bank; Fleet Boston Financial; Fortis Bank; GE Capital; Goldman Sachs & Co.; HSBC; Hitachi Credit America; ING Bank

(BBL/BHF); JP Morgan Chase; John Hancock Advisors/Mutual Life Insurance Company; KBC-Bank; Key Bank (formerly Society National Bank); Lehman Brothers, Inc.; Lloyd's; Merrill Lynch Capital Markets; Merrill Lynch Insurance Group, Inc.; Midland Bank PLC; Mizuho Financial Group (DKB); Mizuho Financial Group (Fuji); Mizuho Financial Group (IBJ); Morgan Stanley; Natexis Banque; National Australia Bank, Ltd.; National Bank of Canada; Nordea Bank (formerly Christiania, Merita, Nordbanken and Unibank); Northern Trust Bank; Norwich Union; Overseas Private Investment Corporation (OPIC); Prudential Capital Group; Prudential Insurance Company of America; RZB Finance; Rabobank Nederland; Royal Bank of Canada; Royal Bank of Scotland; Sanwa Bank Limited; Societe Generale; St. Paul Fire and Marine; Standard Chartered Bank; Sumitomo Mitsui Banking Corp.; Sumitomo Trust & Banking Co.; Suntrust Bank; TD Securities; Toyo Trust and Banking Co., Ltd.; UBS Warburg; US Bank; USAA Investment Management; Unicredito Italiano; Union Bank of California; Wachovia Bank; Washington Mutual; Wells Fargo Bank (Texas), N.A.; Westdeutsche Landesbank; and Wilmington Trust Company. WG&M has not and will not represent any of the aforementioned lenders, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

- f. Twenty Largest Unsecured Creditors. WG&M does not represent and has not represented any of the Debtors' twenty largest unsecured non-insider creditors in connection with these chapter 11 cases.<sup>1</sup> WG&M will file a supplemental affidavit disclosing its relationships, if any, with additional creditors identified since November 28, 2001. However, each of the entities listed in this paragraph and/or their affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph and/or their affiliates. The unsecured creditors with whom WG&M may have relationships are: CAP Gemini Ernst & Young US LLC; Conoco, Inc.; Dow Chemical Company; E.I.

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<sup>1</sup> With regard to creditors identified as of November 28, 2001, WG&M does not represent and has not represented any of the Debtors' twenty largest unsecured non-insider creditors in connection with these chapter 11 cases. WG&M will file a supplemental affidavit disclosing its relationships, if any, with additional creditors identified since November 28, 2001.

DuPont de Nemours and Co.; Itochu Petroleum Co.; Northeast Utilities Service Company; SAP America, Inc.; Shell Chemical Co.; Shell U.K. Oil; Statoil Energy Trading Inc.; and Tosco Refining Company. WG&M has not and will not represent any of the aforementioned creditors, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

- g. Debtors' 5% Stockholders. WG&M does not represent and has not represented any of the Debtors' 5% stockholders in connection with these chapter 11 cases. However, AXA Financial, Inc. and/or its affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to AXA Financial, Inc. and/or its affiliates. WG&M has not and will not represent AXA Financial, Inc., or any of its affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.
- h. Indenture Trustees. WG&M does not represent and has not represented any of the Debtors' indenture trustees in connection with these chapter 11 cases. However, Harris Trust and Savings Bank and Bank of New York and/or their affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph and/or their affiliates. WG&M has not and will not represent any of the aforementioned parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.
- i. Principal Landlords. WG&M has not represented any of the Debtors' landlords in any capacity that was adverse or potentially adverse to the Debtors.

- j. Other Significant Relationships. WG&M does not represent and has not represented any other significant parties in interest in connection with these chapter 11 cases. However, each of the entities listed in this paragraph and/or their affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph and/or their affiliates. The other parties with which the Debtors have relationships and WG&M has or may have a relationship are: AEP; Bethlehem Steel; Duke Energy; BP Amoco; El Paso Energy; General Electric; Chevron/Texaco; LTV; Pacific Gas & Electric Company; Polaroid Corp.; Owens Corning; and Rhythms NetConnections.

In particular, WG&M has represented and currently represents PG&E Corporation in connection with, among other things, PG&E Corporation's role as a co-proponent of the chapter 11 plan of reorganization for PG&E Corporation's subsidiary, Pacific Gas & Electric Company. Enron is a former member of the unsecured creditors' committee of Pacific Gas & Electric Company. WG&M has also represented PG&E Corporation in connection with other matters and has represented its affiliate PG&E National Energy Group ("PG&E NEG").

Enron and WG&M have agreed that WG&M may continue to represent PG&E Corporation and PG&E NEG, including in connection with the Pacific Gas & Electric Company chapter 11 case, in which Enron may have an adverse interest. WG&M will not advise Enron in any manner as to claims that PG&E Corporation may have against Enron or that Enron may have against PG&E. In addition, WG&M will not represent Enron with respect to: (1) Public Utility Holding Act issues; (2) Federal Energy Regulatory Commission issues; (3) California Public Utility Commission issues; and (4) taking the legal position that any trading agreement substantially similar to trading agreements between Enron and PG&E is outside the scope or not governed by the provisions of section 560 of the Bankruptcy Code. In each of the foregoing instances, the Debtors shall utilize the services of special or co-counsel.

Furthermore, no WG&M attorney who has in the past, does currently, or will in the future advise PG&E Corporation or any of its affiliates will

advise Enron with respect to any matter, except (i) any attorney who devoted less than 50 hours of time to the representation of PG&E Corporation and (ii) Glenn D. West, Jay Tabor, Paul Asofsky, Charles Harrell, Mary Jean Potenzzone, Jeffrey Gleit, Patricia Lindloff, Dawn Stout, Katharine Caplan, Kelli Walsh and John Tobola, each of whom will advise Enron and, to the extent requested by PG&E Corporation, continue to advise PG&E on matters unrelated to any claim by Enron against PG&E or its affiliates.

WG&M represents the Statutory Committee of Unsecured Creditors of Costilla Energy, Inc. (the "Committee") in the chapter 11 case of Costilla Energy, Inc. ("Costilla"). Costilla has emerged from chapter 11. In connection with Costilla's plan of reorganization, George G. Hicks, chairman of the Committee, was appointed Litigation Trustee to pursue causes of action on behalf of the Debtor's estate. On August 31, 2001, Mr. Hicks, in his capacity as Litigation Trustee, filed a lawsuit in Zapata County, Texas against Enron and certain of its affiliated entities on behalf of Costilla's bankruptcy estate. Mr. Hicks has retained separate counsel to represent him in such litigation.

Because Enron is a very large corporation and because claims are bought and sold on a daily basis, there is a possibility that present or former clients of WG&M hold claims against or have rendered services to Enron without WG&M being aware of same. Therefore, out of an abundance of caution, WG&M is disclosing herein the names of certain present or former clients of WG&M who may become involved in these cases as debt or equity holders or professionals without WG&M being contemporaneously aware of same. WG&M has represented or is representing in unrelated matters Ernst & Young, LLP, KPMG Peat Marwick, and Arthur Andersen. WG&M has in the past and may now represent certain entities that sometimes buy, sell or invest in distressed assets or securities, including, without limitation: Goldman Sachs, Lehman Brothers, Perry Corporation, Leucadia Corporation, Deutsche Bank, Elliott Associates, Whipporwill Associates, Bay Harbour Management, Argent Classic Fund, Angelo Gordon, McKay Shields, Morgens Waterfall, and Vintiadis & Co.

WG&M has not and will not represent any of the aforementioned parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases. To the extent that the Debtors should find themselves in a position adverse to any of the parties with whom WG&M has a relationship unrelated to these cases, WG&M has advised the Debtors they may need to retain separate counsel to pursue any adverse action against such parties.

**WG&M's Rates and Billing Practices**

14. WG&M's current customary hourly rates, subject to change from time to time, are \$410-700 for members and counsel, \$200-450 for associates and \$50-175 for paraprofessionals in our United States offices.

15. No promises have been received by WG&M or any member, counsel or associate thereof as to payment or compensation in connection with this case other than in accordance with the provisions of the Bankruptcy Code. WG&M has no agreement with any other entity to share with such entity any compensation received by WG&M or by such entity.

16. The Debtors' Application requests, pursuant to Bankruptcy Code section 328(a), approval of their retention of WG&M on terms and conditions WG&M charges non-title debtors, namely, prompt payment of its hourly rates as adjusted from time to time and reimbursement of out-of-pocket disbursements at cost or based on formulas that approximate the actual cost where the actual cost is not easily ascertainable. Subject to these terms and conditions, WG&M intends to apply for compensation for professional services rendered in these chapter 11 cases and for reimbursement of actual and necessary expenses incurred in connection therewith, in accordance with the provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Local Rules and orders of the Court.

17. The foregoing constitutes the statement of WG&M pursuant to sections 327(a), 328(a), 329 and 504 of the Bankruptcy Code and Rules 2014(a) and 2016(b) of the Bankruptcy Rules.

/s/ Brian S. Rosen

\_\_\_\_\_  
Brian S. Rosen

A Member of the Firm



STATE OF HARRIS                    )  
  )     ss:  
COUNTY OF HARRIS                )

Subscribed to and sworn to before me, a notary public for the State and City aforesaid on  
this \_\_\_\_\_ day of \_\_\_\_\_, 2001

/s/ LaRae Lankford  
Notary Public  
My Commission Expires: March 4, 2005



WEIL, GOTSHAL & MANGES LLP  
Attorneys for the Debtors  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000  
Martin J. Bienenstock (MB 3001)  
Brian S. Rosen (BR 0571)  
**UNITED STATES BANKRUPTCY COURT**  
**SOUTHERN DISTRICT OF NEW YORK**

_____		X
	:	
In re	:	Chapter 11
	:	
ENRON CORP., ET AL.,	:	Case No. 01-16034 (AJG)
	:	
	:	Jointly Administered
Debtors.	:	
-----		X

**FIRST SUPPLEMENTAL AFFIDAVIT OF BRIAN S. ROSEN AND  
DISCLOSURE STATEMENT ON BEHALF OF WEIL, GOTSHAL &  
MANGES LLP PURSUANT TO 11 U.S.C. §§ 327(a), 328(a), 329 AND 504  
AND FEDERAL RULES OF BANKRUPTCY PROCEDURE 2014(a)  
AND 2016(b) IN SUPPORT OF APPLICATION OF DEBTORS FOR  
ORDER AUTHORIZING EMPLOYMENT AND RETENTION OF  
WEIL, GOTSHAL & MANGES LLP AS ATTORNEYS FOR THE DEBTORS**

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

BRIAN S. ROSEN, being duly sworn, deposes and says:

1. I am a member of the firm of Weil, Gotshal & Manges LLP ("WG&M" or the "Firm"), an international law firm with principal offices at 767 Fifth Avenue, New York, New York 10153; regional offices in Houston and Dallas, Texas, Washington, D.C., Miami, Florida, and Redwood Shores, California; and international offices in London, United Kingdom, Frankfurt, Germany, Budapest, Hungary, Warsaw, Poland, Brussels, Belgium, and Prague, The Czech Republic. I am resident in the Firm's New York office.

2. On December 3, 2001, WG&M filed with the Court the Affidavit of Brian S. Rosen and Disclosure Statement on Behalf Of Weil, Gotshal & Manges LLP Pursuant to 11 U.S.C. §§ 327(a), 328(a), 329 and 504 and Federal Rules of Bankruptcy

Procedure 2014(a) and 2016(b) in Support of Application of Debtors For Order Authorizing Employment and Retention of Weil, Gotshal & Manges LLP As Attorneys For The Debtors (the "Initial Affidavit"). In the Initial Affidavit, WG&M stated that supplemental affidavits would be filed as new information was obtained.

3. I submit this first supplemental affidavit (the "First Supplemental Affidavit") in connection with the Initial Affidavit and application of Enron Corp. ("Enron") and certain of its affiliates, as debtors in possession (collectively, the "Debtors"), for authorization to employ WG&M as their attorneys in the above-captioned chapter 11 cases and in compliance with sections 327(a), 328(a), 329 and 504 of title 11 of the United States Code (the "Bankruptcy Code"), as well as to provide supplemental disclosure required in accordance with Rules 2014(a) and 2016(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").<sup>1</sup>

4. Unless otherwise stated in this First Supplemental Affidavit, I have personal knowledge of the facts set forth herein. To the extent that any information disclosed herein requires amendment or modification upon WG&M's completion of further analysis or as additional creditor information becomes available to it, subsequent supplemental affidavits will be submitted to the Court reflecting such amended or modified information.

5. Neither I, WG&M, nor any member of, associate of, or of counsel to the Firm represents any entity (or its attorneys or accountants) other than the Debtors in connection with the Debtors' chapter 11 cases. In addition, except as set forth herein, to the best of my knowledge, after due inquiry, neither I, WG&M, nor any member of, counsel to, or associate of the Firm represents any party in interest (or its attorneys or accountants) in these chapter 11 cases in matters unrelated to the Debtors' chapter 11 cases.

6. Certain interrelationships exist among the Debtors. Nevertheless, the Debtors have advised WG&M that the Debtors' relationships to each other do not pose any conflict of interest because of the general unity of interest among the Debtors. Insofar as I have been able to ascertain, I know of no conflict of interest that would preclude WG&M's joint representation of the Debtors in these cases.

7. WG&M is a "disinterested person," as that term is defined in section 101(14) of the Bankruptcy Code in that WG&M, its members, counsel, and associates:

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<sup>1</sup> As set forth more fully below, on December 2, 2001 (the "Petition Date"), Enron and thirteen (13) of its affiliates and subsidiaries filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Subsequent thereto, and as of the date hereof, twenty-three (23) additional related entities have filed voluntary petitions under chapter 11 of the Bankruptcy Code.

- a. are not creditors or insiders of the Debtors;
- b. are not and were not investment bankers for any outstanding security of the Debtors;
- c. have not been, within three years before the date of this affidavit, (i) investment bankers for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors;
- d. are not and were not, within two years before the date of this affidavit, a director, officer, or employee of the Debtors or any investment banker as specified in subparagraph (b) or (c) of this paragraph; and
- e. has certain relationships with certain creditors, other parties in interest, and other professionals in connection with unrelated matters, but has not represented any such party in connection with matters relating to the Debtors, except as set forth herein.

8. As noted in the Initial Affidavit, in October 2001, WG&M was engaged to advise the Debtors in connection with strategic alternatives and financial restructuring and bankruptcy matters. In that regard, WG&M represented Enron in connection with its attempted merger with Dynegy. Thereafter, upon termination of the merger, WG&M became primarily responsible for the preparation of the chapter 11 petitions for the Debtors and the motions, applications, and affidavits relating to these chapter 11 cases. Additionally, WG&M represents certain of the Debtors and their affiliated non-debtor entities in other non-bankruptcy-related matters.

9. WG&M is not a creditor of the Debtors. Within the year prior to the commencement of the Debtors' chapter 11 cases, WG&M received payment from the Debtors of approximately \$3.4 million for professional services rendered and expenses incurred by WG&M prior to the date hereof. In addition, WG&M currently holds a retainer of approximately \$4 million for payment of professional services to be rendered and expenses to be incurred with respect to these chapter 11 cases.

10. WG&M has in the past represented, currently represents, and may in the future represent entities that are claimants or interest holders of the Debtors in matters totally unrelated to the Debtors' pending chapter 11 cases. WG&M, which employs over 1,000 attorneys, has a large and diversified legal practice that encompasses the representation of many financial institutions and commercial corporations, some of which are or may consider themselves to be creditors or parties in interest in the Debtors' pending chapter 11 cases or to otherwise have interests in these cases.

## **WG&M Disclosure Procedures**

11. In preparing this First Supplemental Affidavit, I used a set of procedures developed by WG&M to ensure full compliance with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and any local rules of the Court regarding the retention of professionals by a debtor under the Bankruptcy Code (the "Firm Disclosure Procedures"). Pursuant to the Firm Disclosure Procedures, I performed, or caused to be performed, the following actions to identify the parties relevant to this First Supplemental Affidavit and to ascertain WG&M's connection to such parties:

- a. Using information provided by the Debtors, and additional information identified by WG&M, a list of the names of entities who may be parties in interest to these chapter 11 cases (the "Potential Parties In Interest") was assembled.
- b. WG&M then compared each of the Potential Parties In Interest to the names that WG&M has compiled into a master client database from its conflict clearance and billing records, comprised of the names of the entities for which any attorney time charges have been billed since the database was first created approximately nineteen years ago (the "Client Database"). The Client Database includes the name of each current or former client, the name of the parties who are or were related or adverse to such current or former client, and the names of the WG&M personnel who are or were responsible for current or former matters for such client.
- c. Any matches between the Client Database and the list of Potential Parties In Interest were identified (the "Client Match List"), together with the names of the respective WG&M personnel responsible for current or former matters for the entities on the Client Match List.
- d. An attorney then reviewed the Client Match List and deleted obvious name coincidences and entities that were adverse to WG&M's client in both this matter and the matter referenced on the Client Match List. The remaining client connections with regard to which WG&M had represented the client within the last two years were compiled for purposes of the Initial Affidavit and this First Supplemental Affidavit.

12. In addition to the foregoing, a general inquiry to all WG&M personnel was sent by e-mail to determine whether (i) any such individuals held any securities of or claims against the Debtors and (ii) any such individuals were ever

employed by the Debtors. In response to this e-mail, and as described in the Initial Affidavit, the following relationships between WG&M personnel and the Debtors were ascertained:

- a. The mother of Melanie Gray (a member of the Firm and one of the lead attorneys in these cases) holds stock in Enron. Ms. Gray does not have control over her mother's investments, including her mother's ownership of Enron stock. Ms. Gray resides in Texas, and her mother resides in Florida. WG&M has been advised that Ms. Gray's mother controls her own stock portfolio, and her stock investments are not held in trust.
- b. Susman Godfrey LLP, the law firm in which Melanie Gray's husband is a partner, represents Enron in a number of securities actions filed against it.
- c. The husband and brother-in-law of Sylvia Baker, of counsel working on these chapter 11 cases, are employed by the Debtors. Ms. Baker's husband is a director in the Transaction Support Department.<sup>2</sup> The title "director" indicates his level of responsibility within the department. Mr. Baker is neither an officer nor a director of Enron or any of its subsidiaries. Through Mr. Baker's participation in Enron's 401(k) plan, as of December 7, 2001, Mr. Baker had invested \$70.53 in 94.333 shares of Enron common stock. The 401(k) plan is structured to prohibit transfers of an amount less than one percent (1%) of the total balance. As a result, Mr. Baker is unable to divest himself of these shares. Prior to the Petition Date, Sylvia Baker's brother-in-law was a Manager in the Forest Products division of Enron Industrial Markets. However, his position was terminated on or about Monday, December 3, 2001. He continues to own Enron common stock through Enron's 401(k) plan. Ms. Baker is not an "insider" as that term is defined in 11 U.S.C. § 101(31)(B). Ms. Baker, her husband, and her brother-in-law are not, nor were they ever, a director of a Debtor, an officer of a Debtor, a person

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<sup>2</sup> In connection with the proposed merger with Dynegy, Mr. Baker executed an employment agreement and received a signing bonus in connection therewith. Thereafter, prior to the bankruptcy filing, Mr. Baker was also paid a retention bonus and, similar to other employees receiving such a retention bonus, executed an agreement whereby he agreed to either continue working at Enron for at least ninety (90) days or repay 125% of the bonus received.

in control of a Debtor, or a relative of a general partner, director, officer, or person in control of a Debtor.

- d. Several WG&M lawyers and support staff and/or their family members hold stock in the Debtors and/or are or were employed by the Debtors or one of their affiliated entities. It should be noted that WG&M has a long-standing policy prohibiting all lawyers and support staff from using confidential information that may come to their attention in the course of their work. In this regard, all personnel are barred from trading in securities with respect to which they possess confidential information. Furthermore, WG&M has requested that all members of the Firm divest themselves of any Enron stock owned and donate any proceeds derived therefrom to charity and associates holding stock are prohibited from trading Enron securities.
- e. Dulce Stenglein, the wife of WG&M partner Mike Stenglein, represents current and former executives of the Debtors in litigation stemming from the Debtors' current financial situation. However, as described in paragraph 14(j), Mike Stenglein is restricted from representing the Debtors in any capacity.

#### **WG&M's Connections with Parties in Interest in Matters Unrelated to the Chapter 11 Cases**

13. Following the foregoing procedures, the remaining entities in the Client Match List in which WG&M had represented the client within the last two years was reviewed by an attorney working under my supervision and, from such review, it was determined that, in respect of each connection between WG&M and such parties, WG&M does not hold or represent an interest that is adverse to the Debtors' estate, and that WG&M is a "disinterested person," as such term is defined in section 101(14) of the Bankruptcy Code for the reasons discussed below.

14. WG&M previously has represented, currently represents, and may represent in the future the entities described below (or their affiliates), in matters totally unrelated to the Debtors. The following lists are the product of implementing the Firm Disclosure Procedures described above and are intended to supplement the lists as described in the Initial Affidavit.<sup>3</sup> These lists are based on the relationship of the

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<sup>3</sup> As a supplement to the Initial Affidavit, WG&M is herein disclosing its relationships, if any, with entities related to the Debtors identified as of January 16, 2001. WG&M will



indicated entities with the Debtors, arranged under the following categories: (a) the Debtors and their affiliates, (b) officers and directors of the Debtors, (c) professionals representing the Debtors and other parties in interest, (d) secured creditors, (e) the Debtors' lenders, (f) the twenty largest unsecured non-insider creditors of each Debtor, (g) 5% stockholders of each of the Debtors, (h) indenture trustees, (i) principal landlords of the Debtors and (j) other potentially adverse parties in interest.

- a. The Debtors and their Non-Debtor Affiliates. As disclosed in the Initial Affidavit, WG&M has not represented the Debtors or their non-Debtor affiliates in any capacity that was adverse or potentially adverse to the Debtors.
- b. Officers or Directors. Except as provided herein, WG&M has not represented any of the Debtors' officers or directors. WG&M has represented, on an indirect or unrelated basis, entities and/or individuals associated with Ronnie Chan, a member of Enron's Board of Directors, and has provided legal advice to Mr. Chan in connection with such representations. WG&M does not believe such representation of, counseling of, or advising Mr. Chan is adverse or potentially adverse to the Debtors.
- c. Professionals Representing the Debtors and Other Parties in Interest. Other than as disclosed in the Initial Affidavit, no supplemental disclosure information has been identified with respect to professionals representing the Debtors and other parties in interest or any of the Debtors' ordinary course professionals. WG&M has not and will not represent any of the previously disclosed professionals, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

As disclosed in the Initial Affidavit, WG&M has represented and continues to represent Arthur Andersen (the Debtors' prepetition accountants) in matters unrelated to these chapter 11 cases. WG&M will not represent the Debtors in litigation matters adverse to Arthur Andersen. As set forth in paragraphs 14(j) and (m) hereof, the Debtors shall utilize the services of special or co-counsel in connection with any such litigation.

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continue to file supplemental affidavits disclosing relationships, if any, with additional creditors and other related entities identified after January 16, 2001.

Additionally, as noted in the Initial Affidavit, WG&M has a relationship with Rajak C. Tann, a law firm that provides legal services to the Debtors in Asia, pursuant to which the respective law firms provide supporting legal services.

- d. Secured Creditors. As disclosed in the Initial Affidavit, WG&M does not represent and has not represented any of the Debtors' secured creditors in connection with these chapter 11 cases. WG&M has not and will not represent any of the previously disclosed parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

In an abundance of caution WG&M is hereby disclosing that it represents GE Capital Corporation ("GECC") in matters unrelated to the Debtors' chapter 11 cases. GECC has asserted that it may be, among other things, a secured creditor of the Debtors. To the extent that the Debtors are adverse to GECC, WG&M will not represent the Debtors in connection with such disputes and Togut, Segal & Segal LLP ("TS&S"), co-counsel to the Debtors, shall represent the Debtors.

- e. The Debtors' Lenders. Other than as disclosed in the Initial Affidavit, no supplemental disclosure information has been identified with respect to any of the Debtors' prepetition or postpetition lenders. WG&M has not and will not represent any of the previously disclosed lenders, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

- f. Twenty Largest Unsecured Creditors. As a supplement to the Initial Affidavit, WG&M is herein disclosing its relationships, if any, with the Debtors' twenty largest unsecured non-insider creditors identified as of January 16, 2001. WG&M will continue to file supplemental affidavits disclosing relationships, if any, with additional creditors and other related entities identified after January 16, 2001.

WG&M does not represent and has not represented any of the Debtors' twenty largest unsecured non-insider creditors in connection with these chapter 11 cases. However, in addition to the entities disclosed in the Initial Affidavit, each of the entities listed in this paragraph and/or their affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current

client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph and/or their affiliates. The unsecured creditors with whom WG&M may have relationships are: Al Rajhi Bank, Verizon Wireless, Verizon California, Pacific Gas & Electric Co., Duke Energy Transport and Trading Company, El Paso Offshore Gathering and Transmission Company, Dynegy Liquids Marketing and Trade, ExxonMobil Gas Marketing Company, El Paso Merchant Energy, L.P., Duke Energy NGL Services, LLC, Duke Energy Merchants LLC, Morgan Stanley Capital Group Inc., KPMG LLP, Compaq Computer Corp., Dun & Bradstreet, Reuters America Inc., Corestaff Services, Corporate Express, Cingular Wireless, Shell Chemical Company, Consolidated Edison Company, Penske Logistics, Lucent Technologies and BP Amoco Oil. WG&M has not and will not represent any of the aforementioned creditors, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases. As set forth in paragraph 14(m) hereof, to the extent WG&M determines that it is unable to perform services for the Debtors with respect to any of the aforementioned creditors, such services shall be performed by special or co-counsel for the Debtors.

- g. Debtors' 5% Stockholders. Other than as disclosed in the Initial Affidavit, WG&M does not represent and has not represented any of the Debtors' 5% stockholders in connection with these chapter 11 cases. WG&M has not and will not represent any of the previously disclosed parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.
- h. Indenture Trustees. WG&M does not represent and has not represented any of the Debtors' indenture trustees in connection with these chapter 11 cases. However, in

addition to the entities disclosed in the Initial Affidavit, Wells Fargo Bank Minnesota, N.A. ("Wells Fargo") is a current client of WG&M in matters unrelated to these cases. WG&M represents Wells Fargo, as Indenture Trustee, in connection with the issuance of secured public debt in the pending Fruit of the Loom chapter 11 cases. WG&M has not and will not represent any of the previously disclosed parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

- i. Principal Landlords. WG&M has not represented any of the Debtors' landlords in any capacity that was adverse or potentially adverse to the Debtors. Additionally, based upon the distribution of responsibility among the Debtors' bankruptcy counsel, TS&S shall be primarily responsible for handling all issues and disputes with the Debtors' landlords.
- j. Other Significant Relationships. As a supplement to the Initial Affidavit, WG&M is herein disclosing newly identified relationships with significant parties. WG&M does not represent and has not represented any other significant parties in interest in connection with these chapter 11 cases. However, each of the entities listed in this paragraph and/or their affiliates may be considered to be (1) a former client of WG&M in matters unrelated to these cases, (2) a current client of WG&M in matters unrelated to these cases, (3) a separate affiliate of clients who are or were represented by WG&M in matters unrelated to these cases, (4) a party in interest in litigation brought by or against former or current clients of WG&M in matters unrelated to these cases, (5) a separate affiliate of former or current clients of WG&M in matters unrelated to these cases, or (6) a member of committees of groups in which WG&M has represented the committee or group as a whole, or in part. Moreover, WG&M may currently represent and in the past may have represented clients adverse to the parties listed in this paragraph and/or their affiliates. Other than the parties disclosed in the Initial Affidavit of below, other parties with which the Debtors have relationships and WG&M has or may have a relationship are: Global Crossing Bandwidth, Inc., various Mitsubishi Companies, Resurgence LLC, The Dow

Chemical Company, General Electric Company and Westdeutsche Landesbank.

As disclosed in the Initial Affidavit, WG&M has represented and currently represents PG&E Corporation in connection with, among other things, PG&E Corporation's role as a co-proponent of the chapter 11 plan of reorganization for PG&E Corporation's subsidiary, Pacific Gas & Electric Company. Enron is a former member of the unsecured creditors' committee of Pacific Gas & Electric Company. WG&M has also represented PG&E Corporation in connection with other matters and has represented its affiliate PG&E National Energy Group ("NEG"). As supplemental disclosure, Enron North America Corp., Enron Power Marketing, Inc., Enron Energy Services, Inc., Enron Energy Marketing Corp. and Enron Canada Corp. hold claims against Pacific Gas & Electric Company in that company's chapter 11 case.

Subject to the qualifications set forth below, PG&E Corporation and WG&M have agreed that WG&M may represent the Debtors and continue to represent PG&E Corporation and NEG, including representation in connection with the Pacific Gas & Electric Company chapter 11 case in which certain Debtor entities listed above have adverse interests: (1) current and retired WG&M attorneys Harvey R. Miller, Craig W. Adas, Kyle Krpata, Michelle Treager, Shaina Varia, Mike M. Stenglein, Stacy S. Russell, Jason W. Billeck, Michael Kessler, Joshua Fried, Stefanie Birbrower, Oscar Cantu, Kathy Yeatter, Elisa R. Lemmer, Jessica Wasserstrom, Jonathon D. Whitcomb, Andrew Kamenski, Iris Rogatinsky and Walter G. McNeill shall not represent the Debtors in any capacity; (2) all other WG&M attorneys who have performed work for PG&E Corporation, NEG or their affiliates may represent the Debtors in the Debtors' chapter 11 cases; provided, however, that all such attorneys shall continue to be available to assist PG&E Corporation, despite representing the Debtors in these chapter 11 cases; (3) WG&M attorneys Glenn D. West, Steven D. Rubin, Marcia L. Goldstein and Jacqueline Marcus shall be barred from representing the Debtors in connection with the Debtors' trading businesses in any capacity; (4) no WG&M attorney shall represent, advise, or appear on behalf of the Debtors with respect to any proceedings of any sort before

any state or federal energy or utility regulatory agency; and (5) no WG&M attorney shall represent, advise or appear on behalf of the Debtors in connection with any claim involving PG&E Corporation, NEG or Pacific Gas & Electric Corporation or their affiliates where any of those entities is the party on the other side. In each of the foregoing instances, the Debtors shall utilize the services of special or co-counsel, including, without limitation, LeBoeuf, Lamb, Greene & MacRae LLP with respect to the items set forth in clause (4) above. WG&M shall continue to maintain an ethical wall to ensure the foregoing.

k. Clients with Potential Claims or an Interest in Purchasing Enron Assets. WG&M represents clients that may hold claims in the Debtors' chapter 11 cases and clients that have an interest in purchasing assets of the Enron chapter 11 estates. These current or former clients include : Usinor, Iberdrola S.A., and KUKUI, INC. WG&M has not and will not represent any of the aforementioned parties, or any of their respective affiliates or subsidiaries, in relation to the Debtors or their chapter 11 cases.

l. Income Derived from Representation of Potentially Adverse Parties: The following clients accounted for greater than one percent (1%) of WG&M's annual income for either the year 2000 and/or 2001: Citigroup—Salomon Smith Barney in combination with affiliates, DLJ in combination with affiliates, including Credit Suisse First Boston entities, GECC in combination with affiliates, Lehman Brothers in combination with affiliates, PG&E Corporation, and Leucadia, Inc.

Furthermore, as of December 31, 2001, the following entities listed in paragraphs 13(a) through (j) of the Initial Affidavit have outstanding fees and expenses due to WG&M: BNP-Paribas, Bank of America, Bank of Montreal, Bank of New York, Bank of Scotland, Bank of Tokyo-Mitsubishi, Ltd., Barclays Bank PLC, Bear, Stearns & Co., Inc., Citigroup—Salomon Smith Barney in combination with certain affiliates, Commerzbank, Credit Local de France (Dexia), Credit Suisse First Boston, Deutsche Banc Alex Brown, DLJ in combination with certain affiliates, Dresdner Kleinwort Wasserstein/Allianz, GECC in combination with certain affiliates, Goldman Sachs & Co., Lehman Brothers Inc., Prudential Insurance Co. of America, Royal Bank of Scotland, Societe Generale,

Wells Fargo Bank, N.A., Ernst & Young LLP, Bethlehem Steel Corporation, General Electric Company, Texaco, Inc., PG&E Corporation with affiliates and Rhythms NetConnections Inc.

- m. WG&M's Response to Conflicts: As noted above, TS&S and various special counsel have been retained by the Debtors to serve as co-counsel and special counsel for bankruptcy purposes and assist in representing the Debtors should conflicts for WG&M arise, including with regard to GECC and Leucadia, Inc.
- n. Supplemental Disclosures by WG&M: As additional Debtors file chapter 11 cases and the Debtors continue to identify their creditors and other parties in interest, WG&M will file supplemental disclosure affidavits. All such disclosures shall be made pursuant to 11 U.S.C. § 327(a) and § 328(a).

#### **WG&M's Rates and Billing Practices**

15. As disclosed in the Initial Affidavit, WG&M's current customary hourly rates, subject to change from time to time, are \$410-700 for members and counsel, \$200-450 for associates and \$50-175 for paraprofessionals in our United States offices.

16. No promises have been received by WG&M or any member, counsel or associate thereof as to payment or compensation in connection with this case other than in accordance with the provisions of the Bankruptcy Code. WG&M has no agreement with any other entity to share with such entity any compensation received by WG&M or by such entity.

17. The foregoing constitutes the statement of WG&M pursuant to sections 327(a), 328(a), 329 and 504 of the Bankruptcy Code and Rules 2014(a) and 2016(b) of the Bankruptcy Rules.

/s/ Brian S. Rosen

Brian S. Rosen

A Member of the Firm

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

Subscribed to and sworn to before me, a notary public for the State and  
County aforesaid on this 25th day of January, 2002

/s/ Shirley M Gordan

Notary Public

My Commission Expires: April 4, 2002