September 16, 2002

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, NY 10153-0119
Telephone: (212) 310-8000
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

In re	:	
	:	**Chapter 11 Case No.**
	:	
GLOBAL CROSSING LTD., et al.,	:	**02-40188 (REG)**
	:	
Debtors.	:	**(Jointly Administered)**
	:	

DISCLOSURE STATEMENT FOR DEBTORS' JOINT PLAN OF REORGANIZATION

GLOSSARY

Administrative Expense Claim	Any expense relating to the administration of the chapter 11 cases, including actual and necessary costs and expenses of preserving the Debtors' estates and operating the Debtors' businesses, any indebtedness or obligations incurred or assumed during the chapter 11 cases, allowances for compensation and reimbursement of expenses to the extent allowed by the Bankruptcy Court, and certain statutory fees chargeable against the Debtors' estates.
Asia Global Crossing	Asia Global Crossing, Ltd and its subsidiaries. GCL owns 58.8% of the stock of Asia Global Crossing.
Bankruptcy Code	Title 11 of the United States Code.
Bankruptcy Court	The United States Bankruptcy Court for the Southern District of New York.
Bermuda Account	A bank account for GCL, under the control of the JPLs, maintained at the Bank of NT Butterfield & Sons in Bermuda.
Business Day	Any day other than a Saturday, a Sunday, or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.
[Convenience Claim	Any General Unsecured Claim $______ or less.]
Credit Agreement	The Amended and Restated Credit Agreement, dated as of August 10, 2000, among GCL, GC Holdings, GCNA, JPMorgan Chase Bank (f/k/a Chase Manhattan Bank), as administrative agent, certain co-agents named therein, and the lender parties thereto, and all documents and instruments relating thereto, as amended, supplemented, modified, or restated.
Creditors Committee	The statutory committee of unsecured creditors appointed in the Debtors' chapter 11 cases, as constituted from time to time.
Debtors	GCL and the entities listed on Exhibit A to the Plan of Reorganization.
Disclosure Statement	This document, together with the annexed exhibits and schedules.
Effective Date	A Business Day mutually agreed by the Debtors, STT, and Hutchison on which the "*Closing*" referred to in the Purchase Agreement occurs.
ERISA Claim	A claim against the Debtors, whether or not the subject of an existing lawsuit, arising under the Employee Retirement Income Security Act of 1974, as amended, other than any such claim that constitutes a Securities Litigation Claim.
Estate Representative	[_] individuals appointed by the Creditors Committee and representatives of the holders of the Lender Claims to prosecute avoidance and other causes of action held by the Debtors and resolve disputed claims. The Estate Representative will be the trustee of the Liquidating Trust.
GCL	Global Crossing Ltd. (issuer of the Debtors' public common stock). GCL and the other Debtors that are Bermuda companies are also the subject of provisional liquidation proceedings before the Supreme Court of Bermuda.
GC Holdings	Global Crossing Holdings, Ltd. (intermediate holding company owned by GCL and obligor on the GC Holdings Notes Claims, a large portion of the Debtors' public debt). GC Holdings is also the subject of provisional liquidation proceedings before the Supreme Court of Bermuda.
GC Holdings Notes Claims	The publicly held debt issued by GC Holdings. See section II.E.4.
GCNA	Global Crossing North America, Inc. (f/k/a Frontier Corporation) (issuer of the public debt on which the GCNA Notes Claims are based).
GCNA Notes Claims	The publicly held debt issued by GCNA. See section II.E.5.
GCUK	Global Crossing (UK) Telecommunications, Limited, a non-Debtor subsidiary.
General Unsecured Claims	General unsecured claims against the Debtors, other than the Lender Claims, GC

	Holdings Notes Claims, and the GCNA Notes Claims.
Global Crossing	GCL and the other Debtors in these chapter 11 cases.
Hutchison	Hutchison Telecommunications Limited, a subsidiary of HWL and one of the investors in New Global Crossing.
HWL	Hutchison Whampoa Limited.
Investors	STT and Hutchison.
IPC	IPC Information Systems, Inc.
IRU	Indefeasible Right of Use, an agreement with a telecommunications carrier that grants a customer the unconditional right to use a portion of fiber cable owned by the telecommunications carrier for the customer's own network use for a specified term and at a given bandwidth. In some cases, an IRU may include the right to use ducts, collocation space and other telecommunications assets that are not portions of fiber cable.
JPLs	Philip Wallace, Jane Moriarty, and Malcolm Butterfield, as Joint Provisional Liquidators appointed in the Bermuda restructuring cases filed by GCL, GC Holdings, and certain of the other Debtors.
Lender Agent	JPMorgan Chase Bank, in its capacity as administrative agent under the Credit Agreement
Lender Claims	Claims (i) against GC Holdings or GCNA arising under the Credit Agreement and related documents, (ii) against any of the other Debtors arising under their guaranties of the obligations under the Credit Agreement or any related documents, and (iii) arising under the adequate protection stipulation described in section VI.F.
Liquidating Trust	The trust established to hold causes of action against third parties and certain other property for the benefit of the holders of the Lender Claims, GC Holdings Notes Claims, GCNA Notes Claims, and General Unsecured Claims.
Management Incentive Plan	A new incentive plan for senior employees of New Global Crossing. See section VIII.G.
New Common Stock	New common stock of New Global Crossing. See section II.F.3.
New Global Crossing	Newly formed company – assignee of most of the assets and businesses of the Debtors.
New Preferred Stock	New preferred stock of New Global Crossing. See section II.F.2.
New Senior Secured Notes	New senior secured notes to be issued by [GCNA and guarantied by] New Global Crossing. See section II.F.1.
Other Secured Claims	Any claim secured by collateral that is not a Lender Claim.
Petition Date	The date the Debtors' chapter 11 cases were commenced (January 28, 2002, August 4, 2002, April 24, 2002 or August 30, 2002).
Plan or *Plan of Reorganization*	The Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code annexed as Exhibit A to this Disclosure Statement.
Plan Securities	The New Senior Secured Notes, the New Preferred Stock, and the New Common Stock.
Priority Non-Tax Claim	Any claim entitled to priority under the Bankruptcy Code other than Administrative Expense Claims and Priority Tax Claims.
Priority Tax Claim	A claim of a governmental entity for taxes that are entitled to priority in payment under the Bankruptcy Code.
Purchase Agreement	Purchase Agreement, dated as of August 9, 2002, among GCL, GC Holdings, the JPLs, STT and Hutchison, under which STT and Hutchison agree to invest in New Global Crossing. See sections II.B and VI.N.4.
Securities Litigation Claim	Any claim against the Debtors, whether or not the subject of an existing lawsuit,

	arising in connection with the purchase or sale of a security of any of the Debtors, for damages from the purchase or sale of any such security, or for reimbursement or contribution on account of any such claim. Securities Litigation Claims include claims based on allegations that the Debtors made false and misleading statements and engaged in other deceptive acts in connection with the sale of securities.
STT	Singapore Technologies Telemedia Pte Ltd, one of the investors in New Global Crossing
Subsidiaries	Direct or indirect, majority owned subsidiaries of GCL (as such term is more specifically defined in the Purchase Agreement).
Tax Code	Title 26 of U.S. Code
Voting Agent	See section I of this Disclosure Statement for contact information.
Voting Deadline	[date], is the last date for the actual *receipt* of ballots to accept or reject the Plan by the Voting Agent.

I.

Introduction

Note: Please refer to the attached Glossary for definitions of most of the terms used in this Disclosure Statement. Some terms that are used only in a specific section may be defined in that section. The sections that describe the Purchase Agreement use terms defined in that agreement.

GCL and [79] of its subsidiaries have commenced chapter 11 cases under the Bankruptcy Code. GCL and [15] of its subsidiaries have also commenced restructuring proceedings before the Supreme Court of Bermuda. The purpose of this Disclosure Statement is to provide information of a kind and in sufficient detail to enable the creditors who are entitled to vote to make an informed decision on whether to accept or reject the Plan of Reorganization. In summary, this Disclosure Statement includes or describes:

Section	Summary of Contents
II	▪ the capital structure of New Global Crossing ▪ the treatment of creditors and shareholders of the Debtors under the Plan ▪ the investment by STT and Hutchison
III	▪ which parties in interest are entitled to vote ▪ how to vote to accept or reject the Plan
IV	▪ selected historical financial information ▪ projections ▪ valuation information
V	▪ the businesses of the Debtors ▪ why the Debtors commenced their chapter 11 cases
VI	▪ significant events that have occurred in the chapter 11 cases
VII	▪ directors and officers of New Global Crossing
VIII	▪ how distributions under the Plan will be made ▪ how disputed claims will be resolved
IX	▪ certain factors creditors should consider before voting
X	▪ the procedure for confirming the Plan ▪ a liquidation analysis
XI	▪ alternatives to the Plan
XII	▪ certain tax law issues

Please note that if there is any inconsistency between the Plan (including the attached exhibits and any supplements to the Plan) and the descriptions in the Disclosure Statement, the terms of the Plan (and the attached exhibits and any supplements to the Plan) will govern.

Disclaimer by the Investors: This Disclosure Statement was not prepared by the Investors or their financial or other advisors or by New Global Crossing. The Investors and New Global Crossing are not responsible, and do not assume responsibility for the reasonableness, accuracy or completeness of the Disclosure Statement or any information included herein (including, without limitation, information concerning projections, business plan, risk factors, and liquidation analysis) and do not endorse, make any representation, or express any opinion or any other form of assurance with respect to the Disclosure Statement. The Investors and New Global Crossing will not be bound by, and will not have any obligation or liability arising solely from or relating solely to, anything in this Disclosure Statement.

Additional financial information about the Debtors can be found in the annual report on Form 10-K for the year ended December 31, 2000, which was filed by GCL with the Securities and Exchange Commission on April 2, 2001, the quarterly reports on Form 10-Q for the quarters ended June 30, 2001, and September 30, 2001, which were filed by GCL on August 14, 2001, and November 29, 2001, respectively, and the monthly operating reports filed by the Debtors in their Chapter 11 cases. Copies of these SEC filings are included in the Plan Supplement are available on the Internet at www.sec.gov. The Debtors' monthly operating reports are available on the Bankruptcy Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court, and at www.globalcrossing.com. See Section IV.B for important information that should be considered when reviewing GCL's financial information.

Accompanying this Disclosure Statement is a letter from the Creditors Committee to the holders of certain claims describing the support of the Creditors Committee for the Plan.

This Disclosure Statement, the Plan, and the letter from the Creditors Committee are the only materials that creditors should use to determine whether to vote to accept or reject the Plan.

The *last day* to vote to accept or reject the Plan of Reorganization is [date]. To be counted, your ballot must be actually *received* by the Voting Agent by this date.

The *record date* for determining which creditors may vote on the Plan of Reorganization is [date].

The Plan of Reorganization is the product of extensive negotiations with the holders of the Lender Claims and the Creditors Committee and represents a settlement of numerous legal issues. The Debtors believe that approval of the Plan maximizes the recovery to creditors. The Creditors Committee supports the Plan of Reorganization.

Recommendation:

The Debtors and the Creditors Committee urge creditors to vote to accept the Plan of Reorganization.

Additional copies of this Disclosure Statement are available upon request made to the Voting Agent, at the following address:

For Voting Classes C, F, and G:	For Voting Classes D and E:
Bankruptcy Services, LLC 70 E. 55th Street New York, NY 10022 (Attn: Global Crossing)	Innisfree M&A Inc. 501 Madison Avenue, 20th Floor New York, NY 10022 (Attn: Global Crossing)

The summaries of the Plan and other documents related to the restructuring of the Debtors are qualified in their entirety by the Plan and its exhibits, the Purchase Agreement and its exhibits and schedules, and the documents and exhibits contained in the Plan Supplement. The Debtors will file the Plan Supplement with the Bankruptcy Court within 10 days prior to the hearing to confirm the Plan, but no later than 5 days before the last day to vote to accept or reject the Plan. The Debtors will also post the documents set forth in the Plan Supplement at www.globalcrossing.com as such documents become available, but no later than 5 days before the last day to vote to accept or reject the Plan. The financial and other information included in this Disclosure Statement are for purposes of soliciting acceptances of the Plan and are being communicated for settlement purposes only.

The Bankruptcy Code provides that only the ballots of creditors who timely vote on the Plan will be counted for purposes of determining whether the requisite acceptances have been attained. Failure to deliver timely a properly completed ballot by the voting deadline will constitute an abstention (will not be counted as either an acceptance or a rejection). Any improperly completed or late ballot will not be counted.

II.

Treatment of Creditors and Shareholders Under the Plan of Reorganization

The Plan of Reorganization governs the treatment of claims against and interests in each of the [80] separate Debtors in the chapter 11 cases. The table in section II.C below summarizes the treatment for each class. The table is followed by a description of the types of claims or interests in each class and a description of the property to be distributed under the Plan of Reorganization. Section II.2 discusses certain legal issues affecting the trading of the New Common Stock.

A. New Capital Structure

The following table summarizes the proposed capital structure for New Global Crossing, including the post-Effective Date financing arrangements. In addition, New Global Crossing expects to arrange a $150,000,000 working capital facility in order to fund ongoing working capital needs. The New Senior Secured Notes, New Preferred Stock, and New Common Stock are described in section II.F, below.

Instrument	Description	Comments
New Senior Secured Notes	$200 million	(Plan Securities)
New Preferred Stock	18 million shares (convertible into 18 million shares of New Common Stock)	(securities purchased by STT and Hutchison)
New Common Stock	22 million shares	(Plan Securities issued to creditors and purchased by the Investors.
Option or other stock-based awards	approximately 3. 5 million shares reserved for issuance	(Plan Securities issued under Management Incentive Plan)

B. Investment by Singapore Technologies Telemedia Pte Ltd and Hutchison Telecommunications Limited

The Auction Process. The Debtors commenced their chapter 11 cases with an agreement on a non-binding term sheet for a transaction with STT and HWL that included a significant equity investment. The Bankruptcy Court subsequently approved bidding procedures that would have provided certain bidding protections to STT and HWL if certain deadlines were met by the Debtors, the Creditors Committee, representatives of the holders of the Lender Claims, STT, and HWL. One of the stated deadlines was not met and STT and HWL withdrew from the auction process.

After the withdrawal of STT and HWL, the Debtors contacted many other potential investors, several of which conducted significant due diligence on the commercial and legal aspects of the business. In addition, the Debtors solicited bids for certain non-core assets. By the end of this process, the Debtors had received several bids or expressions of interest. The Debtors had also received a letter from STT and HWL confirming their interest in a transaction, but stating that they would not participate in the auction process. The Debtors evaluated each of the bids received in consultation with the Creditors Committee and representatives of the holders of the Lender Claims. The Debtors contacted many of the bidders and interested parties in an attempt to solicit better offers. Nevertheless, due to the turmoil in the telecommunications sector, all the bids received, including any enhanced offers made after further negotiations with the bidders, were disappointing to the Debtors and creditors participating in the process. As the process came to a close, STT and HWL were invited to meet to discuss a possible investment. Those discussions culminated in the execution of the Purchase Agreement on August 9, 2002. After a hearing that same day, the Bankruptcy Court approved the Purchase Agreement. The Supreme Court of Bermuda sanctioned the Purchase Agreement the following week.

The Purchase Agreement. Under the Purchase Agreement, the Investors agree, among other things, to invest a total of $250,000,000 in New Global Crossing to purchase 6,600,000 shares of the New Common Stock and 18,000,000 shares of the New Preferred Stock. That investment is conditioned on a number of events, including the transfer of substantially all the assets of GCL and GC Holdings, including the stock of the other Debtors to New Global Crossing, confirmation of the Plan, attaining certain financial tests and applicable regulatory approvals. The Debtors anticipate that all those conditions will be satisfied in the first or second quarter of 2003. Under the Purchase Agreement, the Debtors are not entitled to solicit competing offers, although they may respond to unsolicited offers. In the event that the Debtors receive an offer that is significantly better for creditors than the terms of the Plan, the Debtors may terminate the Purchase Agreement by paying liquidated damages of $30,000,000. Under certain circumstances specified in the Purchase Agreement, the liquidated damages protection available to the Investors increases to $50,000,000. See section VI.N.4 for a more detailed description of the Purchase Agreement. A copy of the Purchase Agreement is attached as Exhibit D to the Plan.

Benefits of the Proposed Investment. The Debtors believe that the value of the distributions to creditors under the Plan is the best restructuring alternative available. In particular, an investment by STT and Hutchison provides significant commercial benefits to New Global Crossing. With strong sponsors behind it and a deleveraged balance sheet, New Global Crossing is in a position to grow its customer and revenue base. The Plan also is preferable to the alternatives available to the Debtors. As noted above, the selection of the Investors' proposal was the culmination of a long marketing process undertaken by the Debtors in an exceptionally challenging telecommunications environment. In addition, the Debtors believe that the value of the distributions to creditors under the Plan exceeds the value of the distributions to creditors in a liquidation. See section X.D.

STT. STT is a leading info-communications group that provides voice, data and video services. It focuses on three core businesses: data and voice, broadband, and multimedia. Through its subsidiaries and affiliated companies, STT provides fixed and mobile telecom services, wireless data communications services, Internet mobile services, global IP network services, managed hosting services, satellite services, broadband cable and e-business software development services. STT is a wholly-owned subsidiary of the Singapore Technologies group.

Hutchison. Hutchison is a subsidiary of HWL. HWL is a Hong Kong-based multinational conglomerate with origins dating back to the 1800's. HWL's group of companies operates five core businesses: ports and related services; telecommunications and e-commerce; property and hotels; retail and manufacturing; and energy[and], infrastructure, finance and investments. The Hutchison telecommunications group comprises owners and operators of telecommunications and Internet infrastructure, offering a wide range of related services including mobile telephony (voice and data), paging, trunked mobile radio, fixed-line services, Internet services, fibre optic broadband networks and radio broadcasting.

C. Summary of Classification and Treatment

The following table divides the claims against and equity interests in the Debtors into separate classes and summarizes the treatment for each class. The tables also identify which classes are entitled to vote on the Plan, based on rules set forth in the Bankruptcy Code. Finally, the tables indicate an estimated recovery for each class. **Important Note:** The recoveries described in the following tables represent the Debtors' best estimates of those values given the information available at this time. These estimates do not predict the potential trading prices for securities issued under the Plan. Unless otherwise specified, the information in the following tables and in the sections below are based on calculations as of December 31, 2001. The estimation of recoveries makes the following assumptions:

- The new debt instruments to be issued under the Plan are worth their face value.

- The estimated total equity value for New Global Crossing is $407,000,000 – See the valuation discussion in section IV.

- The aggregate amount of allowed General Unsecured Claims against the Debtors is [___] million – See the discussion below on the estimated amounts and types of claims making up these classes.

Class	Description	Treatment	Entitled to Vote	Estimated Recovery
--	Administrative Expense Claims	Payment in full (or as otherwise agreed).	No	100%
--	Priority Tax Claims	Payment in full on Effective Date or over six years from the date of assessment of the tax, with interest or payment as otherwise agreed.	No	100%
A	Priority Non-Tax Claims	Payment in full of the allowed amount of such claim (or as otherwise agreed).	No	100%
B	Other Secured Claims	See section II.E.2 below.	See below	See below
C	Lender Claims	$300,000,000 in cash and net earnings thereon [$______] in cash from the Bermuda Account $175,000,000 in New Senior Secured Notes 6% of the New Common Stock 50% of the beneficial interests in the Liquidating Trust 100% of recovery of certain reimbursement obligations	Yes	
D	GC Holdings Notes Claims	[$______] in cash from the Bermuda Account $18,885,000 in New Senior Secured Notes 24.55% of the New Common Stock 37.77% of the beneficial interests in the Liquidating Trust	Yes	
E	GCNA Notes Claims	[$______] in cash from the Bermuda Account $3,185,000 in New Senior Secured Notes 4.14% of the New Common Stock 6.37% of the beneficial interests in the Liquidating Trust	Yes	
F	General Unsecured Claims	[$______] in cash from the Bermuda Account $2,930,000 in New Senior Secured Notes 3.81% of the New Common Stock 5.86% of the beneficial interests in the Liquidating Trust	Yes	
[G	Convenience Claims	Lesser of pro rata share of [$_______] or __% in cash.	Yes	]
H	Intercompany Claims	See below	Yes	
I	GC Holdings Preferred Stock	No distribution.	No	None
J	GCL Preferred Stock	No distribution.	No	None
K	GCL Common Stock	No distribution.	No	None
L	Securities Litigation Claims	No distribution.	No	None

D. Settlement of Potential Litigation

The distribution of property described in the table above represents a negotiated settlement of a number of significant legal issues among the Debtors and the holders of Claims in Class C on the one hand, and Classes D, E, F, and [G] on the other hand, as well as the significant legal issues among Classes D, E, F, and [G]. Among those issues is the validity and priority of the security interests of the holders of the Lender Claims, the enforceability of guaranties provided by the Debtors', and to what extent a substantive consolidation of some or all of the Debtors should occur. The compromise reached by the parties was after extensive analysis and negotiations. The Debtors believe that the treatment provisions of the Plan constitute a good faith compromise and settlement of all those claims and is fair and reasonable to the holders of Claims in each of those classes. If the Plan is not approved, all constituents retain their rights with respect to such legal issues. The Debtors also believe that their creditor constituencies are likely to receive a higher distribution under the Plan than they would after protracted litigation regarding such legal issues.

E. Description of the Classes For the Debtors

Unless otherwise indicated, the characteristics and amount of the claims or interests in the following classes are based on the books and records of the Debtors. Each Subclass is treated as a separate class for purposes of the Plan of Reorganization and the Bankruptcy Code. However, the following discussion may refer to a group of Subclasses as a single Class for ease of reference.

1. *Priority Non-Tax Claims (Class A)*

The claims in Class A are the types identified in section 507(a) of the Bankruptcy Code that are entitled to priority in payment (other than Administrative Expense Claims and Priority Tax Claims). For the Debtors, these claims relate primarily to prepetition wages and employee benefit plan contributions that had not yet been paid as of the Petition Date. Most of these claims have already been paid by the Debtors pursuant to an order entered by the Bankruptcy Court on the Petition Date. The Debtors estimate that the aggregate allowed amount of the claims in these classes will be [$____________].

2. *Other Secured Claims (Class B)*

This Class consists of the claims of miscellaneous creditors secured under equipment leases, mechanics and tax liens, liens of landlords on accounts, or similar claims. For purposes of the Plan, each holder of a claim secured by distinct property will be treated as being in a separate subclass of Class B. The Debtors estimate that the claims in this class total [$___________] (principally for "capital leases") .

The Debtors reserve the right to pay these secured claims in full, reinstate the debt, return the collateral, or provide periodic cash payments having a present value equal to the value of the secured creditor's interest in the Debtors' property. To the extent the claim of a creditor exceeds the value of the collateral in which it has an interest, such excess will become part of Class F (General Unsecured Claims) [or Class G (Convenience Claims), as applicable]. To the extent a secured claim accrues interest under applicable local law and the holder of such claim is entitled to interest based on the value of the collateral, such secured claim will include interest.

3. *Lender Claims (Class C)*

The claims in these classes (the Lender Claims) total [$2,250,000,000]. The claims are based on amounts owed by GC Holdings and GCNA under the Credit Agreement and by amounts owed by certain other Debtors that have guarantied those obligations. Holders of claims under the Credit Agreement assert that such claims are secured by (i) approximately $305,000,000 from the sale by the Debtors of IPC approximately one month before the Petition Date and (ii) pledges of the stock of certain of the other Debtors and certain non-Debtors by certain Debtors and non-Debtors.

The following table shows the calculation of the net claims in this Class:

Instrument	Amount
Revolver	
Drawn letters of credit	
Undrawn letters of credit	
Term loans	
Prepetition interest and letter of credit fees	
Total	

The holders of the Lender Claims will receive, in accordance with the terms of the credit agreement governing the Lender Claims, their pro rata portion of (i) approximately $305,000,000 (see below), (ii) $175,000,000 of New Senior Secured Notes, (iii) 6% of the New Common Stock (after taking into account conversion of the New Preferred Stock, but before any dilution for the exercise of options granted under the Management Incentive Plan), (iv) 50% of the beneficial interests in the Liquidating Trust, (v) 100% of any recovery on a $7,500,000 reimbursement claim against one of GCL's directors, and (vi) [$_________] from the Bermuda Account. The cash portion of the distribution will include $300,000,000 plus interest earned in the bank account where the proceeds from the sale of IPC were deposited. The Debtors estimate that such interest will total $5,000,000 as of December 31, 2002.

Class C is impaired and entitled to vote to accept or reject the Plan of Reorganization.

4. *GC Holdings Notes Claims (Class D)*

The claims in this class (the GC Holdings Notes Claims) total [$3,896,473,000]. The claims are based on amounts owed by GC Holdings under the following instruments and agreements:

Issue and Indenture	Outstanding Principal
9.125% Senior Notes due 2006 and	$900,000,000
9.5% Senior Notes due 2009	$1,100,000,000
Indenture, dated as of November 19, 1999, by and among GC Holdings, the Guarantors party thereto, and United States Trust Company of New York, as Trustee	
8.7% Senior Notes due 2007	$1,000,000,000
Indenture, dated as of January 29, 2001, by and among GC Holdings, the Guarantors party thereto, and United States Trust Company of New York, as Trustee	
9.625% Senior Notes due 2008	$800,000,000
Indenture, dated as of May 18, 1998, between GC Holdings and United States Trust Company of New York, as Trustee, as amended by a Supplemental Indenture, dated as of June 25, 1999, among GC Holdings and United States Trust Company of New York, as Trustee	

The holders of the GC Holdings Notes Claims will receive their pro rata portion of (i) $18,885,000 of New Senior Secured Notes, (ii) 24.55% of the New Common Stock (after taking into account conversion of the New Preferred Stock, but before any dilution for the exercise of options granted under the Management Incentive Plan), (iii) 37.77% of the beneficial interests in the Liquidating Trust, and (iv) [$_________] from the Bermuda Account.

Class D is impaired and entitled to vote to accept or reject the Plan of Reorganization.

5. *GCNA Notes Claims (Class E)*

The claims in this class (the GCNA Notes Claims) total [$640,202,000]. The claims are based on amounts owed by GCNA under the following instruments and agreements:

Issue and Indenture	Outstanding Principal
7.25% Notes due 2004 and	$300,000,000
6.0% Dealer Remarketable Securities due 2013	$200,000,000
Indenture, dated as of May 21, 1997, between Frontier Corporation (k/n/a Global Crossing North America, Inc.) and the Chase Manhattan Bank, as Trustee, as amended by a First Supplemental Indenture, dated as of December 8, 1997, between Frontier Corporation (k/n/a Global Crossing North America, Inc.) and the Chase Manhattan Bank, as Trustee	
9.3% Medium-Term Notes due 2004 and	$20,000,000
9.0% Debentures due 2021	$100,000,000

Indenture, dated as of September 1, 1986, between Rochester Telephone Corporation (k/n/a Global Crossing North America, Inc.) and Manufacturers Hanover Trust, as Trustee, as amended by a First Supplemental Indenture, dated as of December 1, 1989, between Rochester Telephone Corporation (k/n/a Global Crossing North America, Inc.) and Manufacturers Hanover Trust, as Trustee

The holders of the GCNA Notes Claims will receive their pro rata portion of (i) $3,185,000 of New Senior Secured Notes, (ii) 4.14% of the New Common Stock (after taking into account conversion of the New Preferred Stock, but before any dilution for the exercise of options granted under the Management Incentive Plan), (iii) 6.37% of the beneficial interests in the Liquidating Trust, and (iv) [$_________] from the Bermuda Account.

Class E is impaired and entitled to vote to accept or reject the Plan of Reorganization.

6. *General Unsecured Claims (Class F)*

The total amount of general unsecured claims timely filed against the Debtors exceeds [$_________]. The Debtors estimate that upon completion of the claims resolution process the aggregate amount of allowed claims in Class F [and Class G (see below)] will be approximately [$____________], after deducting duplicate claims, claims not supported by the Debtors' books and records, claims that have already been reduced by agreement of the parties or order of the Bankruptcy Court, claims that are subject to other objections, and claims covered by insurance. The claims in Class F and Class G (see below) consist of the claims of suppliers and other vendors, landlords with prepetition rent claims and/or claims based on rejection of leases, prepetition personal injury, employment and other litigation, including ERISA Claims, and/or property damage claimants to the extent not covered by insurance, parties to contracts with the Debtors that are being rejected, and other general unsecured claims. The following table lists the types of claims and the estimated amount in these groups.

Type of claim	**Amounts (approximate)**
Suppliers and vendors (estimated amount)*	
Rejection of executory contracts	
Rejection of leases	
Other litigation Claims*	
Total	

* This amount includes claims for [$______] or less that the Debtors believe will be included in Class G (Convenience Claims).

** See section V.F for a description of the litigation against the Debtors.

The holders of the General Unsecured Claims will receive their pro rata portion of (i) $2,930,000 of New Senior Secured Notes, (ii) 3.81% of the New Common Stock (after taking into account conversion of the New Preferred Stock, but before any dilution for the exercise of options granted under the Management Incentive Plan), (iii) 5.86% of the beneficial interests in the Liquidating Trust, and (iv) [$_________] from the Bermuda Account.

Class F is impaired and entitled to vote to accept or reject the Plan of Reorganization.

7. *[Convenience Claims (Class G)*

The Debtors estimate that over [_______] creditors have claims of [$________] or less. The vast majority of these claims are those of suppliers and vendors. For purposes of administrative convenience and in accordance with section 1122(b) of the Bankruptcy Code, the Plan provides that each holder of a general unsecured claim [that votes to accept the Plan and] whose claim becomes allowed in the amount of [$________] or less will receive a cash distribution rather than participating in the distributions for Class F. The Debtors estimate that allowed claims of approximately [$____________] will fall within this Class. Each holder of an allowed claim in Class G will receive a cash payment equal to the lesser of [__%] of such claim or its pro rata share of [$____________].

Class G is impaired. Holders of General Unsecured Claims that elect to have such claims treated in this class must vote to accept the Plan of Reorganization.]

8. *Intercompany Claims of the Subsidiary Debtors (Class H)*

Class H consists of intercompany claims among GCL and the Subsidiaries (other than Asia Global Crossing and its subsidiaries). Intercompany claims will be eliminated by offset, the distribution or contribution of such claim, or otherwise, as determined by the Debtors.

9. *GC Holdings Preferred Stock (Class I)*

Class I consists of all preferred stock equity interests in GC Holdings, including the 10 1/2% mandatorily redeemable preferred stock. The holders of equity interests in Class I will not receive any distribution under the Plan. Class I will be deemed to reject the Plan.

10. *GCL Preferred Stock (Class J)*

Class J consists of all preferred stock equity interests in GCL, including the 6 3/8% cumulative convertible preferred stock, series A, the 7% cumulative convertible preferred stock, the 6 3/8% cumulative convertible preferred stock, series B, and the 6 3/4% cumulative convertible preferred stock. The holders of equity interests in Class J will not receive any distribution under the Plan. Class J will be deemed to reject the Plan.

11. *GCL Common Stock (Class K)*

Class K consists of all equity interests in GCL represented by its common stock, $0.01 par value. The holders of equity interests in Class K will not receive any distribution under the Plan. Class K will be deemed to reject the Plan.

12. *Securities Litigation Claims (Class L)*

More than 70 actions currently are pending against certain of GCL's former and current officers and directors, and in some cases, GCL or Asia Global Crossing, in the California, New York, New Jersey, and District of Columbia federal courts, alleging violations of the federal securities laws and the Employee Retirement Income Security Act ("ERISA"). Specifically, plaintiffs in several shareholder actions allege that the officers and directors violated the federal securities laws by issuing materially false and misleading statements concerning the Debtors' financial condition. The actions brought under ERISA, by participants in the Global Crossing Employees' Retirement Savings Plan (the "Savings Plan"), allege that GCL's officers and directors breached their fiduciary duties under ERISA by, among other things, promoting the investment of Savings Plan assets in GCL stock without providing Savings Plan participants with complete and accurate information regarding the risks involved with such investment. On September 6, 2002, the Judicial Panel on Multidistrict Litigation (the "*Panel*") ordered these cases to be transferred for pre-trial proceedings to the United States District Court for the Southern District of New York.

Class L consists of any claims asserted under those (or any similar) actions against the Debtors. Section 510(b) of the Bankruptcy Code subordinates all the claims in this class to the claims represented by the underlying securities. The Plan of Reorganization does not provide any distribution for holders of claims in this class. The Plan of Reorganization neither impairs nor creates a right of the holders of Securities Litigation Claims to assert claims against the Debtors' insurance policies. Class L is deemed to reject the Plan.

F. Non-cash Property to Be Distributed Under the Plan of Reorganization

1. *New Senior Secured Notes*

[GCNA will issue $200,000,000 of New Senior Secured Notes, guaranteed by New Global Crossing], on the Effective Date. The notes will mature on the third anniversary of the Effective Date. Interest will accrue at 11% per annum and will be paid semi-annually. The New Senior Secured Notes will be equal in right of payment with the working capital facility and senior in right of payment to all other indebtedness of New Global Crossing and its material subsidiaries. The New Senior Secured Notes will be secured by a first priority lien on the stock and assets of two Global Crossing subsidiaries that are not Debtors in these chapter 11 cases – GCUK and Global Marine Systems Limited. In addition, proceeds from any sale of those subsidiaries will trigger an acceleration of the redemption of the New Senior Secured Notes to the extent of any such proceeds. To the extent proceeds of any such sales are other than cash, such proceeds shall be substituted for the collateral. Payment of the New Senior Secured Notes will also be secured by a lien on all the other assets of New Global Crossing and its material subsidiaries, junior only to the liens securing the working capital facility. [GCNA] may redeem the New Senior Secured Notes, plus accrued and unpaid interest, at any time without penalty or premium. In the event of a change of control, New Global Crossing will be obligated to offer to redeem the New Senior Secured Notes at a premium of 101% of outstanding principal plus accrued and unpaid interest.

The New Senior Secured Notes will be issued under an indenture qualified under the Trust Indenture Act of 1939. The indenture will include covenants and events of default that are customary for high-yield senior note issuances. These covenants will include (i) limitations on the indebtedness of New Global Crossing, payments to equity holders (including the Investors), investments, and sale and leaseback transactions, (ii) restrictions on asset sales, conoslidations, and mergers, and (iii) limitations on granting additional liens. The covenants will permit a working capital facility of up to $150,000,000, secured by a first lien on the assets of New Global Crossing (other than equity in and assets of GCUK and Global Marine Systems Limited). The covenants will also have customary exceptions, baskets, and carve-outs. A form of the indenture will be included in the Plan Supplement.

2. *New Preferred Stock*

New Global Crossing will be authorized to issue 45,000,000 shares of New Preferred Stock. New Global Crossing will issue 18,000,000 shares of New Preferred Stock as well as 6,600,000 shares of New Common Stock, to STT and Hutchison in consideration for their investment in New Global Crossing. The New Preferred Stock will accumulate dividends at the rate of 2% per annum. Those dividends will be payable in cash after New Global Crossing and its subsidiaries (other than Asia Global Crossing, and Global Marine Systems Limited, and their respective subsidiaries) achieve cumulative Service EBITDA of $650,000,000. See the Purchase Agreement for the definition of "Service EBITDA." The New Preferred Stock will have a liquidation preference of $10 per share (for an aggregate liquidation preference of $180,000,000). The New Preferred Stock will rank senior to all other capital stock of New Global Crossing, provided that any distribution to shareholders following a disposition of all or any portion of the assets of New Global Crossing will be shared pro rata by the holders of New Common Stock and New Preferred Stock on an as-converted basis. Each share of New Preferred Stock is convertible into one share of New Common Stock at the option of the holder.

The New Preferred Stock will vote on an as-converted basis with the New Common Stock, but will have class voting rights with respect to any amendments to the terms of the New Preferred Stock. As long as an Investor beneficially owns a certain minimum percentage of the outstanding New Common Stock, the approval of such Investor will be required for certain major corporate actions of New Global Crossing and/or its subsidiaries. Those corporate actions include (i) the appointment or replacement of the chief executive officer, (ii) material acquisitions or dispositions, (iii) mergers, consolidations or reorganizations, (iv) issuance of additional equity securities (other than enumerated exceptions), (v) incurrence of indebtedness above specified amounts, (vi) capital expenditures in excess of specified amounts, (vii) the commencement of bankruptcy or other insolvency proceedings, and (viii) certain affiliate transactions. A form of the schedule or certificate of designation setting forth all the terms of the New Preferred Stock will be included in the Plan Supplement.

3. *New Common Stock*

New Global Crossing will be authorized to issue 55,000,000 shares of New Common Stock and 45,000,000 shares of New Preferred Stock. 22,000,000 shares of New Common Stock will be issued as of the Effective Date and distributed to holders of claims in Classes C, D, E, and F, as well as to STT and Hutchison. 18,000,000 shares will be reserved for the conversion of the 18,000,000 shares of New Preferred Stock (see above). 3,478,261 shares will be reserved for the exercise of options or other stock-based awards granted under the Management Incentive Plan. The balance of the shares will be available for general corporate purposes. The following chart lists the capitalization for New Global Crossing as of the Effective Date before giving effect to the exercise of any options granted pursuant to the Management Incentive Plan:

Holder	Number of Shares	%
Lender Claims	2,400,000 (New Common Stock)	6.00%
GC Holdings Notes Claims	9,820,200 (New Common Stock)	24.55%
GCNA Notes Claims	1,656,200 (New Common Stock)	4.14%
General Unsecured Claims	1,523,600 (New Common Stock)	3.81%
STT	3,300,000 (New Common Stock) 9,000,000 (New Preferred Stock)	30.75%
Hutchison	3,300,000 (New Common Stock) 9,000,000 (New Preferred Stock)	30.75%
Total	40,000,000 (all shares)	100.00%
Management (options)	3,478,261 (options – New Common Stock)	0.00%

The bye-laws of New Global Crossing will contain special protections for minority shareholders, including limitations on transactions with the Investors or their affiliates, certain pre-emptive rights, certain rights to receive financial information, and certain obligations of the Investors, or certain other third parties, to offer to purchase shares of New Common Stock held by the creditors under certain circumstances. Certain of these rights expire when the New Common Stock is listed as described in the Purchase Agreement. A form of the bye-laws will be included in the Plan Supplement.

4. *Beneficial Interests in the Liquidating Trust*

Under the Purchase Agreement, substantially all the assets of GCL and GC Holdings will be transferred to New Global Crossing. The assets that are excluded from that transfer will be used, among other things, to make the cash distributions required by the Plan, including for payments required to cure defaults under executory contracts assumed by the Debtors. For a complete description of the assets that will not be transferred to New Global Crossing, see the definition of "Assets" in the Purchase Agreement. A portion of the Debtors' cash and certain claims or causes of action against third parties will be transferred to the Liquidating Trust for the benefit of creditors holding allowed claims in Classes C, D, E, and F. One of the purposes of the Liquidating Trust will be to reduce those claims or causes of action to cash through litigation, settlement, or otherwise and distribute the proceeds to holders of claims in those classes. The Debtors will transfer the following assets to the Liquidating Trust or the Estate Representative:

- [$____________] of the funds on deposit in a Bermuda account, which currently holds $13,000,000, under the control of the JPLs
- the interests of the Debtors in the employee pension plan that is the subject of an adversary proceeding brought by Citizens Communications
- $7,000,000 to cover the post-Effective Date costs of administering the Debtors, the chapter 11 cases, the costs of administering the Bermuda restructuring cases (including the expenses of the JPLs), and the costs of prosecuting certain claims of the Debtors against third parties (any portion of

this amount not needed for these purposes at the time of dissolution of the Liquidating Trust, must be transferred to New Global Crossing and may not be distributed to holders of beneficial interests in the Liquidating Trust)

- certain rights, credits, claims, or causes of action against third parties for preferences, fraudulent transfers, and other causes of actions or rights to setoff belonging to the Debtors, whether arising under the laws of the United States, the individual States, or Bermuda

The claims against third parties referred to in the last item above will not include claims relating to or involving (A) any current or future supplier, vendor or customer of New Global Crossing or its subsidiaries, (B) any current or future officer, director or employee of New Global Crossing or any of its subsidiaries so long as they are employed by such entity or would otherwise be entitled to indemnification or reimbursement from any such entity for such Claim, (C) any other Person against whom, the making or assertion of any Claim would be reasonably likely to have a material adverse effect on New Global Crossing and/or its subsidiaries or would materially interfere with the conduct of the business of New Global Crossing and/or its subsidiaries or would be reasonably likely to create any Liability of New Global Crossing or its subsidiaries and (D) the Investors or any of their respective affiliates and advisors. Notwithstanding the foregoing, the Estate Representative, as a representative of the Debtors after the Effective Date may use such claims as a defense or counterclaim to any proof of claim asserted in the chapter 11 case by such third parties. The Investors will determine which officers, directors, employees, suppliers, vendors, or customers are "current" or "future" pursuant to the method set forth in the definition of "Assets" in the Purchase Agreement, and such definition of assets shall specifically exclude any other claims against individuals specifically agreed to in writing among the holders of the Lender Claims, the Creditors Committee and the Investors.

G. Administrative Expenses

To confirm the Plan of Reorganization, allowed undisputed Administrative Expense Claims and allowed Priority Tax Claims must be paid in full or in a manner otherwise agreeable to the holders of those claims. Administrative expenses are the actual and necessary costs and expenses of the Debtors' chapter 11 cases. Those expenses include, but are not limited to, postpetition salaries and other benefits for employees, postpetition rent for facilities and offices, amounts owed to vendors providing goods and services during the chapter 11 cases, tax obligations incurred after the commencement of the chapter 11 cases, including interest, if applicable, under relevant state law, and certain statutory fees and expenses. Other administrative expenses include the actual, reasonable, and necessary professional fees and expenses of the professionals retained by the Debtors and the Creditors Committee, and litigation claims arising after the Petition Date, once liquidated, to the extent not covered by insurance. Postpetition litigation claims covered by insurance, once liquidated, will be paid in the ordinary course of the Debtors' business.

Consistent with the requirements of the Bankruptcy Code, the Plan of Reorganization generally provides for allowed Administrative Expense Claims to be paid in full on the later of the Effective Date and the first business day after the date that is thirty (30) days after the date such Administrative Expense Claim becomes allowed, except for Administrative Expense Claims relating to ordinary course of business transactions or for money borrowed, whether or not incurred in the ordinary course of business, both of which will be paid in accordance with the past practice of the Debtors and the terms of the agreements governing, instruments evidencing or other documents relating to such obligations. Allowed Administrative

Expense Claims relating to compensation of the professionals retained by the Debtors or the Creditors Committee, or for the reimbursement of expenses for certain members of the Creditors Committee will, unless otherwise agreed by the claimant, be paid on the later of the Effective Date and the date on which an order allowing such Administrative Expense Claim is entered. Allowed Administrative Expense Claims of the Investors, including any amounts owed by the Debtors pursuant to the previous orders of the Bankruptcy Court and remaining unpaid and any out-of-pocket costs and expenses incurred by the Investors between May 25, 2002 and the earlier of (i) the Effective Date or (ii) termination of the Purchase Agreement will be paid within fifteen (15) business days of the date that they are filed.

Allowed Priority Tax Claims entitled to priority under the Bankruptcy Code will be paid either in full on the later of the Effective Date and the first business day after the date that is thirty (30) days after the date such claim becomes allowed or with interest at a fixed annual rate equal to the rate applicable to underpayments of federal income tax on the Effective Date (determined pursuant to section 6621 of the Internal Revenue Code, without regard to subsection (c) thereof) over a period not exceeding six (6) years from the date of assessment of the tax. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date will be paid in the ordinary course of business as they come due. Valid liens of the holders of Allowed Priority Tax Claims are not affected by the Plan.

1. *Cost of Access*

The Debtors rely on services provided by various telecommunications providers, including Incumbent Local Exchange Carriers, to provide "last mile" connection to their customers. These telecommunications services are provided, in large part, in accordance with tariffs filed with the Federal Communications Commission. The telecommunications carriers have asserted claims against the Debtors in excess of approximately [$323,000,000]. Section 365 of the Bankruptcy Code authorizes a debtor, subject to court approval, to assume or reject executory contracts or unexpired leases. If the Debtors assume any executory contracts with their telecommunications providers, the Debtors are required to cure any defaults under the assumed contracts in accordance with section 365 of the Bankruptcy Court. The Debtors believe that many of the telecommunications providers' claims are subject to offset or dispute, which would significantly reduce such claims. In addition, the Debtors believe that many, if not all, of these claims will not need to be paid in full upon exit because they do not arise under executory contracts that are required to be assumed upon confirmation. To the extent, however, that any telecommunications services are assumed by the Debtors as executory contracts, the cure costs associated with such services will be administrative expenses of the Debtors' estates which will have to be paid.

2. *Vendor Settlements*

See section VI.M.

3. *Fees and Expenses of Professionals*

As of September 15, 2002, the Debtors have paid the various professionals in their chapter 11 cases an aggregate of approximately [$_____________] since the Petition Date. Those professionals have filed fee applications for an additional [$______________]. The Debtors estimate that various professionals will file fee applications subsequent to [date] for approximately [$____________], excluding success fees, assuming the Effective Date is [date]. Professional fees are subject to review by a fee committee. See section VI.O.

4. *Fees and Expenses of the Investors*

As of September 15, 2002, the Debtors have paid approximately [$_____________] to the Investors in accordance with the Purchase Agreement or prior order of the Bankruptcy Court.

5. *Payments to Employees*

The Bankruptcy Court has approved retention programs for key employees of the Debtors. Under those programs, up to [$] have been made and the Debtors anticipate that an additional [$________] will be made.

6. *Statutory Fees to United States Trustee*

The Debtors are required to pay statutory fees pursuant to Chapter 123 of title 28, United States Code. Any quarterly statutory fees that are outstanding on the Effective Date, as determined by the Bankruptcy Court, will be paid on the Effective Date.

H. Deemed Consolidation for Voting and Distribution Purposes

For purposes of voting and determining the distributions to Classes C, D, E, F and G, the Debtors will be deemed consolidated and treated as equivalent to a single legal entity. This "*deemed*" consolidation has two major effects. First, it eliminates guaranties of the obligations of one Debtor by another Debtor. Second, each claim filed in Classes C, D, E, and F against any of the Debtors will be considered to be a single claim against the consolidated Debtors.

Except as specified in the Plan, the deemed consolidation will not affect (other than for purposes related to funding distributions under the Plan) the legal and organizational structure of the Debtors or pre- and post-Petition Date guaranties, liens and security interests, any financing entered into on the Effective Date or pursuant to any contract or lease that is assumed under the Plan, or distributions out of any insurance policies or proceeds of policies. The foregoing deemed consolidation of the Debtors will result in the deemed elimination of multiple and duplicative claims, joint and several liability claims and guaranties, and the payment of allowed claims against each of the Debtors from several common funds.

The Debtors believe that the foregoing deemed consolidation of their respective estates is warranted in light of the criteria established by the courts in ruling on the propriety of substantive consolidation in other cases. The two critical factors considered in assessing the entitlement to substantive consolidation are (i) whether creditors dealt with the Debtors as a single economic unit and did not rely on their separate identity in extending credit or (ii) whether the affairs of the Debtors are so entangled that consolidation will benefit all creditors. With respect to the first factor, creditors who make loans on the basis of the financial status of a separate entity expect to be able to look to the assets of their particular borrower for satisfaction of that loan. The second factor involves whether there has been a commingling of the assets and business functions and considers whether all creditors will benefit because untangling is either impossible or so costly as to consume the assets. The following is a discussion of these factors as they relate to the Debtors.

There is an ample factual basis for the deemed consolidation of the Debtors. First, the Debtors believe that holders of the Lender Claims dealt with substantially all the

Debtors as a single economic unit and did not rely on their separate identity in extending credit. In addition, the Debtors believe that many of their vendors, suppliers, and customers have dealt with Global Crossing's operating companies, asset companies, and buy-sell companies as a single, undifferentiated entity. It is the Debtors' view that this course of dealing and the expectations of the holders of the Lender Claims and certain holders of General Unsecured Claims justify consolidation for distribution purposes.

Second, the affairs of the Debtors are entangled. The Debtors consist of GCL and [79] of its direct and indirect subsidiaries. Through the subsidiary Debtors, GCL provides telecommunications services to enterprises located throughout the world. There is in many cases little correlation between the names that many of the Debtors conduct business under and the names of the legal entities that technically own the Debtors' assets. This fact alone would make it very difficult for creditors to ascertain which Debtor they have a claim against.

Third, the books and records of the Debtors reflect a large amount of intercompany claims reflecting, among other things, advances from GCL and GC Holdings to fund and build Global Crossing's operations, upstreamed funds from certain Debtors to enable GC Holdings, GCNA, and other Debtors to make payments to creditors, the allocation of corporate overhead, and the transfer of other property from one Debtor to another. These intercompany claims are assets of certain of the Debtors and claims against other Debtors. In order to accurately calculate the distributions to creditors of a particular Debtor, all relevant intercompany cla ims will have to be valued. In view of the complexity of such transactions and the adjustments that have been made over time, it would be difficult to reconcile intercompany claims without embarking on an enormous effort that would diminish the return for all creditors.

Finally, the Debtors participate in a unified cash management system (which includes non-Debtor subsidiaries) which would make it extremely difficult to confirm a plan of reorganization for individual Debtors.

In view of the foregoing, the Debtors believe that creditors would not be prejudiced to any significant degree by the deemed consolidation proposed in the Plan of Reorganization. The Debtors' believe that a deemed consolidation is consistent with creditors' having dealt with the Debtors as a single economic entity. Further, the Debtors believe that such deemed consolidation would best use the Debtors' assets and maximize the potential of all of the Debtors to pay the creditors of each entity the distributions proposed in the Plan of Reorganization.

I. Securities Law Matters

Holders of Allowed Lender Claims, GC Holdings Notes Claims, GCNA Notes Claims, and General Unsecured Claims will receive Plan Securities pursuant to the Plan of Reorganization. Section 1145 of the Bankruptcy Code provides certain exemptions from the securities registration requirements of federal and state securities laws with respect to the distribution of securities under a plan of reorganization.

1. *Issuance and Resale of New Securities Under the Plan of Reorganization.*

Section 1145(a) of the Bankruptcy Code generally exempts from registration under the Securities Act of 1933, as amended, (the "*Securities Act*") the offer or sale of a debtor's securities under a chapter 11 plan if such securities are offered or sold in exchange for a claim against, or an equity interest in, such debtor. In reliance upon this exemption, the New Senior

Secured Notes, the New Preferred Stock, and the New Common Stock generally will be exempt from the registration requirements of the Securities Act. Accordingly, such securities may be resold without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by section 4(1) of the Securities Act, unless the holder is an "*underwriter*" with respect to such securities, as that term is defined in the Bankruptcy Code. In addition, such securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of securities issued under the Plan of Reorganization are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

Section 1145(b) of the Bankruptcy Code defines "*underwriter*" for purposes of the Securities Act as one who (i) purchases a claim with a view to distribution of any security to be received in exchange for the claim other than in ordinary trading transactions, (ii) offers to sell securities issued under a plan for the holders of such securities, (iii) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities, or (iv) is a control person of the issuer of the securities or other issuer of the securities within the meaning of Section 2(11) of the Securities Act. The legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns at least ten percent (10%) of the securities of a reorganized debtor may be presumed to be a "*control person*."

Notwithstanding the foregoing, statutory underwriters may be able to sell their securities pursuant to the resale limitations of Rule 144 promulgated under the Securities Act. Rule 144 would, in effect, permit the resale of securities received by statutory underwriters pursuant to a chapter 11 plan, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions. Parties who believe they may be statutory underwriters as defined in section 1145 of the Bankruptcy Code are advised to consult with their own legal advisors as to the availability of the exemption provided by Rule 144.

Whether any particular person would be deemed to be an "*underwriter*" with respect to any security issued under the Plan of Reorganization would depend upon the facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any particular person receiving distributions under the Plan of Reorganization would be an "*underwriter*" with respect to any security issued under the Plan of Reorganization.

In view of the complex, subjective nature of the question of whether a particular person may be an underwriter or an affiliate of the reorganizing Debtors, the Debtors make no representations concerning the right of any person to trade in the New Senior Secured Notes, New Preferred Stock or New Common Stock to be distributed pursuant to the Plan of Reorganization. Accordingly, the debtors recommend that potential recipients of Plan Securities consult their own counsel concerning whether they may freely trade such securities.

2. *Public Reporting and Listing*

As soon as reasonably practicable after the Effective Date, STT and Hutchison will use commercially reasonable efforts to cause New Global Crossing to obtain and maintain approval for the listing of the New Common Stock and the New Preferred Stock on any United States national stock exchange or on the Nasdaq National Market or Nasdaq Small Cap Market. However, neither New Global Crossing nor any of its shareholders will be required to issue or sell any New Common Stock to satisfy the listing requirements to obtain any such listing.

3. *Registration Rights for STT and Hutchison*

The Purchase Agreement requires New Global Crossing to provide certain registration rights to STT and Hutchison with respect to their shares of New Common Stock. The rights will be governed by a registration rights agreement, the form of which must be reasonably satisfactory to New Global Crossing, STT, and Hutchison. The registration rights agreement will be set forth in the Plan Supplement.

J. Reservation of "*Cram Down*" Rights

The Bankruptcy Code permits the Bankruptcy Court to confirm a chapter 11 plan of reorganization over the dissent of any class of claims or equity interests as long as the standards in section 1129(b) are met. This power to confirm a plan over dissenting classes – often referred to as "*cram down*" – is an important part of the reorganization process. It assures that no single group (or multiple groups) of claims or interests can block a restructuring that otherwise meets the requirements of the Bankruptcy Code and is in the interests of the other constituents in the case.

The Debtors each reserve the right to seek confirmation of the Plan, notwithstanding the rejection of the Plan by any class entitled to vote. In the event a class votes to reject the Plan, the Debtors will request the Bankruptcy Court to rule that the Plan meets the requirements specified in section 1129(b) of the Bankruptcy Code with respect to such class. The Debtors will also seek such a ruling with respect to each class that is deemed to reject the Plan.

III.

Voting Procedures and Requirements

Detailed voting instructions are provided with the ballot accompanying this Disclosure Statement. [The ballots will be used to vote to accept or reject both the Plan and, for the Debtors that are subject to joint provisional liquidation in Bermuda, the schemes of arrangement, if any.] For purposes of the Plan, classes C, D, E, F, G and H are the only ones entitled to vote.

If your claim is not in one of these classes, you are not entitled to vote and you will not receive a ballot with this Disclosure Statement. If your claim is in one of these classes, you should read your ballot and follow the listed instructions carefully. Please use only the ballot that accompanies this Disclosure Statement.

Ballot information number: For Voting Classes C, F, and G: (212) 376-8494 For Voting Classes D and E: (877) 750-2689

A. Vote Required for Acceptance by a Class

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims is determined by calculating the number and the amount of claims voting to accept, based on the actual total allowed claims voting. Acceptance requires an affirmative vote of more than one-half of the total allowed claims voting and two-thirds in amount of the total allowed claims voting.

B. Classes Not Entitled to Vote

Under the Bankruptcy Code, creditors are not entitled to vote if their contractual rights are unimpaired by the Plan or if they will receive no property under the Plan. Based on this standard, for example, the holders of Priority Non-Tax Claims and miscellaneous secured claims are not being affected by the Plan. In addition, the holders of Securities Litigation Claims are not receiving any property and are therefore deemed to reject the Plan. Similarly, shareholders, including holders of preferred stock of the Debtors, are not entitled to vote because they are not receiving any property under the Plan. Shareholders are also deemed to vote to reject the Plan. For a summary of the classes entitled to vote, see the charts in section II.C.

C. Voting

In order for your vote to be counted, your vote must be actually ***received*** by the voting agent at the following address before the voting deadline of [ ] p.m., prevailing Eastern Time, on [November 25, 2002]:

Voting Agent:

For Voting Classes C, F, and G:

Bankruptcy Services, LLC
70 E. 55th Street
New York, NY 10022
(Attn: Global Crossing)

For Voting Classes D and E:

Innisfree M&A Inc.
501 Madison Avenue, 20th Floor
New York, NY 10022
(Attn: Global Crossing)

If the instructions on your ballot require you to return the ballot to your bank, broker, or other nominee, or to their agent, you must deliver your ballot to them in sufficient time for them to process it and return it to the voting agent before the voting deadline. If a ballot is damaged or lost, you may contact the Debtors' voting agent at the number set forth above. Any ballot that is executed and returned but which does not indicate an acceptance or rejection of the Plan of Reorganization will not be counted.

IV.

Financial Information, Projections, and Valuation Analysis

A. Selected Historical Financial Information

This section provides financial information concerning the recent financial condition and results of operations of GCL and its subsidiaries. The financial information includes a consolidating balance sheet, as of July 31, 2002, a consolidating statement of operations for the month ended July 31, 2002, and a statement of sources and uses of cash for each of the seven months and for the seven month period ended July 31, 2002, each for GCL and its subsidiaries, excluding Asia Global Crossing and Global Marine Systems Limited. Subject to the matters described in this Section IV – A (including the footnotes to the financial information contained in paragraphs 1, 2 and 3 below and the matters described in paragraphs 4 and 5 below), the accompanying unaudited historical financial information has been prepared in accordance with generally accepted accounting principles, applied consistently with the "Summary of Significant Accounting Matters" contained in footnotes 2 and 3 of the Debtors' Monthly Operating Statement for the month of July, 2002, a copy of which is filed with the Bankruptcy Court (the "July MOR").

Asia Global Crossing's results of operations and financial position included in the accompanying unaudited consolidating financial statements are based upon preliminary results posted by Asia Global Crossing's management to the Debtors' electronic books and records. GCL has not reviewed these preliminary results with the management of Asia Global Crossing. Asia Global Crossing has previously disclosed that it is in the process of restructuring its operations and soliciting bids from various investors. Any transaction that is consummated as a result of the process may dilute the value of GCL's investment in Asia Global Crossing.

The tables summarizing recent financial performance present the operations of Global Marine Systems Limited ("GMS") as a discontinued operation. For more detailed financial information concerning GMS, please refer to footnote 6 of the July MOR. In light of recent developments, GCL is currently reevaluating the carrying value of the assets of GMS included in the accompanying unaudited consolidating financial statements. GCL expects that a material write down of those GMS assets will be required but the precise amount of such write-down has not yet been determined.

The Debtors have not completed the process of reconciling their pre- and post-petition liabilities. In the unaudited consolidating balance sheet presented below, the caption 'liabilities subject to compromise' reflects the Debtors' best current estimate of the amount of pre-petition claims that will be restructured in the Debtors' chapter 11 cases. Pursuant to court order, the Debtors have been authorized to pay certain prepetition operating liabilities incurred in the ordinary course of business (e.g. salaries and insurance). Since January 28, 2002, the Debtors have rejected certain of their pre-petition lease obligations within their rights under the Bankruptcy Code. The Debtors are in the process of calculating their estimated liability to the unsecured creditors affected by these lease rejections. As a result and based upon the Debtors' ongoing evaluation of their pre-petition liabilities, such 'liabilities subject to compromise' is subject to change.

Please refer to the footnotes to the July MOR for a summary of significant accounting principles.

1. *Consolidating Balance Sheet ended July 31, 2002 (Unaudited)*

($ in millions)	**GCL and its Subsidiaries (excluding Asia Global Crossing)**	**Asia Global Crossing (a non-Debtor)**	**Eliminations & Adjustments**	**Consolidated**
Assets				
Cash	$376	$301	–	$677
Restricted cash	326	65	–	391
Account receivable, net	665	14	–	679
Other assets and prepaid costs	186	78	3	267
Total current assets	1,553	458	3	2,014
Net PP&E	9,050	2,631	619	12,300
Investments in affiliates	7,234	622	(7,383)	473
Other assets	187	48	(72)	163
Net assets of discontinued operations	418	–	–	418
Total assets	$18,442	$3,759	$(6,833)	$15,368
Liabilities and Owners' Equity				
Accounts payable	$258	$13	–	$271
Accrued construction costs	341	57	–	398
Accrued cost of access	143	22	–	165
Current portion of deferred revenue	288	94	(5)	377
Current portion of long-term debt	–	140	–	140
Cur. portion of cap. lease obligations	15	2	–	17
Other current liabilities	481	112	–	593
Total current liabilities	1,526	440	(5)	1,961
Long term debt	–	1,203	–	1,203
Deferred revenue	2,267	718	(228)	2,757
Capital lease obligations	76	10	–	86
Other deferred liabilities	131	209	–	340
Total liabilities	4,000	2,580	(233)	6,347
Liabilities subject to compromise	7,835	–	–	7,835
Minority interest	686	10	(119)	577
Preferred stock	3,362	–	(92)	3,270
Common equity	2,559	1,169	(6,389)	(2,661)
Total liabilities & equity	$18,442	$3,759	$(6,833)	$15,368

2. *Consolidating Statement of Operations for the month ended July 31, 2002 (Unaudited)*

($ in millions)	**GCL and its Subsidiaries (excluding Asia Global Crossing)**	**Asia Global Crossing (a non-Debtor)**	**Eliminations & Adjustments**	**Consolidated**
Total revenue	$257	$16	($24)	$249
Operating expenses:				
Cost of access and maintenance	191	12	(10)	193
Other operating expenses	75	12	(12)	75
Depreciation and amortization	89	17	–	106
EBIT	($98)	($25)	($2)	($125)
Other Income (Expense):				
Minority interest	–	–	18	18
Interest expense	(2)	(10)	–	(12)
Other income (expense), net	3	–	–	3
Loss from continuing operations before reorganization items	(97)	(35)	16	(116)
Reorganization items:				
Professional fees	(11)	(3)	–	(14)
Retention plans costs	(1)	–	–	(1)
Restructuring costs	–	(14)	–	(14)
Interest income	1	1	–	2
Loss from continuing operations before provision for income taxes	(108)	(51)	16	(143)
Benefit for income taxes	–	–	–	–
Loss from continuing operations	(108)	(51)	16	(143)
Loss from discontinued operations	(2)	–	–	(2)
Net loss applicable to common shareholders	($110)	($51)	$16	($145)

3. *Statement of Sources and Uses of Cash for the seven months ended July 31, 2002 (Unaudited)*

GCL and its Subsidiaries (excluding Asia Global Crossing and Global Marine (d))	**Statement of Sources and Uses of Cash**							
($ in millions)	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**YTD**
GAAP Revenue [a]	$257	$237	$274	$260	$255	$243	$240	$1,766
Service Revenue [a]	246	227	263	251	245	232	231	1,695
Service EBITDA	(68)	(65)	(20)	(29)	(12)	(10)	(12)	(216)
Changes in Working Capital	92	138	(2)	61	(13)	55	(15)	316
Cash From/(Used in) Operations	**24**	**73**	**(22)**	**32**	**(25)**	**45**	**(27)**	**100**
Cash Capex & Payments to Vendors	(13)	(13)	(72)	(22)	(11)	(38)	(16)	(185)
Cash From/(Used in) Investing Activities	**(13)**	**(13)**	**(72)**	**(22)**	**(11)**	**(38)**	**(16)**	**(185)**
Cash IRU Sales [e]	–	–	3	25	–	9	2	39
Professional Fees	(16)	–	–	(5)	(5)	(9)	(9)	(44)
Employee Retention Program	–	–	–	–	(10)	(1)	(3)	(14)
Restructuring Costs [b]	(7)	(3)	(7)	(24)	(10)	(20)	(7)	(78)
Other	(4)	1	1	1	16	–	4	19
Cash From/(Used in) Other Activities	**(27)**	**(2)**	**(3)**	**(3)**	**(9)**	**(21)**	**(13)**	**(78)**
Net Change in Cash	**(16)**	**58**	**(97)**	**7**	**(45)**	**(14)**	**(56)**	**(163)**
Beginning Unrestricted Cash [c]	574	558	616	518	526	481	467	574
Ending Unrestricted Cash [c]	**558**	**616**	**519**	**526**	**481**	**467**	**411**	**411**
Restricted Cash [c], [d]	414	393	400	387	399	390	386	386
Total Cash [c]	**$972**	**$1,009**	**$919**	**$913**	**$880**	**$857**	**$797**	**$797**

NOTES TO STATEMENT OF SOURCES AND USES OF CASH FOR THE SEVEN MONTHS ENDED JULY 31, 2002 (dollars in millions unless otherwise noted)

a. The differences between GAAP revenue and service revenue are all non-cash and consist of amortization of IRUs sold in prior periods.

b. As the result of ongoing efforts to consolidate facilities and reduce their workforce, the Debtors have recently updated their evaluation of the restructuring charge initially recorded in the quarter ended September 30, 2001. In summary, during the quarters ended March 31, and June 30,2002, the Debtors identified 78 and 29 facilities, respectively, to vacate and/or close within the next twelve month period. Furthermore, the Debtors reduced their workforce by 1,887 and 665 employees during the quarters ended March 31, and June 30,2002, respectively..

c. Amounts represent cash balances held in bank accounts and not cash pursuant to generally accepted accounting principles.

d. Restricted cash includes cash from Global Marine, classified as a discontinued operation.

e. Represents cash collected from the sale of IRUs.

4. *Governmental and Other Investigations*

On April 2, 2002 GCL announced that the filing with the Securities and Exchange Commission of its Annual Report on Form 10-K for the fiscal year ended December 31, 2001 would be delayed. Arthur Andersen LLP ("Andersen"), the Debtors' independent public accountants, has previously informed the Debtors that Andersen would not be able to deliver an audit report with respect to the Debtors financial statements for the year ended December 31, 2001 contained in the Form 10-K report until the completion of an investigation by a special committee of GCL's board of directors into allegations made by a former employee of the Debtors regarding the Debtors' accounting and financial reporting practices. Among these allegations are claims that the Debtors' accounting for purchases and sales of fiber optic capacity and services with its carrier customers ("concurrent transactions") has not complied with generally accepted accounting principles. The Los Angeles office of the Securities and Exchange Commission is also investigating the concurrent transactions, as well as various accounting and disclosure issues related to such transactions.

During June 2002, Andersen informed GCL and the audit committee of its board of directors that Andersen's conviction of obstruction of justice will effectively end the firm's audit practice and as a result Andersen expects that it will cease practicing before the Securities and Exchange Commission by August 31, 2002. Therefore, Andersen will be unable to perform the audit and provide an audit report with respect to the Debtors' financial statements for the year ended December 31, 2001. In recognition of these investigations, the cessation of Andersen's audit practice and in light of the demands of the bankruptcy process, the Debtors have not yet completed preparation of their financial statements and other disclosures required in the Form 10-K. GCL's board of directors is currently seeking to retain a new independent public accounting firm (which is expected to serve in the role of examiner described elsewhere in this Disclosure Statement). Until it prepares its financial statements, completes the related Form 10-K disclosures, and receives an audit report, GCL will be unable to file its Annual Report on Form

10-K for the year ended December 31, 2001. Any changes to the financial statements resulting from any of the factors described herein and the completion of the 2001 financial statement audit could materially affect the unaudited financial statements included above and the Projections set forth below.

On August 2, 2002, two members of the staff of the Office of Chief Accountant informed the SEC Regulations Committee of the AICPA of the staff's conclusion that concurrent exchanges of telecommunications capacity in which the transactions were in the form of leases of assets should be considered to fall within the exception to fair value accounting set forth in paragraph 21 of APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, irrespective of the types of leases involved. This guidance requires that the concurrent exchanges of telecommunications capacity in the form of leases be recognized based on the carrying value of the assets exchanged, rather than their fair value. The staff expects that this guidance will be applied to transactions that occurred in prior years and that, if appropriate, financial statements for those years will be restated. GCL is currently assessing the applicability of this guidance to its concurrent transactions and its effect, which is likely to be material, on historical financial statements previously submitted to the Securities and Exchange Commission.

See also section V.F.5, describing certain other governmental investigations.

5. *Impairment of Assets and Goodwill*

In its Quarterly Report on Form 10-Q for the three months ended September 30, 2001, Global Crossing stated that it was continuing to evaluate its long-lived assets due to changes in market conditions, with such evaluation potentially resulting in additional material write-downs of goodwill and intangible assets. Subsequently, Global Crossing announced that the net loss for the three months ended December 31, 2001, is expected to reflect the write-off of its remaining goodwill and other intangible assets, which total approximately $8,000,000,000, as well as a multi-billion dollar write-down of tangible assets.

The unaudited consolidating financial statements included in this section reflect the write-off of all of Global Crossing's goodwill and other identifiable intangible assets. Global Crossing has recently prepared its revised financial plan for 2002 through 2006, including the related cash flow forecast. It is currently in the process of evaluating this data to determine the potential impairment of its long lived assets. As a result of the foregoing, Global Crossing has not yet completed its tangible asset valuation under Statement of Financial Accounting Standards ("SFAS") No. 121 "Impairment of Long-Lived Assets", and the unaudited consolidating financial statements included herein do not reflect any write down of its tangible asset value. Global Crossing is in the process of completing its detailed assessment of the remaining asset value and the appropriate allocation thereof among entities and asset categories, but currently estimates that the net consolidated write down will be at least $10,000,000,000. In connection with the write down described above, Global Crossing will write-down the carrying value of Asia Global Crossing's interest in Hutchison Global Crossing ("HGC") by $450,000,000, which represents the difference between the proceeds received and the carrying value of Asia Global Crossing's interest in HGC at the time of sale. Asia Global Crossing sold its interest in HGC on April 30, 2002, as disclosed in the Debtors' Monthly Operating Statement for the Period from May 1, 2002 to May 31, 2002, a copy of which is filed with the Bankruptcy Court. The $450,000,000 is reflected in the value of Global Crossing's tangible assets included in the consolidating balance sheet.

B. Projections

The following projected pro forma balance sheets and projected financial performance (the "Projections") reflect the operations of GCL and its subsidiaries, excluding Asia Global Crossing. Furthermore, for purposes of the Projections, no intercompany balances have been reflected for Asia Global Crossing. The Projections exclude the operations of Global Marine Systems Limited.

It is important to note that the Projections and estimates of value described below may differ from actual performance and are highly dependent on significant assumptions concerning the future operations of these businesses. These assumptions include the growth of certain lines of business, labor and other operating costs, inflation, and the level of investment required for capital expenditures and working capital (see assumptions below). Please refer to section IX below for a discussion of many of the factors that could have a material effect on the information provided in this section.

The Projections assume that the Plan will be confirmed and consummated in accordance with its terms and that there will be no material changes in the current regulatory environment that will have an unexpected impact on the Debtors' operations. The Projections assume an Effective Date of January 1, 2003, with allowed claims treated in accordance with the Plan. Expenses incurred as a result of the reorganization cases are assumed to be paid upon confirmation of the Plan. If the Debtors do not emerge from chapter 11 by January 1, 2003, as assumed for purposes of this analysis, additional bankruptcy expenses will be incurred until such time as a plan of reorganization is confirmed. These expenses could significantly impact the Debtors' results of operations and cash flows.

The Projections should be read in conjunction with the assumptions, qualifications and footnotes to the Projections set forth herein, the historical consolidated financial information (including the notes and schedules thereto) and the unaudited actual results reported in the monthly operating reports of the Debtors. The Projections were prepared by management in good faith based upon assumptions believed to be reasonable and applied in a manner consistent with past practice. The assumptions regarding the operations of the business leading to and after the assumed Effective Date were prepared in mid-fiscal year 2002 and were based, in part, on economic, competitive, and general business conditions prevailing at the time, as well as the assumption of a prospective recovery of the global telecommunications market.

GCL does not, as a matter of course, publicly disclose projections as to its future revenues, earnings, or cash flow. Accordingly, none of GCL, the Debtors, or New Global Crossing intends to update or otherwise revise the Projections to reflect circumstances existing since their preparation, the occurrence of unanticipated events, or changes in general economic or industry conditions, even in the event that any or all of the underlying assumptions are shown to be in error.

The Projections were not prepared with a view towards complying with the guidelines for prospective financial statements published by the American Institute of Certified Public Accountants. The Projections have not been compiled, or prepared for examination or review, by the Debtors' independent auditors (who accordingly assume no responsibility for them). Furthermore, the Projections have been prepared to reflect projected estimates of cash balances on hand (in bank balances) and not cash balances according to generally accepted accounting principles.

While presented with numerical specificity, the Projections are based upon a variety of assumptions and are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond the control of the Debtors. Consequently, the inclusion of the Projections herein should not be regarded as a representation by the Debtors (or any other person) that the Projections will be realized, and actual results may vary materially from those presented below. The industry in which the Debtors compete is highly competitive and the Debtors' earnings may be significantly adversely affected by changes in the competitive environment, changes in supply demand dynamics, the price erosion of services provided, regulatory changes and future improvements in technology. Due to the fact that such Projections are subject to significant uncertainty and are based upon assumptions which may not prove to be correct, neither the Debtors nor any other person assumes any responsibility for their accuracy or completeness.

The following Projections include assumptions as to the reorganized equity value of New Global Crossing (see valuation section below), certain write-downs to fair market value of its assets and its actual liabilities as of the Effective Date. New Global Crossing will be required to reflect such estimates or actual balances as of the Effective Date. Such determination will be based upon the fair value of its assets as of that date, which could be materially greater or lower than the values assumed in the foregoing estimates.

1. *Pro Forma Projected Balance Sheet (Unaudited)* [(a)]

GCL and its Subsidiaries (excluding Asia Global Crossing and Global Marine)	Projected Pre-Reorg Dec-02	Reorg Adj.	"Fresh Start" Adj.	Pro Forma Projected Dec-02
($ in millions)				
Assets				
Cash	$194	($155) [(b)]	($7) [(k)]	$32
Restricted cash	335	(305) [(c)]	(13) [(l)]	17
Account receivable, net	622 [(e)]	–	–	622
Other assets and prepaid costs	169	–	(69) [(m)]	100
Total current assets	1,320	(460)	(89)	771
Net PP&E	9,287	–	($8,340) [(m)]	947
Other assets	188	–	(178) [(m)]	10
Total assets	$10,795	($460)	($8,607)	$1,728
Liabilities and Owners' Equity				
Accounts payable	$241	($29) [(d)]	–	$212
Accrued construction costs	239	(216) [(d)]	–	23
Accrued restructuring costs	200	–	–	200
Accrued cost of access	199	–	–	199
Current portion of deferred revenue	255	–	(220) [(n)]	35
Current portion of capital lease obligations	15	–	–	15
Other current liabilities	269	(35) [(f)]	–	234
Total current liabilities	1,418 [(e)]	(281)	(220)	918
Long term debt	–	200 [(g)]	–	200
Deferred revenue	2,258	–	(2,140) [(n)]	118
Capital lease obligations	76	–	–	76
Other deferred liabilities	218	–	(208) [(o)]	10
Total liabilities	3,971	(81)	(2,568)	1,322
Liabilities subject to compromise	7,835	(7,835) [(h)]	–	–
Preferred stock	3,270	(3,270) [(i)]	–	–
Common equity	(4,281)	10,726 [(j)]	(6,039) [(p)]	407
Total liabilities & equity	$10,795	($460)	($8,607)	$1,728

NOTES TO PROFORMA CONSOLIDATED BALANCE SHEET

(dollars in millions unless otherwise noted)

a. The pro forma balance sheet adjustments contained herein account for the reorganization and the related transactions pursuant to the Plan using the principles of "fresh start" accounting as required by the Statement of Position 90-7 ("SOP 90-7") issued by the American Institute of Certified Public Accountants (the "AICPA"). This analysis is based on a New Global Crossing equity value of $407 million based on the contemplated investment by STT and Hutchison pursuant to the Plan (see following valuation section below). In accordance with SOP 90-7, the reorganization value has been allocated to specific tangible and identifiable intangible assets and liabilities. In addition, the pro forma balance sheet adjustments contained herein reflect the net effect of certain estimated vendor settlements (see section VI.L) that may actually be accrued or reflected, in part or in whole, prior to the Effective Date. Please note that although management has followed the principles of "fresh start" accounting, the actual adjustments may be materially different than those presented herein. Please refer to the discussion of impairment of assets and goodwill, above in section IV.A., as this may have a material affect on the pro forma balance sheet.

b. Reflects adjustment to cash for the contemplated $250 million investment by STT and Hutchison pursuant to the Plan and estimated payments of $405 million in respect of vendors at filed and non-filed entities and estimated payments of professional fees by closing. The Debtors anticipate that a significant portion of the $405 million will be paid after the Effective Date thus resulting in a higher amount of cash on hand at closing than presented herein. New Global Crossing plans to arrange for a working capital facility up to $150 million (in accordance with the Plan) which has not been reflected in the Projections.

c. Reflects the distribution of IPC cash proceeds, and interest thereon, (estimated to be $305 million as of December 31, 2002) to creditors pursuant to the Plan.

d. Accounts payable and accrued construction costs adjusted to reflect estimated settlements with vendors and management's estimates for normal course payables levels upon emergence.

e. Please note that the level of accounts receivable and current liabilities at December 31, 2002 may be lower than the amounts reflected herein due to the execution of offsets with carrier customers who are also suppliers to the Company.

f. Reflects adjustments related to the payment upon emergence of accrued estimated monthly fees for professionals involved in the bankruptcy.

g. Reflects the issuance of $200 million of New Senior Secured Notes pursuant to the Plan.

h. Liabilities subject to compromise eliminated as part of emergence.

i. Preferred stock eliminated as part of emergence.

j. Represents adjustments for the contemplated $250 million investment by STT and Hutchison pursuant to the Plan and the reorganization adjustments described above. For purposes of this analysis, the portion of STT and Hutchison's investment in the New Preferred Stock pursuant to the Plan is reflected on an as converted basis and therefore fully reflected as common equity.

k. Represents the funds set aside for the costs of administering the cases in New York and Bermuda following the Effective Date.

l. Represents the amount of cash held on deposit in the Bermuda Account which either will be distributed to creditors under the Plan or transferred to the Liquidating Trust.

m. In accordance with SOP 90-7, the reorganization value has been allocated to specific tangible assets and liabilities. As such, certain assets have been written down to properly reflect the allocation to specific tangible assets.

n. To reduce deferred revenue to include only the OA&M portion of upfront payments from customers relating to IRU contracts.

o. Reflects adjustments as part of "fresh start" accounting and management's estimates for normal course liabilities upon emergence, including deferred tax liabilities. For purposes of this presentation, the Company has taken the view that it will not have significant deferred tax liabilities post-emergence. This view is based on the fact that the adjustments to book value of net property and equipment as part of "fresh start" accounting will eliminate most of the deferred tax balances, and may in fact result in deferred tax assets in the future, even after considering tax attribute reductions resulting from the discharge of indebtedness in connection with the reorganization for U.S. federal income tax purposes. This view is based on preliminary calculations, which are subject to further review.

p. Reflects the write-down to common equity based on the estimated equity value of New Global Crossing and in accordance with the "fresh start" accounting provisions of SOP 90-7.

2. *Projected Balance Sheets (Unaudited)*

GCL and its Subsidiaries (excluding Asia Global Crossing and Global Marine)	**Balance Sheet**			
	2003	**2004**	**2005**	**2006**
($ in millions)				
Assets				
Cash	$146	$402	$510	$996
Restricted cash	17	17	17	17
Account receivable, net	619	716	863	1,043
Other assets and prepaid costs	100	100	100	100
Total current assets	882	1,235	1,490	2,157
Net PP&E	1,137	1,450	1,975	2,494
Other assets	10	10	10	10
Total assets	$2,029	$2,695	$3,475	$4,661
Liabilities and Owners' Equity				
Accounts payable	$231	$264	$312	$365
Accrued construction costs	25	43	74	80
Accrued restructuring costs	168	136	104	72
Accrued cost of access	199	199	199	199
Current portion of deferred revenue	35	35	35	35
Current portion of capital lease obligations	15	15	15	15
Other current liabilities	234	234	234	234
Total current liabilities	906	925	973	1,000
Long term debt	200	200	–	–
Deferred revenue	256	526	826	1,177
Capital lease obligations	76	76	76	76
Other deferred liabilities	10	10	10	10
Total liabilities	1,448	1,737	1,885	2,262
Common equity	580	958	1,590	2,399
Total liabilities & equity	$2,029	$2,695	$3,475	$4,661

3. *Projected Statements of Operations (Unaudited)*

GCL and its Subsidiaries (excluding Asia Global Crossing and Global Marine)	**Statement of Operations**			
	2003	**2004**	**2005**	**2006**
($ in millions)				
Service Revenue	$3,011	$3,605	$4,499	$5,440
IRU Revenue	12	27	48	74
Total Revenue	3,023	3,632	4,547	5,514
Cost of Access	1,867	2,175	2,650	3,180
Gross Profit	1,157	1,456	1,897	2,334
Gross Margin	*38%*	*40%*	*42%*	*42%*
Operating Expenses	776	849	950	1,053
Maintenance	166	182	194	205
EBITDA	214	425	754	1,076
% Margin	*7%*	*12%*	*17%*	*20%*
Depreciation and Amortization	8	31	70	121
EBIT	$206	$394	$684	$955
Interest (Income)	(2)	(5)	(9)	(15)
Interest expense	22	22	22	–
Net Interest Expense	20	17	13	(15)
Tax (Credit)/Provision	–	–	40	161
Net Income Before Extraordinary Items	186	378	631	809
Extraordinary Loss/(Gain)	12	–	–	–
Net Income to Common	$174	$378	$631	$809

<u>Supplemental Data</u>:

Service EBITDA	$202	$398	$706	$1,002
Cash IRU Sales	150	296	349	425

4. *Projected Statement of Sources and Uses of Cash (Unaudited)*

GCL and its Subsidiaries (excluding Asia Global Crossing and Global Marine)	**Sources and Uses of Cash**			
($ in millions)	**2003**	**2004**	**2005**	**2006**
GAAP Revenue [a]	$3,023	$3,632	$4,547	$5,514
Service Revenue [a]	3,011	3,605	4,499	5,440
Service EBITDA	202	398	706	1,002
Cash Taxes	–	–	(40)	(161)
Changes in Working Capital	22	(65)	(99)	(127)
Cash From/(Used in) Operations	**225**	**334**	**567**	**714**
Cash Capex & Payments to Vendors	(196)	(326)	(563)	(635)
Cash From/(Used in) Investing Activities	**(196)**	**(326)**	**(563)**	**(635)**
Cash IRU Sales	150	296	349	425
Professional Fees	–	–	–	–
Employee Retention Program	(12)	–	–	–
Restructuring Costs	(32)	(32)	(32)	(32)
Cash Interest, net	(20)	(17)	(13)	15
Principal Draw/(Repayments)	–	–	(200)	–
Other	–	–	–	–
Cash From/(Used in) Financing and Other Activities	**86**	**248**	**104**	**408**
Net Change in Cash	**115**	**256**	**108**	**486**
Beginning Unrestricted Cash [b]	32	146	402	510
Ending Unrestricted Cash [b]	**146**	**402**	**510**	**996**
Restricted Cash [b]	17	17	17	17
Total Cash [b]	**$163**	**$419**	**$527**	**$1,013**

NOTES TO PROJECTED STATEMENT OF SOURCES AND USES OF CASH (dollars in millions unless otherwise noted)

a. The differences between GAAP revenue and service revenue are all non-cash and consist of amortization of IRUs sold in prior periods.

b. Amounts represent cash balances held in bank accounts and not cash pursuant to generally accepted accounting principles.

5. *Operating Assumptions*

The Projections are based upon a detailed build-up by product line. The following summarizes the underlying assumptions behind the Projections.

(a) *Projected Statements of Operations*

Service Revenues. Service Revenues represent recurring service revenues from commercial enterprises and carriers. The growth in service revenue is primarily attributable to (i) increased demand for IP-related services, (ii) the replacement of traditional voice and data requirements with next generation services and applications needs for enterprises and carriers, (iii) the migration of local area networks to private wide area networks to fully meshed IP Converged service requirements (iv) increased demand for eBusiness products driven by globalization, digitization and collaboration and (v) an general recovery of global telecom spending.

Cash IRU Sales. Cash collected in connection with the sale of capacity in the form of IRUs. Cash IRU sale projections are estimated based on management's experience and third party studies of (i) market demand on various subsea and terrestrial systems, (ii) carrier network utilization, (iii) current and projected trends in buying habits of major international carriers, (iv) general industry trends and consolidation, and (v) the status of current network builds for carriers. Management assumes that GCL and its subsidiaries will retain their approximate current market share of global IRU purchases during the course of the projection period.

IRU Revenues. IRU revenues presented in the statement of operations represent the recognition as revenue over the term of the IRU contract of current Cash IRU Sales. IRU sales are amortized over the life of the relevant contract, assumed to be 15 years for the purpose of this analysis.

Gross Margin. Gross margin represents revenues less third party access costs such as local origination, termination, dedicated access and leased facilities. Gross margins are projected to increase from 30% in 2002 to 38% in 2003 and grow to 42% by 2006. The projected expansion in margin is primarily driven by (i) the optimization of network facilities, (ii) product mix changes in revenue and (iii) the increasing utilization of voice-over-IP applications, which reduce the cost of carrying voice traffic.

Operating Expenses. Operating Expenses costs include employee salaries and benefits, real estate, bad debt, and other costs. Projected SG&A costs are based on (i) the hiring of additional sales personnel to support the projected growth in revenues, (ii) a modest increase in operations support, primarily in the provisioning and customer care workcenters, in 2003 driven by requirements to support the projected revenue growth, (iii) a modest increase in IT and product management to support the continual development of scope and reach for global VPNs, managed services, IP video and converged access and (iv) investment in IT/OSS to support eBusiness infrastructure such as uCommand, sales tools, and other related billing and front-end systems.

Maintenance Expense. Maintenance expenses represent third party expenses for the maintenance of the Debtors' subsea and terrestrial networks. Maintenance expenditures are projected based upon third-party contracts and the projected volume related increases on the IP, Frame/ATM and VoIP platforms. In addition, the third party projected maintenance expenses reflect payments to Global Marine, the operations of which have been reflected as assets of discontinued operations.

Interest Expense. Interest expense reflects interest on the $200 million of 11.0% New Senior Secured Notes to be issued pursuant to the Plan. The Projections do not include the issuance of, nor any costs related to, a post-emergence working capital facility as allowed pursuant to the Plan.

Income Tax. Net operating losses ("NOL") incurred by the Debtors in 2001 and/or 2002 for U.S. federal income tax purposes will be carried back five years, resulting in a tax refund. The Company expects to receive approximately $80 million in US Federal Income Tax refunds resulting from such carrybacks. However, the exact amount and timing of these refunds is not yet known. The income tax projections assume that NOL carryforwards of the U.S. Debtors will be reduced on a separate company, rather than consolidation, basis as a result of the discharge of indebtedness pursuant to the Plan. See Section XII, below.

Extraordinary Gain/Loss. The extraordinary expense in 2003 is related to the final payment of the quarterly employee retention program related to the fourth quarter of 2002.

(b) *Projected Balance Sheets and Statements of Cash Flow*

Cash. The cash shown on the projected balances sheets is projected as cash in banks accounts, rather than cash balances reported in accordance with generally accepted accounting principles.

Working Capital. Accounts receivable are projected to decrease from 75 days to 70 days during the projection period primarily as a result of the Debtors' collections and billing improvement initiatives. Accounts payable are projected to remain constant at 30 days outstanding during the projection period.

Capital Expenditures. Capital expenditures include both direct and indirect expenditures. Direct capital expenditures represent those resulting from an incremental growth in volume as revenues increase. Indirect capital expenditures represent those related to larger build-outs of network capacity and spending on information technology and systems. Capital expenditure requirements in 2003 are projected to remain relatively low due to the Debtors' ability to leverage existing inventories to support the sales growth projected on all layers of the Network including (i) the transport layer, (ii) the layer II network (Sonet, ATM, IP) and (iii) the service layer. Beyond 2003, expenditures are driven by the growth in incremental unit volumes pursuant to the sales forecast. In addition, modest investments in product development and IT/OSS to improve the global scale and reach of VPN, Managed Services, IP Video, Converged Access, and systems infrastructure, are projected to support eBusiness, ordering, sales tools, and provisioning systems.

C. Valuation

Pursuant to the Plan, the contemplated investment of STT and Hutchison was the result of an extensive sales process conducted by the Debtors with the assistance of its financial advisors. Thus, the valuation contained herein is based on the total equity value implied by the $250 million investment by STT and Hutchison for 61.5% of the equity ownership in New Global Crossing (assuming that STT and Hutchison's investment in New Preferred Stock is converted to New Common Stock), before dilution from management options. Based upon the STT and Hutchison investment, the total implied equity value is approximately $407 million, or approximately $10.16 per share based on 40 million common stock share equivalents (assuming that the New Preferred Stock component of STT and Hutchison's investment is converted to New Common Stock) before dilution from management options.

The Debtors believe that the implied value of New Global Crossing based on the STT and Hutchison investment represents a conservative valuation estimate of New Global Crossing when compared to valuations based on generally accepted valuation methodologies such as comparable company and discounted cash flow analyses.

The estimate of value does not purport to be an appraisal, nor does it necessarily reflect the values that may be realized if assets are sold. The estimate of value represents a hypothetical reorganized value, assuming the implementation of management's business plan as well as other significant assumptions. The estimate of value is highly dependent upon achieving the future financial results set forth in the Projections, as well as the realization of certain other assumptions that are not guarantied. The estimate of value was developed solely for purposes of formulating and negotiating a plan of reorganization and analyzing the projected recoveries thereunder.

The valuation set forth herein represents the estimated reorganization value and does not necessarily reflect the value that could be attainable in public or private markets. The equity value ascribed in the analysis does not purport to be an estimate of the post-reorganization market value. Such trading value, if any, may be materially different from the reorganized equity value associated with the valuation analysis.

These analyses do not constitute a recommendation to any holder of claims against the Debtors as to how to vote on the Plan. The estimated reorganized equity value does not constitute an opinion as to the fairness from a financial point of view of the consideration to be received under the Plan or of the terms and provisions of the Plan.

V.

Business Description and Reasons for Chapter 11

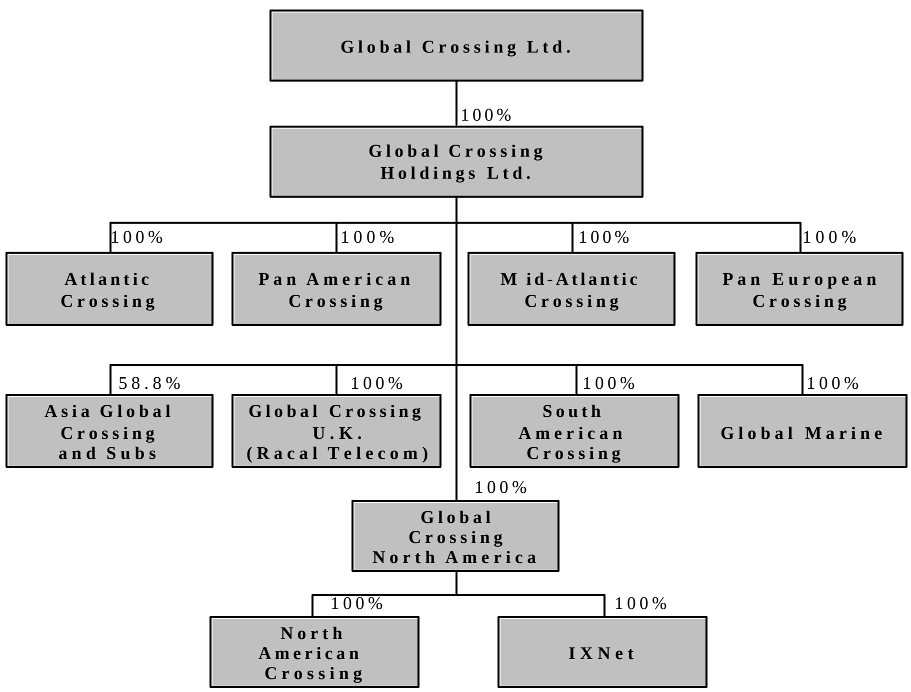
A. The Debtors' Businesses

Global Crossing has built the world's most extensive privately-owned and controlled fiber-optic network, spanning over 100,000 route miles and reaching four continents, 27 countries and more than 200 major cities (the "Network"). The markets in these cities represent approximately 85% of the world's international telecommunications services. The following is a brief description of Global Crossing's operations. Additional detail on Global Crossing's operations and business segments can be found in its Form 10-K for the year 2000, filed on April 2, 2001, and its Form 10-Q for the second and third quarters of 2001, filed on

August 14, and November 14, 2001, respectively, with the Securities and Exchange Commission. These documents may be obtained from the Securities and Exchange Commission, including at their EDGAR website www.sec.gov or commercially at such websites as www.freeedgar.com. The Debtors' monthly operating reports are available on the Bankruptcy Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court, and at www.globalcrossing.com.

1. *Corporate Structure*

GCL, a public company organized under the laws of Bermuda, is the ultimate parent of the Global Crossing family of companies. Global Crossing's Network operations and services in the Americas and Europe and across the Atlantic are owned and operated through a number of wholly-owned subsidiaries incorporated in New York, Delaware, Canada, Bermuda, Venezuela, Mexico, Panama, Chile, Argentina, Brazil, the United Kingdom, Ireland, France, Italy, the Netherlands, Denmark, Spain, Switzerland, Norway, Sweden, Belgium and Germany, among other places. Services in Asia and the Pacific are provided through Global Crossing's majority-owned subsidiary, Asia Global Crossing, as well as a number of in-country joint ventures between Asia Global Crossing and various local partners. A summary of Global Crossing's organizational structure is set out below. This summary does not set out all legal entities within the corporate structure.



2. *The Network*

The core of the Global Crossing Network is its interconnecting subsea and terrestrial fiber-optic cables that span the globe, forming the world's first integrated global Internet Protocol-based network. The Network was engineered from conception to be a state of the art telecommunications network providing seamless, broadband, global city-to-city and business-to-business connectivity through a combination of subsea cables, national and international networks and metropolitan networks. The Network has over 250 points of presence in over 200 major cities throughout the world. As a result, the Network operates in nearly every major business center in the world, with one or more points of presence in each of the following countries:

The Americas	**Asia Pacific (Asia Global Crossing)**	**Europe**	
United States	Japan	Belgium	Netherlands
Canada	Hong Kong	Denmark	Norway
Mexico	South Korea	U.K.	Spain
Argentina	Taiwan	France	Sweden
Brazil	Singapore	Germany	Switzerland
Chile	Philippines	Ireland	
Peru	Malaysia	Italy	
Venezuela			

In addition, the Network connects to certain other countries, such as Australia and Uruguay, through lines that are leased from other telecommunications carriers.

3. *Global Crossing's Telecommunications Services*

The servic es provided by Global Crossing include Broadband Services, Data Services such as Frame Relay, ATM and IP Access/Transit as well as Virtual Private Network Services, a variety of Voice Services, including Conferencing Services and Metro Access Services, as further described below.

Broadband Services. Broadband capacity is provided to customers either through the sale of IRUs relating to portions of the Network or through leases of such capacity. A buyer typically pays cash in advance for the right to use capacity under an IRU contract for a lengthy period, usually up to 25 years. Leases are paid periodically and are commonly for shorter periods, such as 3 to 5 years.

Voice and Data Services. Global Crossing provides switched and dedicated outbound voice services for local, domestic, and international traffic for the commercial and wholesale markets. These services also include additional features, such as toll free and call center services. On the data side, Global Crossing provides a variety of data transmission services, including the ability to transfer data using state of the art technology such as Asynchronous Transfer Mode (ATM), a flexible communications protocol that enables the transmission of delay-sensitive media (*e.g.* – speech, music, or video) without delay. Global Crossing also provides conferencing services, including audio, video and Web-based conferencing services and Internet access services, including direct connections to the Internet. Global Crossing also offers advanced data services such as Virtual Private Network Services. Customers have the ability to create and customize voice and/or data network solutions to securely connect offices or business partners on a single network, without the need to purchase dedicated private facilities. Customers have the flexibility to change capacity requirements between points and otherwise to reconfigure their Virtual Private Network over time.

Metro Access Services. These services are provided via networks consisting of intra-city rings carrying on-net access circuits, with metro private lines and dedicated customer networks, around metropolitan areas. These networks are the successor-generation to copper twisted-pair cable supplied by incumbent phone companies and, among other things, enable high data transmission rates and automatic rerouting of traffic in response to service interruptions.

Global Crossing provides two different types of services to two distinct sectors of consumers: (i) enterprise services geared toward major global corporations and governments and (ii) carrier services targeted to other wholesale telecommunications carriers.

4. *Installation and Maintenance Services*

Secondary to its telecommunications business, Global Crossing operates an installation and maintenance services business called Global Marine Systems Limited, which installs and maintains subsea fiber optic cable systems for carrier customers worldwide with a fleet of cable-laying and -maintenance vessels. Global Marine, the world's largest and most experienced submarine cable maintenance and installation company, was originally acquired from Cable and Wireless PLC in July 1999. The acquisition of this business allowed Global Crossing to control the installation and maintenance of its subsea global network on a cost-effective basis. Global Marine's fleet currently comprises 22 cable ships, three installation barges, and 21 submersible vehicles. None of the Global Marine Systems Limited entities is a Debtor in these chapter 11 cases.

5. *Asia Global Crossing*

Asia Global Crossing provides city-to-city connectivity and date communications solutions to pan-Asian and multinational enterprises, Internet service providers and telecommunications carriers. Through a combination of subsea cables and terrestrial networks, Asia Global Crossing owns and operates the region's first truly pan-Asian telecommunications network, which offers connectivity among the major business centers of the Asia Pacific region. GCL, directly and through its indirect subsidiaries, owns 58.8% of Asia Global Crossing. In addition to GCL, Asia Global Crossing's other significant equity holders include Microsoft Corporation and Softbank Corporation.

Through Asia Global Crossing's integration with the rest of the Global Crossing Network, both Asia Global Crossing and Global Crossing provide seamless access to major business centers worldwide. Asia Global Crossing is not a Debtor in these chapter 11 cases. Asia Global Crossing has its own creditor constituencies and is currently considering a financial restructuring.

Asia Global Crossing has announced that it is in the process of restructuring its operations and soliciting bids from various investors. Any transaction that is consummated as a result of the process could substantially dilute the value of the Debtors' investments.

6. *Pacific Crossing Ltd.*

In 1997, Global Crossing sponsored the development of a privately owned and operated subsea fiber optic cable network to cross the Pacific Ocean. That company, incorporated under the name Pacific Crossing Ltd. is now an 84.5% owned subsidiary of Asia Global Crossing and operates the subsea system that connects Global Crossing's United States network with Japan. Pacific Crossing has its own significant debt obligations. On July 19, 2002, Pacific Crossing Ltd. and certain of its subsidiaries and some of its affiliated shareholders commenced chapter 11 cases in the United States District Court for the District of Delaware.

B. The 2001 Business Plan

From its inception, Global Crossing's strategy was to construct a worldwide IP-based fiber optic network to provide premier broadband services to global enterprises and carriers. This high capacity IP-based Network allows Global Crossing to offer an extensive line of managed IP services, Internet access, data, and voice services to telecommunications carriers and business customers on a seamless and cost-effective basis. Although the Network is complete, Global Crossing's business plan until late-2001 called for significant capital expenditures related to (i) a continued incremental expansion of the Network, particularly in metro assets, and (ii) broad managed service offerings to new enterprise customers. This capital requirement was to have been funded by the sale of capacity on the completed network or through asset sales. Unfortunately, the collapse of the telecommunications market significantly reduced demand for telecommunications services and precluded access to the capital markets. Global Crossing was able to complete two significant asset sales in 2001, but the proceeds were not sufficient to fund the original business plan.

1. *Sale of the ILEC Business Segment to Citizens Communications*

On June 29, 2001, Global Crossing sold its incumbent local exchange carrier ("ILEC") business, acquired as part of its acquisition of Frontier Corporation in September 1999, to Citizens Communications Company ("Citizens") for approximately $3,500,000,000. As part of the sale of the ILEC business segment, Citizens agreed to purchase long distance services from Global Crossing for resale to the ILEC's customers. To that end, Global Crossing provided Citizens with a $100,000,000 credit toward future services to be rendered to Citizens over a five year period.

2. *The IPC Transaction*

On December 20, 2001, Global Crossing sold all of the capital stock of IPC Information Systems to a third party for approximately $300,000,000. In accordance with a waiver entered into between GCL and the lenders under the Credit Agreement, GCL deposited the proceeds of the IPC sale into an account maintained at JPMorgan Chase.

C. Events Leading to the Commencement of the Chapter 11 Cases

The Debtors believe that their financial difficulties are attributable to a number of factors. First, in the latter half of 2001, the downturn in the market, particularly in the telecommunications sector, interfered with Global Crossing's ability to build its revenue base to a break-even level. Second, the recent and well-publicized failure of a number of telecommunications companies, compounded by the recessionary state of the national and global economy, have unnerved investors and all but foreclosed the capital markets as a source of additional funds for Global Crossing. Third, increased fiber system builds by new entrants, as well as announced plans for major subsea systems affected supply and demand in the telecommunications market which depressed forward looking prices and lowered profitability.

In recent years, competition in the telecommunications industry increased dramatically in all areas of the telecommunications services market. In addition, increased consolidation and strategic alliances in the industry resulting from the Telecommunications Act of 1996 have allowed significant new competitors to enter the long distance industry. This increased participation in the telecommunications market prompted a wave of new construction as all service providers scrambled to meet the anticipated growth of demand for telecommunications services. The result was a stunning increase in capacity and a decrease in the price of telecommunications services across the board.

At the same time, advances in fiber optic technology resulted in significant per circuit price declines in the fiber optic transmission industry. Recent changes in technology also caused prices for telecommunications capacity and services to decrease. In the second half of 2001, prices continued to fall and demand for telecommunications, though strong, grew less-than-had been projected, adversely affecting operating margins for Global Crossing and the entire telecommunications industry.

The financial difficulties experienced by industry participants severely impacted available capital for the telecommunications sector. As capital tightened up, many companies were forced to seek chapter 11 protection. The list of companies which recently commenced chapter 11 cases include, 360Networks (USA), Inc., Flag Telecom Inc., Viatel, and MCI Worldcom, just to name a few. At the same time, public attention on accounting issues contributed to a loss of investor confidence in reported accounts, particularly among telecom companies. Recent restatements of accounts, allegations of fraud and public investigations by the Securities Exchange Commission of all of the industry's largest telecommunications providers has undermined confidence in the stated earnings of industry players.

As indicated above, after the downturn in the telecommunications industry and the deterioration of operating performance and prospects, Global Crossing's ability to fund its business plan depended on an infusion of capital to reach cash flow break even. As the market disappeared as a source of capital, Global Crossing experienced constrained liquidity to fund its continued efforts to grow the business and build the network. Accordingly, Global Crossing undertook efforts to recast its business plan in light of capital constraints and the state of the telecom industry.

D. A New Business Plan

In October 2001, John Legere was appointed Chief Executive Officer of Global Crossing. Mr. Legere and his senior leadership team took immediate steps to reduce operating expenses through a reduction in personnel and facilities. By January 2002, Mr. Legere and his senior team refined the strategy of the company. As a result of the revised strategic direction, Global Crossing re-focused its resources on the sale of readily available, standard products and services. These steps resulted in additional reductions of capital expense, personnel and the consolidation of offices and other real estate facilities, thereby reducing overall operating expenses and simplifying operations. Under Mr. Legere's guidance, Global Crossing's business plan changed from a growth model requiring significant cash expenditures to a retention model, with strategic acquisition, with a focus on conserving cash and improving services to existing customers.

In early March 2002, Mr. Legere presented the new business plan to the Creditors Committee and to the representatives of the holders of the Lender Claims. Since that date, Global Crossing has been meeting or exceeding its projected targets under the new business plan. The new business plan has allowed Global Crossing to conserve a significant portion of the cash it held on the Petition Date, while at the same time improving services to existing customers. Significantly, consolidated recurring service revenues for the first half of 2002 reached nearly

[$1,464,000,000] versus a target of [$1,436,000,000] while operating expenses for the first half totaled [$533,000,000] versus a target of [$539,000,000]. In addition, Global Crossing ended the first half of 2002 with [$857,000,000] in its bank accounts, reflecting an aggregate cash burn of only [$115,000,000] since the end of January 2002, when cash in bank accounts totaled [$972,000,000]. Finally, service EBITDA also exceeded the levels projected in the business plan, with actual results reflecting a $[203,000,000] loss compared to a targeted loss of $[213,000,000] during the first half of 2002. All of the financial results in this paragraph exclude any amounts for Asia Global Crossing. For a more complete description of these results, see section IV.

E. The Letter of Intent with STT and HWL

Before commencing its chapter 11 cases, Global Crossing and its financial advisors determined that a significant new investment by a strategic or financial investor would help maximize the value of the business for Global Crossing's creditors. Global Crossing determined that the initial period of its chapter 11 cases should be spent seeking such an investment. To procure a "stalking horse" for that process, Global Crossing entered into negotiations with STT and HWL.

On January 28, 2002, Global Crossing, STT and HWL entered into a non-binding letter of intent whereby, subject to the satisfaction of several conditions, STT and HWL agreed to sponsor Global Crossing's plan of reorganization through the purchase of equity in a reorganized Global Crossing. Specifically, STT and HWL agreed to purchase 79% of the equity of a reorganized Global Crossing in exchange for investing $750,000,000 in cash. Although the existence of the letter of intent was helpful in starting the sale process, agreement among STT, Hutchison, the Creditors Committee, and representatives of the holders of the Lender Claims was never reached with respect to a stalking horse transaction and, accordingly, the letter of intent is no longer in effect. For a description of the sale process, see section VI.N.2 below.

F. Pending Litigation and Other Proceedings

1. *2001 Securities Litigation*

Commencing in late July 2001, thirteen purported class action lawsuits were filed in the United States District Court for the Southern District of New York against Global Crossing, certain of its present and former directors and executive officers, and certain of the investment banks that underwrote GCL's initial public offering (the "*IPO*") in August 1998. GCNA (f/k/a Frontier Corporation), which merged with GCL in 1999, and several of its former directors and executive officers are also named as defendants in two of the cases. The complaints allege that the underwriters improperly solicited and received additional, excessive and undisclosed commissions in exchange for allocation of shares of GCL common stock in the IPO and tied allocations of IPO stock to purchases of additional shares of GCL common stock in the after-market. The complaints also allege that the registration statement and prospectus for the IPO should have disclosed the allegedly improper actions taken by the underwriters and that the named defendants are responsible for those omissions.

2. *The Qwest Communications Suit*

In May, 2001, a purported class action was commenced against three of Global Crossing's subsidiaries in the United States District Court for the Southern District of Illinois. The complaint alleges that Global Crossing had no right to install a fiber-optic cable in the rights-of-way granted by the plaintiffs to certain railroads. Plaintiffs, a national class of landowners whose property underlies or is adjacent to the right-of-way, allege that the railroads were only given limited rights-of-way which did not include the construction of a fiber-optic communications system on such rights-of-way. Pursuant to an agreement with Qwest Communications Corporation, Global Crossing has an IRU constructed by Qwest within the rights-of-way. Accordingly, Qwest is defending and indemnifying Global Crossing in the lawsuit.

3. *2002 Securities Litigation*

Approximately fifty class actions alleging violations of the federal securities laws currently are pending against certain current and former Global Crossing officers and directors in the California, New York, New Jersey and District of Columbia federal courts. The actions, brought by holders of various Global Crossing securities, allege that Global Crossing's officers and directors violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing materially false and misleading statements concerning the company's financial condition. Specifically, the actions contend that Global Crossing engaged in improper accounting practices, which allowed the company to artificially inflate earnings at a time when the company's true financial condition was deteriorating. On September 6, 2002, the Judicial Panel on Multidistrict Litigation (the "*Panel*") ordered these cases to be transferred for pre-trial proceedings to the United States District Court for the Southern District of New York.

4. *2002 ERISA and Other Litigation*

Approximately fifteen class actions alleging violations of the Employee Retirement Income Security Act ("ERISA") currently are pending against Global Crossing's officers and directors in the California, New York, New Jersey and District of Columbia federal courts. The actions, brought by participants in the Global Crossing Employees' Retirement Savings Plan (the "Plan"), allege that Global Crossing's officers and directors breached their fiduciary duties under ERISA by, *inter alia*, encouraging Plan participants to invest their Plan assets in Global Crossing stock without adequately investigating the merits of such investments and providing Plan participants with complete and accurate information regarding the risks involved. Additionally, the actions allege that Global Crossing's officers and directors violated ERISA's disclosure requirements by failing to advise Plan participants of the company's true financial condition and that the Plan therefore was at substantial risk because of the large concentration of Global Crossing stock as a percentage of the Plan's total assets. All of these actions currently are stayed. On September 6, 2002, the Panel ordered these cases to be transferred for pre-trial proceedings in the United States District Court for the Southern District of New York.

An additional class action, brought by participants in the Frontier Corporation/Global Crossing, Ltd., Change of Control Severance Plan (the "Severance Plan"), alleges that Global Crossing's officers and directors breached their fiduciary duties under ERISA by ceasing to make severance and welfare payments to the Severance Plan's participants subsequent to Global Crossing's bankruptcy filing, by failing to inform these participants of the reasons behind such decision, and by eliminating payments under the Severance Plan from Global Crossing's regular payroll when that payroll was advanced in January 2002. The Severance Plan was adopted by Frontier Corporation and Global Crossing Ltd. in order to retain certain Frontier employees during the period of negotiations between the two companies for Global Crossing's purchase of Frontier. The defendants have informed the Panel that the case should be transferred along with the others described above. A motion for a stay pending the Panel's ruling currently is pending before the court.

In another action, Donna Reeves-Collins and Robert Barrett, who were formerly employees at Frontier Corporation ("Frontier"), have sued four present and former officers and employees of Global Crossing, alleging that the defendants improperly prevented them from selling their Global Crossing stock (which had been converted from Frontier stock at the time of the merger of Frontier and Global Crossing) as part of a purported scheme to prop up Global Crossing's stock price. The defendants have informed the Panel that the case should be transferred along with the others described above. On August 27, 2002, the defendants moved to stay all proceedings pending the Panel's ruling. The Panel's ruling on September 6, 2002 did not address this action.

5. *The Olofson Case*

Roy Olofson, a former employee, originally brought suit alleging that he was terminated for raising questions regarding alleged accounting improprieties at Global Crossing, against four present and former Global Crossing officers in federal court in Los Angeles. He voluntarily dismissed that case without prejudice and refiled a substantially similar complaint in California state court. Defendants removed that action to federal court, asked that the Panel consolidate that action and also moved to stay the case pending the ruling by the Panel. The California court granted the motion to stay the case, pending such a ruling. The Panel's order of September 6, 2002 does not address the action.

6. *The Investigation by the Securities and Exchange Commission and U.S. Attorney*

The Los Angeles office of the U.S. Securities and Exchange Commission is inquiring into Global Crossing's concurrent sales and purchases of fiber optic capacity with its carrier customers (the "concurrent transactions"), as well as various accounting and disclosure issues relating to such transactions. The U.S. Attorney's Office for the Central District of California also has been investigating these matters. The Debtors have produced documents to the Commission in connection with its inquiry. The Commission also has deposed a number of current or former officers and employees of the Debtors. Several additional depositions of officers and employees of the Debtors are scheduled for September and October. Global Crossing has been, and continues to be, engaged in discussions with the Commission staff conducting the inquiry regarding the possibility of a settlement thereof and with the Commission's Office of Chief Accountant regarding the accounting treatment that should be accorded to the concurrent transactions.

On August 2, 2002, two members of the staff of the Office of Chief Accountant informed the SEC Regulations Committee of the AICPA of the staff's conclusion that concurrent exchanges of telecommunications capacity in which the transactions were in the form of leases of assets should be considered to fall within the exception to fair value accounting set forth in paragraph 21 of APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, irrespective of the types of leases involved. This guidance requires that the concurrent exchanges of telecommunications capacity in the form of leases be recognized based on the carrying value of the assets exchanged, rather than their fair value. The staff expects that this guidance will be applied to transactions that occurred in prior years and that, if appropriate, financial statements will be restated. The Debtors are currently assessing the applicability of this guidance to its concurrent transactions and its effect on historical financial statements previously submitted to the Commission.

In addition, the Debtors have provided documents to the Denver office of the Commission in connection with an inquiry that, the Debtors understand, is focused on Qwest Communications International, Inc., with which Global Crossing entered into several concurrent transactions during 2000 and 2001. The Denver office also has deposed a number of current or former employees of the Debtors regarding these matters.

7. *Other Governmental Investigations*

The Department of Labor is conducting an investigation related to the administration of the Debtors' benefit plans. The Debtors have produced documents to the Department and a number of the current and former officers and employees of the Debtors have been interviewed by the Department's staff.

The staff of the Subcommittee on Oversight and Investigations of the House of Representatives Energy and Commerce Committee has been investigating the matters described above. In connection with that investigation, the Debtors have produced documents and the staff has interviewed current and former officers and employees of the Debtors. The Debtors have been informed by Subcommittee staff that the Subcommittee intends to hold a hearing, which presently is scheduled for September 24, 2002, regarding the matters described above. The House of Representatives Financial Services Committee has requested that the Debtors produce documents on matters relating to corporate governance, and the Debtors have responded, and are responding, to that request. In addition, in connection with his investigation of Salomon Smith Barney, the Attorney General of the State of New York has served a subpoena for documents on the Debtors, to which the Debtors have responded.

VI.

Significant Events During the Chapter 11 Case

A. Filing and First Day Orders

On January 28, 2002, GCL and fifty-four of its debtor subsidiaries filed their petitions under chapter 11 of the Bankruptcy Code. On the same date, the Bankruptcy Court approved certain orders designed to minimize the disruption of the Debtors' business operations and to facilitate their reorganization.

- *Case Administration Orders*. These orders: (i) authorized joint administration of the chapter 11 cases, (ii) established interim compensation procedures for professionals, (iii) granted an extension of the time to file the Debtors' schedules and statements of financial affairs, and (iv) authorized the mailing of initial notices and all other mailings directly to parties in interest.

- *Payments on Account of Certain Prepetition Claims*. The Bankruptcy Court authorized the payment of prepetition: (i) wages, compensation, and employee benefits, (ii) sales and use taxes and regulatory fees, and (iii) obligations owed to foreign creditors.

- *Business Operations*. The Bankruptcy Court authorized the Debtors to (i) continue prepetition premium obligations under workers' compensation insurance and all other insurance policies and letters of credit relating thereto, (ii) maintain existing bank accounts and business forms, (iii) continue their existing centralized cash management system on an interim basis, and (iv) continue their current investment policy.

- *Bankruptcy Matters*. The Bankruptcy Court authorized the Debtors to reject 32 unexpired leases of nonresidential real property and abandon certain property therein.

GT U.K., Ltd. and SAC Peru S.R.L filed their chapter 11 petitions on April 24, 2002 and August 4, 2002, respectively. Those chapter 11 cases are being jointly administered with the Debtors' other chapter 11 cases.

On August 30, 2002, twenty-three of the GCL's subsidiaries, most of which were guarantors of the Lender Claims, commenced chapter 11 cases in the United States Bankruptcy Court for the Southern District of New York so that those guaranty claims would be covered by the Plan. These additional cases are also being jointly administered with the Debtors' other chapter 11 cases. On September 11, 2002, the Bankruptcy Court approved orders extending the time these additional Debtors had to file their schedules of assets and statements of financial affairs and making certain First Day Orders approved in the other Debtors' chapter 11 cases applicable to these additional Debtors.

B. The Foreign Proceedings and the JPLs

On January 28, 2002, each Debtor that is incorporated in Bermuda (collectively, the "Bermuda Group") also presented a winding up petition in the Supreme Court of Bermuda under the Companies Act of 1981. The Supreme Court of Bermuda appointed Jane Moriarty, Malcolm Butterfield and Philip Wallace as joint provisional liquidators of the Bermuda Group.

The appointment of the JPLs created a moratorium under Bermuda law that prevents creditors from taking actions to collect their claims against the Bermuda Group. It was made clear to the Bermuda court that the JPLs were not put in place with the goal of liquidating the Bermuda Group. Instead, the Bermuda Group sought and obtained orders from the Bermuda court leaving the management of each of the Bermuda Group in place to pursue the goal of a restructuring under Chapter 11 of the Bankruptcy Code under the oversight of the JPLs. The JPLs perform their oversight role mainly by exercising their power to sanction or approve payments made by GCL.

C. Appointment of the Creditors Committee

On February 7, 2002, the United States Trustee for the Southern District of New York, pursuant to its authority under section 1102 of the Bankruptcy Code, appointed the members of the Creditors Committee for these chapter 11 cases.

Since that appointment, the Debtors have consulted with the Creditors Committee on all matters material to the administration of the chapter 11 cases. The Debtors have also discussed their business operations with the Creditors Committee and its financial advisors and have sought concurrence of the Creditors Committee for actions and transactions outside of the ordinary course of business. The Creditors Committee has participated actively in reviewing the Debtors' business operations, operating performance, and business plan.

The Creditors Committee consists of twelve members. The current members of the Creditors Committee, and the attorneys and financial advisors retained by the Creditors Committee, are set forth below:

Alcatel and affiliates 15540 North Lombard Street	Aegon USA Investment Management, LLC

Portland, Oregon 97203-6428

4333 Edgewood Road, N.E.
Cedar Rapids, Iowa 52499

The Bank of New York
as Indenture Trustee
5 Penn Plaza
13th Floor
New York, New York 10001

Dupont Capital Management
One Righter Parkway, Suite 3200
Wilmington, Delaware 19803

Hartford Investment Management Co.
Hartford Investment Services, Inc.
55 Farrington Avenue
10th Floor
Hartford, Connecticut 06105

Lucent Technologies Inc.
600 Mountain Avenue
Murray Hill, New Jersey 07974-0636

Teachers Insurance and Annuity
Association of America
730 Third Avenue
New York, New York 10017-3206

Wilmington Trust Company,
as Indenture Trustee
520 Madison Avenue
36th Floor
New York, New York 10022

and

Rodney Square North
1100 North Market Street
Wilmington, DE 19890

Verizon Communications, Inc.
c/o William Cummings
1095 Avenue of the Americas
Room 3531
New York, New York 10036

PPM America
225 West Wacker
Suite 1200
Chicago, IL 60606

Wells Fargo Bank Minnesota,
National Association,
as Indenture Trustee
Sixth and Marquette,
MAC N9303-120
Minneapolis, MN 55479

U.S. Trust Company
499 Washington Boulevard, 7th Floor
Jersey City, New Jersey 07310

The Creditors Committee has retained the following advisors:

<u>Counsel</u>
Brown Rudnick Berlack Israels LLP
120 West 45th Street
New York, New York 10036

<u>Financial Advisors</u>
Chanin Capital Partners L.L.C.
330 Madison Avenue
New York, New York 10166-3198

<u>Bermuda Counsel</u>
Cox Hallett Wilkinson

<u>Accountants</u>
Deloitte & Touche

18 Parliament Street
Hamilton, Bermuda

Two World Financial Center
New York, New York 10281

Actuarial Consultants
Laiken Associates, Inc.
489 Fifth Avenue
New York, New York 10017

Restructuring Consultants
Deloitte Consulting LP
25 Broadway
New York, New York 10007

On February 25, 2002, the United States Trustee appointed a subcommittee of the Creditors Committee for the purpose of investigating issues arising from the sale of the ILEC business to Citizens (see section V.B.1, above, and VI.F, below). The subcommittee currently consists of three members of the Creditors Committee, Wilmington Trust Company, U.S. Trust Company and Wells Fargo Bank Minnesota, National Association.

D. Requests for Appointment of Examiner, Trustee, and Additional Committees

On February 1, 2002, several of the Debtors' former employees formed an ad hoc committee to deal with issues affecting the Debtors' former employees. By motion dated April 22, 2002, this ad hoc committee filed a motion requesting the appointment of an official committee of former employees. The Debtors, the Creditors Committee, and the United States Trustee objected to such motion. The Bankruptcy Court denied the motion on May 30, 2002.

By motion dated June 5, 2002, John Hovel, an equity security holder of GCL, filed a motion to appoint stockholders to a security holders' committee and an examiner pursuant to sections 1104, 1105, 1106, and 1109 of the Bankruptcy Code. In addition, on June 20, 2001, Michael S. Pascazi, another equity security holder of GCL, filed a motion seeking the appointment a trustee or in the alternative, an examiner, pursuant to section 1104 of the Bankruptcy Code. At the hearing on these two motions, the Debtors and the United States Trustee announced their agreement for the appointment of an examiner for specific purposes. At that hearing, the Bankruptcy Court denied the motions filed by Mr. Hovel and Mr. Pascazi, except for the request for the appointment of an examiner.

The United States Trustee, the Creditors Committee, and the Debtors mutually agreed to appoint a person employed by a qualified accounting firm as an examiner in these chapter 11 cases. The examiner's role would be limited to addressing the financial statements of GCL, and other companies within its control, including, (i) determining if any restatements or adjustments are required, (ii) reviewing and issuing an audit opinion on financial statements for the year ending December 31, 2001 and (iii) issuing a report regarding its findings. The agreed scope is being reviewed by the Securities and Exchange Commission.

E. Adequate Assurance to Utility and Telecommunications Providers

By motion dated January 28, 2002, the Debtors sought court approval to provide adequate assurance of future performance to their utility companies in the form of payment as an administrative expense of their chapter 11 estates. On that date, the Bankruptcy Court entered an order approving the adequate assurance motion and providing that utility companies had twenty days in which to file requests for adequate assurance.

The Debtors received over two hundred timely requests for adequate assurance. Parties seeking adequate assurance included those utility companies that the Debtors listed in their motion as well as numerous other telecommunications providers, who while maintaining contracts with the Debtors, considered themselves to be utilities within the scope of section 366 of the Bankruptcy Code. These telecommunications providers were not listed in the Debtors' adequate assurance motion, but, nevertheless, provide critical services essential to the Debtors' network and customers. Generally, the requests for adequate assurance sought deposits totaling over $150,000,000, in the aggregate.

On February 20, 2002, the Bankruptcy Court conducted a hearing on all such adequate assurance requests. Thereafter, on February 21, 2002, the Bankruptcy Court issued its ruling in connection with the adequate assurance motion. The Bankruptcy Court found all requesting entities adequately assured of future performance without the need for deposits or further security, prepayments or advances, or the granting of liens. The Bankruptcy Court, however, imposed various conditions on the Debtors in order to minimize the risk of the utility and telecommunications providers including, (i) granting administrative expense priority under sections 503(b) and 507(a)(1) of the Bankruptcy Code for unpaid, undisputed, postpetition charges for utility services, (ii) requiring the Debtors to pay the undisputed portion of any postpetition invoices of the utility and telecommunications providers, other than the Debtors' eight largest providers, within the lesser of fourteen (14) calendar days from receipt of any invoice or the time contractually agreed to by the Debtors and such requesting parties, and (iii) instituting expedited procedures for the resolution of post-petition payment defaults.

With respect to the Debtors' eight largest telecommunications providers, the Bankruptcy Court ordered the Debtors and such providers to negotiate satisfactory adequate assurance consistent with the Bankruptcy Court's decision for all other providers. The Debtors were successful in negotiating stipulations with six of its eight largest providers whereby the Debtors agreed to pay such providers within fourteen calendar days of receipt of their invoices if such providers consolidated the number of bills sent to the Debtors on a monthly basis.

Even after the adequate assurance hearing and decision, the Debtors continued to receive requests for adequate assurance from utility and telecommunications providers. Therefore, on March 8, 2002, the Debtors filed a supplemental motion seeking to provide adequate assurance to all of their utility and telecommunications providers in accordance with the Bankruptcy Court's ruling on the adequate assurance motion. The Court approved the Debtors' supplemental motion on March 25, 2002.

F. Cash Management and Adequate Protection

By motion dated January 28, 2002, the Debtors sought approval to continue their centralized cash management system, including funding their non-debtor foreign subsidiaries and affiliates and maintaining their existing bank accounts and business forms. Prior to the commencement of their chapter 11 cases, the Debtors maintained a cash management system that collected and disbursed funds from one central location throughout their worldwide subsidiaries and affiliates.

In order to minimize costs and disruption to their businesses, the Debtors sought court approval to continue collecting and disbursing funds in accordance with their prepetition cash management system. In addition, the Debtors needed to continue to fund non-debtor foreign affiliates to enable them to continue in existence while the Debtors reorganized. Finally, the Debtors needed to maintain their existing bank accounts and business forms in order to avoid the disruption and delay in the Debtors' payroll activities and business that would necessarily result from closing the prepetition bank accounts and opening new accounts.

Prior to the Petition Date, the proposed order to maintain the Debtors' cash management system was negotiated with representatives of the holders of the Lender Claims under the Credit Agreement. In exchange for the support of the proposed order by the holders of the Lender Claims, the Debtors agreed to enter into a stipulation providing "adequate protection" to the holders of the Lender Claims under the Credit Agreement. The stipulation provided the holders of the Lender Claims with a priority claim, pursuant to section 507(b) of the Bankruptcy Code, against each Debtor to the extent that the interest of the holders of the Lender Claims in any collateral securing the credit facility declined in value due to the commencement or continuation of the Debtors' chapter 11 cases. In addition, the stipulation limited the Debtors' use of the proceeds from the IPC transaction (see section V.B.1, above), by only allowing the Debtors to seek court approval to use those funds if the aggregate amount of the Debtors' unrestricted funds fell below $125,000,000.

The Bankruptcy Court entered an interim order approving the cash management motion and the adequate protection stipulation on January 28, 2002, subject to any objections being timely filed by March 21, 2002. Two objections to the cash management motion were received. The first, a limited objection by the indenture trustee for GCNA's 7.25% Notes due 2002 and 6% Dealer Remarketable Securities due 2013, sought adequate protection for the value of certain collateral pledged to secure such notes. The second, filed jointly by Citizens and the Frontier Telephone Companies intended to clarify that the cash management motion did not apply to funds held in a segregated lock box belonging to Citizens pursuant to the terms of the sale of the ILEC business to Citizens. In addition, the Creditors Committee objected to the adequate protection stipulation.

After negotiating with the Creditors Committee, the Lender Agent and representatives of the holders of the Lender Claims, and all other objecting parties, the Debtors' submitted a final order allowing the Debtors to continue their prepetition cash management system. After extensive negotiations, the holders of the Lender Claims, the Creditors Committee, and the Debtors reached agreement on the terms of adequate protection for the holders of the Lender Claims under the Credit Agreement and for the indenture trustee. In the stipulation filed with the Bankruptcy Court, each Debtor that pledged the stock of a subsidiary as collateral under the Credit Agreement agreed to grant the Lender Agent, on behalf of the holders of the Lender Claims, a priority claim against such Debtor's estate, under section 507(b) of the Bankruptcy Code, for the diminution in value of the pledged stock due to the commencement or continuation of the Debtors' chapter 11 cases so long as the priority claims did not exceed, on a Debtor by Debtor basis, the aggregate value of the stock pledged by each such Debtor as of the Petition Date. The Debtors also agreed that the indenture trustee would share equally and ratably in any priority claim granted to the Lender Agent on behalf of the holders of the Lender Claims under the Credit Agreement on account of the collateral described above.

As part of the settlement on the cash management order, the Debtors also agreed to provide additional reporting to the Creditors Committee of postpetition intercompany transfers and to document and provide collateral for funds transferred from the Debtors to non-filed affiliates, to the extent practicable. The Debtors agreed that all intercompany transfers would be superpriority claims (including the superpriority claims granted to holders of the Lender Claims under the adequate protection stipulation) to the extent that any property transferred to a Debtor or non-debtor affiliate exceeded, on a net basis, the property or benefit received by such Debtor or non-debtor affiliate from other Debtors. The superpriority claim, which would have priority over any other superpriority claims (including the priority claim given to the holders of the Lender Claims under the Adequate Protection Stipulation), administrative expenses and all prepetition transfers, would bear interest in the average prevailing non-default rate under the Debtors' credit facility until its repayment. The Debtors were also authorized to fund their non-debtor foreign affiliates in the amounts necessary to maintain their current operations so long as the manner and amounts of such funding was consistent with the operating plan presented by the Debtors to the Creditors Committee and the lenders.

The Bankruptcy Court approved the final cash management order and stipulations providing adequate protection on May 17, 2002.

G. The Adversary Proceeding with Citizens Communications

On June 29, 2001, Global Crossing sold its ILEC business, acquired as part of its acquisition of Frontier Corporation in September 1999, to Citizens for $3,500,000,000. Citizens claims that as part of the transaction the Debtors were required to transfer certain pension fund assets to an account sponsored by Citizens. These funds were held by the Debtors in trust for the payment of pension benefits to eligible employees of the ILEC business. The amounts were not transferred prior to the filing of the Debtors' chapter 11 cases. On March 11, 2002, in an effort to force the transfer of the pension plan assets, Citizens Communications Company moved by order to show cause for an injunction directing the Debtors to transfer the pension fund assets from an account sponsored by the Debtors to an account sponsored by Citizens.

On May 31, 2002, the Bankruptcy Court allowed the Communications Workers of America, a union of communications workers, to intervene in the action. The union represents many of employees of the Debtors' former ILEC business. On June 3, 2002, the union filed a motion for summary judgment claiming that the Debtors' agreement with Citizens to transfer the pension fund assets is a collective bargaining agreement which cannot be rejected. On the same date, Citizens filed a motion for partial summary judgment on the issue of whether the pension fund's assets are property of the Debtors' estates and whether the agreement to transfer the pension fund's assets is an executory contract which may be rejected by the Debtors.

The Creditors Committee is pursuing this action on behalf of the Debtors. The Creditors Committee believes that to the extent there is value in the assets in these accounts in excess of the liabilities to the employee or former employee beneficiaries is property of the estate which should be held for the benefit of Debtors' creditors.

On July 12, 2002, the Bankruptcy Court held a hearing on Citizens' motion for partial summary judgment. At that hearing, the Bankruptcy Court requested supplemental briefs from the parties on a number of issues, including the availability of specific performance as a remedy if the stock purchase agreement if found to be non-executory under section 365 of the Bankruptcy Code. Both Citizens and the Committee submitted such supplemental pleadings to the Court.

H. Assumption of John Legere's Employment Agreement

In October 2001, the Debtors hired John J. Legere as its Chief Executive Officer. Mr. Legere was charged with the task of transforming the company from a cash-consuming commodity infrastructure and bandwidth provider to a cash flow-positive communications service provider for carriers and enterprises. The Debtors determined, in their sound business judgment, that assumption of Mr. Legere's employment agreement was necessary to continue the Debtors' successful restructuring. On April 8, 2002, the Debtors filed a motion to assume the employment agreement with Mr. Legere, subject to certain modifications.

Mr. Legere's employment agreement was the subject of extensive negotiation and review by the Creditors Committee and the Lender Agent on behalf of the holders of the Lender Claims. Numerous concessions were made by the Debtors and Mr. Legere in order to attain the approval of the Creditors Committee for his continued employment. For example, Mr. Legere's base salary was reduced by 30% during the pendency of these chapter 11 cases and his annual bonus was dependant on attaining specified corporate and individual performance goals set by the compensation committee of the Debtors' board of directors and subject to the approval of the Creditors Committee and the lenders. Moreover, Mr. Legere waived relocation expenses and certain additional severance, retention and other benefits in an effort to meet the concerns of the creditor constituencies.

The Bankruptcy Court approved the assumption of Mr. Legere's employment agreement on May 31, 2002.

I. Employee Wages and Benefits Issues

1. *Payment of Certain Prepetition Obligations to Former Employees*

By motion dated April 22, 2002, the ad hoc committee of former Global Crossing employees sought an order directing the Debtors to pay all compensation, benefits, or reimbursable business expenses owed to former employees which qualify as priority administrative claims under section 507(a) of the Bankruptcy Code. The Debtors, after consultation with the Creditors Committee, agreed to pay all such priority employee wages claims and did not object to the Bankruptcy Court's entry of an order, on May 30, 2002, directing the Debtors to pay all such valid prepetition priority claims of former employees. By July 15, 2002, the Debtors had paid approximately 680 former employees an aggregate of $2,558,706 for such all such claims.

On July 26, 2002, the Debtors filed a motion for authorization to pay severance claims of former employees which the Debtors' determined did not qualify as priority claims and, therefore, were not technically included in the Bankruptcy Court's order on May 30, 2003. At the same time, the Debtors also sought authorization to pay approximately $100,000 in business expense reimbursements for former employees who incurred business expenses in the ordinary course of performing their duties on behalf of the Debtors. Such expenses would have been reimbursed by the Debtors in the ordinary course of business, except that the commencement of the Debtors' chapter 11 cases prevented payment of such prepetition expenses to former employees. On August 16, 2002, the Creditors Committee objected to payment of the non-priority severance claims for former employees. On September 5, 2002, the Bankruptcy Court overruled the Creditors Committee's objection and approved the Debtors' payment of such severance claims and reimbursable business expenses for former employees. The Court did, however, agree with the Committee's suggestion that the payments not be made until it is determined, as of December 31, 2002, whether the Debtors have satisfied the financial covenant tests in the Purchase Agreement.

2. *Key Employee and Key Executive Retention Program*

On May 24, 2002, the Bankruptcy Court approved an employee retention program for key employees. The retention program was designed to encourage key employees and key executives to remain with the Debtors by providing them with additional compensation. The additional compensation consisted of a total of $10,000,000 which was available to approximately 300 employees who had been identified as key to the Debtors' business or restructuring efforts. After consultation with the Creditors Committee, the Debtors modified the retention program to include 417 key employees at a cost, in the aggregate, of $8,238,400. The retention program contemplated distributions, in four equal installments, to designated employees who were employed by the Debtors on the date the Bankruptcy Court approved the retention program, July 1, 2002, October 1, 2002 and the earlier to occur of the filing of a chapter 11 plan of reorganization or the sale of all or substantially all of the assets of the Debtors. In addition, under the retention program, a discretionary pool of an additional $5,000,000 would be used, on an exceptional basis, to retain employees who had not been previously identified as key employees, but who, in the discretion of the chief executive officer, are or become essential to the Debtors' reorganization efforts. Half of this discretionary pool would be available immediately, the other half would be available with the consent of the Creditors Committee. The three executive officers of GCL were not included in the retention program.

Ohio State Retirement Systems objected to the retention program arguing that the program did not provide incentive for employees to remain after October 2, 2002 and should not apply to any employees named as defendants in pending securities class action lawsuits. The Bankruptcy Court overruled the objection and approved the retention program.

3. *Modification of Certain Benefit Plans*

By motion dated July 17, 2002, the Debtors sought approval to modify their 401(k) plan to permit the Debtors' to match employee contributions in cash rather than common stock. In addition, by the same motion, the Debtors sought to remove a restriction that prohibited participants from transferring matching contributions in their respective stock account to the supplementary retirement plan for five years. On August 21, 2002, the Creditors Committee objected to the motion on a limited basis. First, the Creditors Committee requested that limits be set on the total cash contributions which will be made by the Debtors' to the 401(k) plan. Second, the Creditors Committee objected to payment of benefits to any former employees under the supplementary retirement and pension plans.

The Creditors Committee and the Debtors ultimately resolved the Creditors Committee's objection by agreeing, among other things, that the Debtors could only match up to 50% of the first 6% of the employee contributions for an aggregate cost of no more than $6,400,000 and that only those employees who were employed since the Petition Date could receive payments under the supplementary retirement and pension plans of more than $350,000 in the aggregate. The Bankruptcy Court approved the agreed to modifications on August 23, 2002.

J. Exclusivity

On May 14, 2002, the Debtors filed a motion to extend the exclusive period during which the Debtors would file a chapter 11 plan and solicit acceptances thereof. Section 1121(c)(3) of the Bankruptcy Code provides an initial period of 120 days after the commencement of a chapter 11 case during which a debtor has the exclusive right to propose and file a chapter 11 plan and a period of 180 days after the commencement of the cases to obtain acceptance of such plan. The Debtors requested a 125-day extension of these exclusive periods to September 30, 2002 and November 29, 2002, respectively. By mutual agreement of the Debtors, the Creditors Committee and the lenders, the Debtors agreed to an extension of the exclusive periods to September 16, 2002 and November 15, 2002, respectively.

The Bankruptcy Court approved the extension of the exclusive period to September 16, 2002 and November 15, 2002, respectively on June 3, 2002. On September 13, 2002, the Debtors filed a motion to further extend the exclusive period to sixty (60) days from the date the Debtors' are compelled to withdraw the Plan or the Bankruptcy Court rejects the Plan. On that date, the Bankruptcy Court approved a bridge order extending exclusivity until the Bankruptcy Court could hear the Debtors' motion to extend the exclusive period [currently set for October 21, 2002].

K. Claims Process and Bar Date

1. *Schedules and Statements*

On May 31, 2002, all of the Debtors that commenced their chapter 11 cases on January 28, 2002, filed with the Bankruptcy Court a statement of financial affairs, schedules of assets and liabilities and schedules of executory contracts and unexpired leases. GT U.K., Ltd. and SAC Peru S.R.L. filed their statement of financial affairs, schedules of assets and liabilities and schedules of executory contracts and unexpired leases on July 15, 2002 and September 6, 2002, respectively. The remaining Debtors are scheduled to file their schedules on [September 16, 2002].

2. *Bar Date*

By order dated August 16, 2002, the Bankruptcy Court fixed September 30, 2002 at 5:00 p.m. as the last date and time by which proofs of claim were required to be filed in the Debtors' bankruptcy cases, except that the Internal Revenue Service has until December 31, 2002 at 5:00 p.m. to timely file proofs of claim. In accordance with the order fixing the bar date, on or about August 23, 2002, notices informing creditors of the last date to timely file proofs of claims, and a "customized" proof of claim form, reflecting the nature, amount, and status of each creditor's claim as reflected in the schedules of assets and liabilities, were mailed to all creditors listed on the schedules of assets and liabilities. In addition, consistent with that order, the Debtors caused to be published in seven (7) regional publications, the international edition of the *Wall Street Journal* and the national edition of the *New York Times* notice of the last date to timely file proofs of claim. In accordance with the Purchase Agreement, the Debtors will set a bar date for filing Administrative Expense Claims, other than for professional fees, prior to the conclusion of the chapter 11 cases.

L. Rejection of Nonresidential Real Property Leases

In an effort to reduce operating costs, the Debtors reviewed all of their executory contracts and nonresidential real property leases to determine which contracts and leases were no longer useful or saleable. During this review process, the Debtors identified [__] contracts and [__] leases that, in the Debtors' business judgment, could be rejected in the Debtors' chapter 11 cases. Accordingly, on [__] separate occasions, the Debtors filed motions with the Bankruptcy Court to reject those contracts and leases that had little or no value to the Debtors' estates.

In order to complete the extensive review of over 200 nonresidential real property leases to which the Debtors were a party as of the commencement date, the Debtors requested an extension of their time to assume or reject unexpired leases of nonresidential real property until the date of confirmation of a plan in the Debtors' chapter 11 case. The Bankruptcy Court approved the Debtors' motion and extended the time to assume or reject unexpired leases until confirmation of the Debtors' chapter 11 plan subject to the right of any lessor to seek, on an expedited basis, a reduction of such period of time after the passage of a reasonable period of time.

M. Vendor Settlements

One of the most significant creditor constituencies in the Debtors' chapter 11 cases is a relatively small number of equipment and construction vendors who purported to hold claims against the Debtors and wholly-owned, non-debtor subsidiaries of GCL in excess of $497,000,000. Many of these vendors are essential to the restructuring because the Debtors' network is based on equipment manufactured by them. These vendors maintain the Debtors' network systems, provide warranty and other services, and grant the use of certain intellectual property. Moreover, many of these vendors hold claims against non-debtor affiliates who are not entitled to the protections of the Bankruptcy Code. Accordingly, the Debtors entered into negotiations with these vendors to try to resolve their claims and the claims that the Debtors have against them. On August 15, 2002, the Debtors filed a motion to approve settlements with six of these vendors. On August [__], 2002, the Debtors supplemented that motion with a settlement that had been attained with one additional vendor.

The Debtors' motion, including the supplement, outlined the terms of settlements with seven equipment and construction vendors: Alcatel ASN, Lucent, Hitachi Telecom (USA) Inc., Juniper Networks (U.S.) Inc., Level 3 Communications, LLC, Nortel Networks, Inc. and Sonus Networks, Inc. In substance, the settlements compromised the $497,000,000 in monetary defaults existing under executory contracts with these vendors in exchange for payments aggregating approximately $113,500,000 to be made in certain fixed installments upon approval of the settlements, confirmation of the Plan, and at fixed points in calendar years 2003 and 2004. In addition, the vendors received general unsecured claims in these chapter 11 cases aggregating approximately $82,000,000 and the Debtors agreed to submit to one such vendor certain tax refunds if received from the government. In exchange, the Debtors obtained numerous benefits, including:

- A release of the $497,000,000 in monetary defaults under the executory contracts and all other claims that the vendors may have against the Debtors;

- waiver of all cure costs under the executory contracts that the Debtors might otherwise be obligated to satisfy in full under the provisions of the Bankruptcy Code;

- waivers of certain termination fees relating to executory contracts the Debtors' desired to terminate to dramatically reduce operating costs going forward;

- transfers of title to certain land, segments, systems, and systems upgrades as to which the Debtors did not previously possess title or as to which title was disputed;

- reductions aggregating $24,500,000 in calendar year 2002 in the amounts the Debtors would otherwise be committed to pay to the vendors for postpetition services;

- the ability to assume and, if necessary, assign executory vendor contracts in most circumstances without disputes as to intellectual property or other rights that the vendors may otherwise be capable of asserting; and

- resolution of miscellaneous individual and, in some cases, long running disputes with certain of the vendors.

The Bankruptcy Court approved the settlement motion with these vendors on [_____], 2002.

N. Auction Procedures and Assets Sales

1. *Bidding Procedures*

On February 4, 2002, the Debtors filed a motion for approval of its non-binding letter of intent with STT and HWL and its procedures for the submission, consideration, negotiation, and acceptance of alternative investment proposals to sponsor a plan of reorganization or to purchase all or some of the Debtors' assets. The deadline for submitting such alternative proposals was June 30, 2002 (the "Bidding Deadline"). The Bankruptcy Court approved the bidding procedures motion on March 25, 2002.

2. *STT and Hutchison Terminate Discussions Over A Definitive Agreement*

On the Petition Date, STT and HWL signed a non-binding letter of intent, which provided for, among other things, the funding of, and a plan of reorganization for, the Debtors. After that date, STT and HWL entered into negotiations with the Debtors, the Creditors Committee, and the representatives of the holders of the Lenders Claims on a definitive agreement for, among other things, STT's and HWL's equity investment in New Global Crossing. The definitive agreement with STT and HWL would serve as a "stalking horse" in the Debtors' auction process. Under the bidding procedures order, the execution of such an agreement by May 24, 2002, would have resulted in STT and HWL receiving certain protections, including break-up fees and enhanced reimbursement of expenses, in the event that STT and Hutchison were not selected as the highest bidders at the Debtors' auction, as well as under certain other circumstances. The parties were unable to reach consensus on all the terms by the May 24, 2002 deadline.

3. *The Investment Proposal Process*

While the Debtors were attempting to negotiate a definitive agreement with STT and HWL, the Debtors continued to focus on their investment proposal process. In accordance with the process approved by the Bankruptcy Court, the Debtors and their financial advisors, in consultation with the Creditors Committee and the lenders, solicited investment proposals and conducted negotiations with prospective investors. The Debtors contacted over 100 parties to solicit interest in sponsoring a plan of reorganization for the Debtors or acquiring their assets. Approximately sixty parties executed confidentiality agreements as a precursor to conducting due diligence with respect to the Debtors' business and network. [Sixteen] expressions of interest or bids relating to the Debtors' global business and network were received by the Bidding Deadline.

4. *The Purchase Agreement with STT and Hutchison*

As this process came to a close, the Debtors and their major creditors invited STT and Hutchison to negotiate a revised investment in Global Crossing. After extensive negotiation, the parties reached an agreement in principle. The Debtors, in consultation with the Creditors Committee and the representatives of the holders of the Lender Claims, determined that the negotiated deal with STT and Hutchison was superior to the bids and expressions of interest received in the auction process. On August 9, 2002, the Debtors, the JPLs, STT, and Hutchison entered into the Purchase Agreement. At a hearing later that day, the Bankruptcy Court approved the Purchase Agreement.

The Purchase Agreement provides for, among other things, the investment by STT and Hutchison of an aggregate amount of $250,000,000 for the purchase of equity interests in New Global Crossing. Their obligation is conditioned on a number of things, including confirmation of the Plan which provides for distributions to creditors as described in section II.E. If, at any time before the Closing Date (as defined in the Purchase Agreement), the Investors, the Creditors Committee and the Lenders under the Credit Agreement agree that the transactions contemplated by the Purchase Agreement and the other transaction agreements may be effectuated through an asset acquisition in accordance with Section 363 of the Bankruptcy Code without materially delaying the Closing Date, then the parties to the Purchase Agreement may agree to structure the transaction in accordance with section 363 of the Bankruptcy Code. In that case, the parties to the Purchase Agreement will cooperate in good faith and take any actions necessary to cause such transactions to be completed through an asset acquisition, provided that the transaction will be structured to avoid treatment as a reorganization under Section 368 of the Internal Revenue Code.

The Purchase Agreement contains certain covenants with respect to the Debtors' employment agreements with their directors and employees. New Global Crossing will adopt a Management Incentive Plan in accordance with the Purchase Agreement. In addition, the Debtors will consult the Investors prior to entering into or assuming any employment agreement with any director or employee where the annual salary and bonus are between $85,000 and $250,000. Without the prior written consent of the Investors, the Debtors will not enter into or assume any contract under which the annual salary and bonus exceed $250,000. In addition, the Investors have authority to cause the Debtors to reject any employment contract in which the transaction contemplated by the Purchase Agreement would trigger a "change of control" or indemnification by the Debtors.

The Purchase Agreement requires the Debtors to (i) use commercially reasonable efforts to amend any contracts containing non-compete covenants so that the non-compete provisions do not apply to either Investor or their affiliates, (ii) use commercially reasonable efforts to prevent from being taken any action which could be expected to impair or not dilute the Debtors' ownership of the securities of Asia Global Crossing; *provided, however*, that the Debtors are not obligated to (a) breach any fiduciary duties, to encourage or induce its nominees to the Asia Global Crossing Board of Directors to breach any fiduciary duties or (b) make any additional investment in Asia Global Crossing, and (iii) reimburse the Investors, up to $5,200,000, for their reasonable out-of-pocket expenses (including the out-of-pocket expenses, costs, and other fees (except success fees) of their financial advisors) made in connection with the transaction between May 25, 2002, and the earlier of the closing or the termination of the Purchase Agreement. The Purchase Agreement also contains certain covenants by the Investors, including their use of commercially reasonable efforts to cause New Global Crossing to list its securities on any U.S. national stock exchange or on the Nasdaq National Market or Nasdaq Small Cap Market as soon as possible after the Effective Date.

The summary of the terms and conditions of the Purchase Agreement described in the Disclosure Statement are qualified in their entirety by the terms and conditions of the Purchase Agreement which is attached as Exhibit D to the Plan. In the event of any inconsistency between the description of the Purchase Agreement set forth herein and the terms of the Purchase Agreement, the terms of the Purchase Agreement will control. Other terms include the following:

- *Conditions to Closing for the Investors.* The principal conditions to the obligations of each Investor to close the transaction (which may be waived) are that (a) the representations and warranties of GCL and the other investor are true and correct (qualified with materiality), (b) GCL and the other investor have complied with their respective covenants (qualified with materiality), (c) GCL has complied with certain financial covenants based on cash held as of December 31, 2002, and net working capital reflecting Big Eight (as such term is defined in the Purchase Agreement) exit costs, other exit costs, and success-based professional fees, (d) bar dates for claims within specified time frames have been fixed, (e) the transaction has been simultaneously consummated by the other Investor, and (f) all material regulatory approvals required in connection with the consummation of the transactions contemplated by the Purchase Agreement have been obtained by the parties to the Purchase Agreement.

- *Conditions to Closing for Global Crossing.* The principal conditions to the obligations of GCL to close the transaction are that (a) the representations and warranties of the Investors are true and correct (qualified with materiality), (b) the Investors have complied with their covenants (qualified with materiality) (c) the Investors obtain regulatory approval for the transaction.

- *Termination of the Purchase Agreement.* The Purchase Agreement may be terminated (a) by mutual agreement of GCL and the Investors, (b) subject to certain limitations, by GCL or either Investor if the transaction is not closed by January 31, 2003 (or, if the only remaining conditions to closing are regulatory approvals or the determination of compliance with GCL's financial covenants, by the earlier of (i) in the case of regulatory approvals, the date on which an Investor is notified that a material regulatory approval has been denied, will not be approved, or will be approved subject to conditions that would constitute a Material Adverse Effect or would have a material adverse effect on such Investor or, in the case of financial covenants, the date on which it is determined that GCL will not be able to satisfy such financial covenants, and (ii) April 30, 2003, subject to further extension in certain limited circumstances), (c) by either Investor, if the other Investor or GCL breached a representation, warranty, or covenant or agreement, subject to certain limitations and qualification, (d) by GCL, if an Investor breached a representation, warranty, covenant or other agreement (qualified with materiality and subject to certain limitations or qualifications) (e) by either Investor, if an event occurs which is reasonably likely to give rise to failure of a condition to such Investor's obligations under the Purchase Agreement to be met and which is not or can not be cured within 5 days of the Investor providing notice thereof, (f) by GCL, if an event occurs which is reasonably likely to give rise to failure of a condition to GCL's obligations under the Purchase Agreement to be met and which is not or can not be cured within 5 days of GCL providing notice thereof, (g) by an Investor, if the other Investor terminates the Purchase Agreement in accordance with the terms thereof, (h) by an Investor or GCL, if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission issues a final nonappealable order, judgment or decree or takes other action having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Purchase Agreement, (i) by GCL or an Investor, if the JPLs vary, modify, or withdraw their approval pursuant to the exercise of their fiduciary duties, (j) by an Investor, if (i) GCL, the Bank Agent under the Credit Agreement, or the Creditors Committee commences an action to liquidate GCL or its subsidiaries or any of their respective assets under Chapter 7 or Chapter 11 of the Bankruptcy Code or otherwise, (ii) the Bankruptcy Court approves of any action commenced by any person or entity to liquidate GCL or its subsidiaries or any of their respective assets or for the appointment of a trustee or an examiner with managerial powers, or if any similar action is taken by the Bermuda court, (iii) the exclusivity period during which solely GCL may file a chapter 11 plan terminates, (iv) a motion or an action is taken in court or the Bermuda court which, if approved, would be reasonably likely to give rise to a failure of a condition to the Investors' obligations under the Purchase Agreement, or (v) GCL fails to comply with a deadline in the restructuring timetable (attached as Exhibit C to the Purchase Agreement) by more than seven business days (subject to waiver by the Investors), (k) by GCL, if an Investor terminates its obligations under the Purchase Agreement and the other Investor does not assume such obligations within thirty days of receipt of such notice of termination and (l) by GCL, if it is required to do so pursuant to its fiduciary duties.

- *Liquidated Damages for the Investors.* The Investors are entitled to liquidated damages of $30,000,000 (in addition to any out-of-pocket expenses incurred and unpaid on the termination date) if the Purchase Agreement is terminated on one of the following grounds: (a) a Material Adverse Effect has occurred between signing and closing due to an intentional or reckless act of GCL, (b) GCL intentionally or recklessly breached its representations, warranties, or other agreements (subject to certain limitations and qualifications), (c) GCL breached its covenants under the Purchase Agreement (subject to certain limitations and qualifications), (d) the JPLs vary, modify, or withdraw their approval pursuant to the exercise of their fiduciary duties, (e) GCL, the Bank Agent or the Creditors Committee commences any action to liquidate GCL or any of its subsidiaries or any of their respective assets under Chapter 7 or Chapter 11 of the Bankruptcy Code or otherwise, (f) GCL fails to comply with a deadline in the restructuring timetable set forth in Exhibit C to the Purchase Agreement by more than seven business days, or (g) GCL terminates the Purchase Agreement pursuant to the exercise of its fiduciary duties.

- *Enhanced Liquidated Damages for the Investors.* If at any time after August 9, 2002, any person or group acting in concert becomes the beneficial owner of 30% or more of the Lender Claims and thereafter the Purchase Agreement is terminated as a direct or indirect result of the action of that person or group, the liquidated damages will be increased to $50,000,000 (in addition to any unpaid reasonable out-of-pocket expenses as of the termination date)

5. *Other Asset Sales*

As a result of the retrenchment in the telecommunications industry generally and the reduction in the scope of the Debtors business, including reductions in manpower and office space, the Debtors possessed a significant amount of equipment that had no useful purpose in the ongoing operation of the Debtors' business. Included among this equipment was unused and unneeded office furniture, fixtures and supplies and spare telecommunications supplies, including excess switches, routers, and cables and certain IRUs.

By orders of the Bankruptcy Court respectively dated May 15, 2002 and July 12, 2002, the Debtors were authorized to retain brokers and implement procedures to facilitate the sale of the de minimus assets and the IRUs identified for sale. The sale of these surplus assets is ongoing and is expected to net the Debtors approximately [$1,000,000].

O. Appointment of a Fee Committee

On August 21, 2002, the Bankruptcy Court approved the appointment of a fee committee to monitor the fees incurred in these chapter 11 cases. The fee committee is comprised of a business person appointed by, and representative of, the Creditors Committee, the holders of Lenders Claims, the United States Trustee and the Debtors.

VII.

Governance of New Global Crossing

A. Board of Directors

The Board of Directors of New Global Crossing will consist of ten members. Four members will be nominated by STT. Four members will be nominated by Hutchison. Those directors will include the chairman of the board, as well as the chairman of all significant board committees. The remaining two members will be nominated by the Creditors Committee. STT and Hutchison will agree to vote for the designees of the Creditors Committee who satisfy the "independent" director requirements of the New York Stock Exchange; the directors nominated by the Creditors Committee will serve as directors of New Global Crossing until the second anniversary of the Effective Date. If STT and Hutchison acquire 50% or more of the New Common Stock outstanding as of the Effective Date and owned by persons other than the Investors, through purchases in the open market, the Creditors Committee will be entitled to nominate only one member to the board. At 75% or more ownership (through purchases in the open market) by STT and Hutchison of the New Common Stock outstanding as of the Effective Date, the Creditors Committee will not be entitled to nominate any board members.

B. Senior Management

John Legere will be Chief Executive Officer of New Global Crossing. The names of other senior members of management will be available on or before confirmation of the Plan.

VIII.

Other Aspects of the Plan of Reorganization

A. Distributions

One of the key concepts under the Bankruptcy Code is that only claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan of Reorganization and the descriptions below. In general, an "allowed" claim or "allowed" equity interest simply means that the debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines, that the claim or interest, and the amount thereof, is in fact a valid obligation of the debtor.

Any claim that is not a disputed claim and for which a proof of claim has been filed is an allowed claim. Any claim that has been listed by any Debtor in such Debtor's schedules of assets and liabilities, as may be amended from time to time, as liquidated in amount and not disputed or contingent is an allowed claim in the amount listed in the schedules unless an objection to such claim has been filed. If the holder of such claim files a proof of claim in an amount different than the amount set forth on the Debtor's schedules of assets and liabilities, the claim is an allowed claim for the lower of the amount set forth on the Debtor's schedules of assets and liabilities and on the proof of claim and a disputed claim for the difference. Any claim that has been listed in the Debtor's schedules of assets and liabilities as disputed, contingent or not liquidated and for which a proof of claim has been filed is a disputed claim. Any claim for which an objection has been timely interposed is a disputed claim. For an explanation of how disputed claims will be determined, see section VIII.A.3.

An objection to any claim may be interposed by the Estate Representative, on behalf of the Debtors, within 120 days after the Effective Date or such later date as may be fixed by the Bankruptcy Court. Any claim for which an objection has been interposed will be an Allowed Claim to the extent the objection is determined in favor of the holder of the claim.

The Plan provides that, except as expressly set forth in the Purchase Agreement and the other documents to be executed in connection with the Purchase Agreement, the Investors, New Global Crossing, and the Debtors directly or indirectly acquired by New Global Crossing shall have no liability or obligation for any claim against or equity interest in any of the Debtors arising prior to the Effective Date.

1. *Distributions Through Agents*

Distributions to the holders of the Lender Claims (Class C) will be made through the Lender Agent. Distributions to the holders of the GC Holdings Notes Claims (Class D) and the GCNA Notes Claims (Class E) will be made through the respective indenture trustees for the public debt instruments representing such claims. Distributions to holders of General Unsecured Claims (Class F) and [Convenience Claims (Class G)] will be made through the Estate Representative.

2. *Timing and Conditions of Distributions*

(a) *Date of Distribution*

Except as otherwise provided for in the Plan of Reorganization, distribution on account of allowed claims will be made on the later of the Effective Date or, with respect to a disputed claim, only after and to the extent such claim becomes allowed. Disputed claims will be treated as set forth below.

(b) *Fractional Shares*

No fractional shares of New Common Stock or cash in lieu thereof shall be distributed. For purposes of distribution, fractional shares of New Common Stock shall be rounded down to the next whole number or zero, as appropriate.

3. *Procedures for Treating Disputed Claims Under the Plan of Reorganization*

(a) *Disputed Claims*

A disputed claim is a claim that has not been allowed or disallowed pursuant to an agreement by the parties or an order of the Bankruptcy Court. A claim for which a proof of claim has been filed but that is listed on the Debtors' schedules of assets and liabilities as unliquidated, disputed or contingent, and which has not yet been resolved by the parties or by the

Bankruptcy Court, is a disputed claim. If a holder of a claim has filed a proof of claim that is inconsistent with the claim as listed on the Debtors' schedules of assets and liabilities, such claim is a disputed claim to the extent of the difference between the amount set forth in the proof of claim and the amount scheduled by the Debtors. Any claim for which the Debtors or any party in interest have interposed a timely objection is a disputed claim.

(b) *Reserve for Disputed Claims (Class F) [and Class G]*

As described in section II.E.6, a significant amount of general unsecured claims remain disputed. In order to avoid prejudice to any holder of a claim that has not been allowed or disallowed as of the Effective Date, the Debtors will withhold sufficient shares of New Common Stock, New Senior Notes and other consideration to be distributed under the Plan to make distribution to holders of all disputed claims in Class F. The Debtors will transfer such property to the Estate Representative. When sufficient claims have been resolved to permit the distribution of additional shares of New Common Stock, New Senior Notes, and other consideration to be distributed under the Plan to Classes entitled to receive such securities, the Estate Representative will make an additional distribution.

(c) *Objections to Claims*

The Debtors will be entitled to object to all disputed claims or claims not already allowed. After the Effective Date, the Estate Representative will have the responsibility of objecting to remaining disputed claims. Any objections to claims shall be served and filed on or before one hundred and twenty (120) days after the Effective Date or such later date as may be fixed by the Bankruptcy Court.

(d) *No Distributions Pending Allowance*

If any portion of a claim is a disputed claim, no payment or distribution shall be made on account of such claim until such disputed claim becomes an allowed claim. Pending the allowance or disallowance of the disputed claims, the Estate Representative shall withhold from the payments and distributions made pursuant to the Plan of Reorganization to the holders of allowed claims the payments and distributions allocable to the disputed claims as if the disputed claims had been allowed claims.

(e) *Distributions After Allowance*

To the extent that a disputed claim becomes an allowed claim, the holder of such allowed claim shall receive a distribution in accordance with the provisions of the Plan of Reorganization. The distribution shall include actual interest or dividends earned on account of such property.

B. Conditions to the Effective Date

The only condition to the occurrence of the Effective Date is that the "Closing" referred to the Purchase Agreement occur. However, the "Closing" under the Purchase Agreement itself is subject to various conditions including obtaining regulatory approval for the transaction and meeting certain financial tests. See the discussion of the Purchase Agreement in section VI.N.4.

C. Treatment of Executory Contracts and Unexpired Leases

1. *Contracts and Leases Not Expressly Assumed are Rejected*

The Debtors will assume under the Plan, the executory contracts and unexpired leases listed on Schedules 1.0 to the Plan or previously assumed by order of the Bankruptcy Court. The Debtors will reject all other executory contracts and unexpired leases listed on Schedule 1.1 to the Plan, any option or warrant to purchase common stock of any of the Debtors to the extent such option or warrant is determined not to be an equity interest, as well as executory contracts and unexpired leases not listed on Schedule 1.0 or 1.1 to the Plan or otherwise not known to the Debtors.

Any time prior to the first Business Day prior to the Commencement of the Confirmation hearing of the Plan of Reorganization, the Debtors may amend Schedule 1.0 or 1.1. The Debtors will provide notice to the parties affected by any amendment to Schedule 1.0 or 1.1.

Any contract or lease that has already been assumed pursuant to a final order of the Bankruptcy Court or which is the subject of a separate motion to assume or reject such contract or lease filed prior to the filing of Schedule 8.1 will not be rejected pursuant to the Plan of Reorganization.

Executory contracts and unexpired leases that are listed on Schedule 1.0 or 1.1 relating to the use or occupancy of real property are broadly defined to include related agreements or supplements and executory contracts or unexpired leases appurtenant to the premises. The treatment of these other agreements will be the same as for the underlying agreement (i.e., both will be assumed or both will be rejected) unless the Debtors specifically treat the other agreements separately in accordance with the provisions of the Plan of Reorganization.

Given the large number of contracts that the Debtors have entered into (many of which are no longer executory), it is possible that contracts may be inadvertently rejected under this procedure. Accordingly, if the non-Debtor party to such a contract requests in writing that such contract be assumed, the Debtors will consider such request. The requests must state that any defaults under such contract and any right to any cure payment under such contract or lease are being waived. The Debtors may, but shall not be obligated to, assume such contract or lease without further action of the Bankruptcy Court.

2. *Cure of Defaults.*

Generally, if there has been a default (other than a default specified in section 365(b)(2) of the Bankruptcy Code) under an executory contract or unexpired lease, the debtor can assume the contract or lease only if the debtor cures the default. Accordingly, a conditions to the assumption of an executory contract or unexpired lease is that any default under an executory contract or unexpired lease that is to be assumed pursuant to the Plan of Reorganization will be cured in a manner consistent with the Bankruptcy Code and as set forth in the Plan of Reorganization.

Within 60 days after the Bankruptcy Court confirms the Plan, but in no event later than 15 days before the Effective Date, the Debtors will file a pleading with the Bankruptcy Court listing the cure amounts of all executory contracts that they intend to assume. Within 15 days of the filing of such schedule, counterparties to such contracts or leases must object if they dispute the Debtors' proposed cure amount. To the extent the Debtors and the counterparties to the leases or contracts cannot resolve their disputes, the Bankruptcy Court will resolve such disputes at a hearing to be held no earlier than 15 days from the objection deadline. If, after the Effective Date, the Bankruptcy Court determines that the cure amount is greater than the one listed by the Debtors, New Global Crossing or a reorganized Debtor designated by New Global Crossing will pay the additional amount necessary to effectuate the cure from cash transferred on the Effective Date or otherwise.

3. *Cost of Access Claims.*

The Debtors purchase telecommunications services from other provider under interconnections agreements and tariffs. The Debtors believe that many, if not all, such agreements are not executory contracts. For purposes of the Plan, any agreements between the telecommunications providers and the Debtors which are rejected by the Debtors, will be deemed executory with all Allowed Claims treated as General Unsecured Claims. If the Debtors and the telecommunications providers negotiate for the provision of particular services provided under a tariff or interconnection agreement and the parties mutually agree on the payment terms for curing any prepetition defaults with respect to such service and otherwise meet the requirements of section 365 of the Bankruptcy Code, that service will be considered assumed. In the event that a Debtor elects to continue to receive telecommunications services pursuant to a tariff and agreement has not been reached on the cure costs associated with such service, the Bankruptcy Court will determine whether and to what extent such services must be provided to such Debtor after the Effective Date.

4. *Rejection Claims.*

Any claim for damages from the Debtors' rejection of any executory contract or unexpired lease must be filed with the Bankruptcy Court and served on counsel for the Debtors within thirty (30) days of the Effective Date or the date of rejection of such contract. Any party that does not timely file a proof of claim will be forever barred from asserting such claim and the claim will not be enforceable against the Debtors or any property to be distributed under the Plan.

D. Effect of Plan of Reorganization

1. *Discharge of Claims and Termination of Equity Interests*

The Plan of Reorganization will discharge all existing debts and claims, and terminate all equity interests, of any kind, nature or description whatsoever against or in Global Crossing. All holders of existing claims against and equity interests in the Debtors will be enjoined from asserting against the Debtors, or any of their assets or properties, any other or further claim or equity interest based upon any act or omission, transaction, or other activity that occurred prior to the Effective Date, whether or not such holder has filed a proof of claim or proof of equity interest In addition, upon the Effective Date, each holder of a Claim against or equity interest in the Debtors shall be forever precluded and enjoined from prosecuting or asserting any discharged claim against or terminated equity interests in the Debtors.

2. *Exculpation*

The Plan of Reorganization exculpates the Debtors, the Creditors Committee, the JPLs, the Estate Representative, the Lender Agent and their respective agents for conduct relating to the prosecution of the chapter 11 cases. Specifically, except for Estate Representative Claims (as defined in the Plan), the Plan of Reorganization provides that neither the Debtors, the

Creditors Committee, the JPLs, the Estate Representative, the Lender Agent, nor any of their respective members, officers, directors, employees, agents, or professionals shall have or incur any liability to any holder of any claim or equity interest for any act or omission in connection with, or arising out of, the chapter 11 cases, the confirmation of the Plan of Reorganization, the consummation of the Plan of Reorganization, or the administration of the Plan of Reorganization or property to be distributed under the Plan of Reorganization, except for willful misconduct or gross negligence. The Plan of Reorganization also exculpates the Investors, the Investors' directors, officers, partners, members, agents, representatives, accountants, financial advisors, investment bankers, dealer-managers, placement agents, attorneys, and employees in their capacity as representatives of the Investors for any act taken or omitted to be taken under or in connection with, or arising out of, the chapter 11 cases, the confirmation of the Plan of Reorganization, the consummation of the Plan of Reorganization, or the administration of the Plan of Reorganization or property to be distributed under the Plan of Reorganization,

E. Releases

The Plan provides for a release of certain claims held by the Debtors, other than those based on willful misconduct or gross negligence. The Plan of Reorganization provides for the release of any claims the Debtors may hold against current officers, directors and employees of the Debtors (except for Estate Representative Claims) and any post-Petition Date claims against the financial advisors, professionals, accountants, attorneys of the Debtors, the Creditors Committee (and any subcommittee thereof), the Lender Agent, and the JPLs. The Plan also releases any claims the Debtors may hold, arising after the Petition Date, against the JPLs and the members of the Creditors Committee and each of their respective officers, directors, employees. In addition, the Plan releases the three independent directors who joined the board of directors of GCL in February, 2002 and March 2002, from pre- and post-Petition Date liability.

The Plan also releases any claim any party may have against the Investors relating to the Debtors, the chapter 11 cases, the Plan, or any schemes of arrangement.

In addition, the Plan will provide for mutual releases between the holders of the Lender Claims (solely in their capacities as lenders under the Credit Agreement), on the one hand, and the Debtors and their non-Debtor subsidiaries (other than Asia Global Crossing and its subsidiaries), on the other hand.

F. Injunction

The Plan constitutes an injunction preventing, among other things, any holder of any claim or equity interest or any other party in interest in the chapter 11 cases from directly or indirectly commencing or continuing in any manner any action or other proceeding of any kind against the Debtors, New Global Crossing or the Investors, enforcing judgments relating to such claims or interests, asserting rights of setoff or subrogation [or recoupment], or interfering in any way with the Plan or any schemes of arrangement. Except as otherwise set forth in the Purchase Agreement or the documents to be executed in connection with the Purchase Agreement, the Investors, New Global Crossing and the Debtors directly or indirectly acquired by New Global Crossing will not have any liability whatsoever for any claim or equity interest in the Debtors that arose prior to the Effective Date. Before any holder of any claim or equity interest or any party in interest in the chapter 11 cases seeks to take any action against the Debtors, the Investors or New Global Crossing, such person should review the provisions of the Plan of Reorganization to ensure such proposed action would not violate an order of the Bankruptcy Court.

G. Management Incentive Plan

As of the Effective Date, New Global Crossing will adopt a new management incentive plan for its officers and other members of senior management. This plan will include a pool of options to purchase and/or stock-based grants of 3,478,261 shares of New Common Stock (8% on a fully diluted basis). The options will be awarded by the board of directors of New Global Crossing based on recommendations by the chief executive officer. The details of the Management Incentive Plan are included in the Plan Supplement.

H. The Estate Representative

The Plan provides for the establishment of the Estate Representative on the Effective Date. [The Estate Representative will be a committee of five individuals, two of whom shall be appointed by the holders of the Lender Claims, two of whom will be appointed by the Creditors Committee and one of whom will be appointed by agreement between the holders of the Lender Claims' appointees and the Creditors Committee's appointees.] The Estate Representative will take over the functions of concluding the chapter 11 cases commencing on the Effective Date. In order to facilitate the fulfillment of its responsibilities, it is anticipated that the Estate Representative will have the benefit of a "cooperation agreement" with New Global Crossing. The functions of the Estate Representative are described below.

Making Distributions. As described in the Plan, the Lender Agent is responsible for receiving the consideration from the Debtors under the Plan and distributing such consideration to the holders of the Lender Claims in accordance with the Credit Agreement. The indenture trustees perform this function for the various holders of the Debtors' public debt. The Estate Representative will perform this role for the class of General Unsecured Claims [and for the class of Convenience Claims].

Serving as Liquidating Trustee. The Plan establishes a Liquidating Trust, which will receive certain property on the Effective Date such as causes of action against third parties and [a portion of] certain funds located in a bank account in Bermuda. The holders of certain claims, in turn, will own beneficial interests in the Liquidating Trust. The interests in the Liquidating Trust will not be transferable. The Estate Representative will serve as the trustee for the Liquidating Trust or will designate a trustee for the Liquidating Trust.

Resolving Disputed Prepetition Claims. One of the key functions of the Estate Representative is to object to and resolve claims that remain disputed as of the Effective Date. In this regard, the Estate Representative may object to claims, seek to estimate claims, and settle claims.

Bringing Avoidance Actions. The Plan of Reorganization preserves certain avoidance actions that the Debtors may possess, such as the ability to recover funds from parties that received preferential transfers under section 547 of the Bankruptcy Code or fraudulent transfers. Although the Purchase Agreement limits the ability of the Estate Representative to bring these actions against certain current vendors of New Global Crossing, bringing avoidance actions is an important function of the Estate Representative. The Estate Representative may also bring these avoidance actions in the context of a defense or counterclaim to claims asserted by creditors in the chapter 11 cases.

Prosecution of Causes of Action. Under the Plan, the Estate Representative will be responsible for prosecuting and settling the causes of action transferred to the Liquidating Trust.

Resolving Disputed Administrative Claims. Most Administrative Expense Claims will be paid by the Debtors in the ordinary course of business. Certain Administrative Expense Claims may remain unliquidated, contingent, disputed, or otherwise unpaid as of the Effective Date. The Debtors will set aside funds to cover these types of Administrative Expense Claims and the Estate Representative will object and or resolve the amounts owed, if any, to the holders of unliquidated, contingent, or disputed Administrative Expense Claims and otherwise pay them as they become due.

Mechanics. The Estate Representative will have the authority to retain and compensate professionals to enable it to perform its functions. Cash will be deposited with the Estate Representative to fund its expenses. Any portion of those funds remaining after the Estate Representative has performed its functions must be transferred to New Global Crossing.

I. Miscellaneous Provisions

The Plan of Reorganization contains provisions relating to the cancellations of existing securities, corporate actions, delivery of distributions, manner of payment, vesting of assets, binding effect, payment of statutory fees, retiree benefits, dissolution of the Creditors Committee (at an appropriate time after the Effective Date), recognition of guaranty rights, substantial consummation, compliance with tax requirement, severablity, revocation and amendment of the Plan of Reorganization, governing law, and timing. For more information regarding this items, see the Plan of Reorganization attached hereto as Exhibit A.

J. Certain Indenture Trustee Fees and Expenses

The Debtors not acquired by New Global Crossing will pay the reasonable fees and expenses of each of the indenture trustees for the publicly issued debt securities of GC Holdings and GCNA, as mutually agreed or determined by the Bankruptcy Court, including the reasonable fees and expenses of its professionals.

IX.

Certain Factors to Be Considered

A. Certain Bankruptcy Considerations

Although the Debtors believe that the Plan of Reorganization will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan of Reorganization will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In addition, although the Debtors believe that the Effective Date will be during the first half of 2003, there can be no assurance as to such timing.

The Plan of Reorganization compromises all claims against and equity interests in the Debtors. The Plan of Reorganization will be confirmed by the Bankruptcy Court. The jurisdiction of the Bankruptcy Court extends to all assets of the Debtors wherever such assets may be located throughout the world. In addition, the Bankruptcy Court has jurisdiction over any person who has a presence in the United States or otherwise participated in the chapter 11 cases. The claims that are ultimately determined not to be subject to the jurisdiction of the Bankruptcy Court will not be compromised or treated by the Plan of Reorganization and will be paid or resolved by the Debtors in the ordinary course of business.

B. Risks Relating to the Plan Securities

1. *Variances from Projections*

The Projections included herein are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Factors that could cause actual results to differ materially include, but are not limited to, New Global Crossing's ability to operate its business consistent with its projections, comply with the covenants of its financing agreements, attract and retain key executives, and respond to adverse regulatory actions taken by the federal and state governments.

2. *Lack of Trading Market*

Initially, the equity securities issued under the Plan will not be listed on any exchange. There can be no assurance that an active trading market for the New Common Stock or the New Senior Secured Notes will develop. Accordingly, no assurance can be given that a holder of New Common Stock or New Senior Secured Notes will be able to sell such securities in the future or as to the price at which any such sale may occur. If such markets were to exist, such securities could trade at prices higher or lower than the value ascribed to such securities in this Disclosure Statement, depending upon many factors, including the prevailing interest rates, markets for similar securities, the general economic and industry conditions, and the performance of, and investor expectations for, New Global Crossing.

3. *Dividend Policies*

The Debtors do not anticipate that New Global Crossing will pay dividends on the New Common Stock in the near future.

4. *Restrictions on Transfer*

Holders of New Common Stock who are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, including holders who are deemed to be "affiliates" or "control persons" within the meaning of the Securities Act, will be unable freely to transfer or to sell their securities except pursuant to (i) "ordinary trading transactions" by a holder that is not an "issuer" within the meaning of section 1145(b), (ii) an effective registration of such securities under the Securities Act and under equivalent state securities or "blue sky" laws or (iii) pursuant to the provisions of Rule 144 under the Securities Act or another available exemption from registration requirements. For a more detailed description of these matters, see section II.I.

C. Risks Associated with the Business

Additional discussion of risks related to the Debtors' business are set forth in greater detail in GCL's most recent Form 10-K, filed with the Securities and Exchange Commission on April 2, 2001. See the sections entitled: Forward looking Statements and Risk Factors, Quantitative and Qualitative Disclosures about Market Risk and Foreign Currency.

X.

Confirmation of the Plan of Reorganization

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. The confirmation hearing is scheduled for [time and date] before the Honorable Robert E. Gerber, Room 621, United States Bankruptcy Court for the Southern District of New York, 1 Bowling Green, New York, New York 10004. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan of reorganization. Any objection to confirmation of the Plan of Reorganization must be in writing, must conform to the Federal Rules of Bankruptcy Procedure, must set forth the name of the objector, the nature and amount of claims or interests held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon and received no later than 4:00 p.m. Eastern Standard Time on [date] on (i) Weil, Gotshal & Manges LLP, Attorneys for Debtors and Debtors in Possession, 767 Fifth Avenue, New York, New York 10153, Attention: Michael F. Walsh and Paul M. Basta.; (ii) The United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Mary E. Tom, (iii) Brown Rudnick Berlack Israels LLP, Attorneys for the Official Committee of Unsecured Creditors, 120 West 45th Street, New York, New York 10005, Attention: Edward S. Weisfelner, (iv) Milbank, Tweed, Hadley & McCloy, Attorneys for Agent under the Credit Agreement, 1 Chase Manhattan Plaza, New York, New York 10005, Attention: Allan S. Brilliant, (v) Paul, Weiss, Rifkind, Wharton & Garrison, Attorneys for Hutchison, 1285 Avenue of the Americas, New York, New York 10019, Attention: Stephen J. Shimshak and (vi) Latham & Watkins, Attorneys for STT, 885 Third Avenue, Suite 1000, New York, New York 10022, Attention: Martin Flics.

Objections to confirmation of the Plan of Reorganization are governed by Rule 9014 of the Federal Rules of Bankruptcy Procedure.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. General Requirements of Section 1129

At the confirmation hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied.

1. *The Plan of Reorganization complies with the applicable provisions of the Bankruptcy Code.*

2. *The Debtors have complied with the applicable provisions of the Bankruptcy Code*.

3. *The Plan of Reorganization has been proposed in good faith and not by any means proscribed by law.*

4. *Any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan of Reorganization for services or for costs and expenses in, or in connection with, the chapter 11 cases, or in connection with the Plan of Reorganization and incident to the chapter 11 cases, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan of Reorganization is reasonable or if such payment is to be fixed after confirmation of the Plan of Reorganization, such payment is subject to the approval of the Bankruptcy Court as reasonable.*

5. *The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan of Reorganization, as a director, officer or voting trustee of the Debtors, affiliates of the Debtors participating in the Plan of Reorganization with the Debtors, or a successor to the Debtors under the Plan of Reorganization, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation for such insider.*

6. *With respect to each class of claims or equity interests, each holder of an impaired claim or impaired equity interest either has accepted the Plan of Reorganization or will receive or retain under the Plan of Reorganization on account of such holder's claim or equity interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.*

7. *Except to the extent the Plan of Reorganization meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each class of claims or equity interests has either accepted the Plan of Reorganization or is not impaired under the Plan of Reorganization. Classes I (GC Holdings Preferred Stock), J (GCL Preferred Stock), K (GCL Common Stock), and L (Securities Litigation Claims) are deemed to have rejected the Plan of Reorganization and thus the Plan of Reorganization can be confirmed only if the requirements of section 1129(b) of the Bankruptcy Code are met.*

8. *Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan of Reorganization provides that allowed undisputed Administrative Expense Claims and Allowed Priority Non-Tax Claims will be paid in full on the Effective Date and that Allowed Priority Tax Claims will receive on account of such claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such claims, of a value, as of the Effective Date, equal to the allowed amount of such claims.*

9. *At least one class of impaired Claims has accepted the Plan of Reorganization, determined without including any acceptance of the Plan of Reorganization by any insider holding a Claim in such class.*

10. *Confirmation of the Plan of Reorganization is not likely to be followed by the liquidation or the need for further of financial reorganization of the Debtors or any successor to the Debtors under the Plan of Reorganization, unless such liquidation or reorganization is proposed in the Plan of Reorganization. See discussion of "Feasibility" below.*

11. *The Plan of Reorganization provides for the continuation after the Effective Date of payment of all retiree benefits (as defined in section 1114 of the Bankruptcy Code), at the level established pursuant to subsection 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to confirmation of the Plan of Reorganization, for the duration of the period the Debtors have obligated themselves to provide such benefits.*

C. Best Interests Tests

As described above, the Bankruptcy Code requires that each holder of an impaired claim or equity interests either (i) accept the Plan or (ii) receive or retain under the Plan of Reorganization property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The first step is determining whether this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of cash that would be available for satisfaction of claims and equity interests would be the sum of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by any unencumbered cash held by the Debtors at the time of the commencement of the liquidation case.

The next step is to reduce that gross amount by the costs and expenses of the liquidation itself and by such additional administrative and priority claims that might result from the wind-down and termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation. Any remaining net cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such allocations (taking into account the time necessary to accomplish the liquidation) are compared to the value of the property that is proposed to be distributed under the Plan of Reorganization on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the chapter 11 cases allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals for the Debtors and the Creditors Committee, and costs and expenses of members of the Creditors Committee, as well as other compensation claims. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the chapter 11 cases.

The foregoing types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured claims. The Debtors believe that in a chapter 7, [Classes [ ] would not receive any distribution of property].

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the chapter 11 cases, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) additional costs associated with the rapid transfer or cessation of operations at the facilities and the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail, and (iii) the substantial increases in claims that would be satisfied on a priority basis, the Debtors have determined that confirmation of the Plan will provide each holder of an allowed claim with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under chapter 7.

Best Interest Comparison	Liquidation Recovery	Chapter 11 Recovery
Class		
A	[ ]%	[ ]%
B	[ ]%	[ ]%
C	[ ]%	[ ]%
D	[ ]%	[ ]%
E	[ ]%	[ ]%
F	[ ]%	[ ]%

The Debtors also believe that the value of any distributions to each class of allowed claims in a chapter 7 case, including all secured claims, would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. In this regard, there is a risk that distribution of the proceeds of the liquidation could be delayed for one or more years after the completion of such liquidation in order to resolve claims and prepare for distributions. In addition, recovery to creditors may be decreased by any litigation engendered by the claims allowance process. Incorporating the time value of distributions to the liquidation analysis contained herein would further lower the estimated recoveries as presented.

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the Debtors. The analysis is based on a number of significant assumptions which are described. One of these assumptions is the timely resolution and agreement amongst the various classes of claims with regards to distribution of proceeds realized from the liquidation of assets. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

D. Liquidation Analysis

The following liquidation analysis ("Liquidation Analysis") has been prepared by the Debtors as an estimate of the values which might be realized by all classes of creditors in the event the assets of the Debtors were to be liquidated in chapter 7 proceedings under the Bankruptcy Code. A chapter 7 liquidation consists generally of the cessation of business, the identification and assembly of assets, and the initiation of distressed or "forced" sales of the Debtors' assets by a court-appointed chapter 7 trustee, with subsequent distribution of the net proceeds of such asset dispositions to creditors in accordance with statutory priorities. The following Liquidation Analyses should be read in conjunction with the accompanying notes.

[Liquidation Analysis]

GENERAL ASSUMPTIONS

1 This Liquidation Analysis was prepared in accordance with section 1129(a)(7)(A)(ii) of the Bankruptcy Code to determine that the Plan of Reorganization is in the best interest of each holder of a claim or interest.

2 The Liquidation Analysis is based upon a number of estimates and assumptions that, although developed and considered reasonable by the management of the Debtors, are inherently subject to significant economic, business, governmental regulation, and competitive, uncertainties and contingencies beyond the control of the Debtors or its management. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation and actual results could vary materially and adversely from those contained herein.

3 This analysis assumes the conversion of the current chapter 11 cases to chapter 7 cases as of December 31, 2002. A chapter 7 trustee would be either elected by creditors or appointed by the Bankruptcy Court to administer the estates. The chapter 7 trustee is independent and would be entitled to make all of his or her own decisions regarding the liquidation of the estates, the hiring of professionals, the pursuit of claims or litigation, the payment of or objection to claims, and the distribution of any ultimate dividend. The chapter 7 trustee would be compensated in accordance with section 326 of the Bankruptcy Code.

4 The liquidation analysis is based on the estimated book values as of December 31, 2002. It has been assumed that the chapter 7 trustee would require approximately nine months to finalize the liquidation process, although there can be no assurances that all assets will be completely liquidated during this time period. It is further assumed that for the first three months during that time, the Debtors will be required to provide services to existing customers in order to allow customers to transition their services to alternative providers.

5 [more to come regarding methodology]

E. Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan of Reorganization meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. As part of this analysis, the Debtors have prepared projections described in section IV above. Based upon such projections, the Debtors believe that they will be able to make all payments required pursuant to the Plan of Reorganization and, therefore, that confirmation of the Plan of Reorganization is not likely to be followed by liquidation or the need for further reorganization.

F. **Section 1129(b)**

The Bankruptcy Court may confirm a plan of reorganization over the rejection or deemed rejection of the plan of reorganization by a class of claims or equity interests if the plan of reorganization "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

1. *No Unfair Discrimination.*

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Plan of Reorganization. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

2. *Fair and Equitable Test.*

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or interests in such class:

- *Secured Creditors*. Each holder of an impaired secured claim either (i) retains its liens on the property, to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the Effective Date, of at least the allowed amount of such claim, or (ii) has the right to credit bid the amount of its claim if its property is sold and retains its liens on the proceeds of the sale (or if sold, on the proceeds thereof) or (iii) receives the "indubitable equivalent" of its allowed secured claim.

- *Unsecured Creditors*. Either (i) each holder of an impaired unsecured creditor receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

- *Equity Interests*. Either (i) each equity interest holder will receive or retain under the plan property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan of reorganization.

The Debtors believe the Plan of Reorganization will satisfy the "fair and equitable" requirement notwithstanding that Classes I (GC Holdings preferred stock), J (GCL preferred stock), K (GCL common stock), and L (securities litigation claims) are deemed to reject the Plan of Reorganization because no class that is junior to such classes will receive or retain any property on account of the claims or equity interests in such class.

The Securities Litigation Claims are subordinated by section 510(b) of the Bankruptcy Code to the class of claims to which those Claims related, except for Securities Litigation Claims relating to common stock which ranks pari passu with common stock. The Securities Litigation Claims are junior to claims that are not being paid in full. Because the Senior Lender Claims are not being paid in full, the Securities Litigation Claims are being extinguished.

XI.

Alternatives to Confirmation and Consummation of this Plan of Reorganization

A. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the chapter 11 cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in section X.D of this Disclosure Statement. The Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan of Reorganization because (i) the likelihood that other assets of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion, (ii) additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, (iii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations. In a chapter 7 liquidation, the Debtors believe that there would be no distribution to holders of claims or interests in Classes [_____________].

B. Alternative Plan of Reorganization

If the Plan of Reorganization is not confirmed, the Debtors or any other party in interest (if the Debtors' exclusive period in which to file a plan of reorganization has expired) could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets under chapter 11. The Debtors have concluded that the Plan of Reorganization enables creditors and equity holders to realize the most value under the circumstances. In a liquidation under chapter 11, the Debtors would still incur the expenses associated with closing or transferring to new operators numerous facilities. The process would be carried out in a more orderly fashion over a greater period of time. Further, if a trustee were not appointed, because such appointment in not required in a chapter 11 case, the expenses for professional fees would most likely be lower than those incurred in a chapter 7 case. Although preferable to a chapter 7 liquidation, the Debtors believe that liquidation under chapter 11 is a much less attractive alternative to creditors and equity holders than the Plan of Reorganization because of the greater return provided by the Plan of Reorganization.

XII.

Certain Federal Income Tax Consequences of the Plan of Reorganization

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to Debtors and certain holders of Claims. The following summary does not address the U.S federal income tax consequences to holders whose Claims are entitled to reinstatement or payment in full in Cash under the Plan (*e.g.* Priority Non-Tax Claims and Other Secured Claims) or holders whose Claims or Equity Interests are extinguished without a distribution in exchange therefor (*e.g.* Holders of GC Holdings Preferred Stock, GCL Preferred Stock, or GCL Common Stock).

The following U.S. federal income tax consequences are based on the Tax Code, Treasury regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the U.S. Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary generally does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, and investors in pass-through entities).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, FOREIGN, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. Consequences to the Debtors

Other than with respect to Global Crossing North American Holdings, Inc. ("GCNAH") and its direct and indirect U.S. subsidiaries (collectively, the "U.S. Debtors"), the Debtors do not anticipate the Plan to result in any significant United States federal income tax consequences to the Debtors. In addition, the Debtors do not believe that GCL or GCHL (both of which are Bermuda corporations) will incur any U.S. or foreign income tax liability as a result of the transfer of substantially all of their respective assets to New Global Crossing or a subsidiary of New Global Crossing (which will also be foreign corporations) in accordance with the Purchase Agreement.

1. *Transfers of Assets Pursuant to the Purchase Agreement*

Although GCL and GCHL are not themselves subject to tax in the United States, the characterization of the acquisition of the assets of GCL and GCHL by New Global Crossing may impact the U.S. federal income tax consequences of the creditors (as discussed in the next section) under the Plan and/or as future stockholders of New Global Crossing.

It is anticipated that the acquisition of the assets of GCL will be treated as a simple purchase of assets for U.S. federal income tax purposes, giving rise to a new cost basis in the hands of New Global Crossing. In contrast, it is possible (although not required under either the Plan or the Purchase Agreement) that the acquisition of substantially all of the assets of GCHL pursuant to the Purchase Agreement, followed by the distribution by GCHL pursuant to the Plan of the consideration received and all remaining assets, may qualify as a reorganization under section 368(a)(1)(G) of the Tax Code (a so-called "G" reorganization) for U.S. federal income tax purposes.

In addition to other statutory and non-statutory requirements common to tax-free reorganizations, for a transfer of assets by a corporation in bankruptcy to qualify as a "G" reorganization, (i) the debtor corporation must transfer substantially all of its assets to another corporation and distribute all stock and securities received of such corporation or, in certain cases, its parent, including to at least one stockholder or security holder of the debtor corporation, and (ii) the historic shareholders and creditors of the debtor corporation must receive, collectively, a sufficient percentage of the acquiring corporation's stock relative to the amount of non-stock consideration received. For advance ruling purposes, the IRS requires that such stock constitute at least 50% of the total consideration to be received by the most senior class of creditors of the debtor corporation receiving stock and all equal and junior classes and, if applicable, shareholders; however, under applicable case law, significantly lower percentages have been held to be sufficient.

Accordingly, although the Debtors expect that the value of New Global Crossing stock considered distributed for this purpose as a percentage of the total consideration so distributed will be significantly less than 50% – with the ultimate percentage dependent, in part, on the value of such stock and the allocation of the consideration received among the creditors of the various debtors – it is possible that the transfers of assets and distribution to creditors pursuant to the Plan and Purchase Agreement by GCHL may qualify as a "G" reorganization.

The Plan and Purchase Agreement currently contemplate that *only* the assets of GCL and GCHL – which include (directly or indirectly) all of the stock of the other Debtors as reorganized, rather than the underlying assets of such entities – will be acquired by New Global Crossing.

2. *Consequences to the U.S. Debtors*

For U.S. federal income tax purposes, the U.S. Debtors (including, as of January 1, 2002, Global Crossing Bandwidth, Inc.) file a single consolidated federal income tax return with GCNAH as the common parent. As of the end of their taxable year ended December 31, 2001, the U.S. Debtors (other than Global Crossing Bandwidth, Inc.) reported consolidated NOL carryforwards of approximately $544 million (substantially all of which is attributable to the subsidiaries of GCNAH and GCNA, and not GCNAH or GCNA itself), and certain of the U.S. Debtors have, in the aggregate, additional NOL carryforwards of approximately $260 million which are subject to certain limitations. In addition, the U.S. Debtors have incurred significant additional losses to date and thus currently expect to report a sizeable net operating loss for its taxable year ending December 31, 2002 (a portion of which may be able to be carried back to obtain a refund of prior year taxes). The amount of such NOLs and other losses is subject to adjustment by the IRS, and for the taxable years 1996 through 2001, are currently under examination by the IRS. In addition to their NOL carryforwards, the U.S. Debtors on a group basis have an aggregate tax basis in their assets that substantially exceeds the fair market value of such assets.

As discussed below, certain of the U.S. Debtors' favorable tax attributes (such as their current year NOLs, NOL carryforwards and tax basis) may be substantially reduced, eliminated or subject to limitations as the result of implementation of the Plan.

(a) *Cancellation of Debt*.

The Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes – such as NOL carryforwards, current year NOLs, tax credits and tax basis in assets – by the amount of any cancellation of debt ("COD"). COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefor, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD (such as where the payment of the cancelled debt would have given rise to a tax deduction). To the extent the amount of COD exceeds the tax attributes available for reduction, the excess COD is simply forgiven. It is unclear whether the reduction in tax attributes occurs on a separate company basis even though the Debtors file a consolidated federal income tax return. The Debtors are aware that the IRS has, in certain cases, asserted that such reduction generally should occur on a consolidated basis. For purposes of the Projections (*see* section IV.C. above), the Debtors have taken the position that the reduction in tax attributes occurs on a separate company basis. Any reduction in tax attributes does not occur until the end of the taxable year or, in the case of asset basis reduction, the first day of the taxable year following the taxable year in which the COD is incurred. If advantageous, a debtor can elect to reduce the basis of depreciable property prior to any reduction in its NOLs or other tax attributes.

As a result of the discharge of Claims pursuant to the Plan, the U.S. Debtors (but principally GCNA) are expected to realize significant COD. The extent of such COD and resulting tax attribute reduction will depend, in part, on the amount of New Senior Secured Notes and the fair market value of the New Common Stock and other assets distributed in discharge of Allowed Claims of the U.S. Debtors. It is anticipated that the U.S. Debtors will recognize, in the aggregate, upwards of $2.2 billion of COD (exclusive of Intercompany Claims). Given the magnitude of the expected COD, it is anticipated that the resulting tax attribute reduction would reduce (and, in certain cases, eliminate) the NOL carryforwards and current year losses attributable to the respective Debtors as of the end of the taxable year in which the Effective Date occurs and could significantly reduce the respective Debtors' tax basis in their separate company assets as of such time, as well as possibly eliminate the remaining consolidated NOL and capital loss carryforwards of the U.S. Debtors.

(b) *Limitations on NOL Carryforwards and Other Tax Attributes.*

Following the implementation of the Plan, any NOLs (and carryforwards thereof) and certain other tax attributes of the U.S. Debtors allocable to periods prior to the Effective Date will be subject to the limitations imposed by Section 382 of the Tax Code. These limitations apply in addition to the attribute reduction that results from the discharge of debt pursuant to the Plan.

Under Section 382, if a corporation (or consolidated group) undergoes an "ownership change," the amount of its pre-change losses (including certain losses or deductions which are "built-in," *i.e.*, economically accrued but unrecognized, as of the date of the ownership change) that may be utilized to offset future taxable income generally is subject to an annual limitation. The transfer of the assets of GCHL pursuant to the Purchase Agreement and the Plan, which includes the stock of reorganized GCNAH, will constitute an ownership change of the U.S. Debtors.

In general, the amount of the annual limitation to which a corporation (or a consolidated group) would be subject is equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the common parent) immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long-term tax-exempt rate" in effect for the month in which the ownership change occurs (4.91% for ownership changes occurring in September 2002). For a corporation (or consolidated group) in bankruptcy that undergoes the ownership change pursuant to a confirmed bankruptcy plan, the stock value generally is determined immediately *after* (rather than before) the ownership change, also with certain adjustments. The value after would take into account any increase in value resulting from the surrender of creditors' claims.

Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, if the corporation (or the consolidated group) does not continue its historic business or use a significant portion of its historic assets in a new business for two years after the ownership change, the annual limitation resulting from the ownership change is zero.

As indicated above, Section 382 can operate to limit built-in losses recognized subsequent to the date of the ownership change. If a loss corporation (or consolidated group) has a "net unrealized built-in loss" at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then any built-in losses recognized during the following five years (up to the amount of the original net built-in loss) generally will be treated as pre-change losses and similarly will be subject to the annual limitation. Conversely, if the loss corporation (or consolidated group) has a "net unrealized built-in gain" at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), any built-in gains recognized during the following five years (up to the amount of the original net built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance. Although the rule applicable to net unrealized built-in losses generally applies to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within the preceding five years may not be able to be taken into account in the group computation of net unrealized built-in loss. Such corporations would nevertheless still be taken into account in determining whether the consolidated group has a net unrealized built-in gain. Thus, a consolidated group can be considered to have both a net unrealized built-in loss and a net unrealized built-in gain. In general, a loss corporation's (or consolidated group's) net unrealized built-in gain or loss will be deemed to be zero unless it is greater than the lesser of (i) $10 million or (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. It is expected that the U.S. Debtors will have a net unrealized built-in loss on the Effective Date.

Although an exception to the foregoing annual limitation rules generally applies where so-called "old and cold" creditors of a debtor in a U.S. bankruptcy or similar case receive at least 50% of the vote and value of the stock of the reorganized debtor pursuant to a confirmed bankruptcy plan, in this case the U.S. Debtors will not qualify for this exception.

(c) *U.S. Alternative Minimum Tax*

In general, a U.S. alternative minimum tax ("AMT") is imposed on a corporation's U.S. alternative minimum taxable income at a 20% tax rate to the extent such tax exceeds the corporation's regular federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. For example, a corporation is generally not allowed to offset more than 90% of its taxable income for AMT purposes by available NOL carryforwards. However, recent legislation provides for a temporary waiver of this limitation for AMT NOL carrybacks originating in years ending in 2001 or 2002, or NOL carryforwards to the 2001 and 2002 tax years.

In addition, if a corporation (or consolidated group) undergoes an "ownership change" within the meaning of section 382 of the Tax Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's (or consolidated group's) aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

Any AMT that a U.S. corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to AMT.

(d) *Transfer of Assets to Liquidating Trust.*

As discussed below (see "— B. Consequences to the Holders of Certain Claims – *6. Tax Treatment of Liquidating Trust and Holders of Beneficial Interests*"), pursuant to the Plan, each of the U.S. Debtors will be treated for U.S. federal income tax purposes as transferring the portion of their assets, if any, that comprise part of the Liquidating Trust Assets directly to the holders of Allowed Claims in Classes C, D, E, and F, who will then be treated as transferring such assets to the Liquidating Trust. Accordingly, the transfer of Liquidating Trust Assets by the U.S. Debtors may result in the recognition of gain or income by the U.S. Debtors, depending in part on the value of such assets on the Effective Date. Nevertheless, due to their reported and anticipated NOLs and NOL carryforwards and the tax basis in such assets, the U.S. Debtors do not anticipate that a significant tax liability (if any) will be incurred as a result of such transfer.

B. Consequences to the Holders of Certain Claims

Pursuant to the Plan, holders of Class C, D, E and F Claims will receive, in satisfaction and discharge of their Claims, Cash, New Senior Secured Notes, New Common Shares, and beneficial interests in the Liquidating Trust, and in the case of Class C Claims, also certain other assets. Holders of Allowed Claims in Class F may receive additional distributions after the Effective Date to the extent any Disputed Claims in Class F are subsequently disallowed.

The U.S. federal income tax treatment to holders of Allowed Class C Claims and holders of Class D Claims depend, in part, on (i) whether the acquisition of the assets of GCHL by New Global Crossing qualifies as a "G" reorganization for U.S. federal income tax purposes (*see* "Consequences to the Debtor – *1. Transfers of Assets Pursuant to the Purchase Agreement*," above), and (ii) if so, whether, or to what extent, such Claims constitute "securities" of GCHL for U.S. federal income tax purposes. The term "security" is not defined in the Tax Code or in the Treasury Regulations promulgated thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt constitutes a "security" depends on an overall evaluation of the nature of the debt. One of the most significant factors considered in determining whether a particular debt is a security is its original term. In general, debt obligations issued with a weighted average maturity at issuance of five years or less do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten years or more constitute securities. Accordingly, the following discussion assumes that the Class D Claims would constitute "securities" of GCHL for U.S. federal income tax purposes. In contrast, it is less clear whether, or the extent to which, Class C Claims would constitute "securities" of GCHL for this purposes. Each holder of a Class C and Class D Claim is urged to consult a tax advisor regarding the possible qualification of the acquisition of assets of GCHL as a "G" reorganization, and the status of its Claim as a security of GCHL for U.S. federal income tax purposes.

1. *Gain or Loss – Generally*

In general, each holder of Class C, D, E, or F Claims will recognize gain or loss in an amount equal to the difference between (i) the sum of the amount of any Cash, the issue price of any New Senior Secured Notes and the fair market value of any New Common Shares and other property (including, as discussed below, their undivided interest in the Liquidating Trust Assets) received by the holder in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest, and excluding any portion required to be treated as imputed interest due to the post-Effective Date distribution of such consideration upon the resolution of Disputed Claims) and (ii) the holder's adjusted tax basis in its Claim (other than any Claim for accrued but unpaid interest). For a discussion of the U.S. federal income tax consequences of any Claim for accrued interest, see "*– 3. Distributions in Discharge of Accrued But Unpaid Interest*," below. For a discussion of the potential U.S. federal income tax consequences to holders of Claims in Class C and D in the event the acquisition of assets of GCHL qualifies as a "G" reorganization, see the next section.

As discussed below, the Liquidating Trust has been structured to qualify as a "grantor trust" for U.S. federal income tax purposes. Accordingly, each holder of an Allowed Claim will be treated for U.S. federal income tax purposes as directly receiving and as a direct owner of its allocable percentage of the Liquidating Trust Assets. *See* "*– 6. Tax Treatment of Liquidating Trust and Holders of Beneficial Interests*," below. Pursuant to the Plan, the Estate Representative will make a good faith valuation of the Liquidating Trust Assets, and all parties, including the holders of Allowed Claims in Classes C, D, E and F, must consistently use such valuation for all federal income tax purposes.

Due to the possibility that a holder of an Allowed Claim may receive additional distributions subsequent to the Effective Date in respect of any subsequently disallowed Disputed Claims or unclaimed distributions, the imputed interest provisions of the Tax Code may apply to treat a portion of such later distributions to such holders as imputed interest. In addition, it is possible (although not believed likely) that any loss realized by a holder in satisfaction of an Allowed Claim in Class F may be deferred until all subsequent distributions relating to Disputed Claims are determinable, and that a portion of any gain realized may be deferred under the "installment method" of reporting. Holders are urged to consult their tax advisors regarding the possibility for deferral, and the ability to elect out of the installment method of reporting any gain realized in respect of their Claims.

After the Effective Date, any amount a holder receives as a distribution from the Liquidating Trust in respect of its beneficial interests in the Liquidating Trust (other than as a result of the subsequent disallowance of Disputed Claims) should not be included, for federal income tax purposes, in the holder's amount realized in respect of its Allowed Claim but should be separately treated as a distribution received in respect of such holder's beneficial (ownership) interests in the Liquidating Trust.

Where gain or loss is recognized by a holder in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount and whether and to what extent the holder had previously claimed a bad debt deduction. A holder which purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the Tax Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimus* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

In general, a holder's tax basis in any New Senior Secured Note will equal the issue price of such notes and a holder's tax basis in any New Common Shares or any assets received (including the holder's undivided interest in the Liquidating Trust Assets) will equal the fair market value of such stock or assets, and the holding period for such notes, stock or assets generally will begin the day following the Effective Date.

2. *Possible Tax Treatment of Class C and D Claims That Constitute "Securities" of GCHL*

In the event that the acquisition of the assets of GCHL by New Global Crossing qualifies as a "G" reorganization, each holder of a Class C Claim with respect to the portion of such Claim that constitutes a security of GCHL for U.S. federal income tax purposes and each holder of a Class D Claim generally (i) will not recognize loss upon the exchange of such Claims, but (ii) will recognize gain (computed as described in the proceeding section), if any, only to the extent of any consideration received other than stock or securities of New Global Crossing (other than any in respect of any Claim for accrued but unpaid interest, and excluding any portion required to be treated as imputed interest due to the post-Effective Date distribution of such consideration upon the resolution of Disputed Claims). The character and timing of such gain would be determined in accordance with the principles discussed in the preceding section.

It is not clear, however, whether a holder who is a U.S. person and who, immediately after the Effective Date, holds five percent or more of the voting power or value of the stock of New Global Crossing, directly or by attribution ("5% U.S. Holders") may avoid the recognition of gain on its receipt of stock or securities of New Global Crossing. Such holder may be required to enter into a gain recognition agreement with the IRS to secure non-recognition treatment. Holders who may be in this situation should consult their tax advisors as to their eligibility for non-recognition treatment and the procedures for entering into gain recognition agreements.

For a discussion of the U.S. federal income tax consequences of any Claim for accrued interest, see "– *3. Distributions in Discharge of Accrued But Unpaid Interest,*" below.

In general, a holder's aggregate tax basis in any New Common Stock received in satisfaction of its Class D Claim or the portion of any Class C Claim that constitutes a security will equal the holder's aggregate tax basis in such Claim (including any Claim for accrued but unpaid interest), increased by any gain recognized or interest income received in respect of such Claim and decreased by any consideration received other than stock or securities of New Global Crossing, and any deductions claimed in respect of any previously accrued interest. In general, the holder's holding period for any New Common Stock received will include the holder's holding period for the Claim, except to the extent that the New Common Stock was issued in respect of a Claim for accrued but unpaid interest.

In general, the holder's tax basis in any New Senior Secured Note will equal the issue price of such notes and the holder's tax basis in any other assets received (including the holder's undivided interest in the Liquidating Trust Assets) will equal the fair market value of such assets, and the holding period for such notes and assets generally will begin the day following the Effective Date.

3. Distributions in Discharge of Accrued But Unpaid Interest.

Pursuant to the Plan, distributions to any holder of an Allowed Claim will be allocated first to the original principal portion of such Claim as determined for federal income tax purposes, and then, to the extent the consideration exceeds such amount, to the portion of such Claim representing accrued but unpaid interest. However, there is no assurance that the IRS would respect such allocation for federal income tax purposes.

In general, to the extent that an amount received (cash, stock, notes or other property) by a holder of debt is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Each holder is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for U.S. federal income tax purposes.

4. Interest and Original Issue Discount on New Senior Secured Notes.

Pursuant to the Bankruptcy Plan, the New Senior Secured Notes provide for the semi-annual payment of interest at a rate of 11% per annum. Such stated interest generally will be includable in income by a holder in accordance with the holder's regular method of accounting.

In addition, under certain circumstances, a holder of New Senior Secured Notes may be required to recognize imputed interest in the event the New Senior Secured Notes are treated as issued with original issue discount (“OID”). In general, a debt instrument is treated as having OID to the extent its "stated redemption price at maturity" (in this case, the stated principal amount of the New Senior Secured Notes) exceeds its "issue price" other than by a *de minimus* amount.

The “issue price” of a New Senior Secured Note will depend upon whether the New Senior Secured Notes are traded on an “established securities market” within thirty days before or after the Effective Date, or a substantial portion of the New Senior Secured Notes are issued for Claims that are traded on an established securities market. Pursuant to applicable Treasury Regulations, an “established securities market” includes, among other things, (i) a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations or actual prices of recent sales transactions, or (ii) that price quotations for such notes are readily available from dealers, brokers or traders.

If either the New Senior Secured Notes (within thirty days of the Effective Date) or a substantial portion of the Claims are traded on an established securities market, the issue price will be equal to (or approximate) the fair market value of the New Senior Secured Notes at issuance. If not, the issue price of the New Senior Secured Notes will be their stated principal amount, in which event there would be no OID.

If the New Senior Secured Notes are treated as issued with OID, each holder generally will be required to accrue the OID in respect of the New Senior Secured Notes received, and include such amount in gross income as interest, over the term of such notes based on the constant yield method. Accordingly, each holder generally would be required to include amounts in gross income in advance of the payment of cash in respect of such income. A holder's tax basis in New Senior Secured Notes would be increased by the amount of any OID included in income and reduced by any cash payments (other than payments of stated interest) made with respect to such note.

5. *Ownership and Subsequent Sale of New Common Stock.*

It is not anticipated that New Global Crossing will be a passive foreign investment company ("PFIC") during 2003 and is not expected to become a PFIC in the future. However, because the Debtors' expectations are based, in part, on interpretations of existing law as to which there is no specific guidance, and because the tests for PFIC status are applied annually, there can be no assurance that New Global Crossing will not be treated as a PFIC. If New Global Crossing were a PFIC, any U.S. person who is a holder of New Common Stock would be subject to U.S. federal income tax at then applicable rates on ordinary income, plus an interest charge, on (i) certain distributions made by New Global Crossing and (ii) any gain recognized upon such shareholder's disposition of New Common Stock. Holders of New Common Stock should discuss with their tax advisors the U.S. federal income tax consequences to them of holding PFIC stock.

In the event that the acquisition of the assets of GCHL qualifies as a "G" reorganization, any gain recognized by a holder of an Allowed Claim against GCHL upon a subsequent sale or other taxable disposition of any New Common Stock received in respect of such Claim pursuant to the Plan (or any stock or property received for it in a later tax-free exchange) also will be treated as ordinary income to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to its Claim and any ordinary loss deductions incurred upon satisfaction of its Claim, less any income (other than interest income) recognized by the holder upon satisfaction of its Claim, and (ii) with respect to a cash-basis holder, also any amounts which would have been included in its gross income if the holder's Claim had been satisfied in full but which was not included by reason of the cash method of accounting.

In addition, the Treasury Department is expected to promulgate regulations that will provide that any accrued "market discount" not treated as ordinary income upon a tax-free exchange (including a "G" reorganization) of market discount bonds would carry over to the nonrecognition property (in this case, the stock of New Global Crossing) received in the exchange. If such regulations are promulgated and applicable to the Plan (and, likely, even without the issuance of regulations), any holder of a Class D Claim or any portion of a Class C Claim that constitutes a "security" for U.S. federal income tax purposes and which has accrued market discount would carry over such accrued market discount to any New Common Stock received pursuant to the Plan in the event the acquisition of GCHL's assets constitutes a "G" reorganization, such that any gain recognized by the holder upon a subsequent disposition of such New Common Stock also would be treated as ordinary income to the extent of any accrued market discount not previously included in income. In general, a Claim will have "accrued market discount" if such Claim was acquired after its original issuance at a discount to its adjusted issue price.

6. *Tax Treatment of the Liquidating Trust and Holders of Beneficial Interests.*

Upon the Effective Date, the Liquidating Trust shall be established for the benefit of holders of Allowed Claims in Classes C, D, E and F, whether Allowed on or after the Effective Date.

(a) *Classification of the Liquidating Trust.*

The Liquidating Trust is intended to qualify as a liquidating trust for federal income tax purposes. In general, a liquidating trust is not a separate taxable entity but rather is treated for federal income tax purposes as a "grantor" trust (*i.e.*, a pass-through entity). However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Liquidating Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including the Debtors, the Estate Representative and the holders of Allowed Claims in Classes C, D, E and F) are required to treat, for federal income tax purposes, the Liquidating Trust as a grantor trust of which the holders of Allowed Claims in Classes C, D, E and F are the owners and grantors, and the following discussion assumes that the Liquidating Trust will be so respected for U.S. federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. If the IRS were to challenge successfully such classification, the federal income tax consequences to the Liquidating Trust, the holders of Claims and the U.S. Debtors could vary from those discussed herein (including the potential for an entity level tax on any income of the Liquidating Trust).

(b) *General Tax Reporting by the Liquidating Trust and Beneficiaries.*

For all U.S. federal income tax purposes, all parties (including the Debtors, the Estate Representative, and the holders of Allowed Class C, D, E and F Claims) must treat the transfer of the Liquidating Trust Assets to the Liquidating Trust, in accordance with the terms of the Plan, as a transfer of the such Liquidating Trust Assets directly to the holders of Allowed Claims in Classes C, D, E, and F, followed by the transfer of such Liquidating Trust Assets by such holders to the Liquidating Trust. Consistent therewith, all parties must treat the Liquidating Trust as a grantor trust of which such holders are the owners and grantors. Thus, such holders (and any subsequent holders of interests in the Liquidating Trust) will be treated as the direct owners of an undivided interest in the assets of the Liquidating Trust for all U.S. federal income tax purposes (which assets will have a tax basis equal to their fair market value on the Effective Date). Pursuant to the Plan, the Estate Representative will determine the fair market value of the Liquidating Trust Assets as of the Effective Date, and all parties, including the holders of Allowed Claims in Classes C, D, E and F, must consistently use such valuation for all federal income tax purposes.

Accordingly, except as discussed below (in connection with pending Disputed Claims), each holder of an Allowed Claim in Classes C, D, E and F will be required to report on its U.S. federal income tax return its allocable share of any income, gain, loss, deduction or credit recognized or incurred by the Liquidating Trust, in accordance with its relative beneficial interest. The character of items of income, deduction and credit to any holder and the ability of such holder to benefit from any deduction or losses may depend on the particular situation of such holder.

The U.S. federal income tax reporting obligations of a holder is not dependent upon the Liquidating Trust distributing any cash or other proceeds. Therefore, a holder may incur a federal income tax liability with respect to its allocable share of the income of the trust regardless of the fact that the trust has not made any concurrent distribution to the holder. In general, other than in respect of cash retained on account of Disputed Claims and subsequently distributed, a distribution of cash by the Liquidating Trust to holders of Allowed Claims in Classes C, D, E and F will not be taxable to the holder since such holders are already regarded for federal income tax purposes as owning the underlying assets.

The Estate Representative will file with the IRS returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Estate Representative will also send to each holder of an Allowed Claim in Classes C, D, E and F, as a holder of a beneficial interest in the trust, a separate statement setting forth such holder's share of items of income, gain, loss, deduction or credit and will instruct the holder to report such items on its federal income tax return. The Estate Representative will also file, or cause to be filed, all appropriate tax returns with respect to any Liquidating Trust Assets allocable to Disputed Claims, as discussed below.

(c) *Tax Reporting for Liquidating Trust Assets Allocable to Disputed Claims*.

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the Estate Representative of a private letter ruling if the Estate Representative so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Estate Representative), the Estate Representative shall:

(i) treat all Liquidating Trust Assets allocable to, or retained on account of, Disputed Claims, as a discrete trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the Tax Code (sections 641 *et seq.* of the Tax Code);

(ii) treat as taxable income or loss of this separate trust with respect to any given taxable year the portion of the taxable income or loss of the Liquidating Trust that would have been allocated to the holders of such Disputed Claims had such Claims been Allowed on the Effective Date (but only for the portion of the taxable year with respect to which such Claims are unresolved);

(iii) treat as a distribution from this separate trust any increased amounts distributed by the Liquidating Trust as a result of any Disputed Claim resolved earlier in the taxable year, to the extent such distribution relates to taxable income or loss of this separate trust determined in accordance with the provisions hereof, and

(iv) to the extent permitted by applicable law, report consistently for state and local income tax purposes.

In addition, pursuant to the Plan, all holders of Claims are required to report consistently with such treatment. Accordingly, subject to issuance of definitive guidance, the Estate Representative will report on the basis that any amounts earned by this separate trust and any taxable income of the Liquidating Trust allocable to it are subject to a separate entity level tax, except to the extent such earnings are distributed during the same taxable year. Any amounts earned by or attributable to the separate trust and distributed to a holder during the same taxable year will be includible in such holder's gross income.

7. New Common Stock and New Senior Secured Notes Held in Trust for Disputed Claims

Pursuant to the Plan, any New Common Stock and New Senior Secured Notes retained by the Estate Representative on account of Disputed Claims in Class F, [and any Cash retained by the Estate Representative on account of Disputed Claims in Class G,] shall be held in trust (each a "Disputed Claims Reserve") pending the resolution of such Disputed Claims.

Under section 468B(g) of the Tax Code, amounts earned by an escrow account, settlement fund or similar fund must be subject to current tax. Although certain Treasury Regulations have been issued under this section, no Treasury Regulations have as yet been promulgated to address the tax treatment of such accounts in a bankruptcy setting. Thus, depending on the facts of a particular situation, such an account could be treated as a separately taxable trust, as a grantor trust treated as owned by the holders of Disputed Claims or by the Debtor (or, if applicable, any of its successors), or otherwise. On February 1, 1999, the IRS issued proposed Treasury Regulations that, if finalized in their current form, would specify the tax treatment of reserves of the type here involved that are established after the date such Treasury Regulations become final. In general, such Treasury Regulations would tax such a reserve as a "qualified settlement fund" under Treasury Regulation sections 1.468B-1 *et seq.* and thus subject to a separate entity level tax. As to previously established escrows and the like, such Treasury Regulations would provide that the IRS would not challenge any reasonably, consistently applied method of taxation for income earned by the escrow or account, and any reasonably, consistently applied method for reporting such income.

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the issuance of applicable Treasury Regulations, the receipt by the Estate Representative of a private letter ruling if the Estate Representative so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Estate Representative), the Estate Representative shall (i) treat each Disputed Claims Reserve as a discrete trust for federal income tax purposes, consisting of separate and independent shares to be established in respect of each Disputed Claim in the class of Claims to which such Reserve relates, in accordance with the trust provisions of the Tax Code (sections 641 *et seq.* of the Tax Code), and (ii) to the extent permitted by applicable law, report consistently for state and local income tax purposes. In addition, pursuant to the Plan, all parties (including holders of Disputed Claims) shall report consistently with such treatment.

Accordingly, subject to issuance of definitive guidance, the Estate Representative will report as subject to a separate entity level tax any amounts earned by the Disputed Claims Reserve, except to the extent such earnings are distributed by the Estate Representative during the same taxable year. In such event, any amount earned by the Disputed Claims Reserve that is distributed to a holder during the same taxable year will be includible in such holder's gross income.

Distributions from the Disputed Claims Reserve will be made to holders of Disputed Claims [in the class of Claims to which such Reserve relates] when such Disputed Claims are subsequently Allowed and to holders of previously Allowed Claims (whether such Claims were Allowed on or after the Effective Date) when any Disputed Claims are subsequently disallowed. Such distributions (other than amounts attributable to earnings) should be taxable to the recipient in accordance with the principles discussed above (*see "– 1. Gain or Loss – Generally*").

Accordingly, each holder of a Class F [and Class G] Claim is urged to consult its tax advisor regarding the potential tax treatment of the Disputed Claim Reserve, distributions therefrom, and any tax consequences to such holder relating thereto.

8. Withholding

All distributions to holders of Claims under the Plan (whether by the Debtors, the Estate Representative or the Disbursing Agent) are subject to any applicable tax withholding, including employment tax withholding. Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 30%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

The foregoing summary has been provided for informational purposes only. All holders of Claims are urged to consult their tax advisors concerning the federal, state, local, and foreign tax consequences applicable under the plan.

XIII.

Conclusion

The Debtors believe the Plan of Reorganization is in the best interests of all creditors and equity holders and urges the holders of impaired claims in Class C (Lender Claims), Class D (GC Holding Notes Claims), Class E (GCNA Notes Claims), Class F (General Unsecured Claims), and Class G (Convenience Claims) to vote to accept the Plan of Reorganization and to evidence such acceptance by returning their Ballots.

Dated: September 16, 2002

Respectfully submitted,

By: /s/ Dan J. Cohrs

Name: Dan J. Cohrs
Title: Executive Vice President and Chief Financial Officer

EXHIBIT A

to

DISCLOSURE STATEMENT