

GIBSON, DUNN & CRUTCHER LLP

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Attorneys for Debtors

HEARING DATE:

November 19, 2002, at 10:00 a.m.

OBJECTION DEADLINE:

November 14, 2002, at 5:00 p.m. (EDT)

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

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In re:	:	
	:	Chapter 11
FLAG TELECOM HOLDINGS LIMITED,	:	Case Nos. 02-11732 through
FLAG LIMITED,	:	02-11736 and 02-11975 through
FLAG ATLANTIC LIMITED,	:	02-11979 (ALG)
FLAG ATLANTIC HOLDINGS LIMITED,	:	(Jointly Administered)
FLAG PACIFIC USA LIMITED,	:	
FLAG TELECOM GROUP SERVICES LIMITED,	:	
FLAG TELECOM LIMITED,	:	
FLAG TELECOM USA LTD.,	:	
FLAG ASIA LIMITED, and	:	
FLAG ATLANTIC USA LIMITED,	:	
	:	
Debtors.	:	
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NOTICE OF HEARING

PLEASE TAKE NOTICE that a hearing on the application of the Blackstone Group L.P. for final allowance of fees and expenses will be held before the Honorable Allan L. Gropper, United States Bankruptcy Judge, in Room 617 of the United States Bankruptcy Court for the Southern District of New York (the "Court"), One Bowling Green, New York, New York, November 19, 2002, at 10:00 a.m. (the "Hearing").

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Application must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court and shall be filed with the Bankruptcy Court (with a hard-copy delivered directly to Chambers) pursuant to the procedures set forth at www.nysb.uscourts.gov, the official website for the Bankruptcy Court, and shall be served upon (i) Gibson, Dunn & Crutcher, LLP, 200 Park Avenue, New York, New York, 10166 (Attn: Conor D. Reilly, Esq.), counsel for the Debtors, (ii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st floor, New York, New York 10004 (Attn: Tracey Hope Davis, Esq.), (iii) Akin, Gump, Strauss, Hauer & Feld, LLP, 590 Madison Avenue, New York, New York 10022 (Attn: Michael S. Stamer, Esq.), counsel for the official committee of unsecured creditors appointed in these cases, (iv) Milbank, Tweed, Hadley & McCloy, LLP, 1 Chase Manhattan Plaza, New York, New York 10005 (Attn: Susheel Kirpalani, Esq.), attorneys for the Joint Provisional Liquidators appointed by the Supreme Court of Bermuda in respect of certain of the Debtors herein, (v) The Blackstone Group, L.P., 345 Park Avenue, New York, New York 10154 (Attn: Timothy R. Coleman). and (vi) to all persons or entities that have served and filed notices of appearance in these chapter 11 cases pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure, so as to be received no later than November 14, 2002, at 5:00 p.m. (EDT).

Dated: October 23, 2002
New York, New York

GIBSON, DUNN & CRUTCHER LLP

By: /s/ Conor D. Reilly
Conor D. Reilly (CR-6559)
M. Natasha Labovitz (MNL-5153)
Paul H. Guillotte (PG-7642)
200 Park Avenue
New York, New York 10166
(212) 351-4000

Attorneys for Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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FLAG TELECOM USA LTD., :
FLAG ASIA LIMITED, and :
FLAG ATLANTIC USA LIMITED, :
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Debtors. :
:
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FINAL APPLICATION OF THE BLACKSTONE GROUP L.P.,
AS FINANCIAL ADVISOR TO FLAG TELECOM HOLDINGS LIMITED, AND ITS
AFFILIATES FOR FINAL ALLOWANCE OF COMPENSATION FOR ACTUAL
AND NECESSARY SERVICES RENDERED AND REIMBURSEMENT OF ALL
ACTUAL AND NECESSARY OUT-OF-POCKET EXPENSES INCURRED
DURING THE PERIOD OF APRIL 12, 2002 THROUGH OCTOBER 9, 2002

SUMMARY SHEET

Name of Applicant:	The Blackstone Group L.P.
Authorized to Provide Professional Services to:	Debtors
Date of Retention Order:	July 9, 2002 nunc pro tunc to April 12, 2002
Current Application:	Final Application for services rendered August 1, 2002 – October 9, 2002 Fees Requested: \$9,515,322.58 Expenses Requested: \$121,426.35

Prior Application:

First Interim Application filed on August 30, 2002
and approved October 11, 2002

Total Compensation Previously Awarded:

Fees: \$817,500.00

Expenses: \$123,789.59

The total time expended for the preparation of this application was 8 hours and the corresponding compensation requested is \$0.00.

This is a ____ monthly ____ interim x final application

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	: Chapter 11
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FINAL APPLICATION OF THE BLACKSTONE GROUP L.P.,
AS FINANCIAL ADVISOR TO FLAG TELECOM HOLDINGS LIMITED, AND ITS
AFFILIATES FOR FINAL ALLOWANCE OF COMPENSATION FOR ACTUAL
AND NECESSARY SERVICES RENDERED AND REIMBURSEMENT OF ALL
ACTUAL AND NECESSARY OUT-OF-POCKET EXPENSES INCURRED
DURING THE PERIOD OF APRIL 12, 2002 THROUGH OCTOBER 9, 2002

TO THE HONORABLE ALLAN L. GROPPER
UNITED STATES BANKRUPTCY JUDGE:

I. Background

The Blackstone Group L.P. ("Blackstone"), financial advisor to FLAG Telecom Holdings Limited,
and its affiliates (collectively, the "Debtors"), respectfully represents:

1. On April 12, 2002 (the "Petition Date"), each of the Debtors filed a voluntary petition in this Court for reorganization relief under Chapter 11 of the Bankruptcy Code. Subsequent to the Petition Date, the Debtors continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. On May 16, 2002, the Debtors applied to this Court under Sections 327(a) and 328(a) of the Bankruptcy Code, and an engagement agreement (the "Post-Petition Engagement Agreement") dated May 8, 2002, for an order authorizing them to retain Blackstone as their financial advisor, effective as of the Petition Date. A copy of the Post-Petition Engagement Agreement is attached hereto as Appendix A.

3. On June 13, 2002, this Court entered an Administrative Order (the "Administrative Order") pursuant to Sections 105(a) and 331 of the Bankruptcy Code establishing procedures for interim compensation and reimbursement of expenses of professionals.

4. On July 9, 2002, this Court entered a final order (the "Retention Order") authorizing the Debtors to employ Blackstone as their financial advisor *nunc pro tunc* to the Petition Date pursuant to the terms of the Post-Petition Engagement Agreement. A copy of the Retention Order is annexed hereto as Appendix B.

5. This is the final application (the "Final Application") of Blackstone for (i) an allowance of compensation for services rendered during the period of August 1, 2002 through October 9, 2002 (the "Final Application Period"); (ii) the reimbursement of expenses incurred in connection with the services rendered during the Final Application Period; and (iii) final approval of Blackstone's fees and out-of-

pocket expenses previously approved by this Court in connection with Blackstone's first interim application (the "First Interim Application") for the period of April 12, 2002 through July 31, 2002, and fees and out-of-pocket expenses applied for in this Final Application.

6. This Final Application is made pursuant to the provisions of Sections 330 and 331 of the Bankruptcy Code, the Retention Order, the Administrative Order, and the Local Rules of the United States Bankruptcy Court for the Southern District of New York.

7. As was set forth in the retention application for an order under 11 U.S.C. §§327(a), 328 and 1107(b) of the Bankruptcy Code authorizing the employment and retention of Blackstone as financial advisor, Blackstone provided advisory services to the Debtors prior to the Petition Date.

II. The Blackstone Engagement

8. On May 16, 2002, the Debtors applied to this Court for an order authorizing them to retain Blackstone pursuant to the Post-Petition Engagement Agreement as their financial advisor effective as of the Petition Date. Specifically, Blackstone was retained as financial advisor to provide the following professional services:

- (a) Assist in the evaluation of the Debtors' businesses and prospects;
- (b) Assist in the development of the Debtors' long-term business plan and related financial projections;
- (c) Assist in the development of financial data and presentations to the Debtors' Board of Directors, various creditors, and other third parties;
- (d) Analyze the Debtors' financial liquidity and evaluate alternatives to improve such liquidity;
- (e) Analyze various restructuring scenarios and the potential impact of these scenarios on the value of the Debtors and the recoveries of those stakeholders impacted by a Restructuring;

- (f) Provide advice with regard to restructuring or refinancing the Debtors' Obligations;
- (g) Evaluate the Debtors' debt capacity and alternative capital structures;
- (h) Participate in negotiations among the Debtors and its creditors, suppliers, lessors and other interested parties regarding a Transaction or a Restructuring;
- (i) Value securities offered by the Debtors in connection with a Restructuring;
- (j) Advise the Debtors and negotiate with lenders with respect to potential waivers or amendments of various credit facilities;
- (k) Provide testimony in any bankruptcy case concerning any of the subjects encompassed by the other financial advisory services;
- (l) Assist the Debtors in reviewing marketing materials in conjunction with a possible Transaction;
- (m) Assist in arranging debtor-in-possession ("DIP") financing for the Debtors, as requested;
- (n) Assist the Debtors in reviewing the terms, conditions and impact of any proposed Transaction;
- (o) Assist the Debtors in capital raising from third-party investors; as requested;
- (p) Attend meetings with the Debtors and other parties to a Restructuring as reasonably requested by the Debtors; and
- (q) Provide such other advisory services as are customarily provided in connection with the analysis and negotiation of a Restructuring or a Transaction, as requested and mutually agreed.

9. Pursuant to the terms of the Post-Petition Engagement Agreement, as approved by the Retention Order, Blackstone is entitled to be compensated for its services under the Engagement Agreement as follows:

- (i) A monthly advisory fee (the "Monthly Fee") commencing on June 23, 2002, in the amount of \$225,000 in cash, payable on such date and on each subsequent monthly anniversary of such date;
- (ii) A Transaction Fee as defined in the Post-Petition Engagement Agreement;
- (iii) A DIP Financing Fee as defined in the Post-Petition Engagement Agreement;

- (iv) A Capital Raising Fee as defined in the Post-Petition Engagement Agreement; and
- (v) Reimbursement of all necessary and reasonable out-of-pocket expenses incurred during this engagement, including, but not limited to, travel and lodging, direct identifiable data processing and communication charges, courier services, working meals, reasonable fees and expenses of Blackstone's counsel and other necessary expenditures, payable upon rendition of invoices setting forth in reasonable detail the nature and amount of such expenses; provided, however, that in the absence of the Debtors' prior written consent, which shall not be unreasonably withheld, the Debtors shall not be required to reimburse for (A) the fees and expenses of its counsel in excess of \$25,000.00 in the aggregate or (B) any out-of-pocket expenses incurred by Blackstone in performing its engagement hereunder, including those of its counsel, in excess of \$75,000.00 per calendar month. In connection therewith the Debtors shall maintain a \$50,000.00 expense advance for which Blackstone shall account upon termination of this Agreement.

III. Services Provided by Blackstone Under The Post-Petition Engagement Agreement

10. During the Final Application Period, the nature of the services provided by Blackstone on behalf of the Debtors included the following:

- (a) Assisting in the evaluation of the Debtors' businesses and prospects;
- (b) Assisting in the development of the Debtors' long-term business plan and related financial projections;
- (c) Assisting in the development of financial data and presentations to the Debtors' Board of Directors, various creditors and other third parties;
- (d) Analyzing the Debtors' financial liquidity and evaluating alternatives to improve such liquidity;
- (e) Analyzing various restructuring scenarios and the potential impact of these scenarios on the value of the Debtors and the recoveries of those stakeholders impacted by a Restructuring;
- (f) Providing advice with regard to restructuring the Debtors' Obligations;
- (g) Evaluating the Debtors' debt capacity and alternative capital structures;
- (h) Assisting the Debtors in reviewing the terms, conditions and impact of any proposed Transaction;

- (i) Participating in negotiations among the Debtors and its creditors, suppliers, and other interested parties regarding a Transaction or a Restructuring;
- (j) Valuing securities offered by the Debtors in connection with a Restructuring;
- (k) Advising the Debtors and negotiating with lenders with respect to potential waivers or amendments of various credit facilities;
- (l) Assisting the Debtors in reviewing the terms, conditions and impact of any proposed Transaction;
- (m) Attending meetings with the Debtors and other parties to a Restructuring as reasonably requested by the Debtors; and
- (n) Providing expert witness testimony.

IV. The Blackstone Team

11. The financial services set forth above were performed primarily by: Timothy Coleman, Senior Managing Director; Michael Hoffman, Senior Managing Director; Stefan Feuerabendt, Managing Director; John McNicholas, Managing Director; Sachin Singh, Vice President; Michael Alexander, Associate; Sophia Virani, Analyst; Ali Satvat, Analyst; and other professionals, as needed, of Blackstone. Details of the background and experience of each professional are provided in Appendix C.

V. Blackstone's Final Application for Compensation

12. Prior to this Court's Retention Order, Blackstone served as financial advisor to the Debtors pursuant to a prior engagement agreement (the "Pre-Petition Engagement Agreement") dated February 22, 2002. Pursuant to the Pre-Petition Engagement Agreement and during that retention and during the pre-petition period, the Debtors paid Blackstone in the aggregate and amount of \$1,712,126.80,

including \$50,000.00¹ received pre-petition as an expense deposit (the “Pre-Petition Expense Deposit”).

Of this amount, Blackstone earned \$970,714.29 of pre-petition fees, and was reimbursed for \$147,126.80 of reimbursable pre-petition out-of-pocket expenses. Thus, after crediting the earned fees and reimbursable expenses received prior to the Petition Date, Blackstone was holding \$544,285.71 of unapplied “on account” cash and the Pre-Petition Expense Deposit. Blackstone has identified \$64,795.25 of unbilled pre-petition expenses against which Blackstone has credited the Pre-Petition Expense Deposit (i.e., \$50,000.00) in its entirety leaving a balance of \$14,795.25 of pre-petition expenses for which Blackstone has not been reimbursed. With this Court’s approval, Blackstone will credit \$14,795.25 of the Post-Petition Expense Deposit (as defined herein) against the \$14,795.25 of pre-petition expenses incurred and in excess of the Pre-Petition Expense Deposit.

A. Blackstone’s First Interim Application

13. During the first interim period (the “First Interim Period”), Blackstone provided professional services to the Debtors and incurred fees for such services totaling \$817,500.00, and incurred actual and necessary out-of-pocket expenses in the amount of \$73,789.59.

14. On August 30, 2002, Blackstone filed its First Interim Application for an allowance of \$817,500.00 of fees and \$123,789.59 of reimbursable out-of-pocket expenses, which includes a post-petition expense deposit (the “Post-Petition Expense Deposit”) in the amount of \$50,000.00. On

¹ Pursuant to the Pre-Petition Engagement Agreement, Blackstone received a \$50,000.00 expense deposit. In its First Interim Application (as defined herein), Blackstone first reported to this Court that it had, at that time, identified \$19,584.26 of pre-petition expenses for which it had not been reimbursed. Against this amount, Blackstone applied \$19,584.26 of the Pre-Petition Expense Deposit leaving a balance of \$30,415.74 of the Pre-Petition Expense Deposit to be applied against any additional pre-petition expenses. Since the filing of its First Interim Application, Blackstone has identified an additional \$45,210.99 of pre-petition expenses. Accordingly, Blackstone has applied the remaining \$30,415.74 of the Pre-Petition Expense Deposit against the \$45,210.99 of additional pre-petition expenses leaving a balance of \$14,795.25 of pre-petition expenses for which Blackstone has not been reimbursed.

October 11, 2002, this Court approved Blackstone's First Interim Application. Blackstone respectfully requests that this Court deem all fees and out-of-pocket expenses applied for in connection with Blackstone's First Interim Application and approved by this Court, as final. With regard to the Post-Petition Expense Deposit, Blackstone will credit the remaining \$35,204.75² of said deposit against the amounts being applied for in this Final Application.

B. Blackstone's Final Application

15. During the Final Application Period, Blackstone provided financial advisory services to the Debtors and earned monthly advisory fees for such services totaling \$515,322.58 for the period of August 1, 2002 through October 9, 2002. Blackstone is also due to receive a transaction fee (the "Transaction Fee") upon the occurrence of a Restructuring, which consummated on October 9, 2002. As described in the Post-Petition Engagement Agreement, which was approved by the Retention Order, Blackstone is entitled to a Transaction Fee equal to \$5,000,000.00 in cash payable upon the effective date of a Restructuring and a secured note (the "Secured Note") in the original principal amount of \$4,000,000.00. In connection with the advisory services rendered during the Final Application Period, Blackstone has recorded actual and necessary out-of-pocket expenses in the amount of \$121,426.35.

16. A summary of all fees and out-of-pocket expenses applied for and received to date is outlined in the chart below:

² Amount reflects Blackstone's application of \$14,795.25 of the Post-Petition Expense Deposit against the \$14,795.25 of pre-petition expenses for which Blackstone has not been reimbursed.

Period(s)	Fees	Expenses	Total Fees & Expenses Paid	Amount(s) Due
April 12 – 30, 2002	142,500.00	10,092.09	(152,592.09)	--
May 1 – 31, 2002	225,000.00	1,509.58	(226,509.58)	--
June 1 – 30, 2002	225,000.00	36,093.27	(251,450.41)	9,642.86
July 1 – 31, 2002	225,000.00	26,094.65	(206,095.00)	44,999.65
First Interim Period	817,500.00	73,789.59	(836,647.08)	54,642.51
August 1 – 31, 2002	225,000.00	56,033.54	(236,033.54)	45,000.00
September 1 – 30, 2002	225,000.00	29,849.05	--	254,849.05
October 1 – 9, 2002	65,322.58	35,543.76	--	100,866.34
Transaction Fee (Cash)	5,000,000.00	--	--	5,000,000.00
Transaction Fee (Secured Note)	4,000,000.00	--	--	4,000,000.00
Post-Petition Expense Deposit	--	--	(35,204.75) ³	(35,204.75)
Final Application Period	9,515,322.58	121,426.35	(271,238.29)	9,365,510.64
Total(s)	10,332,822.58	\$195,215.94	(1,107,885.37)	\$9,420,153.15

17. Blackstone respectfully submits that the compensation requested for the Final Application Period for services rendered by Blackstone to the Debtors is fully justified and reasonable based upon (a) the time and labor required, (b) the complexity of the issues presented, (c) the skill necessary to perform the financial advisory services properly, (d) the preclusion of other employment, (e) the customary fees charged to clients in non-bankruptcy situations for similar services rendered, (f) time constraints required by the exigencies of the case, and (g) the experience, reputation and ability of the professionals rendering services.

18. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interest of the Debtors and have furthered the goals of all parties in interest.

³ Amount reflects remaining portion of the Post-Petition Expense Deposit after the application of \$64,795.25 of pre-petition expenses against the Pre- and Post-Petition Expense Deposits.

The effort expended by Blackstone in representing the Debtors, the complexity of the issues, and the difficulties in negotiating these cases have been substantial.

19. Blackstone respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone in these cases.

20. The amount of the fees and expenses sought in this application and Blackstone's billing practices are consistent with market practices both in and out of a bankruptcy context. Blackstone has never billed its clients based on the number of hours expended by its professionals. Accordingly, Blackstone does not have hourly rates for its professionals and Blackstone's professionals generally do not maintain detailed time records of the work performed for its clients. Blackstone has, however, maintained its contemporaneous time records in the Debtors' cases in one-half hour increments, in compliance with the Court Procedures. During the Final Application Period, Blackstone expended 505.5 hours in providing advisory services to the Debtors. Details of the hours expended during the Final Application Period are provided in Appendix D. Time records of the hours expended during the First Interim Period in the aggregate and amount of 3,136.5 are provided for reference purposes in Appendix E.

21. A summary of the hours worked by Blackstone professionals over the course of these cases is summarized below:

Professional	First Interim Period	Final Application Period	Total Hours
Timothy Coleman	161.0	61.5	222.5
Michael Hoffman	79.5	0.0	79.5
Stefan Feuerabendt	479.0	88.0	567.0
John McNicholas	337.0	18.5	355.5
Sachin Singh	501.5	85.0	586.5
Michael Alexander	887.5	228.5	1,116.0
Sophia Virani	38.0	24.0	62.0
Ali Satvat	653.0	0.0	653.0
Total	3,136.5	505.5	3,642.0

**VI. Blackstone's Application for the Reimbursement of Actual and
Necessary Out-Of-Pocket Expenses Incurred During the Final Application
Period**

22. During the Final Application Period, Blackstone incurred actual and necessary out-of-pocket expenses aggregating \$121,426.35. To date, Blackstone has been reimbursed in the amount of \$56,033.54 for out-of-pocket expenses incurred by its professionals during the Final Application Period. Therefore, Blackstone respectfully requests the allowance of \$121,426.35 and payment of \$65,392.81. As stated in paragraph 14, Blackstone will credit the remaining portion of the Post-Petition Expense Deposit (i.e., \$35,204.75) against the amounts being applied for in this Final Application. Details of the out-of-pocket expenses incurred during the Final Application Period are provided in Appendix F. Details of the out-of-pocket expenses incurred by Blackstone professionals during the First Interim Period, in the aggregate and amount of \$73,789.59 are provided for reference purposes in Appendix G.

23. Blackstone respectfully submits that the expenses for which Blackstone seeks allowance and reimbursement of were necessary and reasonable both in scope and amount.

24. All services for which Blackstone requests compensation were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

25. There is currently no agreement or understanding between Blackstone and any other person for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

WHEREFORE, Blackstone requests the Court to:

(a) Approve the allowance of Blackstone's (i) monthly advisory fees in the amount of \$515,322.58, (ii) Transaction Fee in the amount of \$9,000,000.00 equal to \$5,000,000.00 in cash, and the Secured Note in the original principal amount of \$4,000,000.00; and (iii) the reimbursement of out-of-expenses incurred by Blackstone professionals in connection with the services rendered to the Debtors in the amount of \$121,426.35 for the Final Application Period;

(b) Authorize and direct the Debtors to pay Blackstone's fees and expenses for the Final Application Period as follows:

Total Advisory Fees	\$335,322.58
Total Expenses	65,392.81
Transactions Fee (Cash)	5,000,000.00
Transactions Fee (Secured Note)	4,000,000.00
Less: Post-Petition Expense Deposit	(35,204.75)
Amount Due Blackstone	<u>\$9,365,510.64</u>

(c) Deem all fees and out-of-pocket expenses applied for in this Final Application, including those previously approved in connection with Blackstone's First Interim Fee Application, as final; and

(d) Grant such other and further relief as this Court deems just and proper.

Dated: New York, New York
October 22, 2002

THE BLACKSTONE GROUP L.P.
Financial Advisor to the Debtors

By: /s/Stefan Feuerabendt
Stefan Feuerabendt
Managing Director
345 Park Avenue
New York, NY 10154

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11
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FLAG TELECOM HOLDINGS LIMITED, : Case Nos. 02-11732 through
FLAG LIMITED, : 02-11736 and 02-11975 through
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FLAG ATLANTIC HOLDINGS LIMITED, :
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FLAG TELECOM GROUP SERVICES LIMITED, :
FLAG TELECOM LIMITED, :
FLAG TELECOM USA LTD., :
FLAG ASIA LIMITED, and :
FLAG ATLANTIC USA LIMITED, :
:
Debtors. :
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AFFIDAVIT

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

STEFAN FEUERABENDT, being duly sworn, deposes and says:

1. I am a Managing Director of The Blackstone Group L.P. (“Blackstone”), which firm maintains offices for providing financial advisory services at 345 Park Avenue, New York, New York 10154. Blackstone has acted as financial advisor to and rendered professional services on behalf of FLAG Telecom Holdings Limited, and its affiliates (collectively, the “Debtors”).

2. This affidavit is submitted pursuant to Bankruptcy Rule 2016 in connection with Blackstone’s final application (the “Final Application”) for (i) an allowance of

compensation for services rendered to the Debtors for the period of August 1, 2002 through October 9, 2002 in the amount of \$515,322.68; (ii) an allowance of Blackstone's Transaction Fee in the amount of \$9,000,000.00 equal to \$5,000,000.00 in cash, and the secured note in the original principal amount of \$4,000,000.00; (iii) the reimbursement of out-of-pocket expenses incurred by Blackstone professionals in connection therewith in the amount of \$121,426.35; and (iv) this Court to deem all fees and out-of-pocket expenses applied for in this Final Application, including those previously approved by this Court in connection with Blackstone's First Interim Application regarding the interim period of April 12, 2002 through July 31, 2002, as final.

3. All services for which Blackstone requests compensation were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

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

/s/Stefan Feuerabendt

Stefan Feuerabendt
Managing Director

Sworn to before me this 22nd day of October 2002

/s/Holly Cohen

Notary Public

State of New York

No. 01CO6003607

Qualified in Bronx County

Commission Expires March 9, 2002