

NATURE OF THE ACTION

1. This is a securities class action alleging violations of the federal securities laws in connection with the initial public offering conducted on or about August 13, 1998 of 21,000,000 shares of Global Crossing Ltd. ("Global Crossing" or the "Issuer") (including 4.2 million shares issued overseas) at \$19.00 per share (the "IPO"), the follow-on public offering conducted on or about April 10, 2000 of 43,000,000 shares of Global Crossing at \$33.00 per share (the "Secondary Offering"), and the trading of Global Crossing common stock in the aftermarket from the date of the IPO through December 6, 2000, inclusive (the "Class Period"). The IPO and the Secondary Offering will be, at varying times, collectively referred to hereinafter as the "Offerings."

2. In connection with these Offerings, certain of the underwriters named as Defendants herein (and defined below as the Allocating Underwriter Defendants) participated in a scheme to improperly enrich themselves through the manipulation of the aftermarket trading in Global Crossing common stock following the IPO.

3. In this regard, the Allocating Underwriter Defendants created artificial demand for Global Crossing stock by conditioning share allocations in the IPO upon the requirement that customers agree to purchase shares of Global Crossing in the aftermarket and, in some instances, to make those purchases at pre-arranged, escalating prices ("Tie-in Agreements").

4. As part of the scheme, the Allocating Underwriter Defendants required their customers to repay a material portion of profits obtained from selling IPO share allocations in the aftermarket through one or more of the following types of transactions: (a) paying inflated brokerage commissions; (b) entering into transactions in otherwise unrelated securities for the

primary purpose of generating commissions; and/or (c) purchasing equity offerings underwritten by the Allocating Underwriter Defendants, including, but not limited to, secondary (or add-on) offerings that would not be purchased but for the Allocating Underwriter Defendants' unlawful scheme. (Transactions "(a)" through "(c)" above will be, at varying times, collectively referred to hereinafter as "Undisclosed Compensation").

5. In addition, the Allocating Underwriter Defendants' scheme enabled certain of them to further capitalize on the artificial inflation in Global Crossing's stock by underwriting the Secondary Offering and receiving substantial fees in connection therewith -- in fact, the amount of disclosed compensation paid was directly tied to Global Crossing's manipulated stock price.

6. In connection with the IPO, Global Crossing filed with the SEC a Registration Statement ("IPO Registration Statement") and a Prospectus ("IPO Prospectus"). The IPO Registration Statement and IPO Prospectus will be, at varying times, collectively referred to hereinafter as the "IPO Registration Statement/Prospectus." The IPO Registration Statement/Prospectus was declared effective by the SEC on or about August 13, 1998.

7. The IPO Registration Statement/Prospectus was materially false and misleading in that it misrepresented or failed to disclose, among other things further described herein, that the Allocating Underwriter Defendants had required Tie-in Agreements in allocating shares in the IPO and received Undisclosed Compensation in connection with the IPO.

8. In connection with the Secondary Offering, Global Crossing filed with the SEC a Registration Statement (the "Secondary Offering Registration Statement") and a Prospectus (the "Secondary Offering Prospectus"). The Secondary Offering Registration Statement and the Secondary Prospectus will be, at varying times, collectively referred to hereinafter as the

"Secondary Offering Registration Statement/Prospectus." The Secondary Offering Registration Statement/Prospectus was declared effective by the SEC on or about April 10, 2000.

9. The Secondary Offering Registration Statement/Prospectus was materially false and misleading in that it misrepresented or failed to disclose, among other things further described herein, that the price at which the Secondary Offering was sold to the public was artificially inflated and the product of a manipulated market. Also omitted from disclosure in the Secondary Offering Registration Statement/Prospectus, was the material fact that the demand for the Secondary Offering was artificially inflated. Specifically, customers of the underwriters named as defendants herein, in order to receive allocations of shares in this IPO and/or other "hot" initial public offerings, were required by these Defendants to purchase shares in the Secondary Offering.

10. In addition, Global Crossing, on August 5, 1999, filed with the SEC a Joint Proxy Statement/Prospectus in connection with the merger of Frontier Corporation ("Frontier") and Global Crossing which closed on or about September 28, 1999. This Joint Proxy Statement/Prospectus was supplemented on September 8, 1999 (the "Joint Proxy Statement/Prospectus").

11. The Joint Proxy Statement/Prospectus was materially false and misleading in that it misrepresented or failed to disclose, among other things further described herein, that the price of Global Crossing shares which were to be exchanged for Frontier shares in the merger was artificially inflated and the product of a manipulated market.

12. As part and parcel of the scheme alleged herein, certain of the underwriters named as Defendants herein also improperly utilized their analysts, who, unbeknownst to investors,

were compromised by conflicts of interest, to artificially inflate or maintain the price of Global Crossing stock by issuing favorable recommendations in analyst reports.

13. The Individual Defendants (defined below) not only benefitted from the manipulative and deceptive schemes described herein as a result of their personal holdings of the Issuer's stock, these defendants also knew of or recklessly disregarded the conduct complained of herein through their participation in the "Road Show" process by which underwriters generate interest in public offerings.

JURISDICTION

14. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act of 1933 (the "Securities Act") (15 U.S.C. § 77v) and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

15. Plaintiffs bring this action pursuant to Sections 11 and 15 of the Securities Act (15 U.S.C. §§ 77k and 77o) and Sections 10(b), 14(a) and 20(a) of the Exchange Act as amended (15 U.S.C. §§ 78j(b), 78n(a), 78t(a)), and Rules 10b-5 and 14a-9 promulgated thereunder (17 C.F.R. §§ 240.10b-5 and 240.14a-9). Venue is proper in this District as many of the material acts and injuries alleged herein occurred within the Southern District of New York.

16. In connection with the acts alleged in the Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

PLAINTIFFS

17. Plaintiffs Eric Fike, Jeffrey T. Smith, Seth Atwood and Joseph A. and Leora A. Mollo, purchased or otherwise acquired shares of Global Crossing common stock traceable to the Offerings, in the open market or otherwise during the Class Period, at prices that were artificially inflated by Defendants' conduct and were damaged thereby.

18. Plaintiffs Gregory Lawton (individually and as executor for the estate of Johanna A. Lawton), Lawrence W. Lawton (as Executor of the estate of Johanna A. Lawton) and Jonathan Lawton (collectively the "Lawton Family Plaintiffs") and Plaintiffs Joseph A. and Leora A. Mollo acquired shares of Global Crossing common stock traceable to the merger of Frontier and Global Crossing during the Class Period, at prices that were artificially inflated by Defendants' conduct and were damaged thereby.

19. Eric Fike, Jeffrey T. Smith, Seth Atwood and Joseph A. and Leora A. Mollo and the Lawton Family Plaintiffs will be, at varying times, referred to as the "Plaintiffs".

DEFENDANTS

THE UNDERWRITER DEFENDANTS

20. Plaintiffs hereby incorporate by reference the "Underwriter Defendants" section of the Master Allegations as if set forth herein at length.

21. The following investment banking firms acted in the following capacities with respect to the IPO and substantially participated in the unlawful conduct alleged herein:

POSITION

NAME OF UNDERWRITER

LEAD MANAGERS

Salomon

Merrill Lynch

CO-MANAGERS

CIBC

DB Alex. Brown (as successor-in-interest to Deutsche Bank)

Deutsche Bank

Goldman Sachs

Morgan Stanley

SYNDICATE MEMBERS

Bear Stearns

DB Alex. Brown (as successor-in-interest to BT Alex. Brown)

BT Alex. Brown

J.P. Morgan (as successor-in-interest to both Chase and H&Q)

Chase

H&Q

CSFB (in its own right and as successor-in-interest to DLJ)

DLJ

Lehman Brothers

22. Defendants Salomon, Merrill Lynch, CIBC, DB Alex. Brown (Deutsche Bank), Goldman Sachs, Morgan Stanley, Bear Stearns, J.P. Morgan (Chase), J.P. Morgan (H&Q),

CSFB, CSFB (DLJ) and Lehman Brothers will be, at varying times, collectively referred to hereinafter as the "Allocating Underwriter Defendants."

23. Defendant DB Alex. Brown (BT Alex. Brown), along with the Allocating Underwriter Defendants, will be, at varying times, collectively referred to hereinafter as the "IPO Underwriter Defendants."

24. The following investment banking firms acted in the following capacities with respect to the Secondary Offering and substantially participated in the wrongs alleged herein:

<u>POSITION</u>	<u>NAME OF UNDERWRITER</u>
JOINT BOOK RUNNING MANAGERS	Salomon
	Goldman Sachs
JOINT LEAD MANAGER	Merrill Lynch
CO-MANAGERS	Bear Stearns
	J.P. Morgan (Chase H&Q)
	Chase H&Q
	CSFB
	CSFB (DLJ)
	Morgan Stanley

25. These Defendants will be, at varying times, collectively referred to hereinafter as the "Secondary Offering Underwriter Defendants." Collectively, the IPO Underwriter Defendants and the Secondary Offering Underwriter Defendants, will be, at varying times, referred to hereinafter as the "Underwriter Defendants."

THE INDIVIDUAL DEFENDANTS

26. Defendant Gary Winnick ("Winnick") served, at all relevant times, as the Issuer's Co-Chairman of the Board of Directors. Winnick signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

27. Defendant Jack M. Scanlon ("Scanlon") served, at all relevant times, as the Issuer's Chief Executive Officer and as a member of the Board of Directors. Scanlon signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

28. Defendant David L. Lee ("Lee") served, at all relevant times, as the Issuer's President, Chief Operating Officer and as a member of the Board of Directors. Lee signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

29. Defendant Barry Porter ("Porter") served, at all relevant times, as the Issuer's Senior Vice President and as a member of the Board of Directors. Porter signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

30. Defendant Abbott L. Brown ("Brown") served, at the time of the IPO, as the Issuer's Senior Vice President and as a member of the Board of Directors. Brown signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

31. Defendant Dan J. Cohrs ("Cohrs") served, at all relevant times, as the Issuer's Senior Vice President and Chief Financial Officer. Cohrs signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

32. Defendant Lodwick Cook ("Cook") served, at all relevant times, as the Issuer's Co-Chairman of the Board of Directors. Cook signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

33. Defendant Hillel Weinberger ("Weinberger") served, at the time of the IPO, as a member of the Issuer's Board of Directors. Weinberger signed the IPO Registration Statement and the Joint Proxy Statement/Prospectus.

34. Defendant Jay R. Bloom ("Bloom") served, at all relevant times, as a member of the Issuer's Board of Directors. Bloom signed the IPO Registration Statement and the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

35. Defendant Dean C. Kehler ("Kehler") served, at all relevant times, as a member of the Issuer's Board of Directors. Kehler signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

36. Defendant Jay R. Levine ("Levine") served, at the time of the IPO, as a member of the Issuer's Board of Directors. Porter signed the IPO Registration Statement and the Joint Proxy Statement/Prospectus.

37. Defendant William D. Phoenix ("Phoenix") served, at the time of the IPO, as a member of the Issuer's Board of Directors. Phoenix signed the IPO Registration Statement and the Joint Proxy Statement/Prospectus.

38. Defendant Bruce Raben ("Raben") served, at all relevant times, as a member of the Issuer's Board of Directors. Raben signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

39. Defendant Michael R. Steed ("Steed") served, at all relevant times, as a member of the Issuer's Board of Directors. Steed signed the IPO Registration Statement, the Secondary Offering Registration Statement and the Joint Proxy Statement/Prospectus.

40. Defendants Winnick, Scanlon, Lee, Porter, Brown, Cohrs, Cook, Weinberger, Bloom, Kehler, Levine, Phoenix, Raben and Steed will be, at varying times, collectively referred to hereinafter as the "Individual Defendants."

41. Defendant James C. Gorton ("Gorton") served, at all relevant times, as the Issuer's Senior Vice President, General Counsel and Secretary.

GLOBAL/FRONTIER INDIVIDUAL DEFENDANTS

42. Defendant Joseph P. Clayton ("Clayton") served, at the time of the Secondary Offering, as the President of Global Crossing North America ("Global NA"), and as a member of the Board of Directors of Global NA. At the time of the IPO, Clayton was the Chief Executive Officer and a member of the Board of Directors of Frontier. Clayton signed the Secondary Offering Registration Statement and Joint Proxy Statement/Prospectus.

43. Defendant Rolla P. Huff ("Huff") prior to the merger, was Frontier's President and Chief Operating Officer and was, subsequent to the merger of Frontier and Global Crossing, President and Chief Operating Officer of Global Crossing's North American Operations.

44. Defendants Clayton and Huff will be, at varying times, collectively referred to hereinafter as the "Global/Frontier Defendants".

ADDITIONAL PERSONS

45. At the time of the offerings, Global Crossing was a Bermuda corporation with its principal executive offices located in Hamilton, Bermuda. Global Crossing is described in the IPO Registration Statement/Prospectus as "the world's first independent provider of global Internet and long distance telecommunications facilities and services utilizing a network of undersea digital fiber optic cable systems associated terrestrial backhaul capacity." On or about January 28, 2002, Global Crossing filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. For this reason and this reason alone, Global Crossing is not named as a Defendant in this action.

46. Prior to its merger with Global Crossing, Frontier was a New York corporation with its principal executive offices located in Rochester, New York. After its merger with Global Crossing, Frontier became a wholly owned subsidiary of Global Crossing. The Joint Proxy Statement/Prospectus described Frontier as "one of the nation's largest long distance companies..." It is because Frontier is a wholly owned subsidiary of Global Crossing, a company that has filed for bankruptcy protection, that Frontier is not named as a Defendant in this action.

CLASS ACTION ALLEGATIONS

47. Plaintiffs bring this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a class consisting of all persons and entities who purchased or otherwise acquired the common stock of the Issuer during the Class Period and were damaged thereby (the "Class"). Excluded from the Class are Defendants herein, the Defendants' legal counsel, members of the immediate family of the Individual Defendants and/or Global/Frontier Defendants and Gorton, any entity in which any of the Defendants has a

controlling interest, and the legal representatives, heirs, successors or assigns of any of the Defendants.

48. Members of the Class are so numerous that joinder of all members is impracticable.

(a) Millions of shares of common stock were sold in the Offerings, and the stock was actively traded during the Class Period; and

(b) While the exact number of Class members is unknown to the Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds, if not thousands, of Class members who purchased or otherwise acquired the Issuer's common stock during the Class Period.

49. Plaintiffs' claims are typical of the claims of the other members of the Class. Plaintiffs and the other members of the Class have sustained damages because of Defendants' unlawful activities alleged herein. Plaintiffs have retained counsel competent and experienced in class and securities litigation and intend to prosecute this action vigorously. The interests of the Class will be fairly and adequately protected by Plaintiffs. Plaintiffs have no interests that are contrary to or in conflict with those of the Class which Plaintiffs seek to represent.

50. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Plaintiffs know of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action. Furthermore, since the damages suffered by individual members of the Class may be relatively small, the expense and burden of individual litigation make it economically impracticable for the members of the Class to seek redress individually for the wrongs they have suffered.

51. The names and addresses of the record purchasers of the Issuer's common stock are available from the Issuer, its agents, and the underwriters who sold and distributed the Issuer's common stock in the IPO and Secondary Offering. Notice can be provided to Class members via a combination of published notice and first class mail using techniques and forms of notice similar to those customarily used in class actions arising under the federal securities laws.

52. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) Whether the federal securities laws were violated by Defendants' misconduct as alleged herein;
- (b) Whether the IPO Registration Statement/Prospectus omitted and/or misrepresented material facts;
- (c) Whether the Secondary Offering Registration Statement/Prospectus omitted and/or misrepresented material facts;
- (d) Whether the Joint Proxy Statement/Prospectus omitted and/or misrepresented material facts;
- (e) Whether Defendants participated in the course of conduct complained of herein;
- (f) Whether, solely with respect to claims brought pursuant to Section 10(b) of the Exchange Act, the Individual Defendants and Underwriter Defendants named thereunder acted with scienter;

(g) Whether, solely with respect to claims brought pursuant to Section 14(a) of the Exchange Act, the Individual Defendants and Global/Frontier Defendants named thereunder acted negligently; and

(h) Whether the members of the Class have sustained damages as a result of Defendants' conduct, and the proper measure of such damages.

SUBSTANTIVE ALLEGATIONS

53. Plaintiffs hereby incorporate by reference the "Introductory" section of the Master Allegations, as if set forth herein at length. Plaintiffs also adopt and incorporate herein by reference the allegations set forth in the Master Allegations that specifically relate to each of the Underwriter Defendants as if set forth herein at length.

THE IPO

54. Global Crossing's IPO of 21,000,000 shares was priced at \$19.00 on or about August 13, 1998. The sale and distribution of this firm commitment offering was effected by an underwriting syndicate consisting of, among others, the Allocating Underwriter Defendants. Additionally, Global Crossing granted the underwriting syndicate an option to purchase a maximum of 3,150,000 additional shares at the initial offering price less underwriting discounts and commissions.

55. On the day of the IPO, the price of Global Crossing common stock rose, trading as high as \$26.81 per share, or more than 41% above the IPO price on substantial volume. This debut however, was not the result of normal market forces; rather, it was the result of Defendants' unlawful practices more fully described herein.

56. The unlawful practices continued during the Class Period as the price of Global Crossing rose dramatically. For example, on May 13, 1999, Global Crossing reached a Class Period high of \$128.50 per share (non-split adjusted), a staggering 576% above the IPO price. Also, on February 16, 2000, less than two months prior to the Secondary Offering, Global Crossing traded as high as \$123.63 per share (non-split adjusted).

UNLAWFUL CONDUCT IN CONNECTION WITH THE IPO

57. Consistent with their conduct in other initial public offerings as set forth in the Master Allegations, the Underwriter Defendants engaged in manipulative and/or other unlawful practices described more fully herein in connection with the IPO.

58. Customers of the Allocating Underwriter Defendants, in order to receive an allocation of stock in the IPO, were required or induced to agree to enter into Tie-in Agreements and/or pay Undisclosed Compensation.

THE IPO REGISTRATION STATEMENT/PROSPECTUS WAS MATERIALLY FALSE AND MISLEADING

59. In conducting the IPO, the Allocating Defendants violated Regulation M promulgated pursuant to the Exchange Act. Rule 101(a) of Regulation M reads as follows:

Unlawful Activity. In connection with a distribution of securities, it shall be unlawful for a distribution participant or an affiliated purchaser of such person, directly or indirectly, to bid for, purchase, or attempt to induce any person to bid for or purchase, a covered security during the applicable restricted period.

17 C.F.R § 242.101.

60. As explained by the SEC's Staff Legal Bulletin No. 10, dated August 25, 2000, tie-in agreements violate Regulation M:

Tie-in agreements are a particularly egregious form of solicited transactions prohibited by Regulation M. As far back as 1961, the Commission addressed reports that certain dealers participating in distributions of new issues had been making allotments to their customers only if such customers agreed to make some comparable purchase in the open market after the issue was initially sold. The Commission said that such agreements may violate the anti-manipulative provisions of the Exchange Act, particularly Rule 10b-6 (which was replaced by Rules 101 and 102 of Regulation M) under the Exchange Act, and may violate other provisions of the federal laws.

Solicitations and tie-in agreements for aftermarket purchases are manipulative because they undermine the integrity of the market as an independent pricing mechanism for the offered security. Solicitations for aftermarket purchases give purchasers in the offering the impression that there is a scarcity of the offered securities. This can stimulate demand and support the pricing of the offering. Moreover, traders in the aftermarket will not know that the aftermarket demand, which may appear to validate the offering price, has been stimulated by the distribution participants. Underwriters have an incentive to artificially influence aftermarket activity because they have underwritten the risk of the offering, and a poor aftermarket performance could result in reputational and subsequent financial loss. (Emphasis added).

61. In particular, the IPO Registration Statement/Prospectus stated:

In connection with the Offerings and in compliance with applicable law, the Underwriters may overallot (i.e., sell more Shares than the total amount shown on the list of Underwriters and participations which appears above) and may effect transactions which stabilize, maintain or otherwise affect the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the Shares or effecting purchases of the Shares for the purpose of pegging, fixing or maintaining the price of the Shares or for the purpose of reducing a syndicate short position created in connection with the offering. A syndicate short position may be covered by exercise of the option described above in lieu of or in addition to open market purchases. In addition, the contractual arrangements among the Underwriters include a provision whereby, if the Representatives purchase Shares in the open market for the account of the

underwriting syndicate and the securities purchased can be traced to a particular Underwriter or member of the selling group, the underwriting syndicate may require the Underwriter or selling group member in question to purchase the Shares in question at the cost price to the syndicate or may recover from (or decline to pay to) the Underwriter or selling group member in question the selling concession applicable to the securities in question. The Underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

62. The statements contained in the previous paragraph were materially false and misleading because the Allocating Underwriter Defendants required customers to commit to Tie-in Agreements and created the false appearance of demand for the stock at prices in excess of the IPO price and in violation of Regulation M. At no time did the IPO Registration Statement/Prospectus disclose that the Allocating Underwriter Defendants would require their customers seeking to purchase IPO shares to engage in transactions causing the market price of Global Crossing common stock to rise, in transactions that cannot be characterized as stabilizing transactions, over-allotment transactions, syndicate covering transactions or penalty bids.

63. Because the Undisclosed Compensation was, in reality, underwriter compensation, it was required to be disclosed in the IPO Registration Statement/Prospectus, as Regulation S-K, Item 508 (e) provides:

Underwriter's Compensation. Provide a table that sets out the nature of the compensation and the amount of discounts and commissions to be paid to the underwriter for each security and in total. The table must show the separate amounts to be paid by the company and the selling shareholders. **In addition, include in the table all other items considered by the National Association of Securities Dealers to be underwriting compensation for purposes of that Association's Rules of Fair Practice.** (Emphasis added).

64. The NASD specifically addresses what constitutes underwriting compensation in NASD Conduct Rule 2710(c)(2)(B) (formerly Article III, Section 44 of the Association's Rules of Fair Practice):

For purposes of determining the amount of underwriting compensation, all items of value received or to be received from any source by the underwriter and related persons which are deemed to be in connection with or related to the distribution of the public offering as determined pursuant to subparagraphs (3) and (4) below shall be included. (Emphasis added).

65. NASD Conduct Rule 2710(c)(2)(c) specifically requires:

If the underwriting compensation includes items of compensation in addition to the commission or discount disclosed on the cover page of the prospectus or similar document, a footnote to the offering proceeds table on the cover of the prospectus or similar document shall include a cross-reference to the section on underwriting or distribution arrangements.

66. Contrary to applicable law, the Registration Statement/Prospectus did not set forth, by footnote or otherwise, the Undisclosed Compensation.

67. Instead, the IPO Registration Statement/Prospectus misleadingly stated that the underwriting syndicate would receive as compensation an underwriting discount of \$1.14 per share, or a total of \$23,940,000 based on the spread between the per share proceeds to Global Crossing (\$17.86) and the Offering price to the public (\$19.00 per share). This disclosure was materially false and misleading as it misrepresented underwriting compensation by failing to include Undisclosed Compensation.

68. In addition, the IPO Registration Statement/Prospectus stated:

The Company and the Selling Shareholders have been advised by the U.S. Representatives that the several U.S. Underwriters initially propose to offer such Shares to the public at the Price to Public set

forth on the cover page of this Prospectus [\$19.00] and to certain dealers at such price less a concession...

69. The IPO Registration Statement/Prospectus was materially false and misleading in that the true public offering price was materially in excess of the price set forth on the cover page. In order to receive share allocations from the Allocating Underwriter Defendants in the Global Crossing IPO, customers were required to pay an amount in excess of the IPO price in the form of Undisclosed Compensation and/or Tie-in Agreements.

70. NASD Conduct Rule 2330(f) further prohibits an underwriter from sharing directly or indirectly in the profits in any account of a customer:

.... [N]o member or person associated with a member shall share directly or indirectly in the profits or losses in any account of a customer carried by the member or any other member...

71. The Allocating Underwriter Defendants' scheme was dependent upon customers obtaining substantial profits by selling share allocations from the IPO and paying a material portion of such profits to the Allocating Underwriter Defendants. In this regard, the Allocating Underwriter Defendants shared in their customers' profits in violation of NASD Conduct Rule 2330(f).

72. The failure to disclose the Allocating Underwriter Defendants' unlawful profit-sharing arrangement as described herein, rendered the IPO Registration Statement/Prospectus materially false and misleading.

73. NASD Conduct Rule 2440 governs Fair Prices and Commissions and, in relevant part, provides that a member:

shall not charge his customer more than a fair commission or service charge, taking into consideration all relevant circumstances,

including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service he may have rendered by reason of his experience in and knowledge of such security and market therefor.

74. Guideline IM-2440 of the NASD states, in relevant part:

It shall be deemed a violation of . . . Rule 2440 for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable A mark-up of 5% or even less may be considered unfair or unreasonable under the 5% policy.

75. The IPO Registration Statement/Prospectus was materially false and misleading due to its failure to disclose the material fact that the Allocating Underwriter Defendants were charging customers commissions that were unfair, unreasonable, and excessive as consideration for receiving allocations of shares in the IPO.

**THE REGISTRATION STATEMENT/PROSPECTUS FAILED TO DISCLOSE THAT
THE DISTRIBUTION OF THE IPO SHARES WAS CONCENTRATED AMONG
FEWER THAN ALL OF THE UNDERWRITERS**

76. The IPO Registration Statement/Prospectus failed to disclose accurately which of the underwriters identified therein actually participated in the distribution of the IPO. In fact, the IPO Registration Statement/Prospectus represented that each of the underwriters participated in the distribution to the extent of the shares identified next to its name.

77. The IPO Registration Statement/Prospectus was materially false and misleading in that it did not inform the investing public that the shares in the IPO would be distributed by less than all of the underwriters identified in the IPO Registration Statement/Prospectus.

78. For example, the IPO Registration Statement/Prospectus was materially false and misleading in that DB Alex. Brown (BT Alex. Brown) did not receive the 306,000 shares listed next to its name.

MARKET MANIPULATION THROUGH THE USE OF ANALYSTS

79. As demonstrated in the "Use of Analysts" section of the Master Allegations, in furtherance of their manipulative scheme, IPO Underwriter Defendants Salomon, DB Alex. Brown (Deutsche Bank), Merrill Lynch, Goldman Sachs and Morgan Stanley improperly used their analysts who suffered from conflicts of interest, to sell and promote the new offering and to issue glowing research reports and positive recommendations at or about the expiration of the "quiet period" so as to manipulate the Issuer's aftermarket stock price.

80. On September 8, 1998, just after the expiration of the "quiet period" with respect to the Global Crossing IPO, Salomon and DB Alex. Brown (Deutsche Bank) each initiated analyst coverage with "Buy" recommendations. Jack Grubman, Salomon's analyst, in rating Global Crossing as a "buy," set a 12 month target price of \$29.00 per share. Deutsche Bank's target price was \$28 per share. That same day, Merrill Lynch initiated coverage with an "Accumulate" rating for Global Crossing (and a long-term buy). On September 18, 1998, Morgan Stanley initiated coverage with an "outperform" recommendation - setting a price target of \$27 per share. On October 5, 1998, Goldman initiated coverage by placing Global Crossing stock on the "recommend list", the highest rating given by Goldman Sachs. Goldman's 12 month target price was \$30 per share. Each of the price targets set forth herein was based upon a manipulated price.

UNLAWFUL CONDUCT IN CONNECTION WITH THE SECONDARY OFFERING

81. Consistent with their conduct in other secondary (or add-on) offerings as set forth in the "Secondary (or Add-On) Offerings" section of the Master Allegations, the Secondary Offering Underwriter Defendants engaged in manipulation and/or unlawful practices described more fully herein in connection with the Secondary Offering.

82. Customers of the Secondary Offering Underwriter Defendants in order to receive an allocation of stock in Secondary Offering were required to agree to enter into Tie-in Agreements and/or pay Undisclosed Compensation.

THE SECONDARY OFFERING

83. On or about April 10, 2000, an additional 43,000,000 shares of Global Crossing were sold in the Secondary Offering at \$33.00 per share (considering the previous 2-for-1 stock split, the Secondary Offering price was essentially \$66.00 per share, a dramatic 247% premium above the \$19.00 per share IPO price) pursuant to the materially false and misleading Secondary Offering Registration Statement/Prospectus.

84. The Secondary Offering Registration Statement/Prospectus stated that "[O]n April 10, 2000, the closing sale price of our common stock on the Nasdaq National Market was \$33 1/16 per share." This statement was materially false and misleading in that it misrepresented or failed to disclose that the price at which the Secondary Offering was sold to the public was artificially inflated and the product of a manipulated market. As set forth above, the Allocating Underwriter Defendants had required customers to agree to Tie-in Agreements and/or pay Undisclosed Compensation to them, thereby artificially inflating the price of Global Crossing's common stock in the aftermarket.

85. Also omitted from disclosure in the Secondary Offering Registration Statement/Prospectus was the material fact that demand for the Secondary Offering was artificially inflated. As set forth herein, customers of certain Underwriter Defendants were required to make purchases of shares in the Secondary Offering in order to receive allocations of shares in the Global Crossing IPO and/or other "hot" initial public offerings underwritten by such Defendants.

86. As demonstrated in the "Use of Analysts" section of the Master Allegations, in furtherance of their manipulative scheme, Salomon and Merrill Lynch improperly used its analysts to help support the market following the Secondary Offering.

87. For example, in the weeks following the Secondary Offering, on May 24, 2000, Salomon reiterated its "Buy" rating and set a 12-month price target of \$70.00 for the stock when, the previous day, Global Crossing common stock was trading at \$23.63 per share. In addition, on July 12, 2000 Merrill Lynch raised its recommendation from "Near-Term Accumulate" to "Near-Term Buy" and set a 12-month target price of \$55.00. Global Crossing closed the previous day at \$29.125. Merrill Lynch reiterated this recommendation and price target on August 17, 2000. These price targets were materially false and misleading as they were based upon a manipulated price.

THE JOINT PROXY STATEMENT/PROSPECTUS

88. On or about August 5, 1999, Global Crossing filed an Amended Form S-4 containing the Joint Proxy Statement/Prospectus regarding Global Crossing's proposed merger with Frontier as contemplated by the Agreement and Plan of Merger dated as of March 16, 1999. The Joint Proxy Statement/Prospectus was disseminated to record shareholders of Frontier as of

July 29, 1999. The Joint Proxy Statement/Prospectus was mailed to shareholders on or about August 9, 1999.

89. On or about September 8, 1999, Global Crossing filed an Form S-4 containing the Joint Proxy Statement/Prospectus and Joint Proxy Statement/Prospectus Supplement.

The Joint Proxy Statement/Prospectus Supplement was mailed to shareholders on or about September 9, 1999. As previously indicated, the Joint Proxy Statement/Prospectus and Joint Proxy Statement/Prospectus Supplement are collectively referred to herein as the “Joint Proxy Statement/Prospectus.”

90. The Joint Proxy Statement/Prospectus, which included a letter directed to Frontier shareholders signed by defendant Clayton, solicited Frontier shareholders to vote in favor of the Global Crossing and Frontier merger on the basis of the materially false and misleading proxy statement described below at a special shareholders meeting scheduled to take place on September 23, 1999. As further described below, the merger contemplated that Frontier shareholders would exchange their Frontier common stock for Global Crossing common stock at a specified ratio. The proposed merger was contingent on, among other things, the approval of two-thirds of Frontier’s outstanding shares.

91. In connection with the merger, the Global/Frontier Defendants had the opportunity to investigate the circumstances surrounding Global Crossing’s IPO. The Global/Frontier Defendants, particularly Defendant Huff, held discussions with Global Crossing representatives about the possibility of forming a strategic partnership while at a Morgan Stanley investors conference, which was held a mere two months after Global Crossing's IPO.

92. In November 1998, according to the Joint Proxy Statement/Prospectus, the possibility of a share-for-share exchange of Frontier shares for Global Crossing shares was discussed at a meeting attended by Defendant Huff. These discussions were communicated to the Executive Committee of the Frontier Board of Directors.

93. Representatives of Global Crossing and Frontier met with Underwriter Defendants Merrill Lynch (an Underwriter Defendant herein and one of Global Crossing's financial advisors) and Morgan Stanley (an Underwriter Defendant herein and Frontier's financial advisor) to consider alternative structures for a merger of Global Crossing and Frontier. In December 1998, Global Crossing also engaged Salomon (an Underwriter Defendant herein) to act as its financial advisor, in addition to Merrill Lynch, in connection with the proposed merger with Frontier.

94. On December 30, 1998, representatives of Frontier (and its financial advisor) and representatives of Global Crossing (and its financial advisors) met to discuss the "respective valuations of Global Crossing and Frontier...", according to the Joint Proxy Statement/Prospectus.

95. Thereafter, the discussions of a business combination broke off, but at a meeting on March 3, 1999 attended by Defendants Clayton and Huff, the parties renewed discussions regarding potential transaction structures. During the week of March 8, 1999 representatives of Global Crossing and Frontier and their legal and financial advisors conducted due diligence on each other, investigating, *inter alia*, the relative value of their stock.

96. On March 16, 1999, after a presentation by Defendant Morgan Stanley that the merger was fair from a financial point of view to Frontier shareholders, Frontier's Board of

Directors, including Defendants Clayton and Huff, unanimously determined that the merger was fair to and in the best interests of Frontier and its shareholders and adopted the merger agreement and approved the merger.

97. The Joint Proxy Statement/Prospectus stated:

Pursuant to the terms of the Global Crossing-Frontier merger, each holder of Frontier common stock will be entitled to receive that number of shares of Global Crossing common stock equal to the exchange ratio. The unaudited Pro Forma Global Crossing financial statements have been prepared based on the exchange ratio of 2.05 shares of Global Crossing common stock for each share of Frontier common stock outstanding or an estimated purchase price of \$8.4 billion assuming a Global Crossing share price of \$22 15/16 per share, the average closing price of Global Crossing common stock from September 1, 1999 through September 3, 1999. Fees and expenses related to the merger and merger related transactions totaling \$95 million are included in the Pro Forma Global Crossing information. The actual exchange ratio may be increased if the merger is completed after December 31, 1999 as described in this document. These unaudited pro forma condensed combined financial statements are preliminary and subject to change based on the review of a final study to determine the fair values of Frontier's and Global Marine's net assets.

98. The Joint Proxy Statement/Prospectus stated further:

- The board of directors of Frontier believes that the merger offers the Frontier shareholders an opportunity to receive significant value for their shares of Frontier common stock and to participate in a combined organization which is a larger, more diversified company in the Internet and telecommunications and that will be well positioned to compete effectively in the Industry.

- The Frontier board of directors has carefully considered the terms of the proposed merger and has determined that the merger and merger agreement are fair to, and in the best interests of Frontier and Frontier shareholders, has adopted the merger agreement and approved the merger and the other transactions contemplated by the merger agreement and recommends that the

Frontier shareholders vote FOR the adoption of the merger agreement.

- In reaching its decision, the Frontier board of directorsconsidered a number of factors, including...the following factors:

1. the information and presentations by management of Frontier, and its financial advisor concerning Frontier's and Global Crossing's respective business, assets, management, competitive position and prospects

99. In a letter dated May 16, 1999, included as Annex F to the Joint Proxy Statement /Prospectus, and in a letter, dated on or about September 2, 1999, included in the Joint Proxy Statement/Prospectus Supplement ("Fairness Opinion"), Morgan Stanley stated:

We have acted as financial advisor to the Board of Directors of [Frontier] in connection with [the merger between Frontier and Global] and will receive a fee for our services. In the past Morgan Stanley & Co. Incorporated and its affiliates have provided financial advisory and financing services for [Frontier], Global Crossing and USW and have received fees for the rendering of these services.

* * *

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Exchange Ratio pursuant to the Merger Agreement is fair from a financial point of view to the holders of shares of the Frontier Common Stock (other than Global Crossing and its affiliates).

100. The Fairness Opinion was materially false and misleading because it misstated and failed to disclose the material fact that Morgan Stanley knew that the price of Global Crossing stock had been artificially inflated by virtue of the misconduct described herein. In fact, the entire Fairness Opinion itself was a misleading document because it communicated to the reader that the value of Global Crossing was fair and commensurate with the overall value of

Frontier after giving effect to the exchange ratio of 2.05 shares of Global Crossing for each share of Frontier.

101. On September 7, 1999, Underwriter Defendant Morgan Stanley consented to the inclusion of its financial opinion in the relevant SEC filings.

102. On September 23, 1999, a vote of Frontier shareholders approved the merger of the two companies. The merger closed on September 28, 1999, and holders of Frontier common stock received 2.05 Global Crossing shares for every share of Frontier common stock.

103. The Joint Proxy Statement/Prospectus was materially false and misleading for the reasons set forth herein. In particular, the exchange ratio was negotiated and agreed to based on the manipulated stock price of Global Crossing. In addition, Frontier's financial advisor, Underwriter Defendant Morgan Stanley suffered from a disabling conflict of interest, in that it knew or recklessly disregarded that the market for Global Crossing stock was artificially inflated and manipulated as a consequence of the conduct set forth herein and in the Master Allegations, which are incorporated by reference. Morgan Stanley, the Individual Defendants and the Global/Frontier Defendants knowingly, recklessly or negligently disregarded that Global Crossing's share price was artificially inflated and the product of a manipulated market. Accordingly, the statements contained in the Joint Proxy Statement /Prospectus disseminated to Frontier shareholders for the purpose of soliciting their vote for the merger was materially false and misleading.

THE END OF THE CLASS PERIOD

104. On December 6, 2000, The Wall Street Journal published an article concerning an investigation of various improper initial public offering practices.

**DEFENDANTS' UNLAWFUL CONDUCT
ARTIFICIALLY INFLATED THE PRICE OF THE ISSUER'S STOCK**

105. Defendants' conduct alleged herein had the effect of inflating the price of the Issuer's common stock above the price that would have otherwise prevailed in a fair and open market throughout the Class Period.

VIOLATIONS OF THE SECURITIES ACT

FIRST CLAIM

**(AGAINST THE INDIVIDUAL DEFENDANTS AND THE IPO UNDERWRITER
DEFENDANTS FOR VIOLATION OF SECTION 11 RELATING TO THE IPO
REGISTRATION STATEMENT)**

106. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein, except to the extent that any such allegation may be deemed to sound in fraud.

107. This Claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of plaintiffs and other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the IPO against the Individual Defendants and the IPO Underwriter Defendants, and were damaged thereby.

108. As the Issuer of the IPO Registration Statement, the Issuer is liable under Section 11 of the Securities Act for the materially false and misleading statements alleged therein.

109. As set forth above, the IPO Registration Statement, when it became effective, contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

110. Each of the Individual Defendants, either personally or through an attorney-in-fact, signed the IPO Registration Statement or was a Director or person performing similar functions for the Issuer at the time of the IPO.

111. Each of the IPO Underwriter Defendants is liable as an underwriter in connection with the IPO.

112. The Defendants named in this Claim are liable to Plaintiffs and other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the IPO.

113. By virtue of the foregoing, Plaintiffs and the other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the IPO are entitled to damages pursuant to Section 11.

114. This Claim was brought within one year after discovery of the untrue statements and omissions in the IPO Registration Statement, or after such discovery should have been made by the exercise of reasonable diligence, and within three years after the Issuer's common stock was first bona fide offered to the public.

SECOND CLAIM

(AGAINST THE INDIVIDUAL DEFENDANTS FOR VIOLATION OF SECTION 15 RELATING TO THE IPO REGISTRATION STATEMENT)

115. Plaintiffs repeat and reallege the allegations set forth above in the First Claim as if set forth fully herein.

116. This Claim is brought against the Individual Defendants pursuant to Section 15 of the Securities Act, 15 U.S.C. § 77o, on behalf of Plaintiffs and the other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the IPO.

117. Each of the Individual Defendants was a control person of the Issuer with respect to the IPO by virtue of that individual's position as a senior executive officer and/or Director of the Issuer.

118. The Individual Defendants, by virtue of their managerial and/or board positions with the Company, controlled the Issuer as well as the contents of the IPO Registration Statement at the time of the IPO. Each of these Individual Defendants was provided with or had unlimited access to copies of the IPO Registration Statement, had the ability to either prevent its issuance or cause it to be corrected due to their control over the Issuer.

119. As a result, the Individual Defendants are liable under Section 15 of the Securities Act for the Issuer's primary violation of Section 11 of the Securities Act, which would have been charged but for the fact that the Issuer filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code.

120. By virtue of the foregoing, Plaintiffs and the other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the IPO are entitled to damages against the Individual Defendants.

THIRD CLAIM

(AGAINST DEFENDANT CLAYTON, THE INDIVIDUAL DEFENDANTS (EXCEPT WEINBERGER, LEVINE AND PHOENIX) AND AGAINST THE SECONDARY OFFERING UNDERWRITER DEFENDANTS FOR VIOLATION OF SECTION 11 RELATING TO THE SECONDARY OFFERING REGISTRATION STATEMENT)

121. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein, except to the extent that any such allegation may be deemed to sound in fraud.

122. This Claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of Plaintiffs and other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the Secondary Offering and were damaged thereby against Defendant Clayton, the Individual Defendants (except Weinberger, Levine and Phoenix) and against the Secondary Offering Underwriter Defendants.

123. As the Issuer of the Secondary Offering Registration Statement, the Issuer is liable under Section 11 of the Securities Act for the materially false and misleading statements alleged therein.

124. As set forth above, the Secondary Offering Registration Statement, when it became effective, contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

125. Defendant Clayton and each of the Individual Defendants (except Weinberger, Levine and Phoenix) either personally or through an attorney-in-fact, signed the Secondary Offering Registration Statement or was a Director or person performing similar functions for the Issuer at the time of the Secondary Offering.

126. Each of the Secondary Offering Underwriter Defendants is liable as an underwriter in connection with the Secondary Offering.

127. The Defendants named in this Claim are liable to Plaintiffs and the other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the Secondary Offering.

128. By virtue of the foregoing, Plaintiffs and other members of the Class who purchased or otherwise acquired the Issuer's common stock traceable to the Secondary Offering are entitled to damages pursuant to Section 11.

129. This Claim was brought within one year after discovery of the untrue statements and omissions in the Registration Statement, or after such discovery should have been made by the exercise of reasonable diligence, and within three years after the Issuer's common stock was bona fide offered to the public in connection with the Secondary Offering.

FOURTH CLAIM

(AGAINST DEFENDANT CLAYTON AND THE INDIVIDUAL DEFENDANTS (EXCEPT WEINBERGER, LEVINE AND PHOENIX) FOR VIOLATION OF SECTION 15 RELATING TO THE SECONDARY OFFERING)

130. Plaintiffs repeat and reallege the allegations set forth above in the Third Claim as if set forth fully herein.

131. This Claim is brought against Defendant Clayton and the Individual Defendants (except Weinberger, Levine and Phoenix) pursuant to Section 15 of the Securities Act, 15 U.S.C. § 77o, on behalf of Plaintiffs and other members of the Class who purchased or otherwise acquired shares of the Issuer's common stock traceable to the Secondary Offering.

132. Defendant Clayton and each of the Individual Defendants (except Weinberger, Levine and Phoenix) was a control person of the Issuer with respect to the Secondary Offering by virtue of that individual's position as a senior executive officer and/or Director of the Issuer.

133. Defendant Clayton and each of the Individual Defendants, other than Weinberger, Levine and Phoenix, by virtue of their managerial and/or board positions with the Company, controlled the Issuer as well as the contents of the Secondary Offering Registration Statement at

the time of the Secondary Offering. Each of the named Individual Defendants (except Weinberger, Levine and Phoenix) was provided with or had unlimited access to copies of the Secondary Offering Registration Statement, had the ability to either prevent its issuance or cause it to be corrected due to their control over the Issuer.

134. As a result, Defendant Clayton and each of the Individual Defendants (except Weinberger, Levine and Phoenix) are liable under Section 15 of the Securities Act for the Issuer's primary violation of Section 11 of the Securities Act, which would have been charged but for the fact that the Issuer filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code.

135. By virtue of the foregoing, Plaintiffs and other members of the Class who purchased or otherwise acquired shares of the Issuer's common stock traceable to the Secondary Offering are entitled to damages against the Defendants named in this Claim.

VIOLATIONS OF THE EXCHANGE ACT

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

136. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

(a) Defendants named under Claims brought pursuant to the Exchange Act made public misrepresentations or failed to disclose material facts during the Class Period regarding the Issuer as alleged herein;

(b) The omissions and misrepresentations were material;

(c) Following the IPO and continuing throughout the Class Period, the Issuer's stock was traded on a developed national stock exchange, namely the NASDAQ National Market, and later the New York Stock Exchange which is an open and efficient market;

(d) The Issuer filed periodic reports with the SEC;

(e) The Issuer was followed by numerous securities analysts;

(f) The market rapidly assimilated information about the Issuer which was publicly available and communicated by the foregoing means and that information was promptly reflected in the price of the Issuer's common stock; and

(g) The misrepresentations and omissions and the manipulative conduct alleged herein would tend to induce a reasonable investor to misjudge the value of the Issuer's common stock.

EXCHANGE ACT CLAIMS - THE UNDERWRITER DEFENDANTS

THE UNDERWRITER DEFENDANTS ACTED WITH SCIENTER

137. As alleged herein, the Underwriter Defendants acted with scienter in that they: (a) knowingly or recklessly engaged in acts and practices and a course of conduct which had the effect of artificially inflating the price of the Issuer's common stock in the aftermarket; (b) knowingly or recklessly disregarded that the IPO Registration Statement/Prospectus as set forth herein was materially false and misleading; (c) knowingly or recklessly disregarded that the Secondary Offering Registration Statement/Prospectus as set forth herein was materially false and misleading; and/or (d) knowingly or recklessly misused their analysts in connection with the Offerings and/or analyst reports issued thereby in the aftermarket.

138. In addition, each of the IPO Underwriter Defendants violated the federal securities laws as they sold the Issuer's shares in and/or after the IPO and/or recommended the Issuer's stock while in possession of material, non-public information.

139. As evidenced by the public statements of CSFB published by The Wall Street Journal on or about June 29, 2001, the practices employed by the IPO Underwriter Defendants in connection with public offerings complained of herein, were widespread throughout the financial underwriting community. In this regard, CSFB, which recently settled regulatory claims of misconduct concerning its initial public offering allocation practices, stated during the pendency of the government's investigation, "[w]e continue to believe our [initial public offering] allocation policies are consistent with those employed by others in the industry."

140. As The Wall Street Journal reported in a front page story on May 31, 2002, Salomon analyst Jack Grubman "far exceeded analysts' traditional function of offering impartial advice to shareholders and investors.... As an analyst, Mr. Grubman was consistently bullish on Global.... The analyst's enthusiasm for Global never wavered until November 2001, two months before the company's bankruptcy-court filing.... By November, with Global's shares trading at \$1.07, Mr. Grubman finally cut his rating to a 'neutral.'"

141. Underwriter Defendant Goldman Sachs, as reported in the New York Post on May 13, 2002, directly participated in the misconduct herein alleged. For example, the Post reported that, "[a] former hedge fund staffer says he has detailed Goldman Sachs' involvement in IPO 'laddering' schemes to regulators looking into alleged illegal practices in the IPO market during the tech boom." This former hedge fund staffer reportedly told the SEC that:

Goldman Sachs repeatedly made the allocation of coveted initial public offering shares a condition of his buying additional shares at a price to be determined later by Goldman Sachs.

"The more I promised to buy in the aftermarket, the more shares I could expect to get," [Nicholas Maier, formerly of Cramer & Co., now known as Cramer Berkowitz & Co.] said he was told by a Goldman Sachs broker. "If I reneged on my aftermarket order, I could expect to feel the consequences, or be docked on future allocations"...

Maier told lead SEC investigator for the IPO investigations Tammy Stark on April 29 that Goldman kept a "book" on each deal that recorded the price at which Maier should buy more stock.

Maier said that after the three-hour interview, the SEC showed him one of those books, for Marvell Technology Group, which went public in June 2000 in an offering led by Goldman Sachs.

"It has a column for aftermarket orders, and in it was listed an order for the stock from Cramer & Co. for 35 percent above the opening price..."

142. The Underwriter Defendants knew from their direct participation in the manipulation of the IPO or recklessly disregarded as a result of their experience with other manipulated offering as set forth in the "Matrix" section of the Master Allegations that the manipulations alleged herein were taking place with respect to the IPO and were not disclosed in the Registration Statements or Prospectuses issued in connection with the Offerings or elsewhere during the Class Period.

143. As required by NASD Conduct Rule 3010(c), each of the IPO Underwriter Defendants had in place compliance procedures so as to better inform itself whether it was acting in the unlawful manner alleged herein.

144. Senior management of each of the Underwriter Defendants had regular access to and received timely written reports tracking the account activity of each of its customers. By comparing the ratio of brokerage firm commission income per account with the amount of dollars invested by such account that received allocations of shares in the IPO, senior management knew, or was reckless in not knowing, that such commissions were disproportionately high relative to that customer's total investment and imposed on management a duty of inquiry as is customary in the industry. Such inquiry would have revealed the illegal practices described herein. Any failure to conduct such inquiry was, at the very least, reckless and further demonstrates that the Underwriter Defendants knew or recklessly disregarded the misconduct alleged herein.

145. Certain of the Underwriter Defendants also had the motive and opportunity to engage in the wrongful conduct described herein for the following reasons, among others:

(a) Such conduct increased the likelihood that the Issuer would retain certain of the Allocating Underwriter Defendants to undertake future investment banking services such as public offerings of equity or debt securities, financial consulting, and possible future acquisitions, thus permitting the Allocating Underwriter Defendants to receive additional fees in connection with those services. (See "Additional Investment Banking Business" section of the Master Allegations).

(b) In this regard, on March 17, 1999, Global Crossing announced its proposed Merger with Frontier, as described above. Merrill Lynch, Salomon and J.P. Morgan (Chase) advised Global Crossing in that transaction, receiving \$20 million each in fees. Frontier

was advised by Morgan Stanley, which earned fees in connection with the Frontier merger equal to 0.275% of the total value of the transaction, or approximately \$30 million.

(c) On April 26, 1999, Global Crossing announced the purchase of Global Marine Systems Ltd. from Cable & Wireless PLC, a transaction with an announced value of \$550 million. Defendant J.P. Morgan (Chase) served as Global Crossing's financial advisor in this acquisition and received substantial fees in connection therewith.

(d) On May 17, 1999, Global Crossing announced a merger agreement with U.S. West Inc., which was subsequently terminated. Global Crossing retained Salomon and J.P. Morgan (Chase) to advise it in this transaction. While this transaction was never completed Salomon and J.P. Morgan (Chase) stood to collect significant fees for its services in preparation of this deal.

(e) On October 11, 1999, Global Crossing announced the purchase of Racal Telecom from Racal Electronics PLC, a transaction valued at \$1 billion. Defendant Goldman Sachs advised Global Crossing in that transaction, and received substantial fees in connection therewith.

(f) On February 2, 2000, Global Crossing announced the purchase of IXNET, Inc. ("IXNET") in a stock-for-stock transaction valued at over \$863 million. Defendant J.P. Morgan (Chase) advised Global Crossing in that transaction, and received substantial fees in connection therewith. At the time of the transaction, IXNET was 73% owned by IPC Communications, Inc. ("IPC").

(g) On February 22, 2000, Global Crossing announced the purchase of IPC in a stock-for-stock transaction valued at over \$2.6 billion. Defendant J.P. Morgan (Chase) advised Global Crossing in that transaction, and received substantial fees in connection therewith.

(h) In addition, the target company in many of the above listed acquisitions retained as financial advisor certain of the Underwriter Defendants named herein. Specifically, U.S. West was advised by Lehman Brothers and Merrill Lynch, Racal Electronics PLC was advised by Merrill Lynch, and IXNET, Inc., was advised by CSFB (DLJ) and Salomon. Significantly, these Underwriter Defendants were aware of or were reckless in not knowing of the wrongful conduct and inflated price of Global Crossing common stock while advising clients in connection with stock for stock and cash and stock transactions with Global Crossing.

(i) Further, Underwriter Defendants Salomon, Goldman Sachs, Merrill Lynch, Bear Stearns, J.P. Morgan (Chase), CSFB (DLJ), CSFB and Morgan Stanley, were retained to underwrite the Secondary Offering. Whereas the underwriters garnered disclosed fees of \$23,940,00 in the IPO, the Secondary Offering produced almost twice that amount with disclosed underwriter fees of \$42,570,000. In fact, Underwriter Defendant CIBC was a selling shareholder in the Secondary Offering selling in excess of 6.5 million shares for proceeds of in excess of \$214 million.

(j) Concurrently with the Secondary Offering, Global Crossing had retained Underwriter Defendants Salomon, Goldman Sachs and Merrill Lynch to underwrite an offering of 4 million shares of 6 3/4% cumulative convertible Preferred stock. The offering price for this stock was \$250 per share, with an underwriting discount of \$7.50 per share that produced fees of \$12 million each for Salomon and Goldman Sachs, and \$6 million for Merrill Lynch.

(k) On June 14, 2000, just two months after the Secondary Offering, Global Crossing registered to sell 57.5 million shares of stock for its Internet Infrastructure business to the public. The Issuer named Underwriter Defendants Morgan Stanley and CSFB as joint book running managers, and Bear Stearns, CSFB (DLJ), Goldman Sachs and Salomon, among others, as co-managers. While this offering was never completed, these Defendants stood to gain significant additional fees.

(l) Such conduct increased the likelihood of attracting the business of new issuers for the underwriting of initial and secondary public offerings, as well as debt and convertible offerings, and related investment banking fees, while simultaneously sustaining and/or enhancing their reputations as investment banks. (See "Attracting New Investment Banking Clients" section of the Master Allegations).

(m) The Undisclosed Compensation of the IPO Underwriter Defendants was directly proportional to the amount of the aftermarket price increase achieved by the manipulative scheme as their customers were required to pay a percentage of their profits. The larger the profits, the greater the payment. (See "Maximizing Undisclosed Compensation" section of the Master Allegations).

(n) Certain of the Underwriter Defendants' analysts were motivated to and did issue favorable recommendations for companies they covered because their compensation was, at least in part, tied to the amount of investment banking fees received by their respective firms in connection with financial services provided to such companies. (See "Analyst Compensation" section of the Master Allegations).

(o) Certain of the Underwriter Defendants' analysts were further motivated to and did issue favorable recommendations because they personally owned pre-IPO stock in companies they were recommending. (See "Personal Investments of the Analysts" section of the Master Allegations).

(p) Underwriter Defendant CIBC was further motivated by the fact that, according to the Prospectus, its parent company, Canadian International Bank of Commerce, held a beneficial interest amounting to a 25.03% pre-IPO, and 23.01% post-IPO, stake in Global Crossing. As described in The Pied Pipers of Wall Street (Bloomberg Press 2001), “[b]efore the underwriting, CIBC Oppenheimer bought \$30 million of private stock. Global Crossing went public at [\$19.00] a share, and in trading valued to more than [\$100] a share by March 1999. According to SEC filings, CIBC Oppenheimer’s stake in Global Crossing was then worth \$4.6 billion.” (p. 58). On or about June 21, 1999, CIBC sold approximately 8.6 million shares at approximately \$62.75 per share for net proceeds of approximately \$540 million. Individual Defendants and Global Crossing Board members Bloom, Kehler, Levine, Phoenix and Raben were each Managing Directors of CIBC.

(q) In addition, Underwriter Defendant Morgan Stanley acted with scienter in connection with its role as financial advisor to Frontier. Morgan Stanley, having participated in the misconduct alleged herein as an underwriter in the Global Crossing IPO, knew or was reckless in not knowing that Global Crossing's stock price was the result of said misconduct at the time that it issued its materially false and misleading Fairness Opinion to Frontier shareholders which was incorporated in the Joint Proxy Statement/Prospectus.

FIFTH CLAIM

**(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5
THEREUNDER AGAINST THE ALLOCATING UNDERWRITER DEFENDANTS
BASED UPON DECEPTIVE AND MANIPULATIVE PRACTICES
IN CONNECTION WITH THE IPO)**

146. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

147. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Class against the Allocating Underwriter Defendants. This Claim is based upon the deceptive and manipulative practices of the Allocating Underwriter Defendants.

148. During the Class Period, the Allocating Underwriter Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including Plaintiffs and other members of the Class by means of material misstatements and omissions, as alleged herein; (b) artificially inflate and maintain the market price and trading volume of the Issuer's common stock; and (c) induce Plaintiffs and other members of the Class to purchase or otherwise acquire the Issuer's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the Allocating Underwriter Defendants took the actions set forth herein.

149. The Allocating Underwriter Defendants employed devices, schemes, and artifices to defraud and/or engaged in acts, practices and a course of business which operated as a fraud and deceit upon the Plaintiffs and other members of the Class in an effort to inflate and artificially maintain high market prices for the Issuer's common stock in violation of Section

10(b) of the Exchange Act and Rule 10b-5. The Allocating Underwriter Defendants are sued as primary participants in the unlawful conduct charged herein.

150. The Allocating Underwriter Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal their unlawful practices and course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class.

151. The Allocating Underwriter Defendants had actual knowledge of or recklessly disregarded the existence of the Tie-in Agreements, the requirement that customers pay Undisclosed Compensation and the manipulations alleged herein.

152. Each of the Allocating Underwriter Defendants held itself out as an NASD member and was required to observe high standards of commercial honor and just and equitable principles of trade (NASD Conduct Rule 2110). The Allocating Underwriter Defendants owed to Plaintiffs and the other members of the Class the duty to conduct the IPO and the aftermarket trading of the Issuer's common stock in a fair, efficient and unmanipulated manner.

153. By virtue of the foregoing, the Allocating Underwriter Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5.

154. As a result of the manipulative conduct set forth herein, Plaintiffs and other members of the Class purchased or otherwise acquired the Issuer's common stock during the Class Period at artificially inflated prices and were damaged thereby.

SIXTH CLAIM

(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5 THEREUNDER AGAINST THE SECONDARY OFFERING UNDERWRITER DEFENDANTS BASED UPON DECEPTIVE PRACTICES IN CONNECTION WITH THE SECONDARY OFFERING)

155. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

156. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Class who purchased or otherwise acquired the Issuer's common stock in or after the Secondary Offering against the Secondary Offering Underwriter Defendants. This Claim is based upon deceptive practices of the Secondary Offering Underwriter Defendants.

157. The Secondary Offering Underwriter Defendants carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs and other members of the Class by means of material misstatements and omissions, as alleged herein; (b) artificially inflate and maintain the market price and trading volume of the Issuer's common stock; and (c) induce Plaintiffs and other members of the Class to purchase or otherwise acquire the Issuer's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, the Secondary Offering Underwriter Defendants took the actions set forth herein.

158. The Secondary Offering Underwriter Defendants employed devices, schemes, and artifices to defraud and/or engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class in an effort to artificially inflate

and maintain high market prices for the Issuer's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. The Secondary Offering Underwriter Defendants are sued as primary participants in the unlawful conduct charged herein.

159. The Secondary Offering Underwriter Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal their unlawful practices and course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class.

160. The Secondary Offering Underwriter Defendants had actual knowledge of or recklessly disregarded the material fact that demand for the Secondary Offering was artificially and materially overstated, due, in large part, to the requirement of these Defendants that customers could only obtain allocations in "hot" initial public offerings by purchasing shares in the Secondary Offering.

161. Each of the Secondary Offering Underwriter Defendants held itself out as an NASD member and was required to observe high standards of commercial honor and just and equitable principles of trade (NASD Conduct Rule 2110). The Secondary Offering Underwriter Defendants owed to Plaintiffs and other members of the Class the duty to conduct the Secondary Offering and the aftermarket trading of the Issuer's common stock in a fair, efficient and unmanipulated manner.

162. By virtue of the foregoing, the Secondary Offering Underwriter Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5.

163. As a result of the deceptive conduct set forth herein, Plaintiffs and other members of the Class purchased or otherwise acquired the Issuer's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged thereby.

SEVENTH CLAIM

**(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5
THEREUNDER AGAINST THE UNDERWRITER DEFENDANTS
BASED UPON MATERIALLY FALSE AND MISLEADING STATEMENTS
AND OMISSIONS OF MATERIAL FACTS)**

164. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

165. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Class who purchased or otherwise acquired the Issuer's common stock during the Class Period against the Underwriter Defendants. This Claim is based upon materially false and misleading statements and omissions of material facts.

166. Each of the Underwriter Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

167. During the Class Period, the Underwriter Defendants: (a) deceived the investing public, including Plaintiffs and other Class members, as alleged herein:(b) artificially inflated

and maintained the market price and demand for the Issuer's common stock; and (c) induced Plaintiffs and other members of the Class to purchase or otherwise acquire the Issuer's stock at artificially inflated prices. In furtherance of this unlawful course of conduct, the Underwriter Defendants took the actions set forth herein.

168. The Underwriter Defendants, directly or indirectly, by the use or means of instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal material information as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class.

169. The Underwriter Defendants, either directly or through their designated representatives, prepared and reviewed certain portions of the IPO Registration Statement/Prospectus and/or Secondary Offering Registration Statement/Prospectus for those offerings in which they were underwriters. In addition, the Underwriter Defendants had access to drafts of said documents prior to their filing with the SEC and the dissemination to the public.

170. The material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing, *inter alia*: (a) that the Allocating Underwriter Defendants had required their customers to enter into the Tie-in Agreements and that the Allocating Underwriter Defendants had demanded and received the Undisclosed Compensation; (b) that the price of and demand for the IPO and the Secondary Offering was artificially inflated; and/or (c) that certain of the Underwriter Defendants and their analysts who reported on the Issuer's stock had material conflicts of interest.

171. As a result of making affirmative statements in the IPO Registration Statement/Prospectus, the Secondary Offering Registration/Prospectus or otherwise, or participating in the making of such affirmative statements, the Underwriter Defendants had a duty to speak fully and truthfully regarding such representations and to promptly disseminate any other information necessary to make the statements made, in the light of the circumstances in which they were made, not misleading.

172. The Underwriter Defendants also had a duty to disclose the material, non-public information complained of herein or to abstain from selling the Issuer's common stock in the IPO, the Secondary Offering, and/or trading or recommending the Issuer's stock in the aftermarket while in possession of such information.

173. By virtue of the foregoing, the Underwriter Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5.

174. As a result of the dissemination of the materially misleading information described above, Plaintiffs and other members of the Class purchased or otherwise acquired the Issuer's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged thereby.

EXCHANGE ACT CLAIMS - THE INDIVIDUAL DEFENDANTS AND GORTON

THE INDIVIDUAL DEFENDANTS AND GORTON ACTED WITH SCIENTER

175. As alleged herein, the Individual Defendants and Gorton acted with scienter in that they: (a) knowingly or recklessly engaged in acts and practices and a course of conduct which had the effect of artificially inflating the price of the Issuer's common stock in the aftermarket; (b) knowingly or recklessly disregarded that the IPO Registration

Statement/Prospectus as set forth herein was materially false and misleading; (c) knowingly or recklessly disregarded that the Secondary Offering Registration Statement/Prospectus as set forth herein was materially false and misleading; and/or (d) were aware of or recklessly disregarded the misconduct of the Underwriter Defendants alleged herein.

176. The Individual Defendants and Gorton had numerous interactions and contacts with the IPO Underwriter Defendants prior to the IPO from which they knew or recklessly disregarded that the manipulative and deceptive scheme described herein had taken place.

177. In this regard, the IPO Underwriter Defendants provided detailed presentations to the Individual Defendants and Gorton regarding the registration process leading up to the IPO and the expected price performance in aftermarket trading based upon previous companies taken public by these underwriters. In addition, the IPO Underwriter Defendants also explained the process by which the Individual Defendants and Gorton could utilize the Issuer's publicly traded stock as currency in stock based acquisitions, the analyst coverage they would provide for the Issuer upon the successful completion of the IPO and the effect that such positive coverage would have on the aftermarket price of the Issuer's stock.

178. Once the Individual Defendants and Gorton had determined to retain the IPO Underwriter Defendants with respect to the Issuer's initial public offering, the Individual Defendants and Gorton worked closely with the IPO Underwriter Defendants in preparing the IPO Registration Statement/Prospectus, as well as generating interest in the IPO by speaking with various, but selected groups of investors.

179. During the course of these presentations, known as "Road Shows," the Individual Defendants and Gorton learned of or recklessly disregarded the misconduct described herein. In

this regard, the Chief Executive Officer, the Chief Financial Officer and/or other high-ranking Issuer employees worked side by side with representatives of the Underwriter Defendants while visiting with several potential investors in a given city on a daily basis over a two to three week period to promote interest in the new offering. These presentations were all scheduled by and attended by representatives of the Underwriter Defendants.

180. As a result of the close interaction between the Individual Defendants (and Gorton) and the Underwriter Defendants, the Individual Defendants and Gorton learned of, became aware of or recklessly disregarded the misconduct described herein. (See “Issuer Defendants” section of the Master Allegations).

181. Additionally, members of Global Crossing's Board of Directors, Jay Bloom, Dean Kehler, Jay Levine, William Phoenix and Bruce Raben, served on the Issuer's Board as representatives of an affiliate of Underwriter Defendant CIBC. Through this relationship, the Individual Defendants and Gorton became aware of or recklessly disregarded various facts, including, but not limited to the Underwriter Defendants' conditioning allocations of IPO shares based upon the Tie-in Agreements described herein.

182. In addition, certain of the Individual Defendants and Gorton also had the motive and opportunity to engage in the wrongful conduct described herein for, among others, the following reasons:

(a) The Individual Defendants and Gorton beneficially owned substantial amounts of the Issuer's common stock. For example, at the time of the IPO:

(1) Defendant Winnick owned in excess of 52.4 million shares (Winnick directly or indirectly owned approximately 27% of Global Crossing)

- (2) Defendant Cook owned in excess of 2.3 million shares
- (3) Defendant Lee owned in excess of 11.8 million shares
- (4) Defendant Brown owned in excess of 6.9 million shares
- (5) Defendant Porter owned in excess of 10.8 million shares
- (6) Defendant Weinberger owned in excess of 21.3 million shares
- (7) Defendant Bloom owned in excess of 48.5 million shares
- (8) Defendant Kehler owned in excess of 48.5 million shares
- (9) Defendant Levine owned in excess of 48.5 million shares
- (10) Defendant Phoenix owned in excess of 48.5 million shares
- (11) Defendant Raben owned in excess of 48.5 million shares
- (12) Defendant Steed owned in excess of 16.9 million shares
- (13) Defendant Scanlon owned 450,000 shares
- (14) Defendant Cohrs owned 225,000 shares
- (15) Defendant Gorton owned 187,500 shares

These holdings, which were purchased or otherwise acquired at prices below the IPO price, substantially increased in value as a result of the misconduct alleged herein.

(b) Furthermore, the Pacific Capital Group, Inc. and its various subsidiaries ("Pacific Capital") had substantial interests in Global Crossing. Defendant Winnick controlled Pacific Capital and served as its Chairman and CEO. Several other Individual Defendants also had interests in Pacific Capital. At all relevant times, Defendant Cook served as Vice Chairman and Manager Director of Pacific Capital. At all relevant times, Defendant Lee and Defendant

Porter served as Managing Directors of Pacific Capital. From 1994 to 1998, Defendant Brown had served as a Managing Director and Chief Financial Officer of Pacific Capital.

(c) According to SEC filings, as of July 29, 1999, Pacific Capital held more than 87 million shares of Global Crossing common stock for a 21.69% beneficial ownership interest of Global Crossing.

(d) Pacific Capital also had entered into various lucrative transactions with Global Crossing. For instance, in connection with several overseas crossing systems, Global Crossing granted warrants to Pacific Capital valued at \$275 million in common stock.

(e) Additionally, in August 1998, Global Crossing acquired the rights to advisory fees payable under certain advisory services with a subsidiary of Pacific Capital - PCG Telecom Services LLC ("PCG Telecom") - in consideration for the issuance through PCG Telecom to the persons entitled to receive such fees of shares of Global Crossing common stock with an aggregate price of \$135 million. As a result of this agreement between Global Crossing and PCG Telecom, Defendant Winnick received 6.5 million shares of Global Crossing common stock; Defendant Lee received 1.8 million shares of Global Crossing common stock; Defendant Porter received 1.8 million shares of Global Crossing common stock; and, Defendant Brown received 1.3 million shares of Global Crossing common stock.

(f) The Individual Defendants and Gorton were motivated by the fact that the artificially inflated price of the Issuer's shares in the aftermarket would enable Individual Defendants to sell personal holdings in the Issuer's securities at artificially inflated prices in the aftermarket or otherwise. In April 2000 there was a secondary offering of 43,000,000 of the Issuer's stock at \$33.00 per share (approximately \$32.01 net to sellers after underwriter discounts)

. In this secondary offering, the Issuer received net proceeds of approximately \$700 million for the approximately 21.6 million shares it sold. The selling shareholders also sold their own holdings of Global Crossing common stock.. The following Individual Defendants sold shares as follows:

- (i) Defendant Winnick; more than 8.1 million shares, with proceeds of approximately \$260 million.
- (ii) Defendant Cook; more than 300,000 shares, with proceeds of approximately \$10 million.
- (iii) Defendant Lee; approximately 1,209,000 shares, with proceeds exceeding \$30 million.
- (iv) Defendant Porter; approximately 1,200,000 shares, with proceeds exceeding \$35 million.
- (v) Defendant Brown; in excess of 1,000,000 shares, with proceeds exceeding \$33 million.

In addition to the above sales, the Individual Defendants and Gorton had other sales as follows:

- (i) On or about June 29, 1999, Defendant Winnick sold in excess of 9.3 million Global Crossing shares at a price per share of about \$62.75 and with proceeds of approximately \$577 million.
- (ii) On or about June 21, 1999, Defendant Cook sold approximately 256,000 Global Crossing shares at a price per share of about \$62.75 and with proceeds exceeding \$16 million.

(iii) On or about June 21, 1999, Defendant Scanlon sold approximately 97,800 Global Crossing shares at a price per share of about \$62.75 and with proceeds exceeding \$6 million. Between April 11, 2000 and April 13, 2000, Defendant Scanlon sold approximately 300,000 shares at varying prices ranging between \$31.00 and \$33.20 per share for proceeds in excess of \$9 million. On August 17, 2000, Defendant Scanlon sold approximately an additional 140,000 shares at \$32.58 per share for proceeds in excess of \$4.5 million.

(iv) On or about June 21, 1999, Defendant Cohrs sold approximately 41,300 Global Crossing shares at a price per share of about \$62.75 and with proceeds exceeding \$2.5 million.

(v) On or about June 21, 1999, Defendant Lee sold approximately 1,245,000 Global Crossing shares at a price per share of about \$62.75 and with proceeds exceeding \$78 million.

(vi) On or about June 21, 1999, Defendant Brown sold approximately 790,600 Global Crossing shares a price per share of about \$62.75 and with proceeds exceeding \$49.6 million.

(vii) On or about June 21, 1999, Defendant Porter sold approximately 1,156,000 Global Crossing shares at a price per share of about \$62.75 and with proceeds exceeding \$7.2 million.

(viii) On or about June 21, 1999, Defendant Gorton sold approximately 20,390 Global Crossing shares at a price per share of about \$62.75 and

with proceeds exceeding \$1,279,400.00. Between April 11, 2000 and April 13, 2000 Defendant Gorton sold in excess of 90,000 shares at prices varying between \$31.00 and \$33.20 per share for proceeds in excess of \$2.7 million. On September 5, 2000, Defendant Gorton sold an additional 250,000 shares at \$36.05 per share for proceeds in excess of \$9 million.

(ix) On or about June 21, 1999, Defendant Weinberger sold approximately 3,973,000 Global Crossing shares at a price per share of about \$62.75 and with proceeds exceeding \$249.3 million.

(See "Individual Defendants" Section of Master Allegations).

(g) The Individual Defendants were further motivated by the fact that the Issuer's artificially inflated stock price could be utilized as currency in negotiating and/or consummating stock-based acquisitions after the IPO:

(i) On or about July 1, 1998, the Issuer acquired Neptune Communications on undisclosed terms.

(ii) On or about July 19, 1999, the Issuer acquired US West Inc. for stock and cash.

(iii) On or about September 29, 1999, the Issuer acquired Frontier Corp. for stock and debt assumption.

(iv) On or about March 14, 2000, the Issuer acquired Geoconference on undisclosed terms.

(v) On or about June 15, 2000, the Issuer acquired 27% of IXNET Inc. for stock.

(vi) On or about June 15, 2000, the Issuer acquired IPC Communications Inc. Corp. for stock.

EIGHTH CLAIM

(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5 THEREUNDER AGAINST THE INDIVIDUAL DEFENDANTS AND GORTON BASED UPON MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS OF MATERIAL FACTS)

183. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

184. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Class against the Individual Defendants and Gorton. This Claim is based upon materially false and misleading statements and omissions of material facts made by the Issuer and the Individual Defendants and Gorton during the Class Period.

185. The Issuer and the Individual Defendants and Gorton: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

186. During the Class Period, the Issuer and the Individual Defendants and Gorton carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including Plaintiffs and other members of the Class, as alleged herein; (b) artificially inflate and maintain the market price of and demand for

the Issuer's common stock; and (c) induce Plaintiffs and other members of the Class to acquire the Issuer's common stock at artificially inflated prices. In furtherance of this unlawful course of conduct, the Issuer and the Individual Defendants and Gorton took the actions set forth herein.

187. The Issuer and the Individual Defendants and Gorton, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal material information as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class.

188. The Issuer and the Individual Defendants and Gorton prepared and reviewed certain portions of the documents alleged to contain the materially false and misleading statements and/or omissions complained of herein. In addition, the Individual Defendants and Gorton had access to drafts of these documents prior to their filing with the SEC and dissemination to the public.

189. The material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of concealing that the Underwriter Defendants had engaged in the manipulative and deceptive scheme alleged herein and that the Issuer and the Individual Defendants and Gorton would benefit financially as a result of said scheme.

190. As a result of making such affirmative statements, or participating in the making of such affirmative statements, the Issuer and the Individual Defendants and Gorton had a duty to speak fully and truthfully regarding such representations and to promptly disseminate any other information necessary to make the statements made, in the light of the circumstances in which they were made, not misleading.

191. By reason of the foregoing, the Issuer and the Individual Defendants and Gorton violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The Issuer would be liable for its acts but for the fact that it has filed for protection under the federal Bankruptcy laws.

192. As a result of the dissemination of materially false and misleading information described above, Plaintiffs and other members of the Class purchased or otherwise acquired the Issuer's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged thereby.

NINTH CLAIM

**(FOR VIOLATIONS OF SECTION 20(a)
AGAINST THE INDIVIDUAL DEFENDANTS AND GORTON BASED UPON
MATERIALLY FALSE AND MISLEADING STATEMENTS
AND OMISSIONS OF MATERIAL FACTS)**

193. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

194. The Individual Defendants and Gorton acted as controlling persons of the Issuer within the meaning of Section 20(a) of the Exchange Act as alleged herein and culpably participated in the wrongdoing. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Issuer's operations and/or intimate knowledge of the underwriting of the Offerings, the Individual Defendants and Gorton had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Issuer, including the content and dissemination of the various documents that contain the materially false and misleading statements and/or omissions complained of herein.

The Individual Defendants and Gorton were provided with or had unlimited access to copies of these documents prior to or shortly after they were filed with the SEC and/or disseminated to the public and had the ability to prevent their filing and/or dissemination or cause the documents to be corrected.

195. Each of the Individual Defendants and Gorton had direct and/or supervisory involvement in the day-to-day operations of the Issuer and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations herein, and exercise the same.

196. The Issuer also committed a primary violation of Section 10(b) and Rule 10b-5 of the Exchange Act, which would have been charged but for the fact that the Issuer filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. By virtue of their positions as controlling persons of the Issuer, the Individual Defendants and Gorton are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of this wrongful conduct, Plaintiffs and other members of the Class were damaged thereby.

TENTH CLAIM

(FOR VIOLATIONS OF SECTION 14(a) AND RULE 14a-9 PROMULGATED THEREUNDER AGAINST THE INDIVIDUAL DEFENDANTS AND THE GLOBAL/FRONTIER DEFENDANTS BASED UPON MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS OF MATERIAL FACTS IN CONNECTION WITH THE JOINT PROXY STATEMENT/PROSPECTUS)

197. The Lawton Family Plaintiffs and Joseph A. and Leora A. Mollo repeat and reallege the allegations set forth above as though fully set forth herein at length, except that for purposes of this Claim, the Lawton Family Plaintiffs and Joseph A. and Leora A. Mollo do not

allege that the Individual Defendants or the Global/Frontier Defendants are liable for intentional misconduct in connection with this Claim.

198. This Claim is brought pursuant to Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, on behalf of the Lawton Family Plaintiffs, Joseph A. and Leora A. Mollo and other members of the Class who were solicited to approve the merger between Global Crossing and Frontier on the basis of the materially false and misleading statements and omissions of material facts in the Joint Proxy Statement/Prospectus and who acquired the Issuer's common stock in exchange for Frontier stock, pursuant to a merger of the two companies.

199. The statements contained in the Joint Proxy Statement/Prospectus were materially false and misleading because at the time they were made Global Crossing's stock price was a product of the misconduct alleged herein.

200. The Individual Defendants and Defendant Clayton, as signatories to the Joint Proxy Statement/Prospectus, owed a duty to the Class Members asserting this Claim to insure that the Joint Proxy Statement/Prospectus was not materially false and misleading.

201. The Individual Defendants by virtue of their managerial and/or Board positions with Global Crossing controlled Global Crossing as well as the contents of the Joint Proxy Statement/Prospectus at the time of the merger solicitation. The Individual Defendants were provided with and had unlimited access to copies of the Joint Proxy Statement/Prospectus, had the ability to either prevent its issuance or cause it to be corrected due to their control over Frontier. The Individual Defendants recklessly or negligently disregarded the deceptive practices and manipulations which had the effect of artificially inflating the Issuers' common stock as alleged herein.

202. The Global/Frontier Defendants by virtue of their managerial and/or Board positions with Frontier controlled Frontier as well as the contents of the Joint Proxy Statement/Prospectus at the time of the merger solicitation. Global/Frontier Defendants were provided with and had unlimited access to copies of the Joint Proxy Statement/Prospectus, had the ability to either prevent its issuance or cause it to be corrected due to their control over Frontier. The Global/Frontier Defendants recklessly or negligently disregarded the deceptive practices and manipulations which had the effect of artificially inflating the Issuers' common stock as alleged herein.

203. The Individual Defendants and the Global/Frontier Defendants were motivated to ignore the inflated price of Global Crossing shares which resulted from the manipulations alleged herein in connection with the Global Crossings IPO. The Individual Defendants were motivated inasmuch as the Issuer was able to acquire Frontier for less than it would have paid had the price of Global Crossing's stock not been manipulated. As for the Global/Frontier Defendants, all stock options held by the Directors and Officers of Frontier, including those held by the Global/Frontier Defendants would become immediately exercisable upon the successful completion of the merger. The Global/Frontier Defendants were further motivated by the fact, that pursuant to their employment agreements, the merger constituted a change in control of Frontier which resulted in enhanced severance benefits, including the payment of an amount equal to three times the sum of their base salary plus bonus, plus the annual value of the prerequisites received, plus the amount of payments by Frontier to their 401(k) retirement savings plan, and plus the value of the annual contribution which would have been made to

Frontier's Supplemental Retirement Savings Plan on their behalf. Moreover, Defendant Clayton was made Vice-Chairman of Global Crossing.

204. The statements made by these Defendants were materially false and misleading because at the time they were made, the Global/Frontier Defendants acting as corporate officers of Frontier and the Individual Defendants acting as corporate officers or directors of Global Crossing, were reckless or negligent in failing to disclose that Global Crossing stock was artificially inflated as a consequence of the conduct alleged herein.

205. In ignorance of the artificially high market prices of Global Crossing's publicly traded stock, and relying directly on the Individual Defendants and the Global/Frontier Defendants or indirectly on the false and misleading statements made by these Defendants, and upon the integrity of the market in which the securities trade, Plaintiffs and other members of the Class were solicited to approve the merger between Global Crossing and Frontier and acquired Global Crossings shares in exchange for their Frontier shares at artificially high prices and were damaged thereby.

206. The Lawton Family Plaintiffs, Joseph A. and Leora A. Mollo and members of the Class who have asserted this Claim, either directly or indirectly relied on the materially false and misleading statements made by these Defendants contained within the Joint Proxy Statement/Prospectus for the purpose of voting their shares.

207. By virtue of the foregoing, the Individual Defendants and the Global/Frontier Defendants violated Section 14 of the Exchange Act and Rule 14a-9. Global Crossing and Frontier would be charged under this Claim but for the fact that Global Crossing has sought protection under the Bankruptcy Code.

208. As a result of the dissemination of the materially misleading information described above, the Lawton Family Plaintiffs, Joseph A. and Leora A. Mollo and members of the Class who are asserting this Claim acquired the Issuer's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged thereby.

ELEVENTH CLAIM

(FOR VIOLATIONS OF SECTION 10(b) AND RULE 10b-5 THEREUNDER AGAINST MORGAN STANLEY BASED UPON DECEPTIVE PRACTICES AND BASED UPON MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS OF MATERIAL FACTS IN CONNECTION WITH THE JOINT PROXY STATEMENT/PROSPECTUS)

209. The Lawton Family Plaintiffs and Joseph A. and Leora A. Mollo repeat and reallege the allegations set forth above as though fully set forth herein at length except for Claims brought pursuant to the Securities Act.

210. This Claim is brought pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of Plaintiffs and other members of the Class who acquired the Issuer's common stock in exchange for Frontier stock, pursuant to the merger between Frontier and Global Crossing. This Claim is based upon the deceptive practices of Morgan Stanley and upon the materially false and misleading statements and omissions of material facts in the Joint Proxy Statement/Prospectus.

211. Morgan Stanley: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which

operated as a fraud and deceit upon Plaintiffs and other members of the Class who are asserting this Claim in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

212. During the Class Period, Morgan Stanley carried out a plan, scheme and course of conduct which was intended to and did: (a) deceive the investing public, including Plaintiffs and other members of the Class who are asserting this Claim, as alleged herein; (b) artificially inflate and maintain the market price and trading volume of the Issuer's common stock; and (c) induce Plaintiffs and other members of the Class who are asserting this Claim to acquire the Issuer's common stock at artificially inflated prices in connection with the merger between Frontier and Global Crossing. In furtherance of this unlawful scheme, plan and course of conduct, Morgan Stanley took the actions set forth herein.

213. Morgan Stanley, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal material information as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon Plaintiffs and other members of the Class who are asserting this Claim.

214. Morgan Stanley prepared and reviewed certain portions of the Joint Proxy Statement/Prospectus, including its Fairness Opinion opining that the proposed merger was fair to the Frontier shareholders from a financial point of view. The Fairness Opinion was materially false and misleading. In addition, Morgan Stanley had access to drafts of these documents prior to their filing with the SEC and dissemination to the public.

215. Morgan Stanley had actual knowledge of or recklessly disregarded the material fact that Global Crossing's price per share had been the product of the misconduct alleged herein.

The material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of concealing that Morgan Stanley had engaged in the manipulative and deceptive scheme alleged herein and that Morgan Stanley would benefit financially as a result of said scheme.

216. Morgan Stanley held itself out as an NASD member and was required to observe high standards of commercial honor and just and equitable principles of trade (NASD Conduct Rule 2110).

217. As a result of making such affirmative statements, Morgan Stanley had a duty to speak fully and truthfully regarding such representations and to promptly disseminate any other information necessary to make the statements made, in the light of the circumstances in which they were made, not misleading.

218. By virtue of the foregoing, Morgan Stanley violated Section 10(b) of the Exchange Act and Rule 10b-5.

219. As a result of the deceptive conduct set forth herein, Plaintiffs and other members of the Class who are asserting this claim acquired the Issuer's common stock during the Class Period without knowledge of the fraud alleged herein at artificially inflated prices and were damaged thereby.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and on behalf of the Class, pray for judgment as follows:


- A. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and certifying Plaintiffs as class representatives of the Class and counsel as class counsel;
- B. Awarding damages to Plaintiffs and the Class;
- C. Awarding Plaintiffs and the Class, prejudgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs;
- D. Awarding such other and further relief as this Court may deem just and proper.

JURY DEMAND


Plaintiffs demand a trial by jury.

DATED: June 12, 2002

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