

CHAMBERLAIN D'AMANDA OPPENHEIMER & GREENFIELD

1600 Crossroads Office Building
Two State Street
Rochester, New York 14614
(716) 232-3730
Attorneys for Plaintiff
[Additional Counsel listed on signature page]

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK**

ROY E. BOYER, BRENDA J. BOYER, and
MICHAEL C. BENNET, on behalf of themselves and
all others similarly situated,

Plaintiffs,

vs.

GARY WINNICK, LODWRICK M. COOK, DAN J.
COHRS, THOMAS J. CASEY, DAVID A. WALSH,
and JOSEPH P. CLAYTON,

Defendants.

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: **Civil Action No. 02CV 6067**
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:
: **CLASS ACTION COMPLAINT**
: **FOR VIOLATION OF**
: **FEDERAL SECURITIES LAWS**
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:
: **JURY TRIAL DEMANDED**
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Plaintiffs, Roy E. Boyer, Brenda J. Boyer, and Michael C. Bennett individually and on behalf of all other persons similarly situated, by his undersigned attorneys, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the public documents and announcements made by the defendants, Securities and Exchange Commission ("SEC") filings, and press releases regarding Global Crossing, LTD. ("Global" or the "Company"), and plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action brought by plaintiffs on behalf of themselves and a Class consisting of all other persons who purchased Global common stock during the period from April 28, 1999 through and including October 4, 2001 (the "Class Period"), to recover damages caused by the defendant's violation of federal securities laws. During the Class Period, the defendants issued and/or failed to correct false and misleading financial statements and press releases concerning the Company's publicly reported revenues and earnings directed to the investing public. Global is incorporated in Bermuda and maintains its corporate headquarters at Wessex House, 45 Reid Street, Hamilton HM12, Bermuda. The Company maintains United States headquarters in the state of New York at 180 South Clinton Avenue, Rochester, NY 14646. According to the Company's SEC filings Global Crossing Ltd. provides telecommunications solutions over the world's first integrated global Internet Protocol ("IP") based network, which reaches 27 countries and more than 200 major cities around the globe. During the Class Period, Global common stock was actively traded on the NYSE under the ticker symbol GX. After filing for Chapter 11 Bankruptcy on January 28, 2002 the Company was de-listed from the NYSE. Since the start of business on January 29, 2002 Global common stock is trading on the OTCBB under the ticker symbol GBLXQ. Global is not named as a defendant in this case because the protection afforded the Company under the bankruptcy court stay prevents Global from being named in any suits filed after the bankruptcy filing.

JURISDICTION AND VENUE

2. The claims alleged herein arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5, 17 C.F.R. § 240.10b-5 promulgated thereunder.

3. This Court has jurisdiction over the subject matter of this action pursuant to

Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §78aa and 28 U.S.C. § 1331.

4. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination to the investing public of false and misleading information, occurred in substantial part in this Judicial District. Moreover, the Company's corporate headquarters are located in this Judicial District.

5. In connection with the acts, transactions and conduct alleged herein, defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the United States mails, interstate telephone communications and the facilities of the national securities exchanges.

THE PARTIES

6. Plaintiffs, Roy E. Boyer, Brenda J. Boyer, and Michael C. Bennett purchased shares of Global common stock as set forth in the accompanying Certification of Named Plaintiffs.

7. Defendant Gary Winnick ("Winnick") was the Founder, Co-Chairman of the Board, and a Director of Global, at all relevant times herein. As such, Winnick was responsible for overseeing all aspects of Global's operations. Winnick signed the Form 10-K's filed with the SEC for Global which are in question here. In addition, during the class period Winnick sold, at minimum, nearly 10,000,000 shares (representing approximately 10% of his Global holdings) of Global common stock for proceeds in excess of \$123,000,000.

8. Defendant Lodwick M. Cook ("Cook") was the Co-Chairman of the Board, and a Director of Global, at all relevant times herein. As such, Cook was responsible for overseeing all aspects of Global's operations. Cook signed the Form 10-K's filed with the SEC for Global

which are in question here. In addition, during the class period Cook sold, at minimum, more than 760,000 shares (representing approximately 25% of his Global holdings) of Global common stock for proceeds in excess of \$9,000,000.

9. Defendant Dan J. Cohrs (“Cohrs”) was the Executive Vice-President and Chief Financial Officer of Global, at all relevant times herein. As such, Cohrs was responsible for overseeing various aspects of Global’s operations, and in particular was in charge of and oversaw all accounting procedures and methods and all financial results of Global released to the public and filed with the SEC. On several occasions Cohrs was also responsible for making public statements regarding the Company’s financial condition and future prospects. Cohrs signed all of the Form 10-K’s and Form 10-Q’s filed with the SEC for Global which are in question here. In addition, during the class period Cohrs sold, at minimum, 150,000 shares of Global common stock for proceeds in excess of \$2,000,000.

10. Defendant Thomas J. Casey (“Casey”) was the Vice Chairman of the Board of Directors and Chief Executive Officer of Global beginning in October, 2000. Casey was removed as CEO on October 4, 2001. In addition, Casey signed the Form 10-K’s filed with the SEC for Global which are in question here.

11. Defendant David A. Walsh (“Walsh”) was the President and Chief Operating Officer of Global, at all relevant times herein. Walsh signed the Form 10-K’s filed with the SEC for Global which are in question here. In addition, during the class period Walsh sold, at minimum, more than 670,000 shares of Global common stock for proceeds in excess of \$8,600,000.

12. Defendant Joseph P. Clayton (“Clayton”) was a Director of the Company and the President and Chief Executive Officer of Global Crossing North America, at relevant times herein. Clayton signed the Form 10-K’s filed with the SEC for Global which are in question

here. In addition, during the class period Clayton sold, at minimum, nearly 50,000 shares of Global common stock for proceeds in excess of \$770,000.

13. Defendants Winnick, Cook, Cohrs, Casey, Walsh, and Clayton are collectively referred to hereafter as the “Individual Defendants.”

14. By reason of their positions with the Company, the Individual Defendants had access to internal Company documents, reports and other information, including the adverse non-public information concerning the Company's services, accounting practices, financial condition and future prospects, and attended management and/or board of directors meetings. As a result of the foregoing, they were responsible for the truthfulness and accuracy of the Company's public reports, SEC filings and press releases described herein.

15. Individual Defendants as officers and directors of a publicly-held company, had a duty to promptly disseminate truthful and accurate information with respect to Global and to promptly correct any public statements issued by or on behalf of the Company which had become false or misleading.

16. Each of the defendants knew or recklessly disregarded that the false and/or misleading statements and omissions complained of herein would adversely affect the integrity of the market for the Company's stock and would cause the price of the Company's common stock to become artificially inflated. Each of the defendants acted knowingly or in such a reckless manner as to constitute a fraud and deceit upon plaintiff and the other members of the Class.

17. Defendants are liable, jointly and severally, as direct participants in and co-conspirators of, the wrongs complained of herein.

CLASS ACTION ALLEGATIONS

18. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a class (the "Class") consisting of all persons who purchased Global common stock during the Class Period, a period previously defined as from April 28, 1999 through October 4, 2001, inclusive (the "Class Period"). Excluded are the defendants, any entity in which the defendants have a controlling interest or is a parent or subsidiary of or is controlled by the Company, and the officers, directors, employees, affiliates, legal representatives, heirs, predecessors, successors and assigns of the defendants.

19. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe there are, at a minimum, thousands of members of the Class who traded during the Class Period. The Company had approximately 888 million shares of its common stock outstanding as of October 4, 2001.

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

- i) whether the federal securities laws were violated by defendants' acts as alleged herein;
- ii) whether the Company issued false and misleading financial statements during the Class Period;
- iii) whether defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- iv) whether the market prices of the Company's securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and

- v) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

21. Plaintiffs' claims are typical of the claims of the members of the Class as plaintiffs' and the other members of the Class each sustained damages arising out of the defendants' wrongful conduct in violation of federal law as complained of herein.

22. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class actions and securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

23. A class action is superior to other available methods for the fair and efficient adjudication of the controversy since joinder of all members of the Class is impracticable. Furthermore, because the damages suffered by the individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for the Class members individually to redress the wrongs done to them. Plaintiffs' anticipate no unusual difficulties in the management of this action as a class action.

24. Plaintiff's will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- i) defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- ii) such omissions and misrepresentations were material;
- iii) the securities of the Company traded in an efficient market;
- iv) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- v) plaintiff and the other members of the Class purchased PNC stock between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

25. Based upon the factors set forth in the preceding paragraph, plaintiffs and the other members of the Class are entitled to the presumption of reliance upon the integrity of the market.

NO STATUTORY SAFE HARBOR

26. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the false statements pleaded in this Complaint because none of the statements pleaded herein are “forward-looking” statements nor were they identified as "forward-looking statements" when made. Nor did meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in any purportedly forward looking statements. In the alternative, to the extent that the statutory safe harbor does apply to any statements pleaded herein which are deemed to be forward-looking, defendants are liable for those false forward-looking statements because at the time each of those statements was made the speaker actually knew those forward-looking statement were false and/or the statement was authorized and/or approved by an executive officer of Global who actually knew that the statements were false when made.

SUBSTANTIVE ALLEGATIONS

27. Upon its founding in 1997 Global set out to establish the worlds largest and most extensive fiber optic network. The network was to span over 101,000 route miles and connect 200 major cities on five continents. The Company was seeking to take advantage of the seemingly insatiable appetite of global business for broadband access to the Internet and information transfer. The capital required for such an enormous build-out however, was staggering. According to the Company’s Form 10-K filed with the SEC on April 2, 2001 Global had incurred approximately \$7.2 billion dollars in debt by 2000.

28. During this time Global was depending solely on income derived by selling

capacity on its 27-country telecom network to other carriers. These carriers were offered access under 20-year contracts known as an indefeasible right of use. These contracts allowed Global to book most of the revenue from the 20-year period up front as one lump sum thereby inflating revenue reported in press releases and SEC documents that could not be sustained over the long term. In addition, Global was engaged in what is known in the telecommunications business as “swaps.” In these transaction Global would sell a certain amount of capacity on its network to another carrier. Often the sale was for far more capacity than the purchaser could use and Global would buy back a portion of the capacity. However, the cost of buying back the capacity was booked as a capital expense and not as an operating cost. This creative accounting would allow both Global and the other carrier to show artificially inflated revenue.

29. The amount of revenue generated by the sale of Global’s network access would not even come close to keeping up with the Company’s rapidly escalating debt. By 2000 sales were diminishing and demand disappearing as glut of fiber-optic networks developed and paying traffic decreased. Revenue growth was slowing substantially while debt accumulation kept moving full speed ahead.

30. In an effort to offset the decline in revenue from selling broadband access Global attempted, unsuccessfully, to branch out into other telecommunications areas. Global acquired various businesses from residential-telephone companies, web-hosting firms, and software developers in attempts to find new sources of revenue, but none would pan out in the long run. As one former executive noted in a January 30, 2002 Wall Street Journal article “[T]here was no one running the company who understood how to run a communications corporation.” Apparently, Global originally believed that its business would be based on selling access to the worlds largest fiber-optic network, but when that focus proved unsuccessful there was no plan for establishing any other direction for the company. The Company had stated that it planned to

move away from being reliant on selling broadband access and planned to attempt to offer more customized telecom services to large corporate clients. Unfortunately for Global's investors no one at the Company was able to refocus Global or make any of its new ventures successful.

31. Despite the fact that Global was beginning to become mired in debt and revenues were falling sharply, the Company managed to establish a facade for investors by the manner in which it reported financial results. Global presented its operating performance to investors in the form of recurring adjusted EBITDA (Earnings Before Income, Taxes, Depreciation and Amortization). By stating financials in the form of Recurring adjusted EBITDA Global was able to include all revenue from their long-term leases up front thus inflating revenues as described earlier with little hope of being able to sustain these numbers. Despite the seemingly high revenues presented in press releases, the Company was not actually making any money.

32. Global's problems would finally begin to come to light on October 4, 2001 when the company announced that it would miss Q3 expectations due to a major decline in the sale of long term leases for broadband access. The Company estimated a \$400 million shortfall in expected cash revenues as determined from earlier analysts reports. In addition, Global stated that expectations for recurring adjusted EBITDA would be "significantly less than \$100 million" despite earlier predictions of \$400 million. Lastly, Global announced a planned merger with Asia Global Crossing in an effort to save on operating costs as well as the installation of a new CEO. With Casey stepping down as CEO Global marked yet another major management shakeup that had become commonplace for the Company that could not seem to find stability. This press release was followed by the Company's stock price plummeting by more than 50% from the previous days close to close on October 4, 2001 at \$1.07 per share.

Material False And Misleading Statements Made During The Class Period

33. On April 28, 1999 Global issued a press release announcing first quarter results for fiscal year 1999. The release stated that an “[E]xpanding customer base” drove the quarters revenues to \$178 million with an Adjusted EBITDA to \$95 million. The release emphasized that management was very happy with the Company’s progress and its expanding sales and customer base.

34. To announce Global’s financial results for 4Q99 as well as for the full fiscal year 1999 the Company issued a press release on February 18, 2000. Global reported revenue of \$1.1 billion with an Adjusted EBITDA of \$325 million, compared with \$203 million and \$168 million respectively for the same period in 1998. For the full year, reported revenue was \$1.7 billion with an Adjusted EBITDA of \$716 million. The release again emphasized the Company’s supposed expanding revenues and customer base growth.

35. Subsequently, Global filed a Form 10-K with the SEC in regards it financial results for fiscal year 1999 as outlined in the February 18, 2000 press release. This filing confirmed and repeated the financial information Global announced in its February 18, 2000 press release. This SEC filing was signed by defendants Cohrs, Winnick, Cook, Casey, and Clayton. Language in the filing assured investors and analysts that its contents were accurate and in conformity with generally accepted accounting principles (“GAAP”).

36. The statements referenced above in ¶¶33-35 were materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which existed and disclosure of which was necessary to make the statements not false and/or misleading:

(a) Global could not come close to meeting its projections due to the major decline in sales of long term leases for broadband access because the Company did not have a plan to generate revenue using the stable of companies it had acquired in an effort to expand its product offering;

(b) An industry wide glut in available broadband caused a major decline in demand for Global's primary money-making service ;

(c) Global's accounting methods in regards to its revenue booking of long term leases and payments for repurchasing bandwidth from customers caused artificially

inflated cash revenues and EBITDA and gave an inaccurate view of the Company's liquidity and funding situation for investors and analysts alike; and

(d) As a result, Global's earnings projections and statements regarding the Company's prospects and outlook lacked a reasonable basis at all times.

37. On August 1, 2000 Global issued a press release outlining its financial results for the second quarter of fiscal year 2000. The release stated that adjusted EBITDA was up 71% from 2Q99 and that Telecommunications Services Cash Revenue was up 38% from 2Q99. In regards to Global's results the release emphasized the strong growth in Adjusted EBITDA which exceeded consensus analysts' estimates and the resulting higher expectations for the year. Further, the Company stated that the build-out of its 101,000 route mile worldwide network was on budget and on time and that it was expanding product capabilities and acquiring companies in order to increase revenue across the board.

38. Global issued a press release on November 13, 2000 announcing financial results for the third quarter of fiscal year 2000. The Company highlighted Cash Revenue of \$1.316 billion which was up 46% from the same quarter in 1999 and Recurring Adjusted EBITDA of \$379 million, an increase of 91% from the same period in 1999. The release stated that these numbers exceeded analyst estimates and CEO Tom Casey was quoted as saying "[W]e are very pleased to have once again exceeded our financial targets, and we continue to see strong

demand.” In addition, Global again announced that the build-out of its global network, which at that point was 60% complete, was on budget and on time.

39. The statements referenced above in ¶¶37-38 were materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which existed and disclosure of which was necessary to make the statements not false and/or misleading:

(a) Global could not come close to meeting its projections due to the major decline in sales of long term leases for broadband access because the Company did not have a plan to generate revenue using the stable of companies it had acquired in an effort to expand its product offering;

(b) An industry wide glut in available broadband caused a major decline in demand for Global’s primary money-making service ;

(c) Global’s accounting methods in regards to its revenue booking of long term leases and payments for repurchasing bandwidth from customers caused artificially

inflated cash revenues and EBITDA and gave an inaccurate view of the Company's liquidity and funding situation for investors and analysts alike; and

(d) As a result, Global’s earnings projections and statements regarding the Company's prospects and outlook lacked a reasonable basis at all times.

40. Global continued to project strong growth in a press release dated January 8, 2001. In that release the Company stated that it projected cash revenue of \$7.1 - \$7.2 billion with Adjusted EBITDA of approximately \$2.0 - \$2.1 billion. In addition, Global announced the initiation of new services to “significantly” diversify the Company’s revenue base. Defendant Casey, commenting on these announcements, is quoted as saying that the Company expects

“2001 results to represent strong growth in Cash Revenue and Adjusted EBITDA and position us to achieve the long term growth objectives we have previously stated: 30% annual growth in Cash Revenue and 35% - 40% annual growth in Adjusted EBITDA.” Casey went on to say that Global anticipated “2001 performance will benefit from the initiation of commercial service on several new systems and in several new regions.” In this release the Company once again stated that the completion of its global network was still on schedule for mid-2001.

41. This information was clearly having an affect on the market as within a day of the January 8, 2001 press release two major analyst firms would issue positive reports on Global relying on the information the Company provided. A January 8, 2001 report from Lehman Brothers guided investors to view Global’s guidance regarding revenue and growth “positively.” While a January 9, 2001 report from First Union reiterated the firms “Strong Buy” rating.

42. The statements referenced above in ¶¶40-41 were materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which existed and disclosure of which was necessary to make the statements not false and/or misleading:

(a) Global could not come close to meeting its projections due to the major decline in sales of long term leases for broadband access because the Company did not have a plan to generate revenue using the stable of companies it had acquired in an effort to expand its product offering;

(b) An industry wide glut in available broadband caused a major decline in demand for Global’s primary money-making service ;

(c) Global’s accounting methods in regards to its revenue booking of long term leases and payments for repurchasing bandwidth from customers caused artificially

inflated cash revenues and EBITDA and gave an inaccurate view of the Company's liquidity and funding situation for investors and analysts alike; and

(d) As a result, Global's earnings projections and statements regarding the Company's prospects and outlook lacked a reasonable basis at all times.

43. On February 14, 2001, Global issued a press release announcing results for the fourth quarter and the full fiscal year ending December 31, 2000. Global announced fourth quarter Cash Revenue of \$1.54 billion, and recurring adjusted EBITDA of \$418 million with a recurring net loss of \$617 million or \$0.70 per share. For the full fiscal year 2000, Global stated Cash Revenue of \$5.16 billion, up 36% from 1999, and recurring Adjusted EBITDA of \$1.469 billion, up 54% from 1999. Global also reported a recurring net loss of \$1.779 billion, or \$2.11 per share. While again confirming the Company's projections for fiscal year 2001, Defendant Casey was quoted as saying "We are extremely pleased with our fourth quarter results, and again we have exceeded expectations while many other telecommunications providers have reported disappointing results." Casey went on to state that "With our global network virtually complete and fully funded, and with the IP/VPN capabilities that we're implementing for new customers such as SWIFT, we have tremendous operating leverage as we add new customers to the network at very low incremental cost. We can reduce network costs for our customers as we increase our own margins."

44. These seemingly positive announcements would again spark investors and analysts alike as Global stock would finish the day on February 14, 2001 up \$1.70 to \$19.76. Additionally, analysts such as Prudential Securities and Deutsche Banc Alex. Brown would issue reports based on the information provided by Global confirming a positive outlook for the Company.

45. The statements referenced above in ¶43 were materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which existed and disclosure of which was necessary to make the statements not false and/or misleading:

(a) Global could not come close to meeting its projections due to the major decline in sales of long term leases for broadband access because the Company did not have a plan to generate revenue using the stable of companies it had acquired in an effort to expand its product offering;

(b) An industry wide glut in available broadband caused a major decline in demand for Global's primary money-making service ;

(c) Global's accounting methods in regards to its revenue booking of long term leases and payments for repurchasing bandwidth from customers caused artificially

inflated cash revenues and EBITDA and gave an inaccurate view of the Company's liquidity and funding situation for investors and analysts alike; and

(d) As a result, Global's earnings projections and statements regarding the Company's prospects and outlook lacked a reasonable basis at all times.

46. On April 2, 2001 Global filed a Form 10-K with the SEC reporting the Company's financial results for fiscal year 2000. This filing confirmed and repeated the financial information Global announced in its February 14, 2001 press release. This SEC filing was signed by the individual defendants and assured investors and analysts that its contents were accurate and in conformity with generally accepted accounting principles ("GAAP").

47. The statements referenced above in ¶46 were materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which existed and

disclosure of which was necessary to make the statements not false and/or misleading:

(a) Global could not come close to meeting its projections due to the major decline in sales of long term leases for broadband access because the Company did not have a plan to generate revenue using the stable of companies it had acquired in an effort to expand its product offering;

(b) An industry wide glut in available broadband caused a major decline in demand for Global's primary money-making service ;

(c) Global's accounting methods in regards to its revenue booking of long term leases and payments for repurchasing bandwidth from customers caused artificially

inflated cash revenues and EBITDA and gave an inaccurate view of the Company's liquidity and funding situation for investors and analysts alike; and

(d) As a result, Global's earnings projections and statements regarding the Company's prospects and outlook lacked a reasonable basis at all times.

48. On May 9, 2001, Global issued a press release which announced financial results for the first quarter of fiscal year 2001. While the Company chose to focus on its Cash Revenue of \$1.613 billion and recurring adjusted EBITDA of \$441 million and the fact that it maintained its sales target of \$7.1 billion to \$7.2 billion for 2001, it failed to properly emphasize that its 1Q net loss had increased to \$615.9 million or \$0.76 a share, compared to \$474 million or \$0.64 a share for the first quarter of fiscal year 2000. Defendant Casey was quoted as saying "We are extremely pleased with our strong first quarter results, which reflect our continuing transformation from a carrier's carrier to a value-added telecommunications service provider." Again, Casey also emphasized Global's supposed expanding revenue sources.

49. Global announced its financial results for the second quarter of fiscal year 2001 in an August 1, 2001 press release. Global announced that losses had increased to \$629.6 million, or \$0.78 per share, compared to \$365.4 million or \$0.62 cents per share in the second quarter of fiscal year 2000. In addition, the Company reduced its projected Cash Revenue for 2001 from \$7.1 billion-\$7.2 billion to \$6.4 billion-\$6.9 billion. Global also reduced a major (15%) reduction in its workforce in order to cut costs. The company blamed the reduction in workforce on the recent completion of its global network, citing a glut of workers hired especially for purposes related to the build-out who were no longer necessary to the Company. In addition, Global blamed its sagging revenues on a decline in the market for its product rather than on its lack of a viable business plan and stable leadership.

50. This announcement would precipitate a nearly 20% drop in Globals price per share of its common stock to \$5.68.

51. The statements referenced above in ¶¶48-49 were materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which existed and disclosure of which was necessary to make the statements not false and/or misleading:

(a) Global could not come close to meeting its projections due to the major decline in sales of long term leases for broadband access because the Company did not have a plan to generate revenue using the stable of companies it had acquired in an effort to expand its product offering;

(b) An industry wide glut in available broadband caused a major decline in demand for Global's primary money-making service ;

(c) Global's accounting methods in regards to its revenue booking of long term leases and payments for repurchasing bandwidth from customers caused

artificially

inflated cash revenues and EBITDA and gave an inaccurate view of the Company's liquidity and funding situation for investors and analysts alike; and

(d) As a result, Global's earnings projections and statements regarding the Company's prospects and outlook lacked a reasonable basis at all times.

The Truth Emerges

52. On October 4, 2001, Global issued a press release that would be the first of many shocking statements that would lead to the company filing for bankruptcy four months later. Global announced that its 3Q01 Cash Revenue would be only \$1.2 billion, rather than the projected \$1.6 billion. In addition, 3Q01 Adjusted EBITDA would be "significantly less than \$100 million", rather than the \$362 million forecast and reiterated several times earlier in the year.

53. In response to these shocking announcements Global's share price dropped in half to \$1.07 per share, on extremely heavy trading of 75.7 million shares.

54. With its stock price sinking and revenues decreasing Global was unable to keep up with its debt and was forced to file for Chapter 11 bankruptcy protection on January 29, 2002, making it the fourth largest bankruptcy in U.S. history.

55. Global stock had been open, well-developed and efficient at all times during the Class Period. As a result of the defendants' materially false and misleading statements and failures to disclose set forth herein, the Company's stock traded at artificially inflated prices during the Class Period.

56. During the Class Period, Defendants materially misled the investing public thereby inflating the price of Global's securities by publicly issuing false and misleading

statements and omitting to disclose material facts necessary to make Global's statements, as set forth herein not false and misleading. Throughout the Class Period, each defendant knew or recklessly disregarded that Global's true revenues and earnings were not as represented in those reports, releases and statements, because in order to generate the appearance of prospering performance and favorable financial results, defendants had to, and did, violate GAAP and mislead the investing public. As a result of these false and misleading statements, the Company's shares were traded at artificially inflated prices, causing damage to plaintiffs and the other members of the Class.

57. At all relevant times, the material misrepresentations and omissions made by defendants particularized herein directly or proximately caused and/or were a substantial contributing cause of the damages sustained by plaintiffs and all other members of the Class. The materially false and/or misleading statements about Global's business, financial condition, and future prospects made by defendants caused the Company's stock price to be artificially inflated at all relevant times. Defendants' materially false and misleading statements resulted in plaintiffs and all other members of the Class purchasing Global stock at artificially inflated prices, thus causing the damages complained of herein.

SCIENTER ALLEGATIONS

58. As alleged above herein, defendants acted with scienter in that defendants knew or recklessly disregarded that the documents, filings, and statements issued and disseminated on behalf of the Company were materially false and misleading; knew or recklessly disregarded that these documents, filings, or statements would be issued and disseminated to analysts and the investing public; and knowingly or recklessly and substantially participated or acquiesced in the issuance and dissemination of such documents, filings, and statements in violation of the federal

securities laws. Further, as set forth above herein, the defendants positions with Global as well as their access to confidential and private materials allowed them the knowledge of the inaccuracies of the information being disseminated to the public and allowed them the opportunity to correct it.

59. In addition, further evidence of scienter is made obvious by the insider selling of certain of the Individual Defendants set forth in more detail above herein. The insider selling of the Individual defendants alone during the class period totaled nearly \$150 million in proceeds.

60. In addition, defendants omitted adverse facts alleged herein in order to allow Global to move forward with the sale of notes, which raised more than \$1 billion in investor capital, on terms favorable to Global, which had the Company's true financial been known would not have been available and the capital not raised.

COUNT I

(VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 BROUGHT AGAINST ALL DEFENDANTS)

61. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

62. During the Class Period, defendants directly engaged in a common plan, scheme, and unlawful course of conduct, pursuant to which it knowingly or recklessly engaged in acts, transactions, practices, and courses of business which operated as a fraud and deceit upon plaintiffs and the other members of the Class, and made various deceptive and untrue statements of material facts and omitted to state material facts in order to make the statements made, in light of the circumstances under which they were made, not misleading to plaintiff and the other members of the Class. The purpose and effect of the scheme, plan, and unlawful course of conduct was, among other things, to deceive the investing public, including plaintiffs and the

other members of the Class, and to induce plaintiff and the other members of the Class to purchase Global common stock during the Class Period at artificially inflated prices.

63. During the Class Period, the defendants, pursuant to said scheme, plan, and unlawful course of conduct, knowingly and/or recklessly issued, caused to be issued, participated in the issuance of, the preparation and/or issuance of deceptive and materially false and misleading statements to the investing public as particularized above.

64. As a result of the defendants' dissemination of and/or failure to correct the false and misleading statements set forth above, the market price of Global common stock was artificially inflated during the Class Period. Unaware of the false and misleading nature of the statements described above and the deceptive and manipulative devices and contrivances employed by the defendants, plaintiffs and the other members of the Class relied, to their detriment, on the integrity of the market price of the stock in purchasing Global common stock. Had plaintiffs and the other members of the Class known the truth, they would not have purchased Global shares or would not have purchased them at the inflated prices that they did.

65. Plaintiffs and the other members of the Class have suffered damages as a result of the wrongs herein alleged in an amount to be proved at trial.

66. By reason the foregoing, the defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and are liable to plaintiff and the other members of the Class for damages which they suffered in connection with their purchases of PNC stock during the Class Period.

COUNT II

(VIOLATION OF SECTION 20(a) OF THE EXCHANGE ACT BROUGHT AGAINST THE INDIVIDUAL DEFENDANTS)

67. Plaintiffs repeat and reallege each and every allegation contained in each of the

foregoing paragraphs as if set forth fully herein.

68. The Individual Defendants acted as controlling persons of the Company within the meaning of section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and active participation in and/or awareness of the Company's day-to-day operations, each Individual Defendant had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements and SEC filings that plaintiff alleges are false and misleading. The Individual Defendants were provided with, or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged herein to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

69. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

70. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to section 20(a) of the Exchange Act. As a direct and proximate result of the wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, plaintiffs, on their behalf and on behalf of the Class, prays for judgment as follows:

- A. Declaring this action to be a proper class action and certifying plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding monetary damages against all of the defendants, jointly and

severally, in favor of plaintiff and the other members of the Class for all losses and damages suffered as a result of the wrongdoings alleged herein, including punitive damages where appropriate, together with interest thereon;

C. Awarding plaintiffs the fees and expenses incurred in this action, including reasonable allowance of fees for plaintiff's attorneys and experts;

D. Granting plaintiffs and the other members of the Class such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs hereby demand a trial by jury.

Dated: February 6, 2002

**CHAMBERLAIN D'AMANDA
OPPENHEIMER & GREENFIELD**

By: _____
Matthew J. Fusco
K. Wade Eaton
1600 Crossroads Office Building
Two State Street
Rochester, New York 14614
(716) 232-3730

SCHIFFRIN & BARROWAY, LLP

Marc A. Topaz
Stuart L. Berman
Darren J. Check
Three Bala Plaza East
Suite 400
Bala Cynwyd, PA 19004
(610) 667-7706

**CAULEY GELLER BOWMAN &
COATES, LLP**

Paul J. Geller
1 Boca Place
2255 Glades Road, Suite 421-A
Boca Raton, Florida 33431
(561) 750-3000

LAW OFFICES OF MARC S. HENZEL

Marc S. Henzel
273 Montgomery Avenue
Suite 202
Bala Cynwyd, PA 19004
(610) 660-8000

ABBEY GARDY, LLP

Arthur N. Abbey
Mark C. Gardy
212 East 39th Street
New York, NY 10016
(212) 889-3700

LAW OFFICES BERNARD M. GROSS, P.C.

Deborah R. Gross
1515 Locust Street
2nd Floor
Philadelphia, Pennsylvania 19102
(215) 561-3600

FARUQI & FARUQI, LLP

Nadeem Faruqi
415 Madison Avenue, 21st Floor
New York, NY 10017
(212) 986-1074

Attorneys for Plaintiffs