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Global Crossing Settles for \$325 Million

By GRETCHEN MORGENSON

Investors and former workers who lost money and their pensions in the 2002 collapse of Global Crossing, the telecommunications company, will receive \$325 million in a settlement of a class-action lawsuit reached late yesterday.

Gary Winnick, the founder and former chairman of Global Crossing, which spent \$15 billion circling the globe with a state-of-the-art fiber optic network, will contribute \$30 million to the settlement. Simpson Thacher & Bartlett, Global Crossing's law firm, will pay \$19.5 million, even though the firm was not named as a defendant.

The settlement, which is tentative, was approved yesterday by Judge Gerard E. Lynch of Federal District Court in Lower Manhattan.

In about three months, the settlement will be submitted to a final approval hearing before Judge Lynch. The Pender Insurance Company, which insured the officers and directors of Global Crossing and its affiliate, Asia Global Crossing, paid the bulk of the settlement.

Under the terms of the settlement, investors who bought Global Crossing securities beginning in 1999 will receive \$245 million and former employees will receive \$80 million.

Global Crossing was a stock market darling during the technology mania. But in 2001, when it became clear that there were not enough paying customers for the network, Global Crossing began its descent. It filed for bankruptcy protection in January 2002, leaving investors and employees, whose pensions were invested in company stock, with billions in losses. It listed debts of \$12.4 billion when it filed for Chapter 11.

Mr. Winnick made \$734 million selling his shares in Global Crossing before it collapsed.

The lawsuit that was settled yesterday was filed in January 2002 by the Public Employees Retirement System of Ohio and the State Teachers' Retirement System of Ohio and later consolidated with other suits against Global Crossing. The two pension funds lost about \$110 million in Global Crossing

securities. The suit contended that a scheme to manipulate Global Crossing's financial results reached to the top of the company.

By the autumn of 2000, for example, the lawsuit said Global Crossing was regularly swapping capacity on its network with other telecommunications companies, transactions that had little purpose beyond increasing the company's revenue at the end of each quarter.

"This is a very significant settlement," said Jay W. Eisenhofer, a lawyer at Grant & Eisenhofer who was lead counsel to the pension funds in the case. "And it has the added benefit of holding individuals personally responsible, which is very difficult to accomplish in these cases. That's the best message the case sends, that people who commit these kinds of acts are at risk of having to dip into their own pockets."

Some defendants named in the lawsuit did not participate in the settlement and will continue to litigate the case. Among them are Arthur Andersen, Global Crossing's auditor; Salomon Smith Barney, J. P. Morgan, [Goldman Sachs](#) and other investment banks that sold Global Crossing securities; and Jack B. Grubman, the former Salomon Smith Barney telecommunications analyst. They have maintained that they did nothing wrong in their work related to Global Crossing.

Mr. Winnick's spokesman, Howard J. Rubenstein, said: "This settlement says a lot about Gary Winnick's character. Clearly he does feel badly about all those who were hurt by Global Crossing's collapse, both shareholders and employees. And he has proved it by his actions."

The \$30 million from Mr. Winnick is in addition to a \$25 million fund he set up in December 2002 for Global Crossing employees who lost money investing in the retirement plan.

Robert B. Fiske Jr., a lawyer at Davis Polk & Wardwell, represented Simpson Thacher & Bartlett. He did not return a phone call seeking comment.

Ralph Ferrara, a lawyer at Debevoise & Plimpton in Washington, who represented Global Crossing's directors and officers, said he thought the recovery for the employees of Global Crossing was the largest ever under the Employee Retirement Income Security Act. And he said the securities case was a landmark result "because it's the first of these leviathan-sized cases to come to a successful close and will serve as a benchmark for all of the others of how to do it."

Global Crossing was founded in 1997 and went public the next year. It emerged from bankruptcy protection late last year and is 61.5 percent owned by Singapore Technologies Telemedia, a government-run investor in communications companies. In a recent regulatory filing, the company said it lost \$25.7 billion in 2000 and 2001 after it wrote down the value of the fiber optic network.