

## **GLOBAL CROSSING LIMITED (FORMERLY GC ACQUISITION LTD.)**

### **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

#### **I. PURPOSE**

The primary purpose of the Audit Committee (the “Committee”) of Global Crossing Limited (formerly GC Acquisition Ltd.) (the “Company”) shall be to assist the Board of Directors (the “Board”) of the Company in fulfilling its responsibility for the integrity of the Company’s financial reports. To carry out this purpose, the Committee shall oversee: (A) management’s conduct of the Company’s financial reporting process, including the integrity of the financial statements and other financial information provided by the Company to governmental and regulatory bodies, to shareholders and other securityholders, or to other users of such information, (B) the Company’s compliance with legal and regulatory requirements that may have a material impact on the Company’s financial statements, (C) the appointment, qualifications (including independence) and performance of the Company’s independent auditor and the quality of the annual independent audit of the Company’s financial statements, (D) the performance of the Company’s internal audit function and management’s establishment and application of the Company’s systems of internal accounting and financial controls and disclosure controls, and (E) the adequacy of and adherence to (including any waivers from adherence to) the Company’s code of business conduct and ethics, and such other matters as are incidental thereto. The Committee shall also carry out such other functions as shall from time to time be assigned to it by the Board.

In carrying out its purpose, the goal of the Committee shall be to serve as an independent and objective monitor of the Company’s financial reporting process and internal control systems, including the activities of the Company’s independent auditor and internal audit function, and to provide an open avenue of communication with the Board for, and among, the independent auditor, internal audit operations and financial and executive management.

For purposes of this charter, reference to the business or affairs of the Company shall include the business or affairs of any subsidiary of the Company whose results of operations are consolidated with those of the Company for financial reporting purposes. The Committee’s oversight shall also extend to any company controlled by the Company, even though its results of operations are not so consolidated, to the extent that the Committee shall consider appropriate.

## **II. COMMITTEE MEMBERSHIP; CHAIR**

The Committee shall be comprised of three or more members of the Board, selected by the Board,<sup>1</sup> each of whom has been determined by the Board to be “independent” in accordance with the criteria established by the U.S. Securities and Exchange Commission (“SEC”) under Section 301 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) (or other applicable law, rule or regulation) and the listing standards of the Nasdaq Stock Market, Inc. (or other stock exchange on which the Company’s securities may be listed from time to time). At least one member of the Committee shall be a “Security Director” as that term is defined in the Network Security Agreement between the Company and the U.S. Government (the “Network Security Agreement”).

All members of the Committee must be familiar with basic finance and accounting practices and be able to read and understand financial statements and be familiar with the Company’s financial statements.

The members of the Committee shall be elected by the Board and shall serve until their successors shall be duly elected and qualified. Any member may be removed, with or without cause, by the Board at any time, consistent with the terms and conditions of the Network Security Agreement.

The Board may appoint one member to be the Chairman of the Committee. If the Board fails to appoint a Chairman, the members of the Committee shall elect a Chairman by majority vote of all members. In the absence of the Chairman, the members present at a meeting may elect a Chairman for the meeting. The Chairman will preside at meetings of the Committee and, subject to action by the entire Committee, set the agenda for Committee meetings.

## **III. COMMITTEE MEETINGS; ACTION BY THE COMMITTEE**

The Committee shall establish a regular meeting schedule, shall meet at least quarterly, and shall meet more frequently as the members deem appropriate and as circumstances dictate. All Committee meetings shall be in accordance with the provisions of the Network Security Agreement regarding the participation of Security Directors. The Chairman of the Committee shall have the authority to schedule all regular meetings of the Committee; provided that any member of the Committee may call a special meeting of the Committee by notice given to all members. Notice of meetings shall be given at least 48 hours in advance, provided that, if exigencies of the circumstances pertaining to the matters to be addressed warrant, any lesser notice reasonable under the circumstances shall be sufficient. Notice may be given by telephone, facsimile or electronic mail or such other procedures as the Committee may adopt. No notice of a regularly scheduled meeting shall be required. Notice may be

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<sup>1</sup> The Board may also select alternate members of the Committee, who may serve as members in the absence of regular members.

waived by any member as permitted by law. A meeting of the Committee may be held telephonically or by other means of communication, provided that each member present may hear and communicate with each other member present.

A majority of the members of the Committee shall constitute a quorum sufficient for the taking of any action by the Committee; provided that such majority includes the Chairman of the Committee and provided further that such majority includes a Security Director unless the issues addressed at such meeting in no respect address or affect the obligations of the Company under the Network Security Agreement. The Committee shall act by vote of a majority of the votes cast at a duly convened meeting of the Committee.

The Committee may form and delegate authority to subcommittees consisting of one or more members whenever it considers appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services; provided that the decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting and all other actions taken by a subcommittee shall be reported to the Committee on a regular basis; and provided, further, that any such subcommittee shall include a Security Director unless the issues addressed by such subcommittee in no respect address or affect the obligations of the Company under the Network Security Agreement, in which case such subcommittee shall be comprised of members of the Committee but need not include a Security Director. The requirements for action by a subcommittee shall, except as otherwise provided by act of the Committee, be the same as applicable to the Committee.

The Committee shall meet regularly, which shall be not less often than once annually, in separate executive sessions with each of (i) the Company's senior executive and financial officers, (ii) the Vice President of Internal Audit and (iii) the Company's independent auditor to discuss any matters that the Committee or each of these groups believe would be appropriate to discuss privately. In addition, the Committee should meet, separately, with the independent auditor and appropriate members of senior management (which shall include the chief financial officer) quarterly to review the Company's quarterly or year-end annual financial statements.

The Committee may invite to its meetings any director, member of the management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any person not a member, as it deems appropriate in order to carry out its responsibilities.

#### **IV. RESPONSIBILITIES AND AUTHORITY**

The Committee shall carry out its responsibility for the integrity of the Company's financial reporting by performing the activities specified by this charter and such other activities as the Committee shall from time to time consider appropriate. The Committee shall also carry out any other responsibilities assigned to it by the Board from time to time.

It is recognized that the Company's management is responsible for establishing the Company's internal accounting controls and preparing the Company's financial statements and that the independent auditors are responsible for auditing those financial statements. It is further recognized that the Company's financial management including the internal audit staff, as well as the outside auditors, have more time, information concerning the Company and expertise in financial reporting matters pertaining to the Company than do Committee members and that, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work.

In fulfilling its responsibilities, the Committee shall have full access to the Company's books, records, facilities and personnel and the power and authority to investigate any matter brought to its attention. The Committee shall have authority to require any officer of the Company and the Company's internal audit group to render to it any report it considers appropriate to carry out these responsibilities. All employees of the Company shall be required to cooperate with the Committee and any person authorized to act on its behalf in any inquiry being conducted by the Committee. In connection with any inquiry or investigation of the Committee, or as the Committee may otherwise consider appropriate to carry out its responsibilities, the Committee shall be entitled to retain outside legal, accounting, financial or other experts and advisors and shall be provided funding from the Company sufficient to engage such persons. The Committee shall have the authority to determine the compensation to be paid and the other terms of such engagement. The Company shall provide adequate funding for the operation of the Committee and the appropriate officers of the Company are hereby authorized to expend the funds necessary for the conduct of the Committee's business upon direction of the Committee or the Chairman thereof, without further authorization of the Board.

In order to carry out its purpose, the Committee has been delegated by the Board, and shall have, authority and power over, and shall be responsible for, the following specific matters and shall carry out the following specific functions, subject, however, to any further action that may be taken by the Board:

#### Supervision of the Independent Audit of the Company's Financial Statements

1. subject to the requirements of Bermuda law, the selection, appointment or termination, evaluation, compensation and oversight of the work of any registered public accounting firm, including the Company's independent auditor, including approval of the terms and scope of its engagement to conduct an audit of the Company's financial statements, subject to such approval of the appointment of the Company's independent auditor as may be provided for by the Company's Bye-laws; subject to the requirements of Bermuda law, the Committee alone shall have authority on behalf of the Company to appoint or terminate the appointment of the Company's independent auditor and the independent auditor shall report directly to the Committee and in the conduct of the annual audit shall be subject to direction only by the Committee;

2. in connection with the selection of the Company's independent auditor, obtaining and reviewing annually a report by the independent auditor describing: (i) the auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; (iii) all relationships between the independent auditor and the Company, including an assessment by the auditor of its continuing independence from the Company; and (iv) the auditor's compliance with all regulations required for it to continue to act as an independent auditor;
3. actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and taking appropriate action to oversee the independence of the outside auditor;
4. approval on behalf of the Company in advance of any audit services to be provided to the Company by the independent auditor and, to the extent permitted by law to be provided by the independent auditor, any non-audit services to be provided to the Company by it; provided, however, that the provision by the independent auditor of non-audit services shall be permissible without the prior approval of the Committee in cases where (i) the aggregate compensation for all such non-audit services constitutes not more than 5% of the total compensation payable by the Company to the auditor for the fiscal year of the Company in which such non-audit services are provided, (ii) such non-audit services were not considered by the Committee as services that might be provided to the Company by the independent auditor at the time of its appointment, and (iii) the provision of such services by the independent auditor are promptly brought to the attention of the Committee and approved prior to completion of the audit for the year in which such services were provided (which approval may be provided by the Chairman of the Committee or any other member or members to whom the Committee delegates such approval authority);
5. reviewing and evaluating, at least annually, the qualifications, performance and independence of the Company's independent auditor and reporting to the Board on the conclusions of its review; in conducting its review and evaluation, the Committee should:
  - (a) determine whether the lead audit partner (having primary responsibility for the audit) or the audit partner responsible for reviewing the audit or any other partner of the independent auditor is required to rotate in compliance with applicable law,
  - (b) take into account the opinions of management and the Company's internal auditors (or other personnel responsible for the internal audit function), and

- (c) consider whether, in order to assure continuing auditor independence, there should be a regular rotation of the firm conducting the independent audit;
6. establishing hiring policies for the Company in respect of employees and former employees of the independent auditor<sup>2</sup>;
  7. reviewing (i) any audit problems or difficulties encountered in the course of the work of the independent auditor, including any restrictions on the scope of activities or access to required information; (ii) any changes required in the planned scope of the audit plan; (iii) the budget for and staffing of the independent audit; and (iv) the coordination of audit efforts between the independent auditor and the Company's internal audit function in order to further completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
  8. the resolution of any disagreement between management and the independent auditor regarding the presentation of the Company's financial position and results of operations in the Company's financial statements;
  9. reviewing and discussing quarterly reports from the independent auditors on: (i) all critical accounting policies and practices to be used in the preparation of the Company's financial statements, including changes in policies; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management for use in the Company's financial statements, including treatments of complex and unusual transactions, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and management regarding the Company's financial reports, such as any management letter or schedule of unadjusted differences;
  10. reviewing with the independent auditor (i) all of its significant findings during the year, including the status of previous audit recommendations, (ii) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise), (iii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iv) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company;

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<sup>2</sup> These policies should, at a minimum, prohibit any accounting firm from providing audit services to the Company if the CEO, controller, CFO, chief accounting officer or any person serving in an equivalent capacity for the Company was employed by the accounting firm and participated in any capacity in the audit of the Company during the one-year period preceding the date of initiation of the audit.

11. establishing and overseeing the maintenance of procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, accounting controls, or auditing matters with respect to the independent auditor, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters with respect to the independent auditor;

#### Overview of the Internal Audit Function and Internal Controls

12. reviewing with the independent auditor and management: the adequacy of the Company's internal accounting and financial controls and procedures and disclosure controls and procedures, including computerized information system controls, procedures and security and including any report provided by the internal audit function to the chief financial officer or chief executive officer regarding any material aspect of the Company's internal accounting and financial control system; and, in such regard, (i) management and the independent auditor shall brief the Committee on any significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and any fraudulent activity, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls which come to their attention, (ii) the Committee shall review the recommendations of the independent auditor for addressing any such matters, together with management's responses thereto, and receive a report on and consider, at least annually, the implementation of any improvements to the Company's internal controls and procedures for financial reporting undertaken as a result of any such review, until such improvements have been fully implemented, and (iii) the Committee shall review management's annual assessment of the Company's internal controls and procedures for financial reporting<sup>3</sup> and the independent auditor's annual attestation of such assessment, as such are required by SEC rules;
13. reviewing (i) the internal audit function charter; (ii) any audit problems or difficulties encountered in the course of the conduct of the internal audit function, including any restrictions on the scope of activities or access to required information; (iii) the annual internal audit plan, status reports on progress and results of the annual internal audit plan and any material changes required in the planned scope of the annual internal audit plan; (iv) the qualifications and capabilities of, the annual budget for and the leadership of the Company's internal audit function, including approval by the Committee of the appointment, annual

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<sup>3</sup> The SEC has stated its view that such internal controls and procedures should be designed to provide, at a minimum, reasonable assurance that transactions entered into by the Company are properly authorized on behalf of the Company, Company assets are safeguarded against unauthorized or improper use and transactions by the Company are properly recorded and reported.

- compensation (including any bonus) and dismissal of the Vice President of Internal Audit; and (v) the coordination of audit efforts between the independent auditor and the Company's internal audit function in order to further completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
14. establishing and overseeing the maintenance of procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;

#### Review of Financial Statements

15. reviewing the Company's financial statements, including (i) prior to public release, reviewing with management and the independent auditor the Company's annual and quarterly financial statements to be filed with the SEC, including (A) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," (B) any certifications regarding the financial statements or the Company's internal accounting and financial controls and procedures and disclosure controls and procedures filed with SEC by the Company's senior executive and financial officers and (C) discussing with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61 or No. 71, (ii) with respect to the independent auditor's annual audit report and certification, before release of the annual audited financial statements, meeting separately with the independent auditor without any management member present and discussing the adequacy of the Company's system of internal accounting and financial controls and the appropriateness of the accounting principles used in and the judgments made in the preparation of the Company's audited financial statements and the quality of the Company's financial reports, (iii) making a recommendation to the Board regarding the inclusion of the audited annual financial statements in the Company's Annual Report on Form 10-K to be filed with the SEC and (iv) prior to submission to any governmental authority of any financial statements of the Company that differ from the financial statements filed by the Company with the SEC, reviewing such financial statements and any report, certification or opinion thereon provided by the independent auditor;
16. reviewing with management and the independent auditor the Company's earnings press releases (including the use of any "pro forma" or "adjusted" non-GAAP information); it being understood, however, that the Committee need not discuss in advance each earnings press release;
17. reviewing with management and the independent auditor significant risks or exposures to the Company's business and assessing the steps management has taken to minimize such risks and the Company's underlying policies and guidelines with respect to risk assessment and risk management;

18. reviewing periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;

#### Legal Compliance and Code of Conduct

19. reviewing periodically with the Company's General Counsel legal and regulatory matters that may have a material impact on the Company's financial statements;
20. reviewing at least annually with senior management the provisions of the Company's code of business conduct and ethics (including the Company's policies and procedures with regard to trading by Company personnel in securities of the Company and use in trading of proprietary or confidential information) as adopted by the Board or senior management and the Company's policies and procedures for enforcement thereof, including any waivers provided under such code since the last annual review, making recommendations to the Board with regard to any changes to the provisions of such code that the Committee considers appropriate and acting on behalf of Company to approve or deny any waivers of the requirements or restrictions of such code sought by or for any officer; provided that any such waiver granted shall be reported by the Committee to the Board and approval of the Board shall also be required for any such waiver applicable to any officer who is a member of the Board;

#### General

21. reviewing and approving in advance all proposed transactions exceeding \$60,000 between the Company and any director, executive officer, holder of five percent or more of the Company's voting stock or any member of the immediate family of any of the foregoing persons, other than any (i) executive compensation transaction approved by the Compensation Committee of the Board or (ii) transaction relating to the compensation of directors or Board committee members approved by the full Board;
22. preparing all reports required to be included in the Company's proxy statement by the Committee, pursuant to and in accordance with applicable rules and regulations of the SEC;
23. reporting regularly to the Board following each meeting, which reports shall include any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function and with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and, in such regard, the Committee shall provide such recommendations as the Committee may deem appropriate; and
24. maintaining minutes or other records of meetings and actions of the Committee.

#### Annual Self-Evaluation

The Committee shall conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with the charter of the Committee. In addition, the Committee shall annually review and reassess the adequacy of this charter and recommend to the Board any improvements to this charter that the Committee considers necessary or valuable.

## **V. SAVINGS CLAUSE**

This charter of the Committee is subject in all respects to the terms of the Company's Bye-laws and the Network Security Agreement. In the event that any provision of this charter conflicts or is inconsistent with the terms of the Bye-laws or the Network Security Agreement, the terms of the Bye-laws and the Network Security Agreement, as applicable, shall govern.