IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

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In re:	)	Chapter 11
	)	
APS HOLDING CORPORATION, et al.,	)	Case No.98-197 (PJW)
	)	
Debtors.	)	(Jointly Administered)

FINAL APPLICATION FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES PURSUANT TO SECTIONS 330 AND 331 OF THE BANKRUPTCY CODE

Name of Applicant:	The Blackstone Group L.P.
Authorized to Provide Professional Services to:	APS Holding Corporation, et.al
Date of Retention:	July 10, 1998 nunc pro tunc to April 13, 1998
Period for which compensation and reimbursement is sought:	April 13, 1998 through October 29, 1999
Amount of Compensation sought as actual, reasonable, and necessary:	$2,089,656.00
Amount of Expense Reimbursement sought as actual, reasonable, and necessary:	$69,238.91

This is a (n): _______interim ___X___final application.

The total time expended for the preparation of this application is approximately 40 hours and the corresponding compensation requested is $0.00.

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TO THE HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE:

The Blackstone Group L.P. ("Blackstone"), financial advisor to the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"), respectfully represents:

1. Pursuant to the Order of the Court dated July 10, 1998 (the "Retention Order"), Blackstone was retained nunc pro tunc to April 13, 1998 to provide financial advisory services to the Debtors as per that certain agreement dated as of July 9, 1998 between Blackstone and the Debtors (the "Engagement Letter"), provided in Appendix A.
2. Pursuant to the Engagement Letter, as approved by the Retention Order, Blackstone may receive (i) financial advisory fees of $125,000 per month ("Monthly Advisory Fees") for the six month period commencing April 13, 1998 and ending October 13, 1998 (the "Financial Advisory Period") aggregating $750,000, and (ii) merger and acquisition fees for each Transaction (as defined in the Engagement Letter) consummated equal to 1.35% of the first $50,000,000 of Aggregate Consideration (as defined in the Engagement Letter) plus 0.9% of the Aggregate Consideration over $50,000,000 and less than or equal to $100,000,000 ("M&A Fees"). The Engagement Letter also provides that the Monthly Advisory Fees earned and paid may be used one time to offset up to 50% of the M&A Fees earned on the Transactions (the "Credit").
3. On October 30, 1998, Blackstone filed its first and only other application for (i) allowance of compensation for services in the amount of $700,000 which represented the monthly fees of $125,000 for each of the months of April ($75,000 prorata for the partial month), May, June, July, August, and September 1998 and (ii) reimbursement of expenses in the amount of $34,058.38 under Sections 330 and 331 of the

Bankruptcy Code, for the period April 13, 1998 through September 30, 1998. No order was entered with respect to that application.

4. This is the final application of Blackstone for allowance of compensation for services and reimbursement of expenses. Blackstone requests allowance of compensation for services in the amount of $2,089,656 which represents the sum of its Monthly Advisory Fees which have been paid to date, and its M&A Fees, and the reimbursement of expenses in the amount of $69,238.91.

5. To date, Blackstone has received $600,000 of Monthly Advisory Fees representing eighty percent (80%) of the $750,000 due with respect to the Financial Advisory Period; the remaining $150,000 or twenty percent (20 %) is the fee holdback in these cases. With respect to the twenty-four (24) Transactions that the Debtors consummated, based on the fee schedule set forth in paragraph (2) above and prior to the application of any Credit, Blackstone earned $2,089,656 of M&A Fees. Under the crediting mechanism outlined in paragraph (2) above, all Monthly Advisory Fees are credited against the M&A Fees because such Monthly Advisory Fees aggregated less than 50% of the M&A Fees. As a result, the total fees that Blackstone earned is $2,089,656. To date, Blackstone has received $1,431,456 of M&A Fees and $600,000 of Monthly Advisory Fees for a total of $2,031,456. Thus, Blackstone is owed $58,200 ($2,089,656 of fees earned versus $2,031,456 of fees paid to date) and is requesting only that amount out of the total $150,000 holdback. There are no other transactions for which Blackstone would earn an M&A fee. In summary, Blackstone requests allowance of compensation of $2,089,656 and the payment of $58,200 representing the balance due of such fees.

6. Blackstone was retained in April 1998 to assist the Debtors with respect to numerous aspects of their reorganization cases, and more specifically, to assist in the sales of assets relating to the Debtors' twenty-three distribution centers and associated stores. In April 1998, the Debtors were developing their business plan for fiscal years 1999-2001 (the "Business Plan"). The Business Plan was delivered to the creditor constituencies in May 1998, as required by the DIP facility, and was intended to form the basis of the Debtors' initial restructuring efforts and discussions with creditors. In connection with the Business Plan, Blackstone assisted the Debtors in assessing the operating strategies of their businesses and reviewed the Debtors' Business Plan in the context of liquidity needs and capital structure constraints.

7. Despite the Debtors' operating initiatives related to reducing costs, closing and liquidating underperforming business locations, reducing personnel and consolidating operations, the Debtors continued to experience a downturn in business compounded by a significant lack of vendor support. These events led the Debtors to believe that a stand alone plan of reorganization (i) could yield less value to creditors than that obtainable through a series of discrete asset sales, (ii) would depend on the availability of liquidity not likely to be available, and (iii) might not ultimately be feasible. As a result, the Debtors determined that the best way to maximize returns to the estate and creditors was to liquidate significant portions of their operations through going concern sales wherever practicable.

8. As of the date of Blackstone's retention, the Debtors had received unsolicited inquiries regarding possible sales of the Debtors assets. Blackstone organized an orderly process to deal with such inquiries including (a) researching the basis of interest and financial

strength of the parties; (b) negotiating confidentiality agreements; (c) defining specific areas of interest; and (d) providing due diligence information to interested parties. In order to insure that any interested party would be a part of the process, by mid-June 1998, Blackstone, with the Debtors, prepared a selling memorandum intended to provide preliminary information to interested parties. Blackstone identified and contacted parties to gauge levels of interest in the Company or its assets, and where appropriate, negotiated confidentiality agreements and transmitted the selling memorandum to such parties.

9. Over the course of July and August 1998, Blackstone

- developed sales strategies with the Debtors in an effort to maximize the consideration offered by asset purchase proposals;

- worked with interested parties to define their interest in specific distribution centers and stores to obtain proposals that included the largest number of assets and minimized the duplication of assets in bids;

- developed standard initial due diligence packages for interested parties and a process to provide greater access to more data including fixed asset schedules, receivables information, inventory data, leases and executory contracts, generic customer information and meeting or phone calls with employees; and

- developed a valuation model which set forth each business location and related inventory, account and note receivables, and fixed asset data in order to evaluate and compare, segregate and aggregate different bids for assets.

As of August 1998, twenty-to twenty-five parties evidenced real expressions of interest in one or more distribution center (s) and stores. Blackstone held discussions with interested parties regarding the assets available for sales, the sales process, timing, and constraints imposed by the bankruptcy.

10. By the end of November 1998, transactions were consummated with five entities. These transactions involved the sales of assets of twelve of the Debtors' distribution centers and 174 stores and were approved by the Court in four orders relating to the Parts Source Inc, General Parts, Inc. and BWP Distributors, Inc. (the "Carquest" entities), Rankin Automotive Group, and the W.E. Lahr Company. The Debtors received cash proceeds at closing from these sales of approximately $107.3 million and an additional expected amount of approximately $20 million on account of assets sold or received after the closing date, and various additional payments over time with respect to services and other agreements relating to the transactions. In addition, the Debtors closed a transaction with Auto Parts Express LLC in early February 1999 for four distribution centers and 76 stores for approximately $30 million.

11. Blackstone and the Debtors continued to pursue buyers for the assets relating to the remaining distribution centers and stores. Blackstone renewed efforts with (i) approximately ten parties with whom discussions had earlier commenced including General Parts, other Carquest affiliates, and several regional industry participants who had an interest in one or two distribution centers and stores and (ii) approximately twenty additional parties whose interest was limited to individual stores. These efforts undertaken from December 1998 through March 1999 resulted in the sale of one distribution center and 60 stores in eighteen transactions and resulted in approximately $16 million in cash proceeds.

12. In connection with all the above transactions, Blackstone

- reviewed and evaluated proposals from interested parties with respect to bidder qualifications, assets covered by the proposals, the amount and form of consideration, and other material terms and conditions;

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- reviewed the proposals with the Debtors, advised the Debtors with respect to the value of the proposals, and otherwise acted as an intermediary between the Debtors and interested parties;

- assisted the Debtors in the negotiation of the terms of the transactions;

- assisted the Debtors and counsel in the preparation of the documentation of the transactions;

- prepared documents for the Court in support of the transactions; and

- assisted the Debtors and its counsel in the preparation of materials for the closing of these transactions including the review of purchase agreement schedules, the reconciliation of the purchase price and adjustments to the purchase price, the determination of escrow amounts, and the preparation of closing statements.

13. In addition to its efforts with respect to the sale of the Debtors' assets, Blackstone

    - participated in strategic discussions with the Debtors and other case professionals regarding the sales strategies, financial analyses prepared for the creditor constituencies, creditor issues, and plan of reorganizations issues;

    - prepared summary of interest reports, and participated in numerous telephone calls and meetings with the Bank Group, the Committee of Unsecured Creditors and their professionals to provide updates with respect to the asset sales process and the terms of offers;

    - prepared materials for reports to the Board of Directors and participated in all Board of Directors meetings.

14. The financial services set forth above were performed by the following Blackstone professionals: Arthur Newman, Senior Managing Director; Pamela Zilly, Managing Director; Stefan Feuerabendt, Vice President; Michael Lahr, Associate, Helen Kautsky, Analyst, and Jason Perri, Analyst. Details of the background and experience of the professionals are provided in Appendix B.

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

16. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interest of the Debtors and the estate and have furthered the goals of all parties in interest. Blackstone respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone in these cases.

17. The amount of the fees and expenses sought in this application and Blackstone's billing processes are consistent with market practices both in and out of a bankruptcy context. Blackstone has never billed its clients based on the number of hours expended by its professionals. Accordingly, Blackstone does not have hourly rates for its professionals, and Blackstone's professionals generally do not maintain detailed time records of the work performed for its clients. In the Debtor's cases, however, Blackstone has recorded time records in one-half hour increments for the Financial Advisory Period, pursuant to the terms of the Engagement Letter. For the Financial Period for which Blackstone was paid a monthly financial advisory fee, Blackstone

professionals expended 2,510.8 hours providing financial advisory and investment banking services to the Debtors. Time records are provided in Appendix C. Blackstone also expended a significant amount of time particularly from October 1998 to April 1999 in connection with the asset sales of the Debtors and other aspects of the Debtors' reorganization cases, as requested by the Debtors.

18. Blackstone respectfully requests allowance of its out-of-pocket expenses incurred in connection with its performance of services of the Debtors in the aggregate amount of $69,238.91 and the payment of $5,099.40 representing the balance due of such expenses. Details of the expenses incurred are provided in Appendix D.

19. Blackstone's charges for expenses to the Debtors are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Blackstone are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not charge general overhead expenses to its clients in connection with Chapter 11 cases. Blackstone has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions specifically explained:

    (a) Blackstone's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such mealtime due to extreme time constraints. Blackstone employees are permitted to order meals in the office if the employee is required to work after 8:00 p.m. The detailed meal expenses provided in Appendix D are not necessarily the cost per professional on a per meal basis but may represent the cost of meals with other attendees with the appropriate allocation made to the Debtors' cases based on the Blackstone professional present and incurring the expense.

(b) Messengers and couriers are used by Blackstone to deliver hard copy documents relating to the client matter, which require receipt on an expedited basis; otherwise, Blackstone uses the regular postal system. Any charges for messengers and couriers are billed to a client at cost.

(c) Research expenses include charges from outside computer/electronic service companies, which supply, for a fee, research and/or financial documents to Blackstone. The services provided by these companies primarily consist of the retrieval of financial documents from regulatory agencies and/or the retrieval of research that would not otherwise be available to Blackstone. Also included in Research expenses are the charges for time spent by Blackstone research staff, billed at a rate of $100 per hour spent on work for the Debtors, in operating the computer terminals related to these computer/electronic service companies.

(d) Blackstone bills photocopying charges at the rate of $.15 per page.

(e) With respect to local travel, Blackstone's general policy enables employees to travel by private car service to and from meetings while rendering services to a client on a client related matter, for which the client is charged. This policy is based on Blackstone's determination that travel by private car service or taxi is the most efficient use of a professional's time. Further, Blackstone employees are permitted to charge personal commuting expenses to a client as long as the employee is traveling after 8:00 p.m., primarily due to safety reasons.

(f) Blackstone bills its clients for time spent by its support staff providing word processing services. The word processing system automatically allocates time to a client based upon the operator's log-in by a client-matter number. Blackstone clients are charged at the personnel cost of $32.50 per hour for the actual amount of time spent by the operator while rendering word processing services to the client.

(g) Blackstone bills outgoing long-distance facsimile charges at a rate of $1.00 per page. Blackstone does not bill clients for incoming or for local facsimile charges.

20. Blackstone respectfully submits that the expenses for which it seeks allowance during the Compensation Period are necessary and reasonable both in scope and amount.

21. All services for which Blackstone requests compensation were performed for and on behalf of the Debtors after the filing of this case and were not rendered on behalf of any other person.

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

23. **WHEREFORE,** Blackstone requests the Court to:

(a) Approve the allowance and payment of Blackstone's fees in the amount of $2,089,656 and the reimbursement of expenses in the amount of $69,238.91 for the Compensation Period;

(b) Authorize and direct the Debtors to pay Blackstone's approved fees and expenses in the amount of $58,200 and $5,099.40, respectively, representing the balance due of such fees and expenses; and

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

Dated: New York, New York
December 10, 1999

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

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