

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE:

APS HOLDING CORPORATION, et al

DEBTORS

§
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§

CASE NO. 98-197 (PJW)
(JOINTLY ADMINISTERED)

CHAPTER 11

**FIFTH AND FINAL APPLICATION OF
PRICEWATERHOUSECOOPERS¹(FORMERLY KNOWN AS PRICE WATERHOUSE
LLP), SPECIAL FINANCIAL ADVISORS AND REORGANIZATION ACCOUNTANTS
FOR THE DEBTORS, FOR COMPENSATION AND REIMBURSEMENT OF
EXPENSES FOR THE PERIOD FEBRUARY 2, 1998 THROUGH OCTOBER 29, 1999**

Name of Applicant: PricewaterhouseCoopers

Division of Applicant: Financial Advisory Services Business
Recovery Group

Authorized to Provide Professional
Services to: APS Holding Corporation, et al (Debtors)

Date of Retention: February 2, 1998

Period for which Compensation and
Reimbursement is Sought -
Fifth Application Period: June 1, 1999 through October 29, 1999
Total Application Period: February 2, 1998 through October 29, 1999

Amount of Compensation Requested -
Fifth Application Period: \$ 80,988.50
Total Application Period: \$ 2,107,104.00

Amount of Expense Reimbursement
Requested -
Fifth Application Period: \$ 1,541.50
Total Application Period: \$ 157,641.42

This is a: Fifth and Final Application

¹ This fee application covers PricewaterhouseCoopers services as special financial advisors and reorganization accountants, not services as tax accountants and auditors which will be filed under a separate fee application.

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:	§	
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APS HOLDING CORPORATION, et al	§	CASE NO. 98-197 (PJW)
	§	(JOINTLY ADMINISTERED)
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DEBTORS	§	CHAPTER 11

**FIFTH AND FINAL APPLICATION OF
PRICEWATERHOUSECOOPERS¹(FORMERLY KNOWN AS PRICE WATERHOUSE
LLP), SPECIAL FINANCIAL ADVISORS AND REORGANIZATION ACCOUNTANTS
FOR THE DEBTORS, FOR COMPENSATION AND REIMBURSEMENT OF
EXPENSES FOR THE PERIOD FEBRUARY 2, 1998 THROUGH OCTOBER 29, 1999**

Prior Applications:

Date Filed:	June 30, 1998; October 30, 1998; March 2, 1999; June 24, 1999
Period Covered:	February 2, 1998 through May 31, 1998; June 1, 1998 through September 30, 1998; October 1, 1998 through January 31, 1999 February 1, 1999 through May 31, 1999
Fees Requested:	\$681,178.00; \$552,446.00; \$491,438.50; \$301,053.00
Expenses Requested:	\$ 42,594.01; \$ 32,899.02; \$55,483.45; \$25,123.44
Status:	Pending

Preparation of this Fifth and Final Application²

¹ This fee application covers PricewaterhouseCoopers services as special financial advisors and reorganization accountants, not services as tax accountants and auditors which will be file under a separate fee application.

² No time is reflected in this Fifth and Final Application for the preparation of this Fifth and Final Application, as all time was expended subsequent to the period covered by this application (i.e., subsequent to October 29, 1999). During the Total Application Period, a total of 474.5 hours and \$65,329.50 were classified as task category 1, which includes affidavits related to employment, fee budgets, monthly billings and preparation of fee applications.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:	§	
	§	
APS HOLDING CORPORATION, et al	§	CASE NO. 98-197 (PJW)
	§	(JOINTLY ADMINISTERED)
	§	
DEBTOR	§	CHAPTER 11

**FIFTH AND FINAL APPLICATION OF PRICEWATERHOUSECOOPERS
(FORMERLY KNOWN AS PRICE WATERHOUSE LLP),
SPECIAL FINANCIAL ADVISORS AND REORGANIZATION
ACCOUNTANTS FOR THE DEBTORS, FOR COMPENSATION AND
REIMBURSEMENT OF EXPENSES FOR THE PERIOD FEBRUARY 2, 1998
THROUGH OCTOBER 29, 1999**

TO THE HONORABLE PETER WALSH, U.S. BANKRUPTCY JUDGE:

PricewaterhouseCoopers (the “Applicant”), Special Financial Advisors and Reorganization Accountants for the Debtors, files this Fifth and Final Application of PricewaterhouseCoopers for Allowance and Payment of Compensation for the period February 2, 1998 through October 29, 1999 (the “Fifth and Final Fee Application” or the “Application”), and respectfully requests this Court to approve and authorize the payment of fees and out-of-pocket expenses and would respectfully show unto this Court as follows:

BACKGROUND OF CASE

1. On February 2, 1998, APS Holding Corporation and nine of its subsidiaries (“APS” or the “Debtors”) filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”).

2. The Debtors continue to operate their businesses and manage their assets as Debtors in Possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

3. The court has jurisdiction over this matter pursuant to 28 U.S.C. §§157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §157 (b)(2).

4. On February 2, 1998, the Debtors' Application for an Order Authorizing Debtors to Retain the Applicant as Special Financial Advisors and Reorganization Accountants ("Debtors' Application") and the Affidavit of the Applicant in Support of the Debtors' Application ("Applicant's Affidavit") were filed. On February 2, 1998, an Order Authorizing the Debtors to Employ the Applicant as Special Financial Advisors and Reorganization Accountants for the Debtors and Debtors in Possession (the "Order") was entered by this Court. Subsequently, three Supplemental Affidavits were filed by the Applicant. Copies of the Debtors' Application, the Applicant's Affidavit, the Order, and the Applicant's Supplemental Affidavits are included in Exhibit A and are incorporated herein for all purposes.

5. As disclosed in the Applicant's Affidavit, the Applicant held a retainer at the date of the filing of the Debtors' Chapter 11 petitions in the amount of \$37,640.00.

6. On July 31, 1998, a supplemental affidavit of J. Robert Medlin, a Partner of PricewaterhouseCoopers, was filed in connection with the employment of PricewaterhouseCoopers, merged entity of Price Waterhouse LLP, Special Financial Advisors and Reorganization Accountants, and Coopers & Lybrand, Tax Accountant and Auditors, for debtors and debtors in possession. As disclosed in Mr. Medlin's

Affidavit, PricewaterhouseCoopers intends to file separate monthly fee statements and fee applications covering our services as (i) special financial advisors and reorganization accountants, and (ii) tax accountants and auditors. This application covers the services of PricewaterhouseCoopers as special financial advisors and reorganization accountants only.

7. As allowed by the Administrative Order Establishing Procedure for Interim Compensation and Reimbursement of Expenses for Professionals, the Applicant has submitted monthly billings for the Fifth Application Period to the Debtors, Debtors' Counsels, the Unsecured Creditors Committee through its Counsel, the Bank Lending Group through its Counsel and the U.S. Trustee. None of the parties have objected to the monthly statements. To date, for fees and expenses incurred during the Fifth Application Period, the Applicant has received payment of \$66,332.30, representing 80% of the professional fees billed and 100% of the reimbursement requested for out-of-pocket expenses for the period June 1, 1999 through October 29, 1999. No amounts submitted have been paid or drawn from the retainer held by the Applicant.

8. On June 30, 1998, the Applicant filed a First Interim Application pursuant to Sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Guidelines adopted by the Executive Office of the United States Trustee and the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals ("Administrative Order") entered by this Court on February 2, 1998 for allowance of compensation for actual and necessary professional services rendered and for reimbursement of reasonable and necessary out-of-pocket expenses. The First Interim Application

sought compensation in the amount of \$681,178.00 for professional fees and \$42,594.01 for out-of-pocket expenses. The First Interim Application is still pending. To date, the Applicant has received payment of \$587,537 for the period February 2, 1998 through May 31, 1998, representing 80% of the professional fees and 100% of the expenses reflected on the First Interim Application.

9. On October 30, 1998, the Applicant filed a Second Interim Application pursuant to Sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Guidelines adopted by the Executive Office of the United States Trustee and the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals (“Administrative Order”) entered by this Court on February 2, 1998 for allowance of compensation for actual and necessary professional services rendered and for reimbursement of reasonable and necessary out-of-pocket expenses. The Second Interim Application sought compensation in the amount of \$552,446.00 for professional fees and \$32,899.02 for out-of-pocket expenses. The Second Interim Application is still pending. To date, the Applicant has received payment of \$474,856 for the period June 1, 1998 through September 30, 1998, representing 80% of the professional fees and 100% of the expenses reflected on the Second Interim Application.

10. On March 2, 1999, the Applicant filed a Third Interim Application pursuant to Sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Guidelines adopted by the Executive Office of the United States Trustee and the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals (“Administrative

Order”) entered by this Court on February 2, 1998 for allowance of compensation for actual and necessary professional services rendered and for reimbursement of reasonable and necessary out-of-pocket expenses. The Third Interim Application sought compensation in the amount of \$491,438.50 for professional fees and \$55,483.45 for out-of-pocket expenses. The Third Interim Application is still pending. To date, the Applicant has received payment of \$448,634 for the period October 1, 1998 through January 31, 1999 representing 80% of the professional fees and 100% of the expenses reflected on the Third Interim Application.

11. On June 24, 1999, the Applicant filed a Fourth Interim Application pursuant to Sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Guidelines adopted by the Executive Office of the United States Trustee and the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals (“Administrative Order”) entered by this Court on February 2, 1998 for allowance of compensation for actual and necessary professional services rendered and for reimbursement of reasonable and necessary out-of-pocket expenses. The Fourth Interim Application sought compensation in the amount of \$301,053.00 for professional fees and \$25,123.44 for out-of-pocket expenses. The Fourth Interim Application is still pending. To date, the Applicant has received payment of \$265,965 for the period February 1, 1999 through May 31, 1999 representing 80% of the professional fees and 100% of the expenses reflected on the Fourth Interim Application.

12. This Fifth and Final Application covers financial advisory services rendered and out-of-pocket expenses incurred by the Applicant during the Fifth

Application Period, as well as the Total Application Period. The total number of hours billed to the Debtors by consultants employed by the Applicant in performing accounting and financial advisory services during the Fifth Application Period is 535.9 hours, at an average billing rate of \$151.13 per hour. The charge for these services is \$80,988.50. The value of these services has been computed at the rate stated for each consultant performing said services. The rates submitted in this Application range from \$85 - \$325 per hour. In the interest of exercising reasonable billing judgment, the Applicant made certain voluntary reductions to the hours billed to the Debtors.

13. The total number of hours billed to the Debtors by consultants employed by the Applicant in performing accounting and financial advisory services during the Total Application Period is 12,145.8 hours, at an average billing rate of \$173.48 per hour. The charge for these services is \$2,107,104. The value of these services has been computed at the rate stated for each consultant performing said services. The rates submitted in this Application range from \$85 - \$325 per hour. In the interest of exercising reasonable billing judgment, the Applicant made certain voluntary reductions to the hours billed to the Debtors.

14. During the Fifth Application Period, the Applicant incurred, in connection with the performance of its services, charges for actual out-of-pocket expenses and services in the amount of \$1,541.50. These out-of-pocket expenses were necessary for the proper administration of this Case. The Applicant made every effort to minimize such expenses. These total out-of-pocket expenses do not include certain out-of-pocket expenses incurred for photocopying, facsimile charges, postage and messenger service. Accordingly, the Applicant is applying only for reimbursement of

mileage, long distance calls and various other out-of-pocket expenses incurred in fulfilling its duties, in the total amount of \$1,541.50.

15. During the Total Application Period, the Applicant incurred, in connection with the performance of its services, charges for actual out-of-pocket expenses and services in the amount of \$157,641.42. These out-of-pocket expenses were necessary for the proper administration of this Case. The Applicant made every effort to minimize such expenses. These total out-of-pocket expenses do not include certain out-of-pocket expenses incurred for photocopying, facsimile charges, postage and messenger service. Accordingly, the Applicant is applying only for reimbursement of airfare, accommodation, mileage, long distance calls and various other out-of-pocket expenses incurred in fulfilling its duties, in the total amount of \$157,641.42.

16. The foregoing fees and expenses are based on the hereinafter set forth considerations, including the hourly rates for the professional persons involve customarily charged by the Applicant for similar services provided to other clients. These rates are consistent with the Applicant's rates charged and approved for similar services performed in bankruptcy engagements in Delaware and other cities during the period involved. Moreover, such fees are consistent with those charged by other accountants and financial advisors with comparable skills and for similar professional services. Additionally, the Applicant has not sought its ordinary course annual rate increase which occurred on April 1, 1999.

17. All professional services for which an allowance is requested were performed by the Applicant on behalf of the Debtors and not on behalf of any other entity or party in interest. The only relationships or business associations the Applicant

has with any party in this case are described in the Applicant's Affidavit and Supplemental Affidavits previously filed with this Court and included in Exhibit A.

18. As outlined in the Debtors' Application, attached hereto as Exhibit A and incorporated herein by reference, Applicant respectfully states that the Debtors retained the Applicant as Special Financial Advisors and Reorganization Accountants in this Chapter 11 Case to perform various services, including, but not limited to, the following:

- (a) Assistance in the preparation of all reports as required by the Bankruptcy Court or the Office of the United States Trustee, including any Monthly Operating Reports and Schedules of Assets and Liabilities and Statement of Financial Affairs;
- (b) Assistance in the preparation of financial information for distribution to creditors and others, including, but not limited to, cash receipts and disbursements analysis, analysis of various asset and liability accounts, and analysis of proposed transactions for which court approval is sought;
- (c) Assistance in the analysis of creditor claims by type and entity;
- (d) Assistance in negotiations and attending meetings with lenders and any creditors' committees, the United States Trustee, other parties in interest, or their related professionals, as requested;
- (e) Assistance in the preparation or review of business plans, liquidation and feasibility analyses and other necessary and desirable special projects or reports;
- (f) Assistance in the development, negotiation and promulgation of any plan of reorganization;
- (g) Assistance in the preparation of documents necessary for confirmation of these Chapter 11 cases, including financial information contained in the disclosure statement;
- (h) Performance of such other functions as requested by the Debtors or their counsel to aid the Debtors in their business reorganization, including, but not limited to, analyses of preferences and fraudulent transfers, assistance in claims

reconciliation and estimation and assistance related to the Debtors' compliance with SOP 90-7, "Accounting for Companies in Reorganization", and;

- (i) Provide expert testimony and other services regarding the approval of debtor in possession financing, the Company's retention plan and other matters.

19. The Applicant has prepared the Application in accordance with the Bankruptcy Code, the United States Trustee Guidelines for Compensation and Reimbursement of Expenses Filed Under U.S.C. § 330, and Order #32 set forth by the United States Bankruptcy Court for the District of Delaware. In accordance with Order #32 and the U.S. Trustee Guidelines, each activity detailed herein has a separate description and time allotment, includes the type of activity performed, and a description of the subject matter. In addition, the Applicant has exercised reasonable billing judgment and has either reduced its fees or not sought reimbursement in relation to a number of tasks expended in performance of its duties, including fees incurred during travel time for out-of-town work and travel to and from the Debtors' office and the Applicant's office.

20. A summary of services rendered by the Applicant during the period June 1, 1999 through October 29, 1999, including hours and fees incurred, is included as Exhibit B. A summary of services rendered by the Applicant during the period February 2, 1998 through October 29, 1999, including hours and fees incurred, is included as Exhibit C. The detailed time billings were segregated into the following task categories:

1. Firm Retention/Billing Matters: Preparation and review of PricewaterhouseCoopers monthly billings and fee application; preparation of fee budgets; preparation of affidavits related to employment.

2. Case Administration Matters: Staffing and case administration matters; document review.
3. Court Hearing Matters: Prepare for, attend and provide testimony at court hearings.
4. External Meetings and Telephone Conferences: Attend meetings and telephone conferences with third parties including the Lenders, Unsecured Creditors Committee, and other parties in interest.
5. Compliance and Related Matters: Assist management in the preparation of reports required for the Lenders, Unsecured Creditors Committee, US Trustee, and others. The specific reports are described in paragraph 19 below. Assist the debtor in identifying and quantifying the value of assets, including potential causes of action for preferential payments.
6. Operational and Financial Research and Analysis: Assist management in the analysis of historical activity to assist in formulation of assumptions for business plan, perform industry benchmarking, and assist management in the analysis of the differences between planned and actual results. Work includes analysis of tax liabilities and preparation of a liquidation analysis.
7. Long-term Strategic Business Plan: Assist management in the preparation of a 3 year business plan as required by the Debtor-in-Possession Financing Agreement.
8. Schedules of Assets and Liabilities and Statement of Financial Affairs: Assist management in the preparation of the Schedules and Statement of Financial Affairs
9. Reclamation: Assist management in the reconciliation and negotiation of reclamation claims received.
10. Employee Matters: Assist management in the development and implementation of incentive and retention plans for employees. Additionally, develop detailed model to project employee related expenses for use in cash forecasts and asset sale negotiations.
11. Claims Analysis: Assist management in the identification, estimation, reconciliation, analysis and resolution of claims.
12. Contracts/Lease Matters: Assist management in the identification, negotiation and rejection of executory contracts and leases.
13. Financing Matters: Assist management in the identification and negotiation of Debtor-in-Possession and other financing matters.

14. Asset Sales Related Matters: Assist management and its advisors and investment bankers in the review, analysis, and support of its asset sales efforts, including due diligence activities.

15. Plan of Reorganization Matters: Participate in the negotiation and formulation of Debtors' Plan of Reorganization; perform financial analysis for Plan of Reorganization or Disclosure Statement; development, negotiation and review of Debtors' Disclosure Statement; address exclusivity matters; and attend hearings on the Disclosure Statement or Plan of Reorganization.

21. The Applicant has carefully reviewed all of its time records and believes that the compensation applied for herein for professional services rendered during the Fifth Application Period and the Total Application Period is fair and reasonable in view of the time spent, the extent of the work performed and novelty of the issues addressed. The Applicant has made its best effort to ensure that the firm's fees represent appropriate value to the estate for services rendered on behalf of the Debtors. The Applicant's firm-wide policy requires professional personnel to exercise reasonable billing judgment on a daily basis. Chargeable hours are recorded on a daily basis and maintained in tenth-of-an-hour increments, at which time professional staff members use their informed judgment as to the quality and productivity of time spent on the engagement. In this regard, non-productive time has not been billed to the Debtors' estates. The exercise of reasonable billing judgment, at the professional staff level, effectively considers the quality of time charged to the estate and, generally, negates the necessity for adjustments at the time of billing. Detailed descriptions of activities performed by each professional by day during the Fifth Application Period is presented in Exhibit D and during the Total Application Period is presented in Exhibit E.

22. Note that on certain occasions, it was necessary to have two PricewaterhouseCoopers professionals involved in meetings. The Applicant believes that attendance of both professionals at these meetings was necessary for the following reasons: i) very experienced personnel were present at meetings as engagement leaders, providing the benefits of their years of experience in Chapter 11 restructurings; ii) other consultants may have been involved in a meeting because they directly managed the detail work performed and were available to address detailed questions which may arise; and, iii) attendance of both professionals avoids the need for follow-up internal PricewaterhouseCoopers meetings in which the project team would have to be updated on the results of the meeting.

23. Upon the Applicant's knowledge and belief, the rates sought for approval herein are commensurate with the usual and customary rates charged for services performed by accountants and consultants in bankruptcy cases of this nature. The Applicant believes that the services provided have been of substantial value to the Debtors at a cost commensurate with what other professionals would charge. Numerous opportunities to benefit the estates were identified and provided to the Debtors as a result of the collective efforts of the Applicant working with other constituents and professionals in this case, including but not limited to the following:

- a) Assistance with timely filing of the Schedules of Assets and Liabilities and Statements of Financial Affairs as required by the Bankruptcy Code. The Debtors did not have the resources or technical knowledge to complete the Schedules of Assets and Liabilities and Statements of Financial Affairs without extensive assistance from PricewaterhouseCoopers personnel.
- b) Assistance with development of a Business Plan as required by the Debtor-in-Possession Financing Agreement. The Debtors did not have the resources to complete the Business Plan required by the Debtor-in-Possession Financing Agreement by the deadline indicated without extensive assistance from PricewaterhouseCoopers personnel. Additionally, by preparing

alternative cash flow projection scenarios, PricewaterhouseCoopers has provided the Debtors with information needed to make appropriate decisions by estimating the financial impact of proposed courses of action.

- c) Assistance with compliance reporting. The Debtors do not have the resources or technical bankruptcy knowledge to comply with the reporting requirements under the Bankruptcy Code or Debtor-in-Possession Financing Agreement and as requested by the Lenders, Unsecured Creditor's Committee, and other constituents in this case indicated without extensive assistance from PricewaterhouseCoopers personnel. Information required by the Lender Group on an on-going basis is substantial and includes a weekly bank package, a monthly monitoring report (MMR) and specific information requests. The weekly bank package includes sales projections, actual sales result, weekly cash flow receipt and disbursement projections, a detailed listing of lost customers and service level analysis. The MMR includes actual versus projected financial results, detailed sales analysis by division and covenant calculations. This information is required by the Lender Group and, therefore, has enabled the Debtors to comply with existing financial agreements and has facilitated the lending relationship.
- d) Assistance with preference analysis. PricewaterhouseCoopers assisted with the debtors' analysis of possible preferential payments. This included preparation of models to identify payments made within 90 and 150 days of the bankruptcy filing, to track check clearance dates, to identify payments made through wire transfer and to analyze new value transactions. This analysis enabled the debtors to identify possible additional assets of the estate and to document their claim to those assets.
- e) Assistance with reclamation. The Debtors do not have the resources or technical bankruptcy knowledge to comply with Global Reclamation Program approved by this Court without extensive assistance from PricewaterhouseCoopers personnel. The majority of the asserted reclamation claims have been settled as of this date. As a result of these settlements, the original \$19 million of asserted reclamation claims has been reduced to \$5 million.
- f) Assistance with employee matters. Several of the Debtors' Human Resources personnel have resigned and have not been replaced. As a result, the debtors do not have the resources to initiate and implement an appropriate annual employee bonus incentive plan which would assist in reducing key employee turnover and maintaining employee morale. PricewaterhouseCoopers developed operational and financial metrics for use in measuring employee performance for bonus purposes. These metrics are currently being used by management to identify those employees who have achieved their individual performance goals and have contributed significantly to the achievement of the Company's performance goals. In addition, PricewaterhouseCoopers initiated the development of the

employee retention plan model for certain key employees. This is critical for maintaining the value of the operations during the pendency of the bankruptcy.

Employee-related costs are one of the debtors' largest expense items. These expenses, however, are some of the most difficult to forecast, as they vary substantially from period to period depending on store sales and closures and the related employee terminations. The debtors sought a way to improve the accuracy of projected payroll expenses included in the compliance reporting to the Lender Group. The debtors requested the assistance of PricewaterhouseCoopers in building a detailed and complex model to more accurately estimate payroll expenses for each of the company's remaining 2,500 employees at both the corporate and field levels. This process included working with management to determine appropriate staffing levels during wind down periods. The model estimates the company's liability for payroll (wage), severance, vacation and sick payments to each employee, and has significantly improved the debtors' ability to accurately predict employee-related expenses.

PricewaterhouseCoopers also provided significant contributions to the Human Resources department related to the due diligence process.

- g) Assistance with asset sales. The Debtors do not have the resources or technical knowledge to negotiate, evaluate, document or consummate sales of assets in bankruptcy, including the resources or technical knowledge to handle an extensive due diligence process. PricewaterhouseCoopers has supported both the Debtors and their investment bankers in the asset sale process, including creating a due diligence room, responding to information requests from potential purchasers, assisting with tours of facilities for sale, valuing and comparing multiple offers, assisting the company's investment bankers in their calculations, assisting in negotiations with potential purchasers, providing input to asset purchase agreements and related exhibits and assisting with sale closings. Additionally, PricewaterhouseCoopers assisted with a communication plan with respect to these asset sales which was, in part, designed to minimize the impact on ongoing operations. Through the date of this application, six major asset sale transactions (each greater than \$5 million) have closed and numerous single/small store sale transactions have occurred. The asset sales closed to date represent sales in excess of 85% of the Company's assets and have provided the Company with needed funds to reduce the outstanding Lender debt. The Company is in the process of liquidating the remaining assets which include primarily inventory, receivables and PP&E.
- h) Assistance with analysis of claims. The Debtors do not have the necessary resources or technical knowledge to fully evaluate the claims against the estate. PricewaterhouseCoopers has assisted the Debtors in establishing the validity of claims by reconciling proofs of claim data to the Statements and

Schedules, tracing amounts claimed (and the related priority classification) to supporting documentation and verifying to Company data (such as for employee claims for unpaid vacation and severances).

24. The Debtors selected the PricewaterhouseCoopers Financial Advisory Services Business Recovery group due to the experience and expertise of its accountants and consultants. Members of the Business Recovery group of PricewaterhouseCoopers have extensive consulting experience in the bankruptcy field, including work for debtors, creditors and trustees. Other consulting experience includes complex financial restructuring, business work-outs and related litigation. Resumes of the key individuals who provided consulting services to the Debtors are included in Exhibit H. Exhibit H also includes a listing of the professionals who provided services to the Debtors, as well as information related to that individual's experience, hourly billing rate of the individual and total compensation sought for services provided by the individual during both the Fifth Application Period and the Total Application Period.

25. Over the past several years, the Applicant has been involved in numerous bankruptcy cases and, as a result, has many professionals and support staff who are familiar with financial analysis, forecasting and information requirements of Chapter 11 cases. As a result of extensive involvement in major national bankruptcy cases, and due to the extremely specialized nature of the work involved, the Applicant has structured its Corporate Recovery practice into key locations throughout the United States. This structure allows the Applicant to draw from a pool of highly specialized bankruptcy accountants and consultants that can be utilized on short notice in an efficient and effective manner.

26. In the past, the Applicant has had extensive experience in, among others, the following Chapter 11 cases: Lomas Financial Corporation, Maxwell Communications, The Leslie Fay Companies, Inc., The Drexel Burnham Lambert Group, Inc., Greyhound Lines, Inc., Pan Am Corporation, America West Airlines, Jamesway Corporation, Circle K Corporation, American Continental Corporation/Lincoln Savings, Harvard Industries, Inc., Allied/Federated Department Stores, Carter, Hawley, Hales Stores, Edison Brothers Stores, Inc. and Westcap Enterprises, Inc.

27. No agreement or understanding exists between the Applicant and any other person for the sharing or division of compensation to be received by the firm for services rendered in or in connection with the case. The Applicant has not shared in the compensation of any other person in connection with this case.

28. To the best of the Applicant's knowledge and belief there has been no duplication of advisory services between the Applicant and any other accountants or financial advisors of the Debtors' bankruptcy estate.

SUMMARY OF FEES AND EXPENSES REQUESTED

29. The Applicant hereby seeks final approval of compensation for professional services rendered for and at the request of the Debtors from February 2, 1998 through October 29, 1999 in the amount of \$2,107,104 and for reimbursement for out-of-pocket expenses incurred in the amount of \$157,641.42 for a total of \$2,264,745.42. The total amount of fees for which approval is sought is based upon the above described professional services performed by the Applicant. A summary

reflecting total fees resulting from services by each professional and his or her average hourly rate is provided. Exhibit C presents an itemization of professional services rendered for each activity performed on behalf of the Debtors during the Total Application Period. Detailed descriptions of activities performed during the Total Application Period by each professional by day is presented in Exhibit E. An itemization of out-of-pocket expenses for the Total Application Period is attached hereto as Exhibit G.

30. The Applicant hereby seeks approval for the Debtor to pay to it the unpaid balance of fees incurred and reflected in the Fifth and Final Application in the amount of \$421,420 which represents the 20% holdback of professional fees billed, in accordance with the Administrative Order Establishing Procedure for Interim Compensation and reimbursement of Expenses for Professionals

31. The Applicant seeks approval to draw down the retainer amount of \$37,640 as an offset to the unpaid balance of professional fees, resulting in a net amount due of \$383,780.

CONCLUSION

32. In view of the foregoing, PricewaterhouseCoopers respectfully requests that it be awarded reasonable compensation in the amount of \$2,107,104 for 12,145.8 hours of professional time for services rendered on behalf of the debtors during the Total Application Period and reimbursement of out-of-pocket expenses in the amount of \$157,641.42 for the actual and necessary out-of-pocket expenses incurred during the period, for a total of \$2,264,745.42. In view of the policy underlying Section 330 and 331 of the Bankruptcy Code, the compensation for professional services rendered

and the reimbursement of expenses sought by PricewaterhouseCoopers are appropriate, necessary and reasonable.

WHEREFORE, PricewaterhouseCoopers respectfully requests (i) final allowance of compensation for professional services rendered as special financial advisors and reorganization accounts to the Debtors during the Total Application Period in the amount of \$2,107,104 and (ii) final approval of actual and necessary out-of-pocket expenses incurred during the Total Application Period in the amount of \$157,641.42 (iii) approval to apply the \$37,640 retainer to the unpaid balance of professional fees; (iv) approval for the Debtor to pay the net unpaid balance of professional fees in the amount of \$383,780 to the Applicant; and, (v) for such other and further relief as is just and proper.

CERTIFICATION

I, the undersigned, on behalf of PricewaterhouseCoopers, certify that I have reviewed the requirements of Administrative Order #32 (“the Order”), and that to the best of my knowledge, information and belief formed after reasonable inquiry, the Application complies with the Order.

By: Patricia D Tilton
Patricia D. Tilton
Partner

PRICEWATERHOUSECOOPERS
1201 Louisiana, Suite 2900
Houston, TX 77002

SPECIAL FINANCIAL ADVISORS AND
REORGANIZATION ACCOUNTANTS
FOR THE DEBTORS