

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re: :  
: Chapter 11 Case No.  
Adelphia Communications Corporation, *et al.*, : 02-41729 (REG)  
: :  
Debtors. : Jointly Administered  
: Hearing Date: October 24, 2003  
-----X Hearing Time: 9:45 a.m.

**FIRST AND FINAL APPLICATION OF HEWITT ASSOCIATES LLC,  
AS EXPERT WITNESS ON BEHALF OF THE  
OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS**

Name of Applicant:	Hewitt Associates LLC
Authorized to Provide Professional Services to:	Official Committee of Equity Security Holders
Date of Retention Order:	March 7, 2003
Period for Which Compensation and Reimbursement is Sought:	January 27, 2003 through May 31, 2003
Amount of Compensation Sought as Actual, Reasonable and Necessary:	\$369,099.00
Amount of Expense Reimbursement Sought as Actual, Reasonable and Necessary:	\$4,680.65
Amount of Compensation Previously Sought as Actual, Reasonable and Necessary:	\$0.00
Amount of Expense Reimbursement Previously Sought as Actual, Reasonable and Necessary:	\$0.00
Amount of Compensation Previously Payable on the Interim Basis as Actual, Reasonable and Necessary:	\$0.00
Amount of Expense Reimbursement Previously Payable as Actual, Reasonable and Necessary:	\$0.00
Amount of Compensation Held Back:	\$0.00

This is an  interim  final application.

Hewitt Associates LLC (“Hewitt”), expert witness for The Official Committee of Equity Security Holders (“Equity Committee”), for its first and final application (the “Application”), pursuant to sections 327(a) and 328(b) of title 11, United States Code (the “Bankruptcy Code”) and Rule 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for final allowance of compensation for professional services performed by Hewitt for the period commencing January 27, 2003 through and including May 31, 2003 (the “Compensation Period”), and for reimbursement of its actual and necessary expenses incurred during the Compensation Period as set forth in their engagement letter (the “Engagement Letter”), attached hereto as **Exhibit A** and as modified in the Retention Order attached hereto as **Exhibit B**, respectfully represents as follows:

**SUMMARY OF PROFESSIONAL COMPENSATION  
AND REIMBURSEMENT OF EXPENSES REQUESTED**

1) Hewitt seeks allowance of final compensation for professional services rendered to the Debtors during the Compensation Period in the aggregate amount of \$369,099.00, and for reimbursement of expenses incurred in connection with the rendition of such services in the aggregate amount of \$4,680.65. During the Compensation Period, Hewitt expended a total of approximately 973.10 hours for which compensation is requested.

2) Hewitt has not entered into any agreement, express or implied, with any party in interest, including the Debtors, any creditors, or any representative of any of them, or with any attorney for such party in interest, for the purpose of fixing the fees or other compensation to be paid to Hewitt for services rendered in connection herewith, from the assets of the Debtors. There is no agreement or understanding between Hewitt and any other person, other than

members, associates and employees of Hewitt, for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

3) Hewitt, in its normal course of business, invoices its clients a flat monthly fee and does not charge by the hour. Thus, Hewitt does not ordinarily keep time records. However, for the benefit of the Court, Hewitt is recording its hourly time and has provided summaries of the time spent by professionals on each of the aforementioned services during the Compensation Period, attached hereto as **Exhibit C**.

4) Attached hereto as **Exhibit D** is a summary of the Detail of Expenses specifying the categories of expenses for which Hewitt is seeking reimbursement and the total amount for each such expense category incurred during the Compensation Period.

5) Hewitt has not filed a previous application for allowance of fees and expenses.

#### **BACKGROUND**

6) On the Commencement Date, each of the Debtors commenced a case under chapter 11 of the Bankruptcy Code. The Debtors continue to be authorized to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

7) Hewitt was retained as an expert witness on behalf of the Equity Committee to perform services set forth in the Engagement Letter. The Equity Committee retained Hewitt due to its well-established reputation and expertise in executive compensation programs. Hewitt is one of the leading executive compensation consulting firms, specializing, among other things, in the analysis of compensation programs to attract key executives, employees and directors. Founded in 1943, Hewitt's client roster includes more than half of the Fortune 500 companies and more than a third of Fortune Global 500 companies. As the largest multi-service human

resource (“HR”) delivery provider in the world, Hewitt handles more than 53 million HR-related customer interactions a year from more than 13 million participants. For 60 years, Hewitt has been pioneering HR ideas, services, and products to improve its clients’ business results. Employees of Hewitt also regularly provide expert analysis and testimony in various bankruptcy proceedings throughout the country.

8) The Court approved the Debtors’ retention of Hewitt nunc pro tunc as of January 27, 2003 as expert witness at an hourly rate of \$525 for senior consultants to \$200 for junior consultants, plus reimbursement of expenses. The Retention Order is attached as **Exhibit B**.

9) All services for which Hewitt requests compensation were performed for or on behalf of the Equity Committee at the request, and under the supervision, of Sidley Austin Brown & Wood LLP, legal counsel to the Equity Committee.

10) The Office of the United States Trustee has appointed the Equity Committee pursuant to section 1102(a) of the Bankruptcy Code.

11) This Application has been prepared in accordance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995, Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on June 20, 1991 (collectively, the “Local Guidelines”), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330 adopted on March 22, 1995 (the “UST Guidelines” and, collectively with the Local Guidelines, the “Guidelines”), and the Interim Compensation Order. Pursuant to the Local Guidelines, a certification regarding compliance with same is attached hereto as **Exhibit E**.

## SUMMARY OF SERVICES

12) The Senior Consultants, Consultants, Analysts, Research Assistants, and Administrative Assistants who have rendered professional services in these cases are as follows: Michael Sorenson (Senior Consultant), Michael Groenendaal (Senior Consultant), Gerard Leider (Senior Consultant), Mark Ublehart (Senior Consultant), Jeff Gustafson (Consultant), Joseph Arzac (Consultant), Christopher Fischer (Consultant), Christian Doeringer (Consultant), Thomas Ramagnano (Consultant), Michael Ricaurts (Consultant), Diana Witte (Consultant), Christopher Power (Consultant), Li-Chu Mo (Analyst), Elaine Boa (Analyst), Patrick Dawson (Research Assistant), Linda Carpenter (Analyst), Jan Lane (Research Assistant), Sue Doose (Administrative Assistant), Michele McGrain (Administrative Assistant), Mary Genualdi (Administrative Assistant), Julie Merlo (Administrative Assistant) and Sue Monsen (Administrative Assistant).

13) During the Compensation Period, the Equity Committee relied heavily on the experience and expertise of the above-named persons in dealing with matters described in Paragraph 14. As a result, Hewitt's highly skilled professionals devoted significant time and effort to perform properly and expeditiously the required professional services.

14) A summary of some of the services rendered by Hewitt during the Compensation Period are as follows:

- a) **General Industry TCM™ Pay Study (157.5 hours; \$56,497.50) (January 27, 2003-February 23, 2003)** - Comparison of proposed compensation packages of Adelphia CEO William Schleyer and COO Ronald Cooper to those of 428 CEOs and 179 COOs contained in Hewitt's Total Compensation Measurement (TCM™) database. Initial identification of companies to use, cleaning and addition of data where required, and valuation of long-term incentives as needed. Data regressed using annual company revenues as the independent variable and compensation as the dependent variable to provide expected levels of pay for a company of Adelphia's size. Additional analysis consisting of determining the EBITDA and enterprise value of the more than 400 companies and conducting further regression using such variables. Draft a report summarizing results.

- b) **Comparable-Size Company TCM™ Study (125.0 hours; \$43,687.50) (January 27, 2003-February 22, 2003)** - Comparison of proposed compensation packages of the CEO and COO to those of 137 CEOs and 68 COOs contained in Hewitt's TCM™ database with revenues between \$2 billion and \$6 billion. Initial identification of companies to use, cleaning and addition of data where required, and valuation of long-term incentives as needed. Data regressed using annual company revenues as the independent variable and compensation as the dependent variable to provide expected levels of pay for a company of Adelphia's size. Additional analysis consisting of determining EBITDA and enterprise value of the companies and conducting further regression using such variables. Draft a report summarizing results.
- c) **Same-Industry Study (61.7 hours; \$21,665.00) (January 27, 2003-February 23, 2003)** - Conduct study reviewing the compensation for CEOs and COOs (or highest paid #2 executives) as reflected in the 2001 proxies of 14 companies identified as being in the same industry as Adelphia by its Standard & Poor's General Industry Classification Standard. Data retrieved from 2001 annual proxies and cleaned, including valuation of long-term incentives. Data presented on Excel spreadsheet.
- d) **Bankrupt Company Study (158.9 hours; \$59,017.50) ((January 27, 2003-February 11, 2003)** - Determine list of relevant companies that entered into bankruptcy within the past three years. Review available public information for the CEO position of 20 such companies including proxy and 10-K review and retrieval and review of relevant employment contracts. Analyze total potential compensation that the CEO could earn during the course of the relevant bankruptcy. Data presented on Excel spreadsheet.
- e) **Recruitment Study (33.0 hours; \$9,911.50) (January 28, 2003-February 4, 2003)** - Review of available public information for the CEO position of companies in a recruitment situation, in particular attempting to identify situations where unemployed CEOs, or CEOs of companies that recently merged, moved to new employers. Relevant documents reviewed included proxies and retrieval and review of employment contracts.
- f) **Fortune 50 Contract Study (86.4 hours; \$32,142.50). (January 27, 2003-February 3, 2003)** - Review of CEO and COO employment and severance contracts at Fortune 50 companies, in particular focusing on the definition of 'Good Reason' used and the amount of severance provided. Review of annual proxies and retrieval and review of the relevant employment and severance contracts.
- g) **Peer Group Contract Study (49.0 hours; \$17,385.00) (January 27, 2003-February 7, 2003)** - Review of CEO and COO employment and severance contracts at Adelphia's peer companies as identified by its Standard & Poor's General Industry Classification Standard. Particular focus on the definition of 'Good Reason' used and the amount of severance provided. Review of annual proxies and retrieval and review of the relevant employment and severance contracts.
- h) **Review of Michael Capellas' WorldCom Contract and Valuation of WorldCom Pay (18.0 hours; \$7,800.00). (February 7, 2003-February 12, 2003)** - Review of the employment contract and compensation of WorldCom CEO Michael Capellas that was used as the basis for the proposed compensation of Adelphia's CEO and COO. Valuation of Mr. Capellas' WorldCom

compensation package and comparison to market rates for a company of WorldCom's revenue size in order to determine ranking of Mr. Capellas' compensation relative to WorldCom's peer companies.

- i) **Review of Pearl Meyer Materials (67.8 hours; \$31,265.00) (January 27, 2003-February 22 2003)** - Review of Pearl Meyer Initial Report, Rebuttal, her deposition transcript, and materials provided by the Equity Committee that Pearl Meyer prepared related to the WorldCom bankruptcy. Review included checking underlying proxy data cited in various reports. Consultation with Equity Committee counsel regarding such material generally as well as in preparation for Pearl Meyer deposition and hearing testimony.
- j) **Review of Pearl Meyer Distressed Company Report and Updating of Same (25.2 hours; \$9,280.00) (February 7, 2003-February 13, 2003)** - Review of Pearl Meyer report entitled "39 Bankrupt, Emergent, and Distressed Companies." Analysis of each situation involved and methodology used to determine appropriateness of comparing to Adelpia's situation. Updating of report to exclude 19 of the 39 examples that were awards made by companies that have never filed for bankruptcy.
- k) **Review of Schleyer Employment Contract and Valuation of Compensation at AT&T Broadband (18.6 hours, \$8,655.00) (January 29, 2003-February 15, 2003)** - Review and analysis of the employment contract and compensation of Adelpia CEO William Schleyer while he was at AT&T Broadband. Valuation of Mr. Schleyer's AT&T compensation package.
- l) **Drafting and Preparation of Expert Report and Supplemental Affidavit (81.2 hours; \$31,585.00) (January 28, 2003-February 23, 2003)** - Drafting and revising of the Expert Report submitted to the Bankruptcy Court. Drafting and revising of the Supplemental Affidavit submitted to the Bankruptcy Court in response to Pearl Meyer's rebuttal report. Consultation with Equity Committee counsel regarding the report.
- m) **Preparation for and Attendance at Deposition including Testimony (14 hours; \$6,985.00) (February 18, 2003-February 20, 2003)** - Preparation for deposition by Debtor's counsel with Equity Committee's counsel. Attendance and participation in deposition.
- n) **Preparation for and Attendance at Hearing including Testimony (37.7 hours; \$19,245.00) (February 23, 2003-February 27, 2003)** - Preparation for hearing with Equity Committee's counsel. Attendance at 3 days of the hearing and testimony on February 27.
- o) **Preparation of Bill (39.1 hours; \$13,977.50) (February 27, 2003-May 29, 2003)** - Preparation of the bill for services rendered to be submitted to the Bankruptcy Court, together with various exhibits.

#### **ACTUAL AND NECESSARY DISBURSEMENTS OF HEWITT**

15) As set forth on **Exhibit D** annexed hereto, Hewitt has disbursed \$4,680.65 as expenses incurred in providing professional services during the Compensation Period. Hewitt has maintained detailed records of actual and necessary expenses incurred during the

Compensation Period. Hewitt's policy is to charge its clients in all areas of practice for identifiable non-overhead expenses incurred in connection with the client's case that would not have been incurred except for representation of that particular client. Hewitt's policy is to charge its clients only the amount actually incurred by Equity Committee in connection with such items. Examples of such expenses are postage, overnight mail, courier delivery, transportation, overtime expenses, computer assisted research, airfare, meals, and lodging. With respect to airfare expenses, all travel, by all individuals, is billed at the coach class rate with the allowance of class updates. Hewitt respectfully submits that the expenses for which it seeks allowance during the Compensation Period are necessary and reasonable both in scope and amount.

#### CONCLUSION

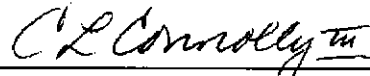
16) It is respectfully submitted that the amount requested by Hewitt is fair and reasonable given (a) the complexity of the issues presented, (b) the time and labor required, (c) the skill necessary to perform the financial advisory services, (d) the preclusion of other employment, (e) the employment of proprietary knowledge and experience with respect to the industry and capital markets and (f) the customary fees charged to clients in bankruptcy and non-bankruptcy situations.

17) **WHEREFORE**, Hewitt respectfully requests (i) a final allowance of compensation for professional services rendered during the Compensation Period in the amount of \$369,099.00 and reimbursement for actual and necessary expenses Hewitt incurred during the Compensation Period in the amount of \$4,680.65.



Dated: Lincolnshire, Illinois  
July 21, 2003.

**HEWITT ASSOCIATES LLC**



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C. Lawrence Connolly, III  
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**Expert Witness for the Official  
Committee of Equity Security Holders**