

Hearing Date: December 14, 2000
Hearing Time: 11:00 a.m.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
Attorneys for American Banknote Corporation
Debtor and Debtor-in-Possession
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New York, New York 10036
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Kayalyn A. Marafioti (KM 9362)
Frederick D. Morris (FM 6564)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re :
: Chapter 11
: Case No. 99 B 11577 (PCB)
AMERICAN BANKNOTE :
CORPORATION, :
: Debtor. :
: :
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Name Of Applicant:	Skadden, Arps, Slate, Meagher & Flom LLP
Authorized To Provide Professional Services To:	American Banknote Corporation
Date Of Retention Order:	January 4, 2000
Period For Which Compensation And Reimbursement Are Sought:	12/8/99-11/3/00

Amount Of Compensation Sought
As Actual, Reasonable, And Necessary: \$1,577,265.25

Amount of Expense Reimbursement
Sought As Actual, Reasonable, And
Necessary: \$134,350.56

This is a(n): interim final application.

**TIME SUMMARY FOR FINAL FEE APPLICATION OF
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
DECEMBER 8, 1999 - NOVEMBER 3, 2000**

<u>NAME</u>	<u>YEAR OF ADMISSION</u>	<u>RATE</u>	<u>HOURS</u>	<u>AMOUNT</u>
<u>PARTNERS</u>				
Thomas Bateman	1972	\$550	3.70	\$2,035.00
Michael L. Cook	1969	560	17.60	9,856.00
Randall Doud	1982	610	17.40	10,614.00
John P. Furfaro	1981	480	7.20	3,456.00
		520	0.90	468.00
Andre LeDuc	1978	590	18.25	10,767.50
Colleen P. Mahoney	1981	440	0.50	220.00
Kayalyn A. Marafioti	1980	540	686.40	370,656.00
		590	288.10	169,979.00
J. Gregory Milmoie	1975	590	4.60	2,714.00
Alesia Ranney-Marinelli	1977	540	1.70	918.00
TOTAL PARTNERS			1,046.35	\$581,683.50
<u>ASSOCIATES</u>				
Timothy W. Amata	1995	290	28.50	8,265.00
		330	59.00	19,470.00
Shlomo Azarbad	Pending	190	4.30	817.00
		215	40.90	8,793.50
Anne Beckman	1974	350	2.25	787.50
Giorgio Bovenzi	1996	310	513.70	159,247.00
Judith L. Cohen	Pending	260	136.00	35,360.00

Alan R. Dalsass	Pending	260	7.60	1,976.00
Howard A. Fine	1992	335	3.80	1,273.00
Daniel I. Ganitsky	Pending	190	6.20	1,178.00
Gerald A. Gordon	2000	190	2.70	513.00
		215	36.90	7,933.50
Jeffrey A. Greenblatt	1997	265	44.50	11,792.50
		320	1.30	416.00
Carl G. Guida	1995	310	12.90	3,999.00
		350	2.80	980.00
Neal R. Jacobson	1990	320	511.70	163,744.00
Evan R. Levy	1995	310	0.20	62.00
Frederick D. Morris	1997	290	612.30	177,567.00
		330	428.00	141,240.00
Jason P. Semmel	1997	265	38.65	10,242.25
Manan D. Shah	Pending	190	7.50	1,425.00
David D. Tawil	1999	190	57.60	10,944.00
		215	133.20	28,638.00
		260	71.80	18,668.00
Sina Toussi	1995	290	27.0	7,830.00
Jeffrey M. Traurig	1997	330	4.40	1,452.00
Victor R. Waingort	2000	215	118.50	25,477.50
		260	42.90	11,154.00
	TOTAL ASSOCIATES		2957.10	\$861,244.75
SUMMER/WINTER ASSOCIATES				
Elizabeth A. Its	n/a	\$160	18.50	\$2,960.00

	TOTAL SUMMER/WINTER ASSOCIATES		18.50	\$2,960.00
<u>PARAPROFESSIONALS</u>				
Lasalle S. Alcena	n/a	95	2.00	190.00
John Ariola Jr.	n/a	95	1.20	114.00
Malikah Ashby	n/a	85	21.20	1,802.00
		120	1.40	168.00
Philip A. Ashby	n/a	75	4.00	300.00
Maurice L. Baroni	n/a	125	0.40	50.00
Paul Bogdanovic	n/a	125	0.50	62.50
Buzz Bovshow	n/a	120	0.75	90.00
Matthew P. Buchwald	n/a	95	0.50	47.50
Silas I. Burgess	n/a	65	2.00	130.00
Karen J. Carrillo	n/a	95	1.25	118.75
Thomas F. Chew	n/a	55	92.00	5,060.00
Todd Danhauser	n/a	115	2.30	264.50
Robert B. Davis	n/a	125	26.90	3,362.50
Susan J. Davis	n/a	60	0.30	18.00
Marlowe L. Doman	n/a	55	2.10	115.50
Eloy Echeguren	n/a	60	9.10	546.00
		75	0.30	22.50
Damion Fallon	n/a	95	5.70	541.50
Charles M. Fernandez	n/a	60	1.20	72.00
Robert A. Friedlander	n/a	60	1.85	111.00
Daniel R. Friedman	n/a	65	7.80	507.00
		105	26.30	2,761.50
Kathryn Graybill	n/a	95	5.70	541.50

Tasha L. Guevara	n/a	95	0.25	23.75
John M. Guthrie	n/a	95	1.00	95.00
		120	0.50	60.00
John T. Heatherton	n/a	60	3.20	192.00
		75	0.30	22.50
Peter W. Hennessey	n/a	65	1.20	78.00
		85	694.70	59,049.50
		120	220.30	26,436.00
Gerald K. Howard	n/a	95	0.75	71.25
Norman K. Isaksson	n/a	95	0.75	71.25
		120	0.20	24.00
C. James Jahn	n/a	95	15.30	1,453.50
		120	6.50	780.00
Sonja M. Johnson-Oden	n/a	60	0.30	18.00
		75	0.40	30.00
Helen B. Kaplan	n/a	95	0.75	71.25
		120	1.00	120.00
Steven R. Katzenstein	n/a	60	1.70	102.00
		75	0.10	7.50
Michael Khorsandi	n/a	105	3.00	315.00
Lynn Kotula	n/a	60	0.25	15.00
Wendy K. LaManna	n/a	125	0.20	25.00
Richard M. LaRosa	n/a	60	5.75	345.00
Jennifer K. Lawrence	n/a	95	8.60	817.00
Tanya L. Leach	n/a	120	7.50	900.00
Martha Libman	n/a	95	1.20	114.00
Ann Link	n/a	95	3.50	332.50
		120	7.50	900.00

Debra C. Malina	n/a	75	0.40	30.00
Kathleen B. Moringiello	n/a	125	0.50	62.50
John C. Murphy	n/a	125	20.30	2,537.50
		160	6.50	1,040.00
Timothy G. Murphy	n/a	95	7.25	688.75
		120	5.00	600.00
Alice C. O'Neil	n/a	95	6.00	570.00
Karl J. Peterson	n/a	95	6.00	570.00
Daliar C. Phillips	n/a	95	15.90	1,510.50
Raymond R. Pizarro	n/a	120	2.20	264.00
Kathleen M. Pritz	n/a	150	0.10	15.00
Charles W. Reed	n/a	60	29.60	1,776.00
Sandy-Matthew Reisig	n/a	60	4.80	288.00
		75	0.60	45.00
William Rivera	n/a	60	8.10	486.00
		75	0.10	7.50
Susan J. Robinson	n/a	95	2.20	209.00
Joseph J. Roman	n/a	65	35.50	2,307.50
		75	9.30	697.50
Jaime Sandoz	n/a	95	2.00	190.00
Ivan Santana	n/a	95	6.70	636.50
Gregory Sargeant	n/a	125	3.00	375.00
Kerstin A. Schaars	n/a	105	1.50	157.50
Janell Sexton	n/a	95	4.00	380.00
		120	5.00	600.00
Diana Shaw	n/a	95	0.25	23.75
Nathan D. Smith	n/a	95	1.25	118.75
David M. Spinley	n/a	95	8.00	760.00

Vanessa Ssebanakitta	n/a	85	1.25	106.25
Edward A. Strecker	n/a	60	6.00	360.00
Elbert E. Sweat	n/a	95	1.00	95.00
		120	8.00	960.00
John Tamayo	n/a	75	0.60	45.00
Julie M. Tamburro	n/a	60	0.50	30.00
Thomas J. Tatarian	n/a	125	1.00	125.00
Elizabeth H. Terhune	n/a	95	8.70	826.50
Liza Thomas	n/a	120	7.00	840.00
Linda K. Thompson	n/a	95	0.75	71.25
Josette S. Trotman	n/a	95	0.50	47.50
Carrie A. Utterback	n/a	125	0.80	100.00
James F. Valentino	n/a	60	1.00	60.00
Allison K. Verderber	n/a	105	6.80	714.00
Amanda Vogel	n/a	95	2.00	190.00
Susan V. Walker	n/a	95	1.00	95.00
Lisa R. Walters	n/a	150	2.00	300.00
TOTAL PARAPROFESSIONALS				1444.40
				\$131,377.00
TOTAL			5466.35	\$1,577,265.25
BLENDED HOURLY RATE				\$288.54

Hearing Date: December 14, 2000
Hearing Time: 11:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11
: Case No. 99 B 11577 (PCB)
AMERICAN BANKNOTE :
CORPORATION, :
:
Debtor. :
:
----- x

APPLICATION OF SKADDEN, ARPS, SLATE, MEAGHER &
FLOM LLP, COUNSEL FOR AMERICAN BANKNOTE
CORPORATION, SEEKING FINAL ALLOWANCE OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES UNDER 11 U.S.C. § 330 AND
RULE 2016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE

TO: THE HONORABLE PRUDENCE CARTER BEATTY,
UNITED STATES BANKRUPTCY JUDGE:

Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden, Arps" or the "Firm"), attorneys for American Banknote Corporation ("ABN" or the "Debtor"), debtor and debtor-in-possession in the above-captioned Chapter 11 case, hereby submits this application (the "Application") seeking final allowance of compensation and reimbursement of expenses pursuant to 11 U.S.C. § 330, and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) for the period from December 8, 1999

through and including November 3, 2000 (the "Application Period") and (ii) for the time spent preparing the Firm's monthly statements of fees and disbursements and this Application. In support of this Application, the Firm represents as follows:

Preliminary Statement

2. On December 8, 1999 (the "Petition Date"), ABN filed a voluntary petition in this Court for reorganization relief under Chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"). After the filing of the petition, the Debtor generally continued to operate its business and manage its properties as debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No creditors' committee, trustee, or examiner was appointed in this case. An Official Committee of Equity Security Holders (the "Equity Committee") was appointed in this case, and there was an active informal Noteholders' Committee (defined below).

4. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this case in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate for the relief sought herein is section 330 of the Bankruptcy Code.

5. 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 (the "Local Guidelines"), and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (together with the Local Guidelines, the "Guidelines"). Pursuant to the Local Guidelines, a certification regarding compliance with the Guidelines follows this portion of the Application.

Background

6. By order dated January 4, 2000, a copy of which is annexed hereto as Exhibit A, the court approved the employment and retention of the Firm under sections 327(a) and 329 of the Bankruptcy Code and Bankruptcy Rules 2014 and 2016 as attorneys for ABN, under a general retainer as of the commencement of the case, to perform the following services:

- (a) advise ABN with respect to its powers and duties as debtor-in-possession in the continued management of its business and properties;
- (b) attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the

- conduct of the case, including all of the legal and administrative requirements of operating in Chapter 11;
- (c) take all necessary action to protect and preserve ABN's estate, including the prosecution of actions on its behalf, the defense of any actions commenced against it, negotiations concerning all litigation involving ABN, and objections to claims filed against ABN's estate, if any;
 - (d) prepare, on ABN's behalf, all motions, applications, answers, orders, reports, and papers necessary to the administration of the estate;
 - (e) take any necessary action on ABN's behalf to (i) obtain approval of the Disclosure Statement and confirmation of the Plan (both as defined below), (ii) negotiate any alternative plan of reorganization, disclosure statement, and related agreements and/or documents, (iii) implement all transactions related thereto, and (iv) prosecute any modifications, revisions or appeals thereto;
 - (f) advise the Debtor in connection with any sale of assets;
 - (g) appear before this Court, any appellate courts, and the United States Trustee, and protect the interest of the Debtor's estate;

- (h) advise ABN with respect to all corporate and Securities and Exchange Commission ("SEC") matters;
- (i) perform all other necessary legal services and provide all other necessary legal advice to ABN in connection with this Chapter 11 case; and
- (j) provide general real estate, tax, and financing advice to the Debtor.

7. Pursuant to paragraph B.2 of the Local Guidelines, no later than 20 days after the end of each month during the Application Period, or the following Monday if such date fell on a weekend date, Skadden, Arps provided ABN and counsel for the Equity Committee (after its appointment) with a monthly statement of fees and disbursements accrued during such month. All quarterly fees were paid to the United States Trustee, and all monthly operating reports required under the United States Trustee Operational Guidelines were timely filed.

I.
Relief Requested

8. The Firm submits this Application for (a) allowance of compensation in the amount of \$1,577,265.25 for the professional services rendered by it as attorneys for ABN during the Application Period, which amount is derived solely from the applicable hourly billing rates of the Firm's personnel who rendered such services, and (b) reimburse-

ment of actual and necessary out-of-pocket disbursements and charges in the amount of \$134,350.56 incurred in the rendition of required professional services on behalf of ABN during the Application Period.

9. The Firm has received no promise of payment for professional services rendered or to be rendered in this case.¹

10. The Firm maintains records of the time it expended in the rendition of all professional and paraprofessional services. The Firm's time records were made concurrently with the rendition of professional services, and attorney and paraprofessional time detail is annexed to this Application.

11. During the Application Period, attorneys and paraprofessionals of the Firm devoted an aggregate of 5,466.35 hours to this Chapter 11 case. Of the aggregate time expended, approximately 1,046.35 hours were spent by partners, 2,975.60 hours by associates, and 1,444.40 hours by paraprofessionals. The chart immediately preceding the first page of this Application sets forth a schedule showing the name and position of each partner, associate, and paraprofessional working on this case, together with that person's year of admission to the bar (if applicable), hours worked during the Application Period, and hourly billing rate.

¹ The Firm has not filed any previous request for allowance of interim or final compensation or reimbursement of expenses in this case. The Firm has received no payment as compensation for services rendered to, or reimbursement of expenses incurred on behalf of, ABN during the Application Period.

12. Exhibit B hereto contains a summary of fees incurred during the Application Period, by billing matter. Exhibit C hereto lists the Firm's billing matters to which its services in the case were charged.² Exhibits D-1 through D-12 hereto include all professionals' and paraprofessionals' daily time records of services performed during the Application Period, on a monthly basis by billing matter. Exhibits E and F-1 through F-12 hereto contain a summary of disbursements incurred during the Application Period and a corresponding computer detail. Exhibit G hereto contains a summary of fees and expenses organized by billing matter.

13. An index to all of the Exhibits is attached hereto immediately following (a) the affidavit required under Fed. R. Bankr. P. 2016 and (b) the certification that the Application complies with all the requirements of the Local Guidelines, both of which appear at the end of this portion of the Application.

II.
Summary Of Services Rendered By
Skadden, Arps During the Application Period

14. Throughout the Application Period, the Firm was required to render services to ABN on a daily basis. The demands on the Firm were extreme. Skadden, Arps attorneys were required to devote significant amounts of time to the case, often to the exclusion of other clients. It is impossible to summarize completely, short of collating the

² Skadden, Arps' attorneys and paraprofessionals allocated their services in the case to various billing matters that covered discrete activities within the case.

hundreds of pages of daily time records, the work performed by the Firm throughout ABN's case and to detail in narrative form all of the research, drafting, conferences, telephone conversations, negotiating sessions, document review, and other matters that occupied the Firm daily. The Firm's time records, however, which are annexed to this Application, provide ample detail of the services performed. This section of the Application describes the more substantial services performed and the role played by the Firm during the Application Period, and highlights certain crucial parts of the case that required particularly intense dedication by the Firm's attorneys.

A. ABN's Capital Structure

15. ABN is a holding company which, through its Subsidiaries (defined below) in the United States, Brazil, Argentina, Australia, New Zealand, and France, provides secure products and systems through three principal product lines: transaction cards and systems; printing services and document management; and security printing solutions. ABN's principal Subsidiaries are American Banknote Company ("ABNCo"); American Bank Note Company Grafica e Servicos Ltda., a 77.5% owned Brazilian company; Transtex S.A., an Argentinean company; Leigh-Mardon Pty, Ltd., an Australian company; and, until its sale in September 2000, Sati Holdings S.A., a French company (collectively, the "Subsidiaries").

16. ABN was incorporated in 1993 in Delaware as United States Banknote Corporation and changed its name on July 1, 1995 to American Banknote

Corporation. ABNCo, ABN's wholly-owned domestic Subsidiary, and ABNCo's predecessors have been in the business of providing security documents for more than 200 years.

17. Only ABN was the subject of this Chapter 11 case. None of ABN's Subsidiaries became a debtor under the Bankruptcy Code. The financial viability and business of ABN is wholly dependent upon the businesses of its Subsidiaries.

B. The Pre-Negotiated Plan Of Reorganization

18. On May 28, 1999, ABN announced that it would not make its semi-annual interest payment on its 11¼% Senior Subordinated Notes due 2007 (the "Senior Subordinated Notes"), its single largest tranche of publicly held debt, and that it had begun discussions with approximately 50% of the holders of the Senior Subordinated Notes to address a possible restructuring intended to de-leverage the Debtor's capital structure and enhance its ability to operate and grow in the future.

19. Shortly thereafter, the holders of over 85% in aggregate principal amount of the outstanding Senior Subordinated Notes formed an informal committee (the "Noteholders' Committee") to continue discussions with ABN regarding the terms of a possible restructuring. These discussions, and discussions with certain other creditor groups, resulted in the agreement in principle that is reflected in the Third Amended Reorganization Plan Of American Banknote Corporation, filed on the Petition Date and amended on August 17, 2000, September 12, 2000, and November 3, 2000 (as amended, the "Plan").

20. It was against this backdrop that the Firm was requested to prepare a Plan, a disclosure statement and summary disclosure statement (together, as amended on August 17, 2000 and September 12, 2000, the "Disclosure Statement"), and related documents necessary to file the Chapter 11 petition for ABN, and to devise a strategy for the impending Chapter 11 case.

21. On the Petition Date, the Firm filed the original Plan, the original Disclosure Statement, ABN's schedules of assets and liabilities and statement of financial affairs, and various first-day motions and proposed orders. The Firm also sought and obtained a bar date (the "Bar Date") for the filing of claims and a schedule for hearings on the Disclosure Statement and confirmation of the Plan.

22. The Court scheduled a hearing on the adequacy of the Disclosure Statement for January 28, 2000. The Plan had been negotiated with the Noteholders' Committee, whose members hold approximately \$126,120,000 in aggregate principal amount of the Debtor's public debt out of a total of \$159,502,000.³ The Plan was also supported by the holders of approximately 93% in aggregate principal amount of the Debtor's Convertible Subordinated Notes.

Just weeks before the hearing on the adequacy of the Disclosure Statement, ABN was notified that it and Morris Weissman, the former Chief Executive Officer of ABN and a

³ The holders of the Debtor's only other public debt, the 11 $\frac{5}{8}$ % Senior Notes due 2002, were unimpaired under the Plan.

current consultant of ABN (the "Consultant"), were targets of certain governmental investigations in connection with ABN's sale of its formerly wholly-owned subsidiary, American Bank Note Holographics, Inc. ("ABNH"), that might result in civil and criminal liability against ABN and certain of its officers.⁴ Because of this unexpected development, and at the request of the Noteholders' Committee, ABN requested that the Court adjourn the hearing on the adequacy of the Disclosure Statement to permit time for ABN and the Noteholders' Committee to determine what effect, if any, these announcements would have on ABN's Plan.

C. The Revised Plan

23. During the Application Period, the Firm devoted substantial time assisting ABN with revising and amending the Plan. As part of these services, Skadden, Arps attorneys participated in numerous reorganization plan strategy sessions with ABN's management, special securities counsel, and financial advisors. At these strategy sessions, the Firm advised the Debtor with respect to the legal requirements of a reorganization plan under the Bankruptcy Code, as well as the legal ramifications of various proposed plan structures. Also, with the assistance of special securities counsel, the Firm helped advise ABN concerning complex issues in connection with the formulation of a plan of reorgani-

⁴ The governmental investigations were publicly disclosed by ABN on January 20, 2000.

zation in the face of two pending class action litigations against ABN and the pending SEC and United States Attorney investigations of ABN.

24. As discussed in detail below, the Firm has devoted substantial time working with special securities counsel to reach agreements with governmental entities concerning the potential civil and criminal liability against ABN. The Firm also spent a substantial amount of time negotiating with the various interested parties and creditor and stakeholder constituencies and revising the Plan and Disclosure Statement to reflect the evolving agreements reached with the various interested parties which were essential to maintain a consensual reorganization. Significant and complex interrelated modifications which were negotiated and incorporated into the revised Plan and Disclosure Statement included the following: (i) additional modifications to the indenture of certain of the public debt; (ii) resolution of the Consultant's claim and consequential corporate governance issues; (iii) multiple agreements among the Equity Committee, the "class action" plaintiffs, the Consultant, ABN, and ABNH regarding the allocation of new stock, warrants, options, and rights to be issued under the revised Plan; and (iv) resolution of ABNH's claim against ABN.

25. In negotiating, redrafting, and revising ABN's Plan, the Firm devoted substantial amounts of time and resources to researching, reviewing and/or preparing adequate disclosure of various subjects including, without limitation, (i) ABN's corporate structure and business operations, (ii) prepetition litigation, (iii) intercompany affiliated

transactions, (iv) developments in the Chapter 11 case, (v) governmental investigations, (vi) executory contracts, (vii) tax issues, (viii) classification issues, (ix) solicitation procedures, (x) treatment of claims, including resolution of treatment of securities action claims, and (xi) notice issues. Additionally, the Firm devoted substantial amounts of time to drafting collateral Plan documents, including, without limitation, the rights offering procedures, the notice of exercise of rights, and various settlement agreements.

26. The Plan, as amended, contemplates, among other things, the (i) reorganization of ABN as a going concern; (ii) transfer of approximately ninety percent (90%) of the equity in reorganized ABN to the holders of the Senior Subordinated Notes and approximately 1.9% to the holders of another subordinated tranche of ABN debt; (iii) retention by existing equity holders of approximately 7.7% of the equity in reorganized ABN and the opportunity to obtain an additional approximately 13.5% of the equity in reorganized ABN on a fully-diluted basis through the exercise of warrants, options, and the subscription for additional equity through the rights offering; (iv) full reinstatement, or reinstatement with certain limited modifications, of ABN's other tranches of publicly held debt; (v) treatment of allowed general unsecured claims in a manner that will leave them unimpaired under section 1124 of the Bankruptcy Code; and (vi) an allocation of stock and warrants to the "class action" claimants.

27. To prepare for the process of soliciting votes with respect to the Plan from these claimants and equity security holders and seeking approval of the Disclosure

Statement, the Firm drafted notices for distribution and publication with respect to the hearings on the Disclosure Statement and Confirmation. The Firm also developed the procedural foundation for soliciting acceptances and rejections of the Plan, which procedures were supplemented as the case evolved.

28. During the Application Period, Skadden, Arps also assisted ABN in securing Bankruptcy Court approval of extensions of their exclusive periods within which to file a reorganization plan and solicit acceptances of the plan.

29. Finally, during the Application Period the Firm's attorneys spent a significant amount of time researching and analyzing issues regarding the Plan confirmation process, including classification, solicitation, and securities issues. In addition, the Firm's attorneys researched and drafted the confirmation brief and negotiated and drafted the plan supplement documents. Ultimately, the Firm prepared for and attended the three days of hearings on confirmation of the Plan, which resulted in the entry on November 3, 2000 of an order confirming the Plan.

C. Disclosure Statement

30. Throughout the Application Period, the Firm devoted substantial amounts of time to revising and editing the Disclosure Statement to ensure that it complied strictly with Bankruptcy Code requirements, accurately described relevant agreements and other background documentation, and reflected the changing circumstances of the Chapter 11 case. In drafting the Disclosure Statement, Skadden, Arps attorneys reviewed numerous

books and records of the Debtor and other documents regarding ABN. Such documents included corporate documents, proofs of claim and numerous transactional documents.

31. Consistent with the pre-negotiated nature of the case, the Firm routinely sent drafts of proposed revisions to the Disclosure Statement to various parties in interest for comments, so that needed changes could be effected in a manner that would be acceptable to all of the parties. By obtaining comments on early drafts, the Firm successfully resolved in advance many issues that could otherwise have caused disputes at the time of confirmation.

32. The Firm prepared for and attended the hearing on approval of the Disclosure Statement, which was held on August 28, 2000. The Disclosure Statement was approved by order of the Bankruptcy Court dated September 12, 2000.

D. Case Administration

33. The Firm devoted a considerable amount of time during the Application Period to matters of case administration. The Firm's attorneys conferred with ABN's management on a daily basis to formulate strategy for resolving issues arising in the case. The Firm also assisted the Debtor in preparing monthly operating reports. The Firm also prepared for and attended section 341 meetings conducted by the United States Trustee's office. Additionally, the Firm reviewed the Debtor's schedules and statement of financial affairs and prepared amendments to both. The Firm also communicated regularly with the Court.

E. Securities And Exchange Commission

34. During the Application Period, Skadden, Arps spent time researching, analyzing, and negotiating various issues in connection with a potential claim asserted by the SEC against ABN based upon its investigation of the ABNH spinoff (the "SEC Investigation"). The SEC Investigation in large part caused the adjournment of the hearings on the original Disclosure Statement.

35. On January 20, 2000, ABN filed a Form 8-K/A with the SEC, which stated, in part, that ABN "has been advised by the staff of the [SEC] that it is prepared to recommend to the Commission that enforcement proceedings be commenced against [ABN] in the United States District Court seeking injunctive relief and monetary disgorgement" in the amount of approximately \$110,000,000.

36. The Firm's attorneys researched issues raised by the SEC's putative claim against ABN, and consulted with all of the parties which had participated in the negotiations leading to the pre-negotiated Plan, along with the Equity Committee and securities action plaintiffs, regarding the consequences of the SEC's actions. As discussed above, the SEC Investigation necessitated substantial revisions to the Plan and Disclosure Statement, and the Firm devoted a considerable amount of time to negotiating and revising the amended Plan and Disclosure Statement in light of the SEC Investigation.

37. The Firm also assisted ABN and its special securities counsel in intensive negotiations with the SEC. These efforts have led to an agreement in principal with the staff of the SEC to a settlement of the proposed enforcement proceedings.

38. United States Attorney Investigation The Firm also spent time during the Application Period working on various issues in connection with an investigation by the United States Attorney's Office for the Southern District of New York. On January 20, 2000, ABN filed a Form 8-K/A with the SEC, which stated, in part, that ABN "has been advised by the United States Attorney's Office for the Southern District of New York that it is a target of an investigation relating to the revenue recognition issues involving its former subsidiary, American Bank Note Holographics, Inc." (the "U.S. Attorney Investigation").

39. The U.S. Attorney Investigation raised several legal issues affecting the confirmation process that the Firm was required to research and analyze. The Firm worked closely with special securities counsel to assess the impact of the U.S. Attorney Investigation on the confirmation process, and to formulate strategies for addressing both the investigation and confirmation. The U.S. Attorney Investigation also provoked further intensive negotiations with the other parties that had participated in the formulation of the pre-negotiated Plan and the Equity Committee and securities litigation plaintiffs.

F. Securities Litigation

40. During the Application Period the Firm spent time researching, analyzing, and discussing with ABN management various issues with respect to two putative class action lawsuits against ABN, among others.

41. On May 10, 1999, the two putative class actions against, inter alia, ABN and ABNH were consolidated in two purported class action lawsuits in the United States District Court for the Southern District of New York (the "District Court"). The actions are captioned *In re American Bank Note Holographics, Inc. Securities Litigation*, No. 99 Civ. 0412(CM) (S.D.N.Y.) and *In re American Banknote Corporation Securities Litigation*, No. 99 Civ. 0661(CM) (S.D.N.Y.) (collectively, the "Securities Actions"). The Securities Actions named as defendants ABN and certain of its directors and officers, as well as others, and alleged violations of the federal securities laws in connection with the July, 1998 initial public offering of shares of ABNH.

42. The Firm spent a significant amount of time reviewing and analyzing issues relating to the Securities Actions, as well as reviewing documents in connection with the Securities Actions. ABN and the individual defendants moved to dismiss the Securities Actions. By order dated March 16, 2000, the Bankruptcy Court lifted the automatic stay solely to the extent necessary to enable the District Court to determine the motions to dismiss. On April 26, 2000, the District Court entered an order granting ABN's

motion to dismiss the plaintiffs' claims under Section 11 of the 1933 Securities Act, and denying the motion to dismiss with respect to all other claims.

43. When the plaintiffs in the Securities Actions moved for the appointment of a Chapter 11 trustee in this case, Skadden, Arps prepared pleadings in opposition to such motion.

44. Subsequently, on June 23, 2000, ABN, ABNH, the plaintiffs in the ABN Securities Action, the plaintiffs in the ABNH Securities Action, and certain other defendants in the Securities Actions agreed to settle their claims. The Firm was active in brokering the compromise as well as in incorporating the agreement into the Plan and Disclosure Statement.

G. Other Litigation

45. Bank Of Lithuania Matter. A relatively large amount of Skadden, Arps' services during the Application Period were devoted to litigation and settlement negotiations with the Bank of Lithuania (the "Bank"). On January 21, 2000, the Bank filed a proof of claim (the "Claim") against ABN in the amount of "not less than \$6,418,328" based upon an alleged breach of a pre-petition contract. The Firm prepared and filed an objection and amended objection, which included counterclaims, to the Bank's Claim. On July 26, 2000, the Bank filed a motion to dismiss ABN's amended objection and counterclaims and the Firm commenced researching and preparing ABN's opposition.

46. In addition, on February 18, 2000, the Bank filed a motion for relief from the automatic stay to allow an international arbitration relating the Bank's Claim to continue. The Firm researched and drafted ABN's objection to the Bank's stay motion, and, by order dated March 14, 2000, the Bankruptcy Court denied the Bank's motion.

47. On May 11, 2000, the Bank appealed the Court's decision denying it relief from the automatic stay. The Firm researched and analyzed the issues raised by the appeal and drafted ABN's reply brief to the United States District Court for the Southern District of New York (the "District Court"). Additionally, the Firm researched, drafted, and filed a brief in opposition to the Bank's request for a stay pending its appeal. The Firm participated in proceedings before the Bankruptcy Court and District Court in prosecuting its defenses to this litigation.

48. The Firm, working closely with special foreign counsel throughout the Application Period, was involved in extensive negotiations with the Bank to resolve its Claim. This ultimately resulted in a definitive settlement agreement resolving the Bank's Claim and ABN's counterclaims. This agreement was approved by the Bankruptcy Court by order dated October 11, 2000.

49. Rabbi Trust Litigation. In December of 1989, International Bank-note Company, Inc., the predecessor of ABN, formed a grantor trust for post-retirement medical benefits for its employees and former employees (the "Rabbi Trust"). Under the

terms of the Rabbi Trust, upon ABN's filing of its petition for relief under Chapter 11, the trust assets became subject to the reach of ABN's general creditors.

50. On the Petition Date, the Firm initiated an adversary proceeding against the participants in the Rabbi Trust and the trustee by filing a complaint for injunctive relief and for turnover of the Rabbi Trust assets (the "Complaint"). In connection with this adversary proceeding, the Firm spent a significant amount of time throughout the Application Period prosecuting the adversary proceeding, engaging in settlement discussions, and preparing settlement documentation.

51. When it became evident that the Rabbi Trust participants as a group were not willing to reach a compromise, and their counsel terminated all settlement discussions and all communication with the Firm, the Firm prepared a motion for summary judgment for turnover of the assets held in trust, and engaged in extensive further settlement discussions subsequent to the filing of the summary judgment motion. Additionally, in response to an objection to confirmation filed by one of the Rabbi Trust participants, the Firm prepared and filed various supplemental pleadings in further support of confirmation to address such objection.

52. Moreover, at the hearings on confirmation of the Plan, the Firm's attorneys devoted a substantial portion of time and effort developing and presenting evidence to rebut the objection to confirmation.

H. Employee Benefits

53. During the Application Period, Skadden, Arps spent a significant amount of time analyzing issues and counseling ABN's management on various matters regarding the compensation and benefits of ABN's employees. Additionally, the Firm engaged in settling various claims of management in connection with such employees' benefits and worked on restructuring such benefits in settlement of such claims.

54. Additionally, the Firm spent a significant amount of time conferring with ABN's management regarding, and negotiating, a consulting agreement for the Consultant. Since October 1, 1993, the Consultant has been employed by ABN and American Banknote Company ("ABNCo") pursuant to an employment agreement, dated October 1, 1993 (the "Employment Agreement").

55. On January 24, 2000, the Consultant filed a proof of claim against ABN for accrued vacation pay and accrued bonuses under the Employment Agreement in the amount of \$2,355,923. The Firm worked closely with ABN's management, throughout the Application Period, advising, assisting, negotiating, and drafting settlement documentation in connection with the Consultant's claim and his transition to consultant. ABN worked closely with the Noteholders' Committee in reaching a definitive settlement agreement that resolved all of the outstanding issues between ABN and the Consultant (the "Settlement Agreement").

56. In furtherance of the Settlement Agreement, the Firm prepared a motion for approval of the Settlement Agreement (the "Settlement Motion"), which was contested. Subsequently, the Firm prepared a supplemental statement in support of the Settlement Motion. By order dated June 28, 2000, the Court overruled all outstanding objections to, and approved, the Settlement Motion.

57. In addition, the Firm's attorneys spent time negotiating and drafting an amended severance agreement with John T. Gorman, the former executive vice president and chief financial officer of ABN.

I. 410 Park Avenue Lease

58. The Firm spent a substantial amount of time researching, analyzing, litigating, and negotiating the various issues that arose in connection with ABN's assumption and assignment of an unexpired real property lease (the "410 Park Lease"), dated May 19, 1998, between ABN and 410 Park Avenue Associates, LP (the "Landlord"), and the related entry into a sublease.

59. Pursuant to the 410 Park Lease, ABN leased the entire 12th floor of the building known as 410 Park Avenue, New York, New York, 10022 ("410 Park"), consisting of approximately 12,400 square feet.

60. On April 13, 2000, ABN and the law firm of Pryor Cashman Sherman & Flynn LLP ("Pryor Cashman") entered into an assignment of the 410 Park

Lease (the "Assignment"). On April 13, 2000, ABN also entered into an agreement (the "Sublease") with Pryor Cashman to sub-let from Pryor Cashman approximately 2,650 square feet of space that Pryor Cashman was already leasing at 410 Park.

61. In addition to preparing the actual Assignment and Sublease, the Firm prepared a motion seeking approval of the Assignment and Sublease, and additionally drafted a reply memorandum to the Landlord's objections to the Assignment and Sublease. Thereafter, by order dated May 10, 2000, the Court overruled the objections of the Landlord and approved the Assignment and Sublease.

62. Subsequently, the Firm prepared pleadings opposing the Landlord's request for a stay pending appeal of the Court's order approving the Assignment and Sublease, and the Landlord appealed that order to the District Court.

63. The Firm was actively involved in defending the Bankruptcy Court's order on appeal, and to that end, prepared a counter-designation of the record and statement of issues, a brief in opposition to the stay request, and the appeal brief. On June 22, 2000, the District Court affirmed the decision of the Court to approve the Assignment and Sublease, and the Landlord appealed that decision to the United States Court of Appeals for the Second Circuit. The Firm prepared a letter brief opposing the Landlord's request for an additional stay, which request was denied, resulting in the Landlord's ultimate withdrawal of the appeal.

J. Claims Analysis and Recovery

64. The Firm devoted a significant amount of time reconciling claims against ABN, reviewing filed proofs of claim, and preparing the framework for subsequent omnibus claims objections.

K. Corporate Advice

65. During the Application Period, Skadden, Arps spent time analyzing, researching, and advising ABN's management on numerous corporate governance issues. In addition, the Firm attended several ABN board meetings and conferred with the board regarding significant corporate governance and other matters that the Debtor was considering.

III.
Allowance Of Compensation

66. Standing at the bar and experience. The partner in charge of the Firm engagement as of late February 2000 was Kayalyn A. Marafioti. Ms. Marafioti has had substantial experience in providing bankruptcy advice on a wide variety of matters. She has represented debtors, creditors, trustees, committees, equity holders, foreign liquidators, investment banks, and accountants in reorganization and bankruptcy ancillary cases as well as out-of-court restructurings and corporate transactions. Ms. Marafioti has authored and co-authored numerous educational outlines on bankruptcy-related issues and is a frequent speaker on continuing legal education panels and at seminars on bankruptcy

law and related topics. Ms. Marafioti supervised and coordinated the activities of the Firm's attorneys and was involved in all aspects of ABN's Chapter 11 case, including negotiations with creditors and government agencies; daily consultation with ABN's management; frequent consultation with the counsel for the Noteholders' Committee, the Equity Committee, and the "class action" plaintiffs; the preparation of motions, applications, memoranda of law, and proposed orders; the drafting and revision of ABN's Plan and Disclosure Statement; and appearances at court conferences and hearings.

67. Compensation sought. Because of the benefits realized by the estate, the nature of this case, the standing at the bar of the Firm and the attorneys who rendered services, the amount of work done, the time consumed, the skill required, and the contingent nature of the compensation, the Firm requests that it be allowed \$1,577,265.25 in compensation, representing all fees for professional services rendered during the Application Period.

68. This request includes \$31,532.33 compensation for fees and expenses incurred in preparing the monthly fee statements and this Application.

69. Reimbursement of expenses. The Firm requests that it be granted reimbursement of expenses in the amount of \$134,350.56, which represents the following sums for actual and necessary expenses incurred in the rendition of professional services during the Application Period:

Computer Legal Research	\$46,443.17
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Facsimile	2,587.20
Long Distance Telephone	1,863.72
Outside Telephone	12.75
In-House Reproduction	35,148.60
Outside Reproduction	5.75
Outside Research	4,883.30
Filing/Court Fees	1,020.00
Word Processing	17,492.50
Local Travel	6,540.42
Business Meals	303.35
Overtime Expenses	2,965.94
Courier & Express Carriers	11,645.19
Postage	3,406.14
Other	32.53
	<u>\$134,350.56</u>

Exhibits E and F-1 through F-12 hereto provide further information and detail concerning the Firm's expenses and certain expense billing policies.

70. In the event that a subsequent review reveals that a different amount of professional services has been rendered or expenses have been incurred on behalf of ABN, which were not processed by the Firm's computer system in advance of this Application, the Firm further reserves the right to seek such different fees and expenses by subsequent application to the court.

WHEREFORE, the Firm respectfully requests that the court enter an order granting it (a) compensation for professional services rendered as attorneys for ABN during the Application Period in the sum of \$1,577,265.25, plus reimbursement of actual and necessary expenses incurred in the sum of \$134,350.56, and (b) such other and further relief as is just.

Dated: New York, New York
November 27, 2000

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
Attorneys for American Banknote Corporation

By: /s/ Kayalyn A. Marafioti
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