

DRINKER BIDDLE & REATH LLP  
A Pennsylvania Limited Liability Partnership  
500 Campus Drive  
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Attorneys for Official Section 1114 Committee  
of Bethlehem Steel Retirees  
A. Dennis Terrell (AT 8331)

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:	:	Chapter 11
	:	
BETHLEHEM STEEL CORPORATION,	:	Cases Nos. 01-15288 through
<u>et al.</u>	:	01-15302, 01-15308 through
	:	01-15315 (BRL)
Debtors.	:	
	:	Jointly Administered
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**COVER SHEET PURSUANT TO UNITED STATES TRUSTEE GUIDELINES FOR  
REVIEWING APPLICATIONS FOR COMPENSATION AND REIMBURSEMENT OF  
EXPENSE FILED UNDER 11 U.S.C. § 330**

NAME OF APPLICANT:	Drinker Biddle & Reath LLP
TIME PERIOD	February 1, 2003 through May 31, 2003
ROLE IN CASE:	Counsel to Official Section 1114 Committee of Bethlehem Steel Retirees
APPLICATION:	Fees Requested: \$ 199,661.00 Expenses Requested: \$ 7,283.67
PRIOR APPLICATIONS:	Fees Previously Requested: \$ 63,389.60 Fees Previously Awarded: \$ 62,674.60 Expenses Previously Requested: \$ 4,407.66 Expenses Previously Awarded: \$ 4,407.66
TOTAL HOURS BILLED FOR WHICH COMPENSATION IS SOUGHT:	626.1

PERSONS BILLING TIME:

Name (Bar Admissions)	Billing Rate	Hours Billed / Amount Billed
A. Dennis Terrell (NJ-1967; NY-1982 )	\$460	233.1/\$107,226.00
Jo Ann Butler (PA-1984; NJ-1985)	\$315	2.2/\$693.00
Frank F. Velocci* (NJ-1999; NY-2000)	\$255	226.5/\$57,757.00
	\$240	13.8/\$3,312.00
Marita S. Erbeck (NJ-2002; NY-2003)	\$205	98.7/\$20,233.5
Jonathan G. Strauss (PA-2002; NJ-2002)	\$205	45.8/\$9,389.00
Jamie B. Goldman (N/A)	\$175	6.0/\$1,050.00

BLENDED HOURLY RATE:

\$ 320.28

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\* Note that the Billing Rate for Frank F. Velocci changed during the Second Interim Fee Period from \$240.00 to \$255.00 per hour.

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Debtors.	:	
	:	Jointly Administered
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**SECOND APPLICATION OF DRINKER BIDDLE & REATH LLP,  
AS ATTORNEYS FOR THE OFFICIAL SECTION 1114 COMMITTEE OF  
BETHLEHEM STEEL RETIREES, FOR INTERIM ALLOWANCE OF  
COMPENSATION FOR PROFESSIONAL SERVICES RENDERED AND FOR  
REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES INCURRED FROM  
FEBRUARY 1, 2003 THROUGH MAY 31, 2003**

TO: THE HONORABLE BURTON R. LIFLAND  
UNITED STATES BANKRUPTCY JUDGE

Drinker Biddle & Reath LLP (“Drinker Biddle” or “the Applicant”), counsel to the Official Section 1114 Committee of Bethlehem Steel Retirees (the “Retirees’ Committee”) of Bethlehem Steel Corporation and certain of its direct subsidiaries, as debtors and debtors-in-possession in these chapter 11 cases (collectively, the “Debtors”), for its Second Application (the “Application”) pursuant to sections 330(a) and 331 of title 11 of the United States Code, §§ 101-1330 (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the

“Bankruptcy Rules”), for interim allowance of compensation for professional services performed by Drinker Biddle for the period commencing February 1, 2003 through and including May 31, 2003 (the “Second Interim Fee Period”), and for reimbursement of its actual and necessary expenses incurred during the Second Interim Fee Period, respectfully represents:

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

1. 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”), 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 (the “UST Guidelines”) and the Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals entered in these cases (the “Administrative Order” and, collectively with the Local Guidelines and UST Guidelines, the “Guidelines”). Pursuant to the Local Guidelines, a certification regarding compliance with same is attached hereto as Exhibit “A”.

2. Drinker Biddle seeks interim allowance of ninety percent (90%) of the total amount that it billed for professional services rendered to the Retirees’ Committee during the Second Interim Fee Period, in the aggregate amount of \$179,694.90. In addition, Drinker Biddle is seeking reimbursement of one hundred percent (100%) of the expenses that it incurred in connection with rendition of such services, in the aggregate amount of \$7,283.67. During the Second Interim Fee Period, Drinker Biddle attorneys and paraprofessionals expended a total of 626.1 hours for which compensation is requested. Drinker Biddle intends to seek approval of the remaining twenty percent (20%) of holdback amounts for fees incurred for professional services

rendered during the First Interim Fee Period and the remaining ten percent (10%) for fees incurred for professional services rendered during the Second Interim Fee Period in its final fee application. In sum, Drinker Biddle requests payment as follows:

\$ 199,661.00	[Second Interim Fee Period Fees]
- 19,966.10	[10% Holdback until Final Fee Application]
+ 7,283.67	[100% of Second Interim Fee Period Expenses]
+ 9,401.19	[75% of fee holdback from First Interim Fee Period ]
<hr/>	
<b>\$ 196,379.76</b>	<b>[Total Compensation for Which Approval is Sought]</b>

3. During the Second Interim Fee Period, Drinker Biddle attorneys and paraprofessionals expended a total of 626.1 hours for which compensation is requested.

4. There is no agreement or understanding between Drinker Biddle and any other person, other than members of Drinker Biddle, for the sharing of compensation to be received for services rendered in these cases.

5. The fees charged by Drinker Biddle in these cases are billed in accordance with its existing billing rates and procedures in effect during the Second Interim Fee Period. The rates Drinker Biddle charges for the services rendered by its professionals and paraprofessionals in these chapter 11 cases are the same rates Drinker Biddle charges for professional and paraprofessional services rendered in comparable non-bankruptcy related matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in a competitive national legal market.

6. Pursuant to the UST Guidelines, annexed hereto as Exhibit “B” is a schedule setting forth all Drinker Biddle professionals and paraprofessionals who have performed services in these chapter 11 cases during the Second Interim Fee Period, the capacities in which each such individual is employed by Drinker Biddle, the department in which each individual practices, the

hourly billing rate charged by Drinker Biddle for services performed by such individual, the aggregate number of hours expended in this matter and fees billed therefor, and the year in which each professional was first licensed to practice law. Travel time was billed at fifty percent (50%) of the actual time incurred.

7. Annexed hereto as Exhibit "C" is a schedule identifying the categories of expenses for which Drinker Biddle is seeking reimbursement and the total amount for each such expense category.

8. Drinker Biddle maintains computerized records of the time spent by all Drinker Biddle attorneys and paraprofessionals in connection with the representation of the Retirees' Committee. Subject to redaction for the attorney-client privilege, copies of these computerized records are annexed hereto as Exhibit "D", pursuant to Section II.D. of the UST Guidelines.

9. Since the appointment of the Retirees' Committee and the commencement of Drinker Biddle's involvement in the case, Drinker Biddle has provided the appropriate notice parties with a monthly fee statement following each month for which compensation was sought, as required by the Administrative Order. During the Second Interim Fee Period, Drinker Biddle has provided the appropriate notice parties with four monthly fee statements for the months of February, March, April, and May 2003 respectively.

10. With respect to the fee statement for the month of February 2002, Drinker Biddle has requested a payment of \$37,987.20 representing eighty percent (80%) of fees of \$47,484.00 and \$1,182.33 representing one hundred percent (100%) of expenses requested. No objection was made to fees requested for the month of February. Drinker Biddle has not yet received payment from the Debtors, which was due by April 4, 2003.

11. With respect to the fee statement for the month of March 2003, Drinker Biddle requested a payment of \$87,858.40 representing eighty percent (80%) of fees of \$109,823.00 and \$3495.77 representing one hundred percent (100%) of expenses requested. No objection was made to fees requested for the month of March. Drinker Biddle has not yet received payment from the Debtors, which was due by May 5, 2003.

12. With respect to the fee statement submitted for April 2003, Drinker Biddle has requested a payment of \$23,395.20 representing eighty percent (80%) of fees of \$29,244.00 and \$1,831.20 representing one hundred percent (100%) of expenses requested. No objection was made to fees requested for the month of April. Drinker Biddle has not yet received payment from the Debtors, which was due by June 4, 2003.

13. With respect to the fee statement for the month of May 2003, Drinker Biddle requested a payment of \$10,653.60 representing eighty percent (80%) of fees of \$13,317.00 and \$774.37 representing one hundred percent (100%) of expenses requested. No objection has yet been made to fees requested for the month of May. Drinker Biddle's fees for the month of May are due by July 5, 2003.

14. By order of this Court dated January 23, 2002, a Joint Fee Review Committee (the "Fee Committee") was established to review all fee applications filed in the Debtors' chapter 11 cases. The Fee Committee is comprised of (a) Tracy Hope Davis, Esq., a representative of the Office of the United States Trustee for the Southern District of New York ("the United States Trustee"); (b) Stephen Selden, Esq., Deputy General Counsel to the Debtors; and (c) Michael Hughes of Electronic Data Systems Corporation, a member of the Official Statutory Committee of Unsecured Creditors. Drinker Biddle has served this Application on all members of the Fee Committee.

15. To the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Second Interim Fee Period, but were not processed prior to the preparation of this Application, Drinker Biddle reserves the right to request additional compensation for such services and reimbursement of such expenses in a future application.

### **BACKGROUND**

16. On October 15, 2001 (the "Petition Date"), each of the Debtors commenced a case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Debtors continue to operate their businesses and manage their properties pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

17. On September 12, 2002, the Bankruptcy Court appointed the Retirees' Committee. On September 30, 2002, the Retirees' Committee selected Drinker Biddle to serve as its legal counsel. By Order dated November 6, 2002, this court authorized the Retirees' Committee to retain Drinker Biddle as its attorneys to render legal services in connection with these cases, effective September 30, 2002.

18. To date, no trustee or examiner has been appointed in the Debtors' chapter 11 cases. In addition, no plan of reorganization or disclosure statement has yet been filed in Debtors' chapter 11 cases.

### **SUMMARY OF LEGAL SERVICES RENDERED**

19. During the Second Interim Fee Period, Drinker Biddle rendered substantial professional services on behalf of the Retirees' Committee in these chapter 11 cases.

20. The following is a summary of the significant professional services rendered by Drinker Biddle during the Second Interim Fee Period.

**A. General, Case Administration, Retirees' Committee Meetings, Claims Administration and Objections**

Drinker Biddle Billing Codes: B103, B, 104, B113, B115, B116, B118, B119

- Attend meeting with Retiree Committee regarding proposal to terminate retiree benefits;
- Communicated with attorneys for the Debtors concerning document production;
- Review documents forwarded by Debtors in response to Committee's document requests;
- Review incoming pleadings;
- Review motion to fix bar date and retiree claims;
- Numerous telephone conferences with retirees regarding bar date and proof of claim;
- Review omnibus claims objection;
- Draft group proofs of claim for CMP, BPHP, Shipyard and Railroad Retirees.

**B. Employee Benefits/Pensions**

Drinker Biddle Billing Code: B105, B109, B116, B119

- Review Requests for Proposal forwarded by Debtors to potential substitute insurers;
- Review Debtors' proposal to terminate retiree benefits together with supporting documents;
- Prepare counter-proposals to Debtors in connection with termination of retiree benefits;
- Attend meetings with Committee to discuss proposal to terminate retiree benefits;
- Attend meetings in Bethlehem, PA, with Debtors and their attorneys to discuss proposal to terminate retiree benefits;
- Telephone conferences with hundreds of retirees in connection with Debtors' proposal to terminate retiree benefits, life insurance coverage, substitute health insurance coverage, COBRA coverage, timing of receipt of termination and COBRA coverage notices, pension issues and status of case;
- Research regarding termination of retiree benefits under section 1114;
- Review and prepare objection to Debtors' motion to terminate retiree benefits;
- Review Debtors' reply to objection of Retiree Committee to motion to terminate retiree benefits;
- Attend hearing on motion to terminate retiree benefits;
- Prepare correspondences to retirees regarding status of negotiations and benefits options;
- Communicated with Retirees' Committee regarding options related to the continuation of medical benefits;
- Numerous conferences with NEBCO representatives regarding Maryland coverage issues;
- Analyze information regarding Maryland health plans for the Committee.
- Researched treatment of retiree claims once benefits are terminated;
- Review motion to settle claims with UMWA.

**C. Retention and Fee Applications**

Drinker Biddle Billing Code: B106

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- Prepared Monthly Fee Statements of Drinker Biddle for Professional Services and Disbursements.

**D. Asset Disposition, Plan of Reorganization, DIP Financing/Cash Collateral Arrangements**

Drinker Biddle Billing Codes: B101, B108, B111, B116

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- Reviewed information regarding ISG negotiations with Debtor;
- Review reports of ISG offer and confer with Committee regarding same;
- Review pleadings filed by Debtors in connection with the sale to ISG;
- Review of 363 sale application;
- Attendance at 363 sale hearing;
- Review information regarding liquidating plan.

**STATEMENT OF THE APPLICANT**

21. The foregoing professional services performed by Drinker Biddle were necessary and appropriate to the representation of the Retirees' Committee in these chapter 11 cases, and were in the best interests of the Retirees' Committee and other parties in interest. Compensation for the foregoing services as requested is commensurate with the complexity, importance, and nature of the problems, issues, or tasks involved. The professional services were performed in an appropriately expeditious and efficient manner.

22. The professional services performed by Drinker Biddle on behalf of the Retirees' Committee during the Second Interim Fee Period required an aggregate expenditure of 626.1 recorded hours by Drinker Biddle's partners, counsel, associates and paraprofessionals. Of the aggregate time expended, 235.3 of recorded hours were expended by partners and counsel of Drinker Biddle, 384.8 recorded hours were expended by associates and 6.0 recorded hours were expended by paraprofessionals of Drinker Biddle.

23. During the Second Interim Fee Period, Drinker Biddle's hourly billing rates for attorneys ranged from \$205.00 to \$460.00 per hour. Allowance of compensation in the amount

requested would result in a blended hourly billing rate for attorneys of approximately \$320.28 (based upon 620.1 recorded hours for attorneys at Drinker Biddle's regular billing rates in effect at the time of the performance of the services). Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable bankruptcy cases in a competitive national legal market. As noted, attached hereto as Exhibit "B" is a schedule listing each Drinker Biddle professional and paraprofessional who performed services in these cases during the Second Interim Fee Period, the capacities in which each such individual is employed by Drinker Biddle, the department in which each individual practices, the hourly billing rate charged by Drinker Biddle for services performed by such individual, the aggregate number of hours expended in this matter and fees billed therefor, and the year in which each professional was first licensed to practice law.

**ACTUAL AND NECESSARY DISBURSEMENTS OF DRINKER BIDDLE**

24. As set forth in Exhibit "C" hereto, Drinker Biddle has disbursed \$7,283.67 as expenses incurred in providing professional services during the Second Interim Fee Period. With respect to photocopying expenses, Drinker Biddle charged \$.15 per page. With respect to facsimile transmissions, Drinker Biddle does not charge for facsimile transmissions, other than the cost of long distance facsimiles at applicable toll charge rates, which invariably are less than \$1.25 per page as permitted by the Guidelines. Each of these categories of expenses does not exceed the maximum rate set by the Guidelines. These charges are intended to cover Drinker Biddle's direct operating costs, which are not incorporated into Drinker Biddle's hourly billing rates. Only clients who actually use services of the types set forth in Exhibit "C" are separately charged for such services. The effect of including such expenses as part of the hourly billing rates would impose that cost upon clients who do not require extensive photocopying and other

facilities and services. The amount of the standard photocopying charge is intended to allow Drinker Biddle to cover the related expenses of its photocopying service. A determination of the actual expenses per page for photocopying, however, is dependent on both the volume of copies and the total expenses attributable to photocopying on an annual basis.

25. Due to the location of the members of the Retirees' Committee and other professionals in relation to Drinker Biddle's offices, frequent long distance telephone calls were required. On several occasions, overnight delivery of documents and other materials was required as a result of circumstances necessitating the use of such express services. These disbursements are not included in Drinker Biddle's overhead for the purpose of setting billing rates. Drinker Biddle has made every effort to minimize its disbursements in these cases. The actual expenses incurred in providing professional services were absolutely necessary, reasonable, and justified under the circumstances to serve the needs of the Retirees' Committee.

**THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

26. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern a court's award of such compensation 11 U.S.C. § 331. Section 330 provides that the court may award to a professional employed under sections 327 and 1103 "reasonable compensation for actual, necessary services rendered . . . and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1).

27. Section 330 of the Bankruptcy Code also sets forth the criteria for the award of compensation of professionals and reimbursement for expenses:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent, and the value of such services, taking into account all relevant factors, including—

- (A) the time spend on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration or, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- (E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

28. In the instant case, Drinker Biddle respectfully submits that the services for which it seeks compensation in this Application were, at the time rendered, believed to be necessary for and beneficial to the effective representation of the Retirees' Committee. Such services and expenditures were necessary to and in the best interests of the Retirees' Committee. Drinker Biddle further submits that the compensation requested herein is reasonable in light of the nature, extent, and value of such services to the Retirees' Committee and all parties in interest.

29. Whenever possible, Drinker Biddle sought to minimize the costs of its services to the Retirees' Committee by utilizing junior attorneys and paraprofessionals to handle the more routine aspects of case administration.

30. In sum, the services rendered by Drinker Biddle were necessary and beneficial to the Retirees' Committee, and were consistently performed in a timely manner commensurate with the complexity, importance, and nature of the issues involved, and the approval of the compensation sought is herein warranted.

### **WAIVER OF MEMORANDUM OF LAW**

31. This Application includes citations to applicable authorities and does not raise any novel issues of law. Accordingly, the Retirees' Committee respectfully requests that the Court waive the requirement contained in Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York that a separate memorandum of law be submitted.

### **NOTICE**

32. Notice of this Application has been provided to the United States Trustee, the Debtors, counsel for the Debtors, the members of the Fee Review Committee, the Chair of the Official Committee for Unsecured Creditors, counsel for the Official Committee for Unsecured Creditors, and counsel for the Debtors' pre-petition secured lenders and post-petition lenders. Drinker Biddle submits that no other or further notice need be provided.

### **CONCLUSION**

WHEREFORE Drinker Biddle respectfully requests that the Court (i) grant interim allowance of ninety percent (90%) of fees for the Second Interim Fee Period in the amount of \$179,694.90; (ii) grant interim allowance of one hundred percent (100%) of the reimbursement for actual and necessary expenses Drinker Biddle incurred during the Second Interim Fee Period in the amount of \$7,283.67; (iii) the allowance of such compensation for professional services rendered and reimbursement of actual and necessary expenses incurred be without prejudice to Drinker Biddle's right to seek allowance of the remaining ten percent (10%) of the compensation for professional services rendered during the Second Interim Fee Period, and additional compensation for services performed and expenses incurred during the Second Interim Fee Period which were not processed at the time this Application was prepared; (iv) seventy-five

percent (75%) of the fee holdback from the First Interim Fee Period in the amount of \$9,401.19;  
and (v) grant Drinker Biddle such other and further relief as the Court deems just and proper.

Respectfully submitted,

DRINKER BIDDLE & REATH LLP  
Attorneys for Official Section 1114 Committee of  
Bethlehem Steel Retirees

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Dated: June 26, 2003  
Florham Park, New Jersey