Docket #: 1708

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
BETHLEHEM STEEL CORPORATION, *et al.*,	)	Case Nos. 01-15288 through 01-15302 (BRL); 01-15308 through 01-15315 (BRL)
Debtors.	)	(Jointly Administered)

SIXTH AND FINAL JOINT APPLICATION FOR ALLOWANCE OF FEES AND EXPENSES OF KPMG-US AND KPMG-CANADA AS ACCOUNTANTS AND FINANCIAL ADVISORS TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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

KPMG LLP, a United States partnership ("KPMG-US") and the United States member firm of KPMG International, a Swiss association, and KPMG LLP, a Canadian partnership ("KPMG-Canada") and the Canadian member firm of KPMG International (together, the "Applicants"), respectfully file this Sixth and Final Joint Application (the "Application") for Allowance of Fees and Expenses of KPMG-US and KPMG-Canada as Accountants and Financial Advisors to the Official Committee of Unsecured Creditors (the "Committee") of Bethlehem Steel Corporation, *et al.* ("Bethlehem Steel", the "Company" or the "Debtors") for the period from October 27, 2001 to October 22, 2003, including the period June 1, 2003 through October 22, 2003 (the "Sixth and Final Period") pursuant to §§330 and 331 of Title 11 of the United States Code (the "Bankruptcy Code"), Rule 2016(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Local Bankruptcy Rule 2016-1. This Application has been prepared in accordance with the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, dated March 22, 1995 as amended January 30, 1996 (the "UST Guidelines"), 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 Order Pursuant to §§ 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals (the "Administrative Order" and, collectively with the UST Guidelines and the Local Guidelines, the "Guidelines").

In support of the Application, KPMG-US and KPMG-Canada state:

INTRODUCTION

1. This Application is made for the final award of compensation for services rendered as accountants and financial advisors to the Committee for the period October 27, 2001 through October 22, 2003 in the amount of $2,999,841 for 8,184.9 hours of services rendered by professionals and reimbursement in the amount of $191,791 for actual and necessary expenses incurred. This amount reflects a voluntary reduction of $63,092 in fees related to hours included in Applicants' First Fee Application filed with this Court. In total, Applicants have taken voluntary reductions and write-offs, exclusive of travel time reductions, exceeding $310,500 above the amounts requested in this Application.

2. This Application is also made for the sixth and final allowance of compensation for services rendered as accountants and financial advisors to the Committee during the Sixth and Final Period in the amount of $37,545 for 113.5 hours of services rendered by professionals and reimbursement in the amount of $1,502 for actual and necessary expenses incurred. Attached as Exhibit A is a fee application summary sheet as required by the UST Guidelines.

3. On October 15, 2001 (the "Petition Date"), each of the Debtors filed with this Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtors continued to operate their businesses and manage their properties as debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. The Court entered an Order on October 15, 2001 directing joint administration of these twenty-three (23) cases (the "Cases") pursuant to Bankruptcy Rule 1015(b). No trustee or examiner has been appointed in these Cases, except for the appointment of a Liquidating Trustee for the post-confirmation period. The Debtors' amended schedules of assets and liabilities reported $3.65 billion in total assets and $6.32 billion in total liabilities as of the Petition Date.

4. Bethlehem Steel Corporation is a Delaware corporation which, along with its subsidiaries and affiliates, manufactured and sold a wide variety of steel mill products

including hot-rolled, cold-rolled and coated sheets, tin mill products, carbon and alloy plates, rail, specialty blooms, carbon and alloy bars and large diameter pipe. Its principal markets included automotive, construction, machinery and equipment, appliance, containers, service center, rail and pipe.

5. Bethlehem Steel was the second largest integrated steelmaker in the United States. Its principal operations were comprised of three divisions – Burns Harbor, Sparrows Point, and the Pennsylvania division. The Burns Harbor division operated facilities in Indiana on Lake Michigan and in Lackawanna, New York on Lake Erie. The Sparrows Point division operated a facility on the Chesapeake Bay near Baltimore, Maryland. Sales of products produced at the Burns Harbor and Sparrows Point divisions, primarily steel sheet and plate, generated approximately 75% of Bethlehem Steel's revenues. The Pennsylvania division included Pennsylvania Steel Technologies, the nation's largest rail producer and a manufacturer of specialty blooms, carbon and alloy bars and large diameter pipe with a facility in Steelton, Pennsylvania, and facilities in Coatesville and Conshohocken, Pennsylvania that primarily produced steel plate.

6. In addition to Bethlehem Steel's steel production and manufacturing facilities, the Debtors (i) owned former industrial sites and redeveloped, marketed and sold such sites as commercial, industrial, light industrial and mixed-use properties, (ii) through subsidiaries, operated eight shortline and switching railroads, operated trucking and intermodal facilities, and provided logistics services, (iii) had residual interests in formerly owned plants and facilities, (iv) participated in a number of joint ventures, partnerships and limited liability companies that owned and operated iron ore mines and reserves, sheet steel coating and processing facilities, metal product fabrication facilities, heavy machinery and rolling mill grinding facilities, and clinics for providing healthcare services to employees and retirees, (v) owned shutdown coal mines and coal reserves in Pennsylvania, West Virginia and Kentucky, and (vi) operated Great Lakes ore carrying vessels.

7. On March 12, 2003, Bethlehem Steel filed a motion with this Court seeking approval to sell substantially all of the assets of Bethlehem Steel to International Steel Group ("ISG"). On April 23, 2003, this Court approved Bethlehem Steel's motion, and on May 8, 2003, ISG announced that it had closed the purchase of the Bethlehem Steel assets.

8. On July 29, 2003, the Plan of Liquidation (the "Plan") and the accompanying Disclosure Statement were filed in these Cases. The Plan was confirmed by this Court on October 22, 2003.

9. On October 23, 2001, pursuant to §§1102(a) and 1102(b) of the Bankruptcy Code, the United States Trustee appointed an Official Committee of Unsecured Creditors in these Cases. The Committee is currently comprised of seven members located in Canada and the United States.

10. On November 23, 2001, the Committee filed an application (the "Employment Application") for authorization to employ and retain KPMG-US and KPMG-Canada as its accountants and financial advisors. On January 9, 2002, this Court issued orders (the "Employment Orders") authorizing the employment of KPMG-US and KPMG-Canada, *nunc pro tunc* to October 27, 2001. The Employment Orders indicated that, subject to the United States Trustee's opportunity to request otherwise, KPMG-US and KPMG-Canada shall jointly file one fee application. The Employment Application and Employment Orders are incorporated herein by reference.

11. KPMG-US and KPMG-Canada are professional services firms of accountants and financial advisors with diverse experience and extensive knowledge in the fields of accounting, taxation and bankruptcy. The Committee required assistance in analyzing accounting, financial and other information in relation to the restructuring and Chapter 11 proceedings. Applicants have considerable experience with rendering such services to unsecured creditors' committees and other parties in numerous Chapter 11 cases and other restructuring and insolvency matters. As such, Applicants were well qualified to perform the work required in these Cases.

FEES AND EXPENSES INCURRED

12. By order of the 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 H. Davis, Esq., a representative of the Office of the United States Trustee for this District; (b) Kathleen Mills, Esq., Deputy General Counsel to the Debtors, who replaced Stephen Selden, Esq.; and (c) Terry Graffis of National City Bank, who replaced Michael Hughes in February 2002 upon the resignation of Electronic Data Systems Corporation from the Official Committee of Unsecured Creditors.

13. Pursuant to the Administrative Order, all professionals retained in these Cases are authorized to seek, on a monthly basis, interim compensation for 80% of professional fees

for services rendered, and reimbursement for 100% of expenses incurred. Applicants also sought in the Second, Third and Fourth Interim Applications and were granted approval to receive payment for an additional 15% of total fees billed during the First, Second and Third Interim Periods. Applicants filed a supplement to the Fourth Interim Application seeking payment of an additional 15% of the total fees billed during the Fourth Interim Period and were granted approval to receive payment for an additional 5% of such fees. Applicants requested in the Fifth Interim Application and were granted approval to receive payment for an additional 5% of the total fees billed during the Fifth Interim Period, and for an additional 10% of the total fees billed during the Fourth Interim Period. Accordingly, Applicants have submitted statements and applications for services rendered and have received payments as outlined below:

	Total Fees	80% of Fees	Total Expenses	Amount Received	Balance Due
First Interim Period	$836,066	N/A [1]	$98,129	$892,392	$41,803
Second Interim Period	615,660	N/A [1]	41,043	625,920	30,783
Third Interim Period	567,303	N/A [1]	17,527	556,725	28,365
Fourth Interim Period	610,033	N/A [1]	24,315	603,848	30,502
Fifth Interim Period	333,234	N/A [2]	9,275	292,524	47,777
June 2003	16,086	12,869	261	13,130	3,217
July 2003	9,246	7,397	53	7,450	1,849
August 2003	4,410	3,528	383	3,911	882
September 2003	6,531	5,225	401	5,626	1,306
October 2003 [3]	1,272	1,018	404	-	1,676
Total	$2,998,841	N/A	$191, 791	$3,001,525	$ 187,900

[1] 95% of fees have been paid for the First, Second, Third and Fourth Interim Periods.

[2] 85% of fees have been paid for the Fifth Interim Period.

[3] Applicants did not submit a statement to the Debtors for the period October 1, 2003 through October 22, 2003, and are requesting such fees and expenses herein.

14. On June 4, 2002, the Court entered a Supplemental Order Approving Appointment of Joint Fee Committee to establish quarterly budgeting procedures for covered professionals. Prior to this Supplemental Order, Applicants provided monthly budgets to the Debtors during the First and Second Interim Periods. Applicants submitted budgets for the Third, Fourth and Fifth Interim Periods in compliance with the new procedures. Applicants were not required to submit a quarterly budget for the Sixth and Final Period. The total fees

requested for the period October 27, 2001 through October 22, 2003 in this Sixth and Final Application are less than the aggregate budget by $676,518, as outlined in Exhibit B.

15. Attached as Exhibit C hereto is a summary schedule of hourly rates, hours charged and fees incurred by period for each professional whose services are being billed during the period from October 27, 2001 through October 22, 2003. Attached as Exhibit D hereto is a summary schedule of hours charged and fees incurred by period for each category of services designated by the Fee Review Committee. Attached as Exhibit E hereto is a summary schedule of actual and necessary expenses incurred by period from October 27, 2001 through October 22, 2003.

16. Attached as Exhibit F hereto is a summary schedule of hours charged and fees incurred by month for each professional whose services are being billed during the Sixth and Final Period. Attached as Exhibit G hereto is a summary schedule of hours charged and fees incurred by month for each category of services designated by the Fee Review Committee. Attached as Exhibit H hereto is a summary schedule of actual and necessary expenses incurred by month during the Sixth and Final Period.

17. Attached as Exhibits I1 through I5 hereto are the detailed daily descriptions of services rendered by each professional and paraprofessional and billed to the estates during the Sixth and Final Period, including the hours necessarily incurred with respect to each task and the resultant fees. Attached as Exhibits J1 through J5 hereto are the detailed descriptions of actual and necessary expenses incurred during the Sixth and Final Period.

18. The fees and expenses sought by Applicants, except to the extent prohibited by the Guidelines, are billed at rates and in accordance with practices customarily employed by Applicants and generally accepted by their clients. The blended hourly rate in this Application is $331 for the Sixth and Final Period and $367 for the period of October 27, 2001 through October 22, 2003.

19. Applicants have previously submitted five joint interim applications (the "First Interim Application", the "Second Interim Application", the "Third Interim Application", the "Fourth Interim Application" and the "Fifth Interim Application") to the Court for compensation for services rendered and reimbursement for expenses incurred of $934,195, $656,703, $584,830 and $634,348, $342,509, respectively, during the periods from October 27, 2001 through January 31, 2002 (the "First Interim Period"), February 1, 2002 through May 31, 2002 (the "Second Interim Period"), June 1, 2002 through September 30, 2002 (the "Third Interim Period"), October 1, 2002 through January 31, 2003 (the "Fourth

Interim Period") and February 1, 2003 through May 31, 2003 (the "Fifth Interim Period"). During the Sixth and Final Period, other than pursuant to the Administrative Order, Applicants have not received payment from any source for services rendered or to be rendered in any capacity in connection with the matters covered in this Application.

SUMMARY OF SERVICES PROVIDED – SIXTH AND FINAL PERIOD

20. All professional services for which an allowance is requested were performed by Applicants for and on behalf of the Committee and its counsel and not on behalf of any other entity or party-in-interest. Set forth below is a description of certain of the professional services rendered by Applicants during the Sixth and Final Period.

(A) ASSET DISPOSITIONS

During the Sixth and Final Period, Applicants did not perform any services that were included in this category.

(B) BENEFITS; COLLECTIVE BARGAINING ISSUES

During the Sixth and Final Period, Applicants did not perform any services that were included in this category.

(C) BUSINESS AND FINANCIAL ISSUES.

At the request of the Committee and its counsel, Applicants addressed issues related to potential preference payments made within the 90-day period prior to the commencement of these proceedings. Applicants also analyzed the terms and conditions of the ISG stock contained in the Asset Purchase Agreement in order to respond to creditor inquiries. These services were necessary to enable the Committee and its counsel to progress the conclusion of the bankruptcy process and implement various procedures to facilitate administration of the remaining assets of the estates for the benefit of unsecured creditors. A total of 14.5 hours were expended in providing these services, resulting in fees of $5,904.

(D) CASE ADMINISTRATION AND CREDITOR COMMUNICATIONS

Case administration includes various engagement administration functions involved in the overall management and planning of the work to be performed, communications with various parties in interest, and other tasks not elsewhere classified. Applicants responded to inquiries of various Committee members and other creditors over the course of this fee period. A total of 11.6 hours were expended in providing these services, resulting in fees of $4,830.

(E) CASH COLLATERAL ; DIP; AND OTHER SECURED CREDITOR ISSUES

During the Sixth and Final Period, Applicants did not perform any services that were included in this category.

(F) CLAIMS ADMINISTRATION

During the Sixth and Final Period, Applicants did not perform any services that were included in this category.

(G) COMMITTEE MEETINGS AND CONFERENCE CALLS

As accountants and financial advisors to the Committee, Applicants prepared for and participated in the meetings and conference calls of the Committee on August 5, 2003, September 4, 2003, September 8, 2003 and September 22, 2003. These formal meetings and calls with the Committee, in conjunction with regular communications with the Committee's counsel and professionals and other discussions with Committee members, were essential to effectively communicating relevant information on a real-time basis and enabling the Committee to evaluate issues and make decisions in these Cases. A total of 8.5 hours were expended in providing these services, resulting in fees of $3,885.

(H) EMPLOYMENT/FEE APPLICATIONS AND ISSUES

In connection with providing services to the Committee in this matter and in compliance with the Administrative Order and other guidelines governing the payment of professionals in these Cases, Applicants prepared detailed monthly invoices and fee summaries. Applicants prepared the Fifth Interim Fee Application and compiled relevant information for the fee hearing. Additionally, Applicants prepared a supplemental affidavit to disclose relationships in compliance with Bankruptcy Rule 2014. These services were necessary to provide appropriate information for review by parties in interest regarding Applicants' employment and fees. A total of 63.4 hours were expended in providing these services, resulting in fees of $17,094. Of this amount, total fees incurred and included in this Application in relation to invoices, fee applications, fee analyses and preparation for fee hearings were $15,468.

(I) ENVIRONMENTAL ISSUES

During the Sixth and Final Period, Applicants did not perform any services that were included in this category.

(J) HEARINGS, MOTIONS AND LITIGATION ISSUES

During the Sixth and Final Period, Applicants did not perform any services that were included in this category.

(K) PLAN, DISCLOSURE STATEMENT AND EXCLUSIVITY ISSUES

At the request of Committee counsel, Applicants reviewed the Plan of Liquidation and related Disclosure Statement and provided comments and observations to Committee counsel. These services were necessary to enable the Committee to formulate its position relative to the Plan and to work with the Debtors in achieving confirmation and a conclusion to these Cases. A total of 11.5 hours were expended in providing these services, resulting in fees of $4,992.

(L) TRAVEL

Applicants expended time traveling to New York City to attend meetings with the Committee, the Debtors and other parties in these Cases. Fees for non-working travel time were reduced by half, and one-way travel time was generally limited to two (2) hours absent extraordinary circumstances. A total of 4.0 hours were expended in this area, resulting in fees of $840 (net of the 50% reduction).

SUMMARY OF SERVICES PROVIDED
OCTOBER 27, 2001 THROUGH OCTOBER 22, 2003

21. Bethlehem Steel's bankruptcy was one of the largest steel related bankruptcies in U.S. history. Depressed economic and market conditions, cheap imports, industry pricing pressure, overcapacity, high labor and other operating costs, and significant pension and other post retirement employment benefits all led the Company to seek bankruptcy protection. Despite the bleak outlook, Bethlehem Steel was able to regain composure under Chapter 11 bankruptcy and preserve value for its creditors. The success of this process was due in large part to significant efforts of the Debtors, the Committee and their professionals in identifying, analyzing and negotiating significant issues in an expedient and reasonable manner. Applicants, as accountants and financial advisors to the Committee, were an integral part of this process and key to its success. Applicants provided analyses of relevant accounting, financial and business information and facilitated the ability of the Committee to thoroughly analyze and understand the proposals and positions of the Debtors and to then reach appropriate compromises that balanced the objectives of the parties. This process required considerable effort, vigilance and skill, particularly given the complexity of these cases and the difficulty of the issues faced by Bethlehem Steel. Through the efforts of the Debtors, the Committee, their professionals, and other parties involved in these Cases, substantially all of the assets of Bethlehem Steel were successfully sold to ISG. As part of this transaction, the Committee negotiated consideration of $15 million in ISG common stock for the benefit of unsecured creditors, representing a return with both certainty and some level of significance, given the poor market conditions and the Company's many financial and operating problems. This outcome certainly represented a victory for the U.S. steel industry as well, which achieved the goal of industry consolidation and preserved the Bethlehem mills as ongoing sources of employment for thousands of people and as ongoing customers for vendors. In addition, the Committee successfully retained for the benefit of unsecured creditors the right to pursue avoidance actions relative to payments exceeding $500 million.

22. The First, Second, Third, Fourth and Fifth Interim Applications describe in detail the specific nature of the services provided by Applicants throughout these Cases during the relevant periods, including related detailed time and expense entries. Rather than overburden the Court with duplication of that detail, below is a summary description of the

services provided by Applicants for each category designated at the commencement of these proceedings.

(A) ASSET DISPOSITIONS

At the request of the Committee and its counsel, Applicants analyzed issues related to various potential and actual individual asset sales or transfers by the Debtors. The services performed involved analysis of the nature and amount of projected asset sales, as well as assessment of the financial ramifications of certain motions related to the sale, disposition or transfer of certain assets and real property. Applicants analyzed, inter alia, the motion to sell excess nitrogen oxide allowances, the Hibbing Taconite Company equity transfer, the offer tendered for the Burns Harbor division, the Riders and Saucon Valley property sales, and a sale of surplus land. Applicants also participated in discussions with professional liquidators regarding potential identification and disposition of excess assets of the Company and reviewed asset sales to date to assess compliance with the provisions contained in the debtor-in-possession ("DIP") financing agreement. The assistance provided by Applicants was essential to advising the Committee and the Committee's counsel regarding the effect of actual or proposed asset sales or dispositions on the Debtors' operations and assets available to satisfy creditors' claims. As a result of these excess asset sales, the value and liquidity of the Debtors' estates was increased, thus facilitating the ultimate sale to ISG and benefiting unsecured creditors through their participation in those proceeds. A total of 30.9 hours were expended in providing these services, resulting in fees of $11,319.

(B) BENEFITS; COLLECTIVE BARGAINING ISSUES

The Debtors had significant defined benefit pension liabilities and other post-employment benefit liabilities, or "legacy costs", which had been estimated by the Debtors to exceed $6 billion. As with most steel industry restructurings, this issue represented the key obstacle to reorganization and challenge to the parties involved. Applicants analyzed these liabilities, including their underfunded status, through obtaining and reviewing plan documents, valuations, financial reporting and other information. Applicants reviewed information from the 2001 ERISA valuations and the actuarial valuations used for financial reporting purposes, and held discussions with the Company's management and outside actuaries to discuss the information contained therein. Applicants analyzed the current funding assumptions for investment return on pension plan assets relative to other companies and analyzed the Debtors' projected cash outlays by calendar year and pension plan year. Applicants analyzed the Job Creation and Worker Assistance Act of 2002 and the related effect on the Company's funding requirements. Services performed also included analyses and related discussions with Committee professionals regarding §§ 1113 and 1114 of the Bankruptcy Code and the related options available relative to rejection of collective bargaining agreements and payment of insurance benefits to retired employees.

A significant area of analysis involved the potential termination of the Debtors' defined benefit plans and takeover of those plans by the Pension Benefit Guaranty Corporation ("PBGC"). Applicants performed various analyses to address issues related to the nature and amount of the PBGC claim and the participants' potential claims under an early termination. These analyses also included reviewing the potential liability for COBRA benefits and evaluating alternatives for funding of healthcare benefits through tax credits available pursuant to the Trade Act of 2002. In connection with these analyses, Applicants worked closely with Committee counsel to issue a memorandum describing the process for pension plan termination and the potential impact of this action and to make a presentation to the Committee regarding this information.

Applicants advised the Committee and its counsel relative to the compensation and benefits aspects and related financial impact of proposals to renegotiate the collective bargaining agreements with the United Steel Workers of America ("USWA"). Applicants met with Bethlehem's financial advisors, Credit Suisse First Boston ("CSFB"), to discuss the presentation given by the Company and CSFB to the USWA outlining the challenges faced by Bethlehem and the relative cost structure restraints attributable to pension and other post-retirement benefits. Applicants obtained and analyzed the underlying assumptions utilized in this presentation to better understand the Company's rationale for proposing various modifications to the labor agreement, including elimination of certain legacy costs.

In conjunction with the ISG transaction, Applicants analyzed severance and vacation costs for both union and salaried employees in order to quantify the potential administrative costs and assisted counsel in evaluating possible alternatives to reduce these costs. Applicants' analyses were crucial in understanding and addressing the impact of severance and vacation costs on potential distributions to the general unsecured creditors, and formulating a negotiating strategy regarding their payment.

The analyses described above were beneficial in providing the Committee with information to understand the complex and significant compensation and benefits issues in these Cases, including pension and other post-employment benefits. Absent resolution of these issues, the successful sale of Bethlehem's operating assets and distribution of value to creditors would not have been possible. A total of 888.1 hours were expended in providing these services, resulting in fees of $417,990.

(C) BUSINESS AND FINANCIAL ISSUES

Applicants incurred a significant amount of time over the course of these proceedings in analyzing the financial and operational information of Bethlehem Steel and advising the Committee in regard to a myriad of business and financial issues. Below is a general description of the various services provided:

(i) Analysis of Financial Condition and Operations

Applicants analyzed historical financial statements and various supporting information in order to identify issues and trends in the Debtors' operational and financial performance. Applicants analyzed the Company's performance relative to various industry benchmarks such as pricing and profitability. Applicants analyzed the monthly financial statements for the consolidated company and for the Burns Harbor, Sparrows Point and Pennsylvania divisions, monthly unit performance reports, weekly borrowing base reports and weekly shipping and production reports, among other information. Applicants analyzed the sources and uses of cash from operations, investments and financing in order to advise the Committee regarding the rate and nature of the actual and projected cash burn from ongoing operations. The services performed enabled Applicants to advise the Committee regarding the Company's operations and the financial impact on revenues, margins, operating costs and corporate expenses, as well as the related cash effect.

Applicants held various meetings with management personnel and their financial advisors at the headquarters in Bethlehem, Pennsylvania to review various accounting and financial information, obtain an understanding of the consolidating financial statements, identify accounting policies and procedures, and address questions regarding the financial and operational performance of the Company. Applicants also analyzed relevant information in required filings, such as monthly operating reports and the schedules and statements of financial affairs. Applicants updated the Committee regarding issues with vendors, customers, operations and competitors. Applicants analyzed monthly financial statements, aging reports, detailed inventory reports, weekly borrowing base reports and various other Company information to assess trends in working capital and other potential indicators of any diminution in the value of Bethlehem Steel's assets or its liquidity.

The analyses performed resulted in succinct and focused information that Applicants presented to the Committee on a regular basis. Applicants' assessment of the content, nature and integrity of the financial and operational information available formed the foundation for the Committee's efforts to work with the Debtors to preserve value for the benefit of the unsecured creditors. Applicants' analyses and advice were crucial to enabling the Committee and Committee's counsel to gain an understanding of important financial information quickly and to evaluate the prospects for a reorganization and the potential implications for unsecured creditors.

(ii) <u>Analysis of 2002 Business Plan</u>

Applicants met or held discussions on several occasions with key Bethlehem Steel personnel to discuss the Debtors' 2002 business plan and the underlying assumptions. Applicants performed analysis regarding the projected sales, costs and profitability relative to historical performance and various industry indicators. This included analyzing cash requirements to fund operations, working capital and capital expenditures as indicated in the 2002 business plan. Applicants evaluated the impact of both internal and external events on the 2002 business plan, such as the tariffs imposed on imports by the Bush Administration under the Section 201 ruling, the economy, and certain Company-specific events such as blast furnace outages. Applicants held discussions on several occasions with key Bethlehem Steel personnel to discuss the Debtors' progress towards achieving the 2002 business plan and the revised 2002 forecasts. Applicants regularly analyzed actual results comparative to the business plan and the monthly forecasts to assess the overall achieved results versus projected results. Obtaining a detailed understanding of the Company's business plan and its performance relative to plan were key aspects of the Committee's ability to monitor operations and to identify the issues that would impact a restructuring. Applicants also obtained the preliminary 2003 business plan and analyzed projected liquidity. With respect to the 2003 business plan, management of the Company was focused on the pending ISG transaction and therefore more substantive analyses by Applicants were devoted to analyzing the terms of the sale and effect to all parties in interest.

(iii) Plant Tours

Applicants toured the Burns Harbor, Indiana and Sparrows Point, Maryland manufacturing facilities in order to facilitate evaluation of various financial and other information in the context of the Company's operations. Applicants met with the divisional controllers and management of these facilities to discuss such issues as the sales of specific products, product pricing and profitability, customer demand, market share and competitors, operational structure, marketing programs, cost cutting initiatives, 2001 financial results, and the 2002 business plan objectives. Additionally, Applicants toured the Lackawana, New York and Johnstown, Pennsylvania facilities to obtain information regarding environmental exposure at these locations and related liabilities.

(iv) Interim Reports to Committee

In order to facilitate the Committee's understanding of Bethlehem Steel's operations and financial position, Applicants prepared and presented interim and flash reports for the Committee meetings throughout these Chapter 11 proceedings. The interim reports generally included an overall financial and operations update with summary analyses and relevant supporting detail including the following: cash position and liquidity; "EBITDAPO" (earnings before interest, taxes, depreciation, amortization, pension and other post employment benefits) covenants in the DIP financing agreement; working capital requirements, including accounts receivable, inventory and accounts payable; shipping and production trends; IBIT (income before interest and taxes) by division; cash flow; projected financial performance; pension and post-employment benefit issues; industry analyses; and other information as appropriate. These interim reports were supplemented by several periodic flash reports containing other updates, analyses and information as requested by the Committee and the Committee's counsel. The reports were an extremely valuable tool through which relevant information was provided to enable the Committee to make informed decisions regarding actions proposed by the Debtors and to closely monitor ongoing operations.

(v) Operational Restructuring Plan

At the commencement of these proceedings, the newly appointed Chief Executive Officer, Robert "Steve" Miller, expressed that a successful reorganization of Bethlehem would likely involve a consolidation or sale of underlying assets. The success of this plan was also based on Congressional assistance in the form of alleviating the large legacy costs through government intervention. There was little action by the government to address these legacy costs, and this factor, as well as the impact of the economic and industry conditions on the perceived value of Bethlehem Steel's assets, deterred other potential purchasers. As a result, the Company began to evaluate other options, including a "stand-alone" reorganization plan.

In response to this course of action and in conjunction with McDonald Investments, the Committee's investment bankers, Applicants began to analyze and formulate alternatives and structures that might be available to Bethlehem Steel under a stand-alone plan scenario. In general, this process involved analyses to identify and restructure the core assets and operations of the Company, as well as its organizational structure and reporting lines and responsibilities. Applicants reviewed process flow and related costs; analyzed selling, general and administrative expenses; and assessed the organizational structure, including the subsidiaries and joint ventures and their overall strategic fit within the organization. The work performed provided a starting point to assess the Company's ability and efforts to implement a stand-alone restructuring and the relative value of that alternative in comparison to a transaction, which was ultimately the course of action chosen.

(vi) <u>Analysis of ISG Offer</u>

On January 6, 2003, ISG tendered an acquisition offer that they valued at approximately $1.5 billion for substantially all of the assets of Bethlehem Steel and its related subsidiaries, including non-debtor entities. Applicants performed focused analysis on the terms of this initial offer and subsequent counter offers to assess the impact on the general unsecured creditors. Applicants met and held discussions with Company management to discuss the proposed terms of the ISG offers; analyzed required payments to secured, administrative and priority claimants from the Debtors' estates and the nature of consideration to be paid; and prepared analyses of potential distributions related to the proposed term sheets by ISG. These analyses provided the framework for the Committee and its professionals to evaluate the proposed distributions to all classes of creditors. Applicants also compared potential returns from the ISG transaction with other options, including alternate purchasers, a stand-alone plan or liquidation. Applicants held numerous discussions with Committee counsel and investment bankers regarding the terms of the various ISG proposals and provided financial information for use in negotiations of alternative transaction structures more favorable to the general unsecured creditors.

Applicants reviewed the Asset Purchase Agreement between Bethlehem Steel and ISG and analyzed its terms and financial ramifications. Applicants held discussions with Debtors' management, investment bankers and Committee counsel regarding the implications of various provisions of the Asset Purchase Agreement and its numerous exhibits. In connection with this review of the Asset Purchase Agreement, Applicants analyzed the tax consequences of the ISG transaction and the feasibility of a potential "G reorganization" under the Internal Revenue Code. Tax issues were a key driver of the nature and amount of consideration provided to the unsecured creditors, and this tax analysis provided the framework within which to evaluate alternative structures and values for the potential sale transaction with ISG.

Applicants also monitored the implementation of the sale process and addressed modifications or new developments. Applicants worked jointly with Committee counsel to review the proposed bidding procedures and make recommendations for revisions to these procedures. At the request of Committee counsel, Applicants analyzed revised exhibits to the Asset Purchase Agreement to assess the financial impact of modifications to estimated cure claims for certain executory contracts. Applicants analyzed competing bids submitted and assisted Committee counsel in evaluating these bids. As a result of the work performed by the Committee's professionals, the Committee reached agreements with the Debtors that resulted in a consensual sales process.

These analyses of the ISG transaction were also highly beneficial as the initial offer left the estates with substantial potential administrative and priority claims and provided little to no value or certainty of recovery for general unsecured creditors. As a result of numerous discussions with management and negotiations with ISG regarding successive term sheets, the Committee's professionals achieved transaction parameters that resulted in a more favorable distribution to unsecured creditors. Applicants' analyses enabled the Committee to gain an understanding of important financial information quickly and to evaluate the range of recoveries for all parties in interest in this sale transaction, thus resulting in a successful negotiation regarding the ISG purchase and consideration.

(vii) Recovery Analysis

Applicants analyzed potential recoveries available to all classes of creditors in a liquidation by evaluating indicators of the underlying asset values of the Company and claims in different recovery scenarios. Applicants reviewed various plans of reorganization, liquidation analyses, recent asset sales and other information regarding comparable steel industry asset valuations to formulate a reasonable expectation of asset recoveries on working capital and fixed assets. Applicants further reviewed the amounts and priorities of various claims that could be asserted against the Debtors' estates and calculated a potential range of recoveries for general unsecured creditors. Applicants also prepared a sensitivity analysis related to key assumptions within the liquidation analysis to demonstrate the potential impact on the return to unsecured creditors. The recovery analysis was critical to enable the Committee to evaluate the range of recoveries in liquidation as an alternative to those provided by the ISG transaction or other options considered throughout the bankruptcy.

(viii) Analysis of Potential Preferences

At the request of Committee counsel, Applicants prepared a summary analysis of payments made within the 90 days prior to the Petition Date based on information contained in the Statement of Financial Affairs. This potential preference analysis included stratification of payments to the various payees and adjustments for factors such as executory contracts assumed by ISG in the acquisition. Approximately $1 billion in payments were made by the Company in the 90 days preceding the bankruptcy filing, and the Debtors have identified approximately $500 million in potential preferences. Recoveries from avoidance actions may represent a significant enhancement to the return to unsecured creditors from the ISG transaction. The summary analysis of potential preference payments enabled the Committee to begin the process of evaluating the appropriate manner in which to pursue avoidance actions and their potential value, and to negotiate appropriate parameters for such within the Plan through the formation of a liquidating trust.

(ix) Other Analyses

In order to maximize value to the Debtors' estates, Applicants held discussions with certain tax personnel at Bethlehem Steel to assess potential tax savings available to the Company. This process included suggesting potential tax refund opportunities, analyzing the various tax attributes of the Company, identifying potential taxable and tax-free exit strategies, and considering the possible impact of cancellation of debt ("COD") income on the Company. The various tax issues identified were communicated to the Committee and its professionals.

At the request of the Committee, Applicants prepared an analysis of assets and liabilities as of the Petition Date based on the Schedules of Assets and Liabilities for the twenty-three (23) debtor entities that filed for Chapter 11 protection. This analysis itemized the various assets and liabilities associated with each filing entity and enabled the Committee to evaluate the relative position of the various creditor constituencies.

In connection with the various analyses described herein, at certain times during the restructuring process, Applicants participated in weekly calls with the Committee's financial and legal advisors, including Kramer Levin Naftalis & Frankel LLP; McDermott Will & Emery; and McDonald Investments. The purpose of these calls was to provide focus and coordinate the efforts of the various professionals and to provide timelines and accountability for specific follow up. These efforts facilitated knowledge sharing between the various Committee professionals and serve to actively progress these Cases. A total of 4,411.2 hours were expended in providing all of the aforementioned services, resulting in fees of $1,565,944.

(D) CASE ADMINISTRATION AND CREDITOR COMMUNICATIONS

Applicants worked closely with Committee professionals, and with professionals representing other parties in interest, in developing a comprehensive request list utilized to gather information concerning the Debtors' financial condition and operations. Applicants coordinated efforts among all

Committee professionals to disseminate financial information received from the Debtors on a timely basis, performed document management functions, developed work plans based on discussions in the weekly professionals' call and other input from the Committee and counsel, monitored the Court docket to identify relevant filings, maintained a collaborative web-based workspace, and held discussions with Company management and Committee counsel to address relevant issues. Applicants also participated in conversations with Committee members related to the ISG acquisition and other Committee matters, and assisted in responding to general creditor inquiries. The services provided by the Applicants were integral to the effective administration of the ongoing work performed on behalf of the Committee and enabled the efficient gathering, dissemination and communication of information among the various parties and their professionals. A total of 495.0 hours were expended in providing these services, resulting in fees of $176,922.

(E) CASH COLLATERAL; DIP; AND OTHER SECURED CREDITOR ISSUES

At the commencement of these proceedings, Applicants analyzed the debtor-in-possession financing agreement by preparing a comparative analysis of the loan terms and analyzing the liquidity provided under various pricing and other scenarios and reported these findings to the Committee and its professionals. To monitor cash availability under the DIP agreement, Applicants obtained and reviewed the weekly borrowing base certificates, which included information pertaining to eligible accounts receivables, borrowing base calculations, DIP usage and cash balances. Applicants analyzed the nature and amount of eligible accounts receivables, the availability of adequate cash to fund operations and reorganization costs, and variances between budgeted and actual results. Applicants calculated and monitored compliance with certain covenants in the DIP agreement, such as maintenance of a specified level of EBITDAPO. Applicants initiated frequent discussions with Debtors' Controller regarding cash availability and liquidity. These analyses regarding cash availability, liquidity and DIP covenants were presented to the Committee in the interim and flash reports. This work provided a critical monitoring function in relation to the Debtors' cash position and ability to sustain ongoing operations, as well as the

Debtors' compliance with the terms of debtor-in-possession financing agreements. Applicants also communicated with the professionals for the inventory lenders to share information and coordinate efforts when appropriate. A total of 564.1 hours were expended in providing these services, resulting in fees of $195,984.

(F) CLAIMS ADMINISTRATION

Applicants held discussions with the Debtors related to the claims reconciliation process to obtain updates on claims filed against the estates. These discussions allowed the Committee to understand the total amount and nature of the claims asserted against the Debtors in order to assess the potential amount and timing of recoveries. A total of 17.2 hours were expended in providing these services, resulting in fees of $5,244.

(G) COMMITTEE MEETINGS AND CONFERENCE CALLS

Applicants prepared for and participated in the regular meetings of the Committee throughout the twenty-four (24) months of these proceedings, as well as those meetings called to address specific issues or proposals. Many of these formal meetings were in person, and the remainder were conducted by teleconference. These formal meetings and conference calls with the Committee, in conjunction with regular communications with the Committee's counsel and other discussions with Committee members, were essential to effectively communicating relevant information on a real-time basis and enabling the Committee to evaluate issues and make decisions in these Cases. A total of 298.2 hours were expended in providing these services, resulting in fees of $155,760.

(H) EMPLOYMENT/FEE APPLICATIONS AND ISSUES

Applicants prepared an application for employment as accountants and financial advisors to the Committee, as well as the related affidavit. Applicants responded to the questions and requests from the U.S. Trustee regarding the application for employment. In compliance with Bankruptcy Rule 2014, Applicants routinely searched internal databases to identify any potential relationships that required supplemental disclosure. As a result of these searches, Applicants prepared four supplemental affidavits that were filed to disclose known relationships. Applicants prepared monthly and quarterly budgets for fees to be incurred and participated in numerous discussions with counsel for the Debtors and the Committee regarding the budgeting and approval process. As required by the Administrative Order and other guidelines governing the payment of professionals in these Cases, Applicants prepared detailed monthly invoices and fee summaries. A total of six fee applications were prepared over the course of these proceedings. The work performed relative to employment and billing matters was necessary to comply with the Bankruptcy Code and Guidelines for the retention and compensation of professionals, and provided relevant information regarding such matters to various parties in interest to enable evaluation of Applicants' services. A total of 891.3 hours were expended in providing these services, resulting in fees of $313,428. Of this amount, total fees incurred in relation to budgets, invoices, fee applications, fee analyses and preparation for fee hearings were $254,709.

(I) <u>ENVIRONMENTAL ISSUES</u>

As an integrated steel maker, Bethlehem Steel faced significant environmental claims with the potential to adversely impact the Debtors' ability to reorganize and the recovery to unsecured creditors. Applicants worked closely with Committee counsel to estimate the potential liability exposure for the various facilities of Bethlehem Steel. This process included reviewing various documents received from the Company related to environmental capital and maintenance costs for active and inactive sites. Applicants prepared summary analyses on the present value of costs related to remediation and closure bonds for active and inactive sites. Based on this work, the Committee and counsel were able to evaluate potential methods to address these liabilities in the context of the ISG transaction. ISG ultimately agreed to assume these liabilities, thus resolving a major potential administrative expense that could have negatively affected the recovery to general unsecured creditors. A total of 33.7 hours were expended in providing these services, resulting in fees of $14,175.

(J) HEARINGS, MOTIONS AND LITIGATION ISSUES

Over the course of these proceedings, the Committee and its counsel requested Applicants' input on the impact of numerous motions filed by the Debtors in these Cases. Applicants assisted counsel to the Committee in identifying issues in the various motions and discussing those issues with the Debtors' financial advisors and their counsel. These discussions facilitated consensual settlement between the Committee and the Debtors on most issues. Specific assistance included analyzing comparable compensation for investment banking professionals relative to the retention of the Debtors' financial advisors. Other assistance included evaluating an information technology outsourcing contract and providing certain benchmarking information and recommendations relating to financial terms of the contract. Applicants analyzed the motion by the Debtors to enter into a new workers' compensation policy which required a lump sum cash payment at the beginning of the policy term. These and other motions by the Debtors required focused and timely responses by the Committee, which were facilitated by Applicants' analyses of applicable financial and business implications.

Additionally, Applicants spent significant time and effort analyzing the Debtors' proposed key employee retention plan and change in control agreements. Work performed included analyses of salary, total cash compensation, stock option awards and retention/ severance pay for comparable companies, and trends in compensation versus equity capitalization. Applicants analyzed and identified issues with various aspects of the change-in-control agreements and worked jointly with Committee counsel in developing and presenting alternate performance-based proposals to the Company. Based on these analyses, the Committee reached agreements with the Debtors that enabled implementation of the compensation programs required to retain the Debtors' key employees in order to facilitate the continuity and, ultimately, salability of the operations. A total of 401.8 hours were expended in providing these services, resulting in fees of $169,546.

(K) PLAN, DISCLOSURE STATEMENT AND EXCLUSIVITY ISSUES

Applicants provided input related to the extension of the Debtors' exclusive period to file a plan of reorganization. Applicants also reviewed the Plan of Liquidation and Disclosure Statement and provided comments and observations to Committee counsel. This work provided assistance to Committee counsel in addressing the financial issues inherent in the plan process and to achieve confirmation. A total of 12.0 hours were expended in providing these services, resulting in fees of $5,160.

(L) TRAVEL

Applicants expended time traveling to various of the Debtors' locations, as well as to New York, New York, Chicago, Illinois, and Cleveland, Ohio, to attend meetings with the Committee, the Debtors, their counsel and professionals, and other parties in these Cases. When billed, fees for non-working travel time were reduced by one-half, and one-way travel time was generally limited to two (2) hours absent extraordinary circumstances. A total of 141.4 hours were expended in this area, resulting in fees of $31,463 (net of the 50% reduction).

23. In addition to the work described above, Applicants made concerted efforts on behalf of the Committee to provide various assistance to facilitate the Debtors' bankruptcy process and maximize the value of the Debtors' estates. Applicants shared with the Debtors' management relevant non-confidential information regarding other steel restructurings and various accounting, tax and other technical information.

OTHER REPORTING REQUIREMENTS

24. The source of compensation to Applicants will be funds of the Debtors' estates available for the payment of Chapter 11 administrative claims, including funds made available through the assumption of certain liabilities by ISG. According to the Debtors' balance sheets filed with the monthly operating report as of September 30, 2003, cash and marketable securities (i.e. cash equivalents) were approximately $94.1 million. The DIP financing facility and all outstanding secured debt were repaid as part of the ISG transaction. The amount of unencumbered funds in the estates is not reasonably ascertainable.

25. All monthly operating reports through the report for the period ended September 30, 2003 have been filed.

26. There is no agreement or understanding between either KPMG-US or KPMG-Canada and any other entities for the sharing of compensation received or to be received for services rendered in connection with these proceedings, other than (1) a member, partner or regular associate of KPMG-US or KPMG-Canada and (2) an agreement between KPMG-US and KPMG-Canada to allocate fees awarded by this Court, which shall be allocated to the Applicants based on the hours billed by professionals from each entity as indicated in this Application.

27. In accordance with the Local Guidelines, Applicants' certification is attached to this Application.

WHEREFORE, KPMG-US and KPMG-Canada respectfully request that:

(i) Applicants be awarded and allowed final compensation for the period October 27, 2001 through October 22, 2003 in the amount of $2,999,841, including compensation for the Sixth and Final Period of $37,545;

(ii) Applicants be awarded and allowed final reimbursement for $191,791 of actual and necessary expenses incurred during the period October 27, 2001 through October 22, 2003, including reimbursement for $1,502 of actual and necessary expenses incurred during the Sixth and Final Period;

(iii) Debtors be authorized and ordered to pay the remaining amounts outstanding since the beginning of these Cases in the amount of $187,900; and

(iv) the Court grant such other and further relief as is just.

Dated: November 20, 2003

Respectfully submitted,

/s/____________________________

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