

McDONALD INVESTMENTS INC.
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Manager, Restructuring Services
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Docket #: 1706

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	
)	Chapter 11
BETHLEHEM STEEL CORPORATION, <i>et al.</i>)	Case Nos. 01 B 15288 through
)	01 B 15302 (BRL) and
Debtors)	
)	01 B 15308 through
)	01 B 15315 (BRL)
)	
)	(Jointly Administered)

**FINAL APPLICATION OF McDONALD INVESTMENTS INC.
AS INVESTMENT BANKER AND RESTRUCTURING ADVISOR
FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
OF BETHLEHEM STEEL CORPORATION, ET. AL., FOR ALLOWANCE OF
COMPENSATION FOR SERVICES AND REIMBURSEMENT OF EXPENSES**

To the Honorable Burton R. Lifland
United States Bankruptcy Judge:

McDonald Investments Inc. ("McDonald"), as Investment Banker and Restructuring Advisor for the duly-appointed Official Committee of Unsecured Creditors (the "Committee") in the above-captioned Chapter 11 cases (the "Cases") of the debtors and debtors-in-possession (collectively, the "Debtors"), submits this application (the "Application") seeking final allowance of compensation for professional services rendered on behalf of the Committee during

the Cases, and final reimbursement of expenses incurred in connection with such services. In support of this Application, McDonald respectfully states:

Overview of this Application

Name of applicant:	McDonald Investments Inc., also doing business as KeyBanc Capital Markets (“McDonald”)
Authorized to provide professional services to:	Official Committee of Unsecured Creditors (the “Committee”)
Date of order approving engagement:	January 9, 2002
Period for which final allowance of compensation is sought:	November 1, 2001 through April 30, 2003 (the “Compensation Period”)
Amount of compensation sought to be allowed:	Monthly advisory fees for the time period from November 1, 2001, through April 30, 2003, in the total amount of \$1,950,000 (3 months at \$150,000/mo.; 15 months at \$100,000/mo.); and a conclusion fee of \$150,000.
Amount of expenses sought to be allowed:	\$133,478.00

Introduction

1. On October 15, 2001 (the “Petition Date”), the Debtors filed their respective voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, initiating the Cases. By order of the Bankruptcy Court, the Debtors’ estates have been jointly administered.

2. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). Venue of the Cases and this Application is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. On October 23, 2001, the United States Trustee for the Southern District of New York, pursuant to 11 U.S. C. § 1101, appointed the Committee to represent the interests of all unsecured creditors in the Cases. Thereafter, at a meeting held on November 1, 2001, the Committee selected McDonald as the Committee’s Investment Banker and Restructuring Advisor.

4. On November 21, 2001, the Committee filed its “Application for Order . . . Approving Retention of McDonald . . .” (the “Retention Application”). Attached to the Retention Application were an engagement letter dated November 20, 2001 (the “Engagement Letter”) and an “Affidavit and Disclosure Statement . . .” by David M. Powlen in support of the Retention Application. On December 18, 2001, a “Supplemental Affidavit and Disclosure Statement . . .” by David M. Powlen was also filed in support of the Retention Application.

5. In an order dated January 9, 2002 (the “Retention Order”), the Bankruptcy Court modified certain provisions of the Engagement Letter, approved the Retention Application as so

modified, and authorized the Committee's employment of McDonald, effective as of November 1, 2001.

Summary of Services Provided

6. McDonald was retained by the Committee to provide general investment banking and restructuring advisory services, in order to assist the Committee in evaluating the complex financial and economic issues raised by the Debtors' Cases and fulfilling its statutory duties. Services provided by McDonald to the Committee during the Cases have included (but have not been limited to):

- (a) Review and monitoring of the Debtors' overall enterprise and individual businesses, including visits to various facilities and on-site meetings with the Debtors' management personnel;
- (b) Analysis of the actual and potential cash flows of the Debtors' operations;
- (c) Evaluation of the Debtors' actual and potential position in the steel industry and various factors affecting that position, and comparison of the Debtors with their competitors;
- (d) Assessments of the value of the Debtors' overall enterprise and individual businesses;
- (e) Analysis of various possible sale transactions and restructuring alternatives for the Debtors and their respective businesses and assets, including the sale transaction ultimately completed between the Debtors as sellers and an affiliate of International Steel Group Inc. ("ISG") as purchaser;
- (f) Review of and advising the Committee on various motions filed with this Court in the Cases by the Debtors or other parties, including the Debtors' motions related to the sale transaction with ISG; and

- (g) Preparation of materials for and participation in meetings with representatives of the Committee, the Debtors, and other interested parties.

Request for Final Allowance and Payment of Fees and Reimbursement of Expenses

7. Pursuant to 11 U.S.C. §§330 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, McDonald seeks (a) final allowance of monthly fees during the Compensation Period in the total amount of \$1,950,000.00 (\$150,000 for each of the months of November 2001, December 2001, and January 2002, and \$100,000 for each of the months of February 2002 through April 2003) (all of which fees have already been paid), (b) final allowance of a proposed conclusion fee in the amount of \$150,000.00 (none of which has been paid), and (c) reimbursement of expenses in the aggregate amount of \$133,478.00 which were incurred by McDonald or its professionals during the Compensation Period (all of which expenses have already been paid).

8. On March 15, 2002, McDonald filed its first application seeking interim allowance of compensation in the amount of \$450,000.00 (\$150,000.00 per month) and reimbursement of expenses in the amount of \$24,579.00 related to McDonald's services for the Committee in the months of November 2001, December 2001, and January 2002 (the "First Application"). By an Order of the Bankruptcy Court dated April 17, 2002 (after a hearing on April 16, 2002), McDonald's First Application was approved, and the compensation and expense reimbursement amounts requested therein were allowed.

9. On July 16, 2002, McDonald filed its second application seeking interim allowance of compensation in the amount of \$400,000.00 (\$100,000.00 per month) and reimbursement of expenses in the amount of \$25,258.00 related to McDonald's services for the

Committee in the months of June 2002, July 2002, August 2002 and September 2002 (the "Second Application"). By Order of the Bankruptcy Court dated August 21, 2002 (after a hearing on the same date), McDonald's Second Application was approved, and the compensation and expense reimbursement amounts requested therein were allowed.

10. On November 15, 2002, McDonald filed its third application seeking interim allowance of compensation in the amount of \$400,000.00 (\$100,000.00 per month) and reimbursement of expenses in the amount of \$32,175.00 related to McDonald's services for the Committee in the months of June 2002, July 2002, August 2002 and September 2002 (the "Third Application"). By Order of the Bankruptcy Court dated December 23, 2002 (after a hearing on the same date), McDonald's Third Application was approved, and the compensation and expense reimbursement amounts requested therein were allowed.

11. On February 27, 2003, McDonald filed its fourth application seeking interim allowance of compensation in the amount of \$400,000.00 (\$100,000.00 per month) and reimbursement of expenses in the amount of \$30,633.00 related to McDonald's services for the Committee in the months of October 2002, November 2002, December 2002 and January 2003 (the "Fourth Application"). By Order of the Bankruptcy Court dated March 19, 2003 (after a hearing on the same date), McDonald's Fourth Application was approved, and the compensation and expense reimbursement amounts requested therein were allowed.

12. On April 23, 2003, the Bankruptcy Court entered an order approving the sale of substantially all of the Debtors' assets to ISG, and on May 7, 2003, a closing of the sale transaction was accomplished.

13. During a telephonic meeting of the Committee on May 9, 2003, it was agreed that McDonald's services were no longer needed by the Committee, and that the Committee's employment of McDonald could be terminated, with its monthly fees ceasing as of April 30, 2003.

14. On June 26, 2003, McDonald filed its fifth application seeking interim allowance of compensation in the amount of \$300,000.00 (\$100,000.00 per month) and reimbursement of expenses in the amount of \$20,833.00 related to McDonald's services for the Committee in the months of February 2003, March 2003, and April 2003 (the "Fifth Application"). By Order of the Bankruptcy Court dated July 22, 2003 (after a hearing on the same date), McDonald's Fifth Application was approved, and the compensation and expense reimbursement amounts requested therein were allowed. The Fifth Application was the last periodic application for interim allowance of compensation that was filed by McDonald.

15. On October 22, 2003, an order confirming the Debtors' joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code (the "Plan") was entered.

16. In accordance with part (b) on pages 2-3 of the Retention Order, upon confirmation of the Plan an additional fee (the "Conclusion Fee") became payable to McDonald, equal to one percent (1%) of "any cash, securities, entitlements, or other property" which will be "paid or accorded" to General Unsecured Claims (in Class 3) under the Plan (the "Class 3 Distributions").

17. The Committee and McDonald have agreed that, in lieu of McDonald participating in and obtaining one percent (1%) of all Class 3 Distributions, McDonald may and

should instead be paid the sum of \$150,000.00 in complete settlement and satisfaction of its Conclusion Fee.

18. McDonald's services on behalf of the Committee described above were rendered by a variety of professionals employed by McDonald. The professionals who assisted the Committee prepared descriptions of their activities and the time spent by each of them during the Compensation Period. A summary of the time spent by each professional during the Compensation Period is attached hereto as Exhibit A. A summary of all of the activities of the professionals during the Compensation Period, by category, is attached hereto as Exhibit B. A composite description of the daily activities of the professionals is attached hereto as Exhibit C.¹

19. McDonald also requests final allowance of its out-of-pocket expenses which were incurred in connection with its performance of services for the Committee. McDonald seeks allowance of such expenses in the aggregate amount of \$133,478.00. A summary of such expenses incurred by McDonald or its professionals is attached hereto as Exhibit D.² McDonald will provide additional details of these expenses upon its receipt of an appropriate request for same.

¹ Exhibit C is comprised of five parts, C-1, C-2, C-3, C-4, and C-5, which correspond to the respective time periods covered by McDonald's First, Second, Third, Fourth, and Fifth Applications for interim compensation.

² Exhibit D is comprised of five parts, D-1, D-2, D-3, D-4, and D-5, which correspond to the respective time periods covered by McDonald's First, Second, Third, Fourth, and Fifth Applications for interim compensation.

20. The charges by McDonald for expenses are determined in the same manner as for its clients in non-bankruptcy matters. Out-of-pocket expenses incurred by professionals are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such client. McDonald has followed its internal policies with respect to out-of-pocket expenses billed to the Committee as generally set forth below:

- (a) Meals provided during travel by professionals or at meetings with attendees including employees of or other professionals employed by the Committee of the Debtors, or other representatives of parties interested in these Chapter 11 cases, are billed at cost. Also, if a professional is required to provide services to the client during a meal time due to extreme time constraints, then the professional is permitted to bill the meal.
- (b) Messengers and couriers are used to deliver hard copy documents relating to the client matter which require receipt on an expedited basis; otherwise the regular postal system is used. Any charges for messengers and couriers are billed to a client at cost.
- (c) When a professional is traveling for more than one matter, the professional will allocate the costs of business travel (e.g., air fare and hotel charges) between or among the multiple matters; otherwise, the entire amount of the travel expense is billed to the client for which the travel related.
- (d) Certain charges that are included in expenses, such as for database usage or cellular telephones, are based upon estimated allocations of statement totals among various client and non-client accounts.

General Considerations

21. McDonald respectfully states that the services it has rendered pursuant to the Engagement Agreement, Retention Application and Retention Order have been in the best interests of the Committee and the Debtors' estates.

22. In the normal course of its business, McDonald generally invoices its clients on the basis of a flat monthly fee or for certain transactions or results, and typically does not charge by the hour for services rendered. Some additional time spent by McDonald's professionals in connection with McDonald's engagement on behalf of the Committee during the Compensation Period has not been reflected in the records attached to this Application, including such activities as brief telephone conferences, e-mail exchanges or other minor communications, review of various pleadings, notices and orders in the Cases, internal conferences, and travel.

23. Included in Exhibit E hereto are biographical summaries for the professionals who were the primary members of McDonald's service team for the Committee. McDonald believes that the fees sought to be allowed in this Application are fair and reasonable given (a) the complexity of the issues presented, (b) the skill necessary to perform the subject services for the Committee, (c) the preclusion of other employment, (d) the employment of pertinent knowledge and experience with respect to the industries involved, (e) the time and labor required, and (f) market practices and the compensation payable by similar clients of investment bankers and restructuring advisors in non-bankruptcy situations. Also, McDonald believes that the expenses for which it seeks reimbursement are appropriate and reasonable under the circumstances.

24. All professional services which are the subject of this Application were performed for the Committee in connection with the Debtors' Cases, and were not rendered on behalf of any other entity interested in the Cases.

25. There is no agreement or understanding between McDonald and any other entity for the sharing of compensation to be received by it in connection with this Application, except for the standard sharing of income within its affiliates.

26. McDonald respectfully believes that it is presently entitled to final allowance of all of its monthly fees for the Compensation Period from November 1, 2001, through April 30, 2003, final allowance of the proposed Conclusion Fee described above, and final allowance and reimbursement of its expenses.

27. As of the time of the filing of this Application, McDonald has received payment from the Debtors of all fees and expenses for which final allowance is requested herein except for the proposed Conclusion Fee of \$150,000.00.

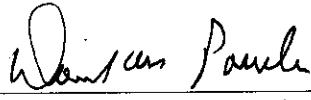
28. McDonald respectfully requests that the requirement under Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York for the filing of a memorandum of law in support of this Application be waived, given that there are no novel issues of law presented herein.

Request for Relief

WHEREFORE, McDonald respectfully requests that the Bankruptcy Court enter an order providing for (a) final allowance of all of its monthly fees for the time period from November 1, 2001, through April 30, 2003 in the amount of \$1,950,000.00 (all of which has already been paid), (b) final allowance of its proposed Conclusion Fee in the amount of \$150,000.00 (none of which has been paid), (c) final allowance and reimbursement of its expenses in the amount of

\$133,478.00 (all of which has already been paid), and (d) such other and further relief as may be just and proper.

McDONALD INVESTMENTS, INC.

By: 
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**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

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In re:)		
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BETHLEHEM STELL CORPORATION, <i>et al.</i>)	Chapter 11	
)	Case Nos.	01 B 15288 through
Debtors)		01 B 15302 (BRL) and
)		
)		01 B 15308 through
)		01 B 15315 (BRL)
)		
)	(Jointly Administered)	
_____)		

**AFFIDAVIT IN SUPPORT OF FINAL APPLICATION OF
 McDONALD INVESTMENTS INC. FOR ALLOWANCE OF COMPENSATION FOR
 SERVICES AND REIMBURSEMENT OF EXPENSES,
 AND CERTIFICATION PURSUANT TO LOCAL GUIDELINES**

STATE OF OHIO)
) ss.:
 COUNTY OF CUYAHOGA)

David M. Powlen, under the penalty of perjury, deposes and says:

1. I am a Managing Director and Manager of Restructuring Services at McDonald Investments Inc. ("McDonald"), which has offices at 800 Superior Avenue, Cleveland, Ohio 44114. McDonald is a subsidiary of KeyCorp, which also is the parent company of KeyBank

National Association (“Key”). McDonald’s investment banking division is also now doing business as KeyBanc Capital Markets.

2. I submit this Affidavit in support of the foregoing Application by McDonald (as Investment Banker and Restructuring Advisor for the Official Committee of Unsecured Creditors in the above-captioned cases) for final allowance of compensation and reimbursement of expenses (together with exhibits thereto, the “Application”) and to address compliance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Bankruptcy Court on April 19, 1995, 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, the “Guidelines”). All capitalized terms used but not defined herein are intended to have the meanings ascribed to them in the foregoing Application.

3. The total monthly fees of \$1,950,000.00 during the Compensation Period and the total expenses in the amount of \$133,478.00 for which final allowance is sought in the Application are in accordance with the terms of McDonald’s Engagement Letter dated November 20, 2001, and the Committee’s request in the Retention Application filed on November 21, 2001, as modified and approved by the Bankruptcy Court’s Retention Order dated January 9, 2002. The proposed Conclusion Fee of \$150,000.0 in cash is likely less than the value of what McDonald could presently be expected to receive in the form of one percent (1%) of all Class 3 Distributions under the Plan (which percentage share was authorized in the Retention Order).

4. I have read the Application, and, to the best of my knowledge, information and belief, to the extent that such Guidelines appear to be applicable to McDonald as a professional

employed under the Retention Order pursuant to 11 U.S.C §328(a) on a non-hourly basis, and except as otherwise stated or evidenced in the Application, the Application substantially complies with the Guidelines, the fees and expenses encompassed by the Application fall within the Guidelines, and those fees and expenses are charged in accordance with practices customarily employed by McDonald and generally accepted by McDonald's clients.

5. With respect to the billing of reimbursable services, McDonald does not make a profit on such services, whether the service is provided directly by McDonald or purchased from a third party. Also, McDonald does not include in any amount for which reimbursement is sought the amortization of the cost of any investment, equipment, or capital outlay.

6. All professional services which are the subject of this Application were performed for the Committee in connection with the Debtors' Cases, and were not rendered on behalf of any other entity.

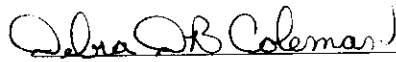
7. No agreement or understanding exists between McDonald and any other entity for the sharing of compensation received or to be received for services rendered by McDonald on behalf of the Committee in connection with the Cases (except for the standard sharing of income with affiliates of McDonald).

FURTHER AFFIANT SAYETH NOT.



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Affirmed before me this 19th day of November, 2003.



Notary Public

DEBRA D.B. COLEMAN
Notary Public, State of Ohio, Cuy. Cty.
My Commission Expires Dec. 19, 2003