

“Transaction Fee”) as described and calculated herein for the successful completion of the sale of the assets of the Debtors, and respectively represents:

JURISDICTION

1. This Court has jurisdiction over the subject matter of this Final Application pursuant to the provisions of 28 U.S.C. Section 1334 and 157, 11 U.S.C. Sections 330 and Rule 2016 of the Federal Rules of Bankruptcy Procedure.

CASE INFORMATION AND STATUS

2. On October 5, 1998, Boston Chicken, Inc., BC Real Estate Investments, Inc., MidAtlantic Restaurants, Inc., BCI Mayfair, Inc., BC Great Lakes, LLC, Progressive Foods Concepts, Inc., BC Acquisition Sub, BC Golden Gate, LLC, BCBM Southwest, LP, BC Boston, LP, BC Superior, LLC, BC Heartland, LLC, BC Tri-States, LLC, Finest Foodservice, LLC, R&A Food Services, LP, P&L Food Services, LLC, BCE West, LP, Mayfair Partners, LP, BCI Massachusetts, Inc., BCI R&A, Inc., BCI Southwest, Inc., BCI West, Inc., BC New York, LLC, Buffalo P&L Food Services, Inc. (jointly administered as the “Debtors”) filed petitions under Chapter 11 of the United States Bankruptcy Code. As of the date of this Application, the Debtors have continued in possession of their property as debtors-in-possession.

EMPLOYMENT/RETAINER INFORMATION

1. On February 20, 1999, the Debtors filed a Motion for Authority to Retain Investment Banker (the “February Motion”). The February Motion sought approval of the retention of BT Alex.

Brown on the terms and conditions of the engagement letter attached to the February Motion as Exhibit "A".

2. On February 24, 1999, this Court entered its order on the February Motion (the "First Order"). The First Order authorized interim retention of BT Alex. Brown as investment banker to the Debtors. The First Order provided that the retention of BT Alex. Brown was conditional on no objections being made to the February Motion and the First Order. In the event of any objections, a hearing would be held on March 23, 1999.
3. As a result of an objection filed by the United States Trustee, a hearing was held on March 23, 1999. At the hearing, the Debtors and the United States Trustee announced an agreement for the continued interim retention of BT Alex. Brown and the conditions precedent to the permanent retention of BT Alex. Brown. The parties agreed to and requested entry of the terms of the second order on the February Motion ("Second Order").
4. The Second Order provided that (a) the Debtors were authorized to retain BT Alex. Brown as their investment banker in these Chapter 11 cases on an interim basis through June 30, 1999, effective as of February 1, 1999; (b) the retention of BT Alex. Brown was conditioned on the completion of the acquisition of Bankers Trust Corporation ("BTC") by Deutsche Bank AG ("Deutsche Bank") by June 30, 1999; (c) in the event that Deutsche Bank did not complete the acquisition of BTC by June 29, 1999, the Court would reconvene a hearing on June 30, 1999 to further consider the February Motion and the objections of the United States Trustee; and (d) if the acquisition by Deutsche Bank of BTC was completed by June 29, 1999, then the BT Alex. Brown retention would be final in all respects with such retention in accordance with the terms of the engagement letter, attached as Exhibit "A" to the February Motion as modified by this Second Order.

5. As provided for in the First and Second Order, BT Alex. Brown served as investment banker to the Debtors from February 1, 1999 to June 30, 1999 and continued to serve as the investment banker to the Debtors as a result of the completion of the acquisition of BTC by Deutsche Bank prior to June 29, 1999. In fact, as a result of the acquisition BT Alex. Brown is now known as Deutsche Bank Securities Inc.
6. Although the retention of BT Alex. Brown was final because the acquisition of BTC by Deutsche Bank was completed prior to June 29, 1999, certain events occurred that caused the Debtors to request that Lazard, rather than BT Alex. Brown n/k/a Deutsche Bank Securities Inc., serve as the investment banker to the Debtors.
7. Prior to the filing of these cases and from February 1, 1999 to June 30, 1999, Barry W. Ridings ("Ridings") a Managing Director of BT Alex. Brown and certain other individuals working closely with him at BT Alex. Brown serviced all of the Debtors' investment banking needs. Since the completed acquisition of BTC by Deutsche Bank, Ridings and the other individuals who provided investment banking services to the Debtors have left BT Alex. Brown and are now associated with Lazard. BT Alex. Brown has said that it will exit the restructuring advisory business.
8. Subsequent to Ridings and the other individuals moving to Lazard, the Debtors continued to require the services of experienced investment bankers to assist and advise them in their reorganization efforts. At the time the Debtors were in the critical stages of their cases and, rather than start anew with a different group of advisors from BT Alex. Brown that were totally unfamiliar with the Debtors, the Debtors believed that the retention of Lazard was in the best interest of all concerned. For example, a bidding process had been implemented that resulted in the announcement of a sale of substantially all of the Debtors' assets to

McDonald's Corporation. As evidenced by Ridings' testimony before the Court, Ridings and his group had been and continued to be essential to the sale process and the orderly consummation of the sale transaction to McDonald's.

9. On September 2, 1999, the Debtors filed a Motion for Authority to Retain Lazard Frères & Co. LLC as Investment Banker (the "September Motion"). The September Motion sought approval of the retention of Lazard on the terms and conditions of the engagement letter attached to the September Motion as Exhibit "A".
10. On September 24, 1999, this Court entered its order on the September Motion (the "Third Order"). The Third Order authorized retention of Lazard as investment banker to the Debtors.
11. Pursuant to the engagement letter attached as Exhibit A and the Retention Order attached hereto as Exhibit B, Lazard is to be paid a financial advisory fee of \$150,000.00 per month as described in paragraph 3(a) on page 3 of Exhibit A. Lazard voluntarily reduced its monthly fee to \$75,000 per month for the four (4) monthly periods from February 1, 2000 through May 26, 2000 (the "Final Application Period") to reflect the relatively reduced amount of time demanded of Lazard's professionals following the announcement of the transaction with McDonald's. Despite the reduced time commitment, the activities performed by Lazard were critical to the confirmation of the plan, as Lazard expected a contested confirmation hearing. A large amount of Lazard's time during the Final Application Period was spent preparing for and attending depositions, assisting the Debtors' counsel in preparing for depositions and trial, and preparing for and delivering expert testimony at the confirmation hearing. In this application, Lazard is seeking compensation of \$300,000.00 for the financial advisory

services it has performed in the four (4) months from February 1, 2000 through May 26, 2000.

12. During the Final Application Period Lazard incurred out-of-pocket expenses totaling \$18,276.49.

13. Lazard respectfully asks for (i) payment of \$300,000.00 for its services from February 1, 2000 through May 26, 2000, which includes a monthly fee of \$75,000.00 for each of February, March, April and May; and (ii) payment of \$18,276.49 for out-of-pocket expenses incurred during the Final Application Period.

The following summarizes the request for compensation:

Fees Requested	\$300,000.00
Out-of-pocket Expenses Requested	<u>\$ 18,276.49</u>
Amount Due and Requested	\$318,276.49

14. Lazard also seeks payment of the Transaction Fee pursuant to paragraph 3(b) on page 3 of Exhibit A and Schedule I of Exhibit A attached hereto. Lazard calculated its fee based on the initial announced transaction value of \$173,500,000 because Lazard had a minimal role in negotiating the incremental \$2,650,000 of value that primarily went towards a settlement with the 1995 Lenders and the unsecured bondholders. McDonald's agreed to this incremental value to eliminate objections to the plan by the 1995 Lenders and the unsecured bondholders and to accelerate the confirmation process. By ignoring the additional \$2,650,000 in calculating the Transaction Fee, Lazard is forgoing \$19,875 in compensation. The calculation of the Transaction Fee is shown on the following page.

Boston Chicken, Inc.
Calculation of Lazard Transaction Fee

Aggregate Consideration: \$173,500,000

Aggregate Consideration:	Incremental Fee % (1)	Incremental Fee
\$0 - \$100,000,000	1.25%	\$1,250,000
\$100,000,001 - \$200,000,000	0.75%	551,250
Total Success Fee		\$1,801,250

(1) Percentages pursuant to Schedule I of Exhibit A attached hereto

15. Over the course of Lazard's retention (for the purposes of this document, the time spent and work done by Lazard's professionals while at BT Alex. Brown are described as though all activities were performed while the professionals were employed at Lazard), Lazard's work as financial advisor encompassed various services to the Debtors. A description of the principal services includes the following:

(a) Preparation of Offering Materials

Lazard, working with management and counsel, prepared a confidential selling memorandum which contained, among other things, a description of the Debtors and their business, assets, prospects and management. In addition, Lazard prepared other offering materials including confidentiality agreements and bid letters for distribution to interested parties. The offering materials were reviewed extensively with management, the Debtors' bank lenders and other parties-in-interest.

(b) Preparation of Buyer's List

Lazard assisted the Debtors in identifying and evaluating candidates with interest in entering into a potential strategic transaction with the Debtors. Lazard leveraged its expertise and contacts within its investment banking network and solicited the feedback

of other parties-in-interest in these cases to develop a comprehensive list of potential interested parties.

(c) Construction and Maintenance of Electronic Data Room

In order to facilitate the initial due diligence of interested parties, Lazard built and maintained an electronic data room containing relevant financial and operational information that could be sent to parties on an expedited basis. Lazard periodically updated the information and tailored the data room to meet specific needs and requests of the interested parties.

(d) Discussions with Interested Parties

Lazard completed a Confidential Selling Memorandum for the Company in March of 1999. Throughout the spring and fall of 1999, Lazard conducted an exhaustive and comprehensive public marketing process. Lazard contacted potential candidates and after execution of a confidentiality agreement, distributed offering materials. In rendering such services, Lazard met with representatives of interested parties and provided those representatives with such information about the Debtors as was appropriate. The Company received its first bid for substantially all of its assets on July 26, 1999 from Boston Market Acquisition Company ("BMAC"). BMAC's bid consisted of \$105 million in cash and \$35 million in assumed liabilities. The Company entered into negotiations with BMAC in an effort to secure a "stalking horse" bidder. On September 8, 1999, talks with BMAC were discontinued and the general auction was resumed. During the period between September 8 and September 21, Lazard contacted new parties as well as parties that had formerly declined to participate in the process. In total, Lazard contacted over 80 potential buyers and sent confidential materials to 49 potential buyers

who signed confidentiality agreements. Twenty of these potential buyers conducted additional due diligence and received additional confidential materials. Lazard's efforts resulted in the submission of five final bids for substantially all of the assets of the Debtors. Lazard assisted the Debtors and parties-in-interest in evaluating the offers and in negotiating the terms of the offers and bidder contracts. This culminated in the December 1, 1999 announcement of a sale of the Debtors' assets to McDonald's Corporation for \$173.5 million. Following the announcement, Lazard assisted the Debtors in attaining confirmation of a Plan of Reorganization premised on the sale to McDonald's.

(e) Participation in Board of Directors Meetings

Lazard participated in Board of Director's meetings to provide Board Members an overview as to the approach to the sales process as well as subsequent updates on the current status and planned next steps in the sales process. In addition, Lazard participated in discussions with management and the Board relative to current case issues including but not limited to updates on current operating results, current liquidity and discussions with the DIP lenders, employee related matters, and inquiries regarding the Debtors' stake in Einstein Noah Bagel Corp.

(f) Preparation for and Participation in Meetings with Banks and the Official Unsecured Creditors' Committee

Lazard, with the assistance and input of management, prepared reports and analyses for presentation to the Debtors' banks and Creditors' Committee. Such reports and meetings covered a wide range of topics including the Debtors' operating performance, future

prospects, current and forecasted liquidity levels, various alternatives to maximize recoveries to all parties-in-interest, and discussion of the sales process.

(g) Participation in Negotiation of DIP and DIP Amendments

During the retention period, Lazard assisted the Company in negotiating the terms of its Debtor-in-Possession (“DIP”) facility. Lazard also assisted the Company in negotiating numerous amendments to the facility to provide for required liquidity and cure covenant defaults.

(h) Financed Area Developer (“FAD”) Valuation

Lazard prepared and sensitized a valuation of each of the Company’s FADs based on Company financial projections for the years 1999 through 2005. This analysis was used to determine valuation ranges for each of the FADs based on a discounted cash flow approach.

(i) Preparation of Liquidation Analysis

Lazard, with the assistance and input of management, prepared a liquidation analysis in an effort to estimate the proceeds that would be available to creditors of the Company under a liquidation scenario. This analysis was based on Lazard and Company estimates, historical experience and on an appraisal, performed by Ernst & Young Kenneth Leventhal, of Boston Chicken’s real estate. This analysis was incorporated in the Debtors’ Disclosure Statement.

(j) Review of Debtors’ 5-Year Business Plan

Lazard reviewed the Debtors’ 5-Year Business Plan and discussed the underlying assumptions with management to ensure reasonableness and to make certain that the model reflected management’s best estimate of a “base case” scenario.

(k) Preparation of Expert Witness Report

Lazard prepared an Expert Witness Report that recounted the Debtors' sales process, examined and explained the McDonald's bid, and detailed the methodology used to arrive at Lazard's estimate of the value of the Debtors estate. Analysis performed in preparing the report included comparable public company analysis, precedent transaction analysis and discounted cash flow analysis (based on the Company's 5-Year Business Plan). Lazard separately analyzed and evaluated the value of the Heinz contract and analyzed recent bank and public debt issuances in the restaurant industry.

(l) Assist Counsel in Preparation for Depositions and Other Court Hearings

Lazard assisted Company and Senior Lender Counsel in preparing for depositions of the various interested parties involved in the case. In providing this assistance, Lazard reviewed and analyzed the expert witness reports of Ernst & Young and Houlihan Lokey, provided counsel a detailed summary of the sales process and the roles of the different parties involved. Lazard also provided counsel with its opinion as to the validity of the methodology and conclusions of the expert witness reports of Ernst & Young and Houlihan Lokey and assisted in preparing lines of questioning. Finally, Lazard participated in the preparation of testimony for the deposition of Barry Ridings by the unsecured creditors committee and Ridings' testimony at the Confirmation Hearing.

(m) Assist Debtors in Preparation of Disclosure Statement

After the sale to McDonald's was announced, Lazard assisted in documenting the transaction in the Company's Disclosure Statement and Plan of Reorganization. Among other things, Lazard described the sale process, worked with the Company in preparing its liquidation analysis and assisted in the preparation of other related court documents.

(n) Analysis of Various Financial Issues

Lazard assisted the Debtors in the review of various financial issues including the analysis of current operating trends, the evaluation of current and projected liquidity requirements, the review of store profitability, and other financial matters. Lazard worked closely with management and parties-in-interest to provide updates on current case issues on a timely basis.

(o) Provided the Debtors with Other Appropriate General Restructuring Advice

Lazard worked closely with the Debtors in providing advice on day to day case issues.

17. The financial services set forth above were performed primarily by: Barry W. Ridings, the Founder and Co-Head of Lazard's Restructuring Group; Andrew T. Yearley, Vice-President; Derrick C. Diggs, Associate; Roger C. Rumsey, Senior Analyst; and other professionals, on an "as needed" basis, of Lazard. Mr. Ridings, the senior investment banker for this assignment, has over 20 years of investment banking experience and previously has held senior positions at Bear Stearns & Co., Drexel Burnham Lambert and BT Alex. Brown. He has been a frequent speaker at various seminars and lectures annually at Cornell University Graduate School of Business. The resumes of each of the primary Lazard professionals are provided in Exhibit C.

18. Lazard respectfully submits that the compensation requested for services rendered to the Debtors is fully justified and reasonable based upon (a) the time and labor required, (b) the complexity of the issues presented, (c) the skill necessary to perform the financial advisory services, (d) the preclusion of other employment, and (e) the customary fees charged to clients in non-bankruptcy situations.

19. Lazard respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interest of the Debtors and have furthered the goals of all parties in interest. Lazard respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Lazard is reasonable in light of the work performed by Lazard in these cases.
20. Lazard respectfully submits that the services it has rendered to the Debtors have significantly increased the value of the Debtors' estate and has markedly increased the recovery to creditors of the estate. The increase in value to the estate is evidenced by the \$176.2 million sale price that was approximately 30.5% greater than McDonald's original offer of \$135 million and approximately 8.5% higher than the next highest bid that had secure financing. Lazard was able to achieve the increase in value by executing a thorough and exhaustive sales process and by engaging in extensive negotiations with several interested parties.
21. The amount of fees and expenses sought in this application and Lazard's billing processes are consistent with market practices both in and out of a bankruptcy context. Lazard's professionals generally do not maintain detailed time records of the work performed for its clients. In the Debtors' case, however, Lazard has recorded time records in one-half hour increments. Time records of the hours expended by Lazard professionals in providing financial advisory and investment banking services to the Debtors from February 1, 2000 through May 26, 2000 are provided in Exhibit D.
22. Lazard respectfully requests allowance of its out-of-pocket expenses incurred in connection with its performance of services for the Debtors during the Final Application Period in the aggregate amount of \$18,276.49. Lazard's out-of-pocket expenses during the Final Application Period were largely expenses related to the production of materials, travel and

the confirmation process. Details of the expenses incurred during the Final Application Period are provided in Exhibit E.

23. Lazard has had to fund all of the expenses sought hereby before seeking reimbursement. Lazard includes in this application only those items of expense that it customarily charges its client, and which are not otherwise absorbed in Lazard's overhead.
24. With respect to expenses, it should be noted that Lazard has absorbed certain expenses customarily charged by other professionals in bankruptcy cases. For example, Lazard does not allocate office telephonic charges and photocopying costs by client and thus these expenses are absorbed by Lazard in its overhead and not charged to the Debtors' estate.
25. Lazard respectfully submits that the expenses for which it seeks allowance are necessary and reasonable both in scope and amount.
26. No prior application for the relief requested herein has been made.
27. All professional services for which Lazard is requesting compensation were performed on behalf of the Debtors during the case and were not rendered on behalf of any other person.
28. There is no agreement or understanding between Lazard and any other person for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

WHEREFORE, Lazard requests the Court to:

- (a) Approve the allowance and payment of Lazard's fees and expenses, as detailed below, for the Final Application Period:

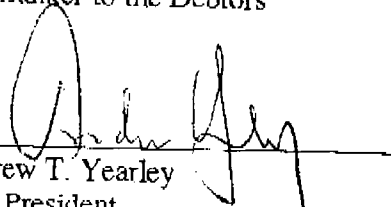
Monthly Fees Requested	\$300,000.00
Transaction Fee Requested	\$1,801,250.00
Out-of-pocket Expenses Requested	<u>\$18,276.49</u>
Amount Due and Requested	\$2,119,526.49

- (b) Authorize and direct the Debtors to pay Lazard's approved fees and expenses;
- (c) Grant such other and further relief as this Court deems just and proper.

Dated: New York, New York
July 10 2000

LAZARD FRÈRES & CO. LLC
Investment Banker to the Debtors

By:



Andrew T. Yearley
Vice President
30 Rockefeller Plaza, 60th Floor
New York, New York 10020

UNITED STATES BANKRUPTCY COURT
DISTRICT OF ARIZONA

NOTICE THAT EXHIBITS TO THIS ELECTRONICALLY FILED DOCUMENT ARE NOT ATTACHED.

There were one or more exhibits and/or other attachments filed with this pleading that consisted of pages too numerous for the clerk to scan and electronically file as part of the pleading. Paper copies of these exhibits are maintained at the Office of the Clerk. They may be reviewed at that office 9:00 a.m. to 4:00 p.m., Monday to Friday, at 2929 North Central Avenue, Ninth Floor, Phoenix, Arizona, or you may arrange to obtain copies from the filing attorney.

KEVIN E. O'BRIEN
CLERK OF COURT