

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

-----X
In re: :
 : **Chapter 11**
 : **Reorganization Case No.**
Bradlees Stores, Inc., et al., : **95 B 42777 through**
 : **95 B 42784 (BRL)**
 : **(Jointly Administered)**
 :
Debtors :
-----X

FINAL FEE APPLICATION FOR
COMPENSATION AND REIMBURSEMENT OF EXPENSES TO ARTHUR ANDERSEN LLP,
ACCOUNTANTS AND AUDITORS TO BRADLEES STORES, INC.

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

COMES NOW Arthur Andersen LLP ("Andersen"), the duly appointed accountants and auditors for Bradlees Stores, Inc., New Horizons of Yonkers, Inc., Bradlees, Inc., Bradlees Administrative Co., Inc., Dostra Realty Co., Inc., Maximedia Services, Inc., New Horizons of Bruckner, Inc., and New Horizons of Westbury, Inc., debtors and debtors-in-possession herein (collectively, the "Debtors"), in the above titled and numbered Chapter 11 bankruptcy cases, and files this their Final Fee Application for Compensation and Reimbursement of Expenses and in support thereof would respectfully show the following:

I.

On February 2, 1999 (the "Effective Date"), the Second Amended Plan of Reorganization (the "Plan") of Bradlees Stores, Inc. and affiliates went effective. In accordance with Section 12.07(b) of the Plan, Andersen files this final fee application seeking the (i) allowance of any fees and reimbursement of expenses for the period between January 1, 1999 and the Effective Date (ii) final allowance of all fees and reimbursement of expenses incurred during the pendency of the Chapter 11 cases and (iii)

payment of any fees held back by the Court. Andersen makes this Final Fee Application for Allowance of Compensation for professional services, in the amount of \$79,966 which was rendered by Andersen from January 1, 1999 through February 2, 1999, ("the Subject Period"), as well as for reimbursement of actual and necessary costs in the amount of \$1,932.00 incurred by Andersen during the Subject Period.

Andersen seeks allowance of compensation for professional services during the Subject Period, during which time Andersen expended a total of 182.5 hours of professional time in the performance of audit and accounting services and a total of 225.25 hours of professional time in the performance of other services rendered on behalf of the Debtors. An accounting of the time expended, the nature of the services rendered, the respective employees of Andersen providing the services and the hourly rate charged by each employee when the time was incurred is set forth in Section III.

II.

On June 23, 1995, these cases were commenced by the filing of petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York, by the Debtors. Pursuant to an Order of the Bankruptcy Court, the Debtors' Chapter 11 cases are being jointly administered for procedural purposes only. The Debtors have continued to operate their businesses and manage their properties as debtors in possession. On November 4, 1997, the Debtors filed with this Court their Application for authority to employ and retain Andersen, whereby the Debtors sought approval from this Court to engage Andersen to serve as accountants and auditors in these Chapter 11 cases. On November 10, 1997, this Court entered its Order authorizing the employment and retention of Andersen as accountants and auditors for the Debtors pursuant to 11 U.S.C. section 327. A true and correct copy of the Order appointing Andersen and the Applications for authority to Employ are attached hereto and incorporated herein for all purposes as Section II. Arthur Andersen has subsequently agreed with management of the Debtors to increase the Fee Cap pertaining to the Fiscal 1998 audit. A true and correct copy of the order authorizing the

Debtors to modify the terms of their retention of Andersen and the Application for entry to modify the terms of their retention are also attached hereto and incorporated herein for all purposes as Section II.

III.

All services for which compensation is requested were performed for and on behalf of the Debtors and not on behalf of any other entity or party in interest. This Final Fee Application is submitted in accordance with the Administrative Order, dated April 19, 1995, of this Court, which established the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the "Fee Guidelines").

IV.

GENERAL DESCRIPTION OF SERVICES PERFORMED

As accountants and auditors for the Debtors, Andersen has performed extensive accounting and consulting services in the areas of financial reporting and business analysis to the Debtors. Such services require the specific skills of Andersen in the area of retail accounting and the general skills of Andersen in Chapter 11 cases. In accordance with the Fee Guidelines, included in Section III is a summary of the hours and fees incurred by project. A general list of certain services rendered during the Subject Period include:

BASE AUDIT AND ACCOUNTING SERVICES RELATED TO DEBTORS' 1998 FINANCIAL STATEMENTS

Fiscal 1998 Audit

- a. Rendering services in connection with the audit of the Debtors' annual financial statements to be filed on Form 10-K with the Securities and Exchange Commission.
- b. Consulted with Debtors' management in connection with accounting matters related to its ongoing activities.
- c. Reviewed and consulted with Debtors' management and financial consultants regarding various drafts of its 1999 Business Plan.
- d. Consulted with Debtors' management, other consultants, and counsel in connection with operating, financial and other business matters relating to the ongoing activities of Debtors.

- e. Attended the physical inventory observation of the Debtors' distribution centers and various stores.

1998 Benefit Audits

- a. Rendered services in connection with the Bradlees Stores, Inc. Long-Term Disability Medical Benefit Plan for the year ended June 30, 1998.

OTHER SERVICES AND CONSULTING PROJECTS

S-1 Registration Statement

- a. Review of the Debtors' S-1 Registration Statement filed with Securities and Exchange Commission.
- b. Consulted with Debtors' management regarding various accounting issues regarding the S-1 Registration Statement.

Retirement Plan Consulting

- a. Consulted with Debtors' management regarding FASB No. 87 and FASB No. 88.
- b. Discussions with Debtors' management surrounding actuarial assumptions related to the defined benefit pension plan.

Case Administration

- a. Preparation of December Monthly Fee Statement.
- b. Preparation of Fourth Interim Fee Application.

In connection with rendering accounting and auditing services during the Subject Period, Andersen has expended the time of its professionals shown in Section III-B. Andersen values these services rendered to the Debtors included in this Final Fee Application at \$34,479. Andersen has committed to a total fee for audit services for the Debtors' fiscal 1998 financial statements. This has resulted in a fee reduction of \$10,479, which represents the investment by Andersen of the performance of those procedures for the audit of the Debtors through the Subject Period. Thus, such charges have not been submitted for reimbursement. In connection with rendering other services during the Subject Period, Andersen has expended the time of its professionals shown in Section III-C. Andersen values these services rendered to the Debtors included in this Final Fee Application at \$65,943. The services shown under the description Other Services in Section III-C, are outside the

scope of audit and accounting fixed fee services. Other services of a project, or consultation nature, were requested by the Debtors and are charged at our standard rates when the time was incurred in accordance with the Affidavit in Support of the Application authorizing the employment and retention of Andersen (the "Affidavit") dated November 10, 1997. However, Andersen has committed to bill the Debtors at 50% of Andersen's Fee for Case Administration Services, which has resulted in a fee reduction of \$9,977. A copy of the Affidavit is attached hereto as Section II. Such rates represent Andersen's usual and customary charges for services of a similar nature performed for other clients of the firm.

The following is a summary of the status of Andersen's request for compensation and reimbursement of expenses:

Interim Billing Period Covered	Professional Fees			Expenses	Total	Amounts Paid	Fees Held Back	Amount Due
	Audit and Accounting 1997	1998	Other Projects					
September 24, 1997- December 31, 1997	\$162,500	\$ -	\$ 23,208	\$ 24,000	\$209,708	\$209,708	\$ -	\$ -
January 1, 1998 - April 30, 1998	162,500	-	145,108	24,750	332,358	287,250	-	45,108
May 1, 1998 - August 31, 1998	-	110,000	57,094	19,802	186,896	168,626	-	18,270
September 1, 1998- December 31, 1998	-	88,500	198,849	32,532	319,881	95,015	-	224,866
January 1, 1999- February 2, 1999	<u>-</u>	<u>24,000</u>	<u>55,966</u>	<u>1,932</u>	<u>81,898</u>	<u>-</u>	<u>-</u>	<u>81,898</u>
	<u>\$325,000</u>	<u>\$222,500</u>	<u>\$480,225</u>	<u>\$103,016</u>	<u>\$1,130,741</u>	<u>\$760,599</u>	<u>\$ -</u>	<u>\$370,142</u>

During the Subject Period period, Andersen billed the Debtor for interim services at 80% of professional fees and 100% of expenses. This application for compensation and reimbursement of expenses represents the remainder of professional fees outstanding for January professional fees and expenses.

V.

During the Subject Period, and as more specifically set forth in Section IV, Andersen recorded unreimbursed expenses incurred in connection with the services rendered totaling \$2,512.83.

Andersen has committed to cap out its out-of-pocket expenses for audit services for the Debtors' fiscal 1998 financial statements. This has resulted in an expense reduction of \$580.31, which represents the investment by Andersen for expenses incurred during the Subject Period. Thus, such expenses have not been submitted for reimbursement. Each expenditure was a necessary and reasonable cost incident to the performance of Andersen's services for the Debtors and has been certified, in Section I, to be in compliance with the Fee Guidelines. An itemized accounting of the nature and cost of the expense incurred by Andersen is set forth in Section IV.

VI.

During the period Andersen has rendered and provided services in this proceeding, all of the time and effort of Andersen has been devoted to the affairs of the Debtors. The accounting and other services rendered have been beneficial to the Debtors.

VII.

There is no agreement or understanding of the existence between Andersen and any other party for the sharing of compensation, except that various members and professionals associated with Andersen may share in such compensation.

WHEREFORE, PREMISES CONSIDERED, Andersen prays that an allowance be approved to it for professional services rendered during the Subject Period in the amount of \$79,966 together with reimbursement of costs and out-of-pocket expenses in the amount of \$1,932 for a total payment of \$81,898 for compensation of services and reimbursement of expenses that the Court authorizes Andersen to be paid out of the Debtors' estates as administrative expenses pursuant to Section 503 (b) (2) of the Bankruptcy Code; and that Andersen have such other and further relief to which Andersen

may show itself to be justly entitled, including the right, hereby specifically requested, to file supplemental fee applications for unbilled services rendered and costs and out-of-pocket expenses incurred during the Subject Period.

Respectfully submitted this 19th day of March, 1999.

ARTHUR ANDERSEN LLP

By: _____
Jay A. Scansaroli
Arthur Andersen LLP
1345 Avenue of the Americas
New York, NY 10105
(212) 708-4141

Accountants and Auditors for
Bradlees Stores, Inc. et. al.,
Debtors and Debtors-in-Possession

I certify that a) in providing a reimbursable service, Andersen does not make a profit on that service, b) in charging for a particular service, Andersen does not include in the amount for which reimbursement is sought the amortization of the cost of any investment, equipment, or capital outlay and c) in seeking reimbursement for a service which the applicant justifiably purchased or contracted for from a third party, Andersen requests reimbursement only for the amount billed to Andersen by the third party vendor and paid by Andersen to such vendor.

Arthur Andersen LLP

By: _____
Jay A. Scansaroli
Certifying Professional

March 19, 1999

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

-----X
In re: :
 : **Chapter 11**
 : **Reorganization Case No.**
Bradlees Stores, Inc., et al., : **95 B 42777 through**
 : **95 B 42784 (BRL)**
 : **(Jointly Administered)**
 :
Debtors :
-----X

CERTIFICATION

FOR FINAL FEE APPLICATION OF ARTHUR ANDERSEN LLP,

DEBTORS' ACCOUNTANTS AND AUDITORS

This certification is made on behalf of Arthur Andersen LLP ("Andersen"), the duly appointed accountants and auditors for Bradlees Stores, Inc., et al. (collectively, the "Debtors") as debtors and debtors-in-possession in the above titled and numbered Chapter 11 bankruptcy cases, and is made in compliance with the Administrative Order, dated April 19, 1995, of this Court, which established the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the "Fee Guidelines"), and in support of Andersen's application for compensation and reimbursement of expenses during the Subject Period, as defined in the above referenced fee application.

I certify that a) I have read Andersen's application for compensation and reimbursement of expenses, b) to the best of my knowledge, information and belief formed after reasonable inquiry, the application complies with the Fee Guidelines, c) to the best of my knowledge, information and belief formed after reasonable inquiry, the fees and disbursements sought fall within the Fee Guidelines, d) except to the extent that fees or disbursements are prohibited by or exceed the rates permitted by the Fee Guidelines, fees and expenses sought are billed at rates in accordance with practices customarily employed by Andersen and generally accepted by Andersen's clients, e) the United States Trustee, the Debtors and the Co-Chairs of the Creditors' Committee have been provided, with a statement of the fees and disbursements of Andersen accrued during the subject period, and f) in seeking reimbursement of necessary expenses, incurred by Applicant in connection with the performance of its services Andersen does not make a profit on such reimbursements.

Jay A. Scansaroli