Hearing Date: April 22, 1999
Time: 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
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In re	:	Chapter 11
		Case Nos. 95 B 42777
BRADLEES STORES, INC., et al.,	:	through 95 B 42784 (BRL)
Debtors.	:	(Jointly Administered)

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APPLICATION OF DEWEY BALLANTINE LLP FOR ORDER (I) ALLOWING COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES AND DISBURSEMENTS FOR THE PERIOD FROM JANUARY 1, 1999 THROUGH FEBRUARY 2, 1999, (II) AUTHORIZING PAYMENT OF HOLDBACK AND (III) GRANTING FINAL ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES AND DISBURSEMENTS PREVIOUSLY ALLOWED

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

Dewey Ballantine LLP ("Dewey Ballantine" or "Applicant"), counsel for Bradlees Stores, Inc. ("Stores"), New Horizons of Yonkers, Inc. ("YON"), Bradlees, Inc., Bradlees Administrative Co., Inc., Dostra Realty Co., Inc. ("Dostra"), Maximedia Services, Inc., New Horizons of Bruckner, Inc., and New Horizons of Westbury, Inc. (collectively, "Bradlees"), hereby submits this application (the "Application") pursuant to section 330 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and Rule 2016 of the Federal Rules of

Bankruptcy Procedure (the "Bankruptcy Rules") seeking an order (i) allowing compensation for services rendered and reimbursement of expenses and disbursements for the period from January 1, 1999 through February 2, 1999 (the "Final Fee Period"), (ii) granting final allowance of compensation and reimbursement of expenses and disbursements for services rendered as counsel for Bradlees during the period from June 23, 1995 (the "Petition Date") through February 2, 1999 (the

"Effective Date"), and (ii) directing payment of that portion of previously awarded compensation which was subject to a holdback (the "Holdback"),[1] and in support of the application, respectfully represents as follows:

Introduction

1. On the Petition Date, Stores and each of its affiliates filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Pursuant to an Order of this Court dated June 23, 1995, Bradlees' chapter 11 cases were consolidated for procedural purposes only and were jointly administered. No trustee or examiner was appointed

[1] During the period from the Petition Date through the Effective Date (the "Case"), the Court directed a holdback of Applicant's fees in the aggregate amount of $406,252.63.

in these cases. On July 6, 1995, an Official Committee of Unsecured Creditors (the "Creditors' Committee") was formed pursuant to Bankruptcy Code section 1102(a).

2. On January 27, 1999, the Court entered two orders confirming Bradlees' Second Amended Joint Plan of Reorganization (the "Second Amended Plan"):[2] (i) an Order Confirming Second Amended Joint Plan of Reorganization for Bradlees Stores, Inc. and Affiliates under Chapter 11 of the Bankruptcy Code, and (ii) an Order Confirming Second Amended Joint Plan of Reorganization for New Horizons of Yonkers, Inc. under Chapter 11 of the Bankruptcy Code (the "Yonkers Confirmation Order"). The Effective Date of the Second Amended Plan occurred on February 2, 1999.[3]

3. Bradlees owns and operates discount retail department stores in the northeastern United States.

4. Pursuant to Section II (B) of the Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Under 11 U.S.C. § 330, made applicable to cases pending in the Southern District of New

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[2] Capitalized terms not otherwise defined herein shall have the meaning given such terms in the Second Amended Plan.

[3] Under the terms of the Plan and the Yonkers Confirmation Order, the Yonkers Effective Date has not yet occurred, and YON remains a debtor-in-possession.

York by the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the "Guidelines"), Applicant is required to describe the status of Bradlees' chapter 11 cases. In accordance with such requirement, Bradlees submits the following:

(a) Plan and Disclosure Statement -- On September 17, 1998, the Bankruptcy Court held a hearing to consider the adequacy of Bradlees' disclosure statement, and in an Order dated October 5, 1998, the Bankruptcy Court approved the disclosure statement. On November 18, 1998, the Court entered an Order confirming Bradlees' First Amended and Modified Joint Plan of Reorganization. On December 23, 1998, the United States District Court for the Southern District of New York reversed the Confirmation Order. On January 26, 1999, Bradlees filed the Second Amended Plan, and on January 27, 1999, the Court entered two Orders confirming the Second Amended Plan.

(b) Operating Reports and Payment of Fees -- Bradlees has paid all quarterly fees to the United States Trustee as they have become due. Likewise, Bradlees has filed all monthly operating reports in a timely fashion.

Relief Requested

5. Applicant has submitted twelve applications (each a "Fee Application") seeking payment of fees and reimbursement of expenses. The Court entered twelve orders approving the Fee Applications submitted by Applicant. The twelfth Fee Application covered the period from September 1, 1998 through December 31, 1998. As set forth above, however, the Effective Date of Bradlees' Second Amended

Plan did not occur until February 2, 1999. Thus, the Court has not yet considered Applicant's fees and expenses incurred during the period from January 1, 1999 through and including February 2, 1999.

6. Dewey Ballantine submits this Application seeking an order (i) allowing compensation for services rendered and reimbursement of expenses and disbursements incurred during the Final Fee Period, (ii) granting final allowance of compensation and reimbursement of expenses and disbursements for services rendered as counsel for Bradlees during the Case, and (iii) directing payment of the Holdback.

7. Applicant has maintained detailed records of the time expended in rendering the professional services performed on behalf of Bradlees during the Final Fee Period. Such time records were generated contemporaneously with the performance of the professional services described therein and in the ordinary course of Dewey Ballantine's practice. The individual time records were recorded by the attorney or legal assistant who rendered the particular services described. Annexed hereto as Exhibit A is a schedule which shows a summary of the hours worked, the hourly billing rates and the total charges of each professional and paraprofessional performing services in

this matter during the Final Fee Period. Annexed hereto as Exhibit B is a copy of the actual time records maintained by Dewey Ballantine for the Final Fee Period.

8. Applicant's records reflect that, during the Final Fee Period, attorneys, clerks and legal assistants rendered an aggregate of 2,080 hours of legal services. These services represent a total charge of $590,681.00, calculated in accordance with Dewey Ballantine's normal hourly rates in effect at the time the services were rendered.

9. Dewey Ballantine also maintains records of all expenses and disbursements incurred by Applicant which were necessary in connection with the performance of its services. Attached hereto as Exhibit C is a schedule, prepared from documents maintained by Dewey Ballantine's billing department with respect to such expenses, which schedule sets forth the amounts and types of expenses incurred during the Final Fee Period. The amount of expenses incurred by Applicant on behalf of Bradlees during the Final Fee Period aggregates $34,175.75. Attached hereto as Exhibit D is a complete breakdown of all such expenses.

10. Moreover, Applicant's records reflect that, during the Case, attorneys, clerks and legal assistants

rendered an aggregate of 46,526.30 hours of legal services. Annexed hereto as Exhibit E is a schedule which shows a summary of the hours worked, the hourly billing rates and total charges of each professional and paraprofessional performing services in this matter. During the Case, excluding the Final Fee Period, Applicant was awarded interim compensation in the amount of $10,789,649.60, subject to the Holdback in the amount of $406,252.63 and reimbursement of expenses in the amount of $1,058,327.72. Attached hereto as Exhibit F is a schedule, prepared from documents maintained by Dewey Ballantine's billing department, which sets forth the amounts and types of expenses incurred during the Case (including the Final Fee Period).

11. As stated above, Applicant has filed twelve Fee Applications.[4] The following table sets forth the date of each Fee Application, the amount of fees and expenses requested, and the amount of fees and expenses awarded:

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[4] Annexed to each Fee Application was an exhibit containing detailed time descriptions of the work performed by Applicant during the relevant fee period. Because of the great size of the time descriptions annexed to each Fee Application, Applicant has not annexed time descriptions hereto. Copies of Applicant's time descriptions have been filed with the Court and may be examined during normal business hours. Copies of such time descriptions may also be requested from Applicant at the address set forth below.

Docket No.	Fee Period	Fees Requested	Fees Awarded	Expenses Requested	Expenses Awarded
407	**First Interim Period** *6/23/95 - 9/30/95*	$979,725.40	$979,725.40	$92,972.77	$91,154.02
933	**Second Interim Period** *10/1/95 - 12/31/95*	$892,555.50	$892,555.50	$88,452.01	$88,452.01
1390	**Third Interim Period** *1/1/96 - 3/31/96*	$831,880.20	$831,880.20	$77,060.21	$77,060.21
1614	**Fourth Interim Period** *4/1/96 - 6/30/96*	$880,786.10	$868,502.50	$78,712.76	$78,712.76
1765	**Fifth Interim Period** *7/1/96 - 9/30/96*	$605,164.00	$605,164.00	$59,563.79	$59,563.79
1900	**Sixth Interim Period** *10/1/96 - 12/31/96*	$709,454.50	$709,454.50	$68,483.44	$68,483.44
2702	**Seventh Interim Period** 1/1/97 - 4/31/97	$828,264.80	$828,264.80	$74,128.16	$74,128.16
2299	**Eighth Interim Period** *5/1/97 - 8/31/97*	$969,370.50	$969,370.50	$121,542.00	$121,542.00
2491	**Ninth Interim Period** *9/1/97 - 12/31/97*	$870,321.50	$870,321.50	$63,710.73	$63,710.73
2833	**Tenth Interim Period** *1/1/98 - 4/30/98*	$1,030,395.70	$1,030,395.70	$103,087.64	$103,087.64
3070	**Eleventh Interim Period** *5/1/98 - 8/31/98*	$933,618.50	$933,618.50	$105,212.75	$105,212.75

Docket No.	Fee Period	Fees Requested	Fees Awarded	Expenses Requested	Expenses Awarded
	Twelfth Interim Period				
3441	*9/1/98 - 12/31/98*	$1,270,396.50	$1,270,396.50	$127,220.21	$127,220.21

12. During the first three interim fee periods, although the Court allowed Applicant's fees in the amounts requested, the Court directed that an aggregate amount of $406,252.63 be retained by Bradlees as a Holdback. The Court did not direct Bradlees to holdback any additional fees during the final nine interim fee periods.

13. Applicant respectfully submits that the professional services which it rendered and the expenses which it incurred on behalf of Bradlees during the Case were necessary and resulted in very substantial benefits to Bradlees and its estates.

Services Rendered

14. Applicant submits that in light of Applicant's success in guiding Bradlees through Chapter 11, in particular, (a) achieving confirmation of a plan of reorganization with overwhelming creditor support which provided for the continuation of Bradlees as a going concern with significant distributions to creditors, (b) the Court's previous Orders approving Applicant's prior Fee Applications, (c) the size and complexity of the Case, and

(d) the quality of Applicant's services, the relief requested in this Application should be granted. Set forth below is a summary of the more significant services provided by Applicant to Bradlees during the Case. Based on an analysis of each of the foregoing and other relevant factors, Applicant respectfully submits that the Court should enter an Order (i) allowing compensation and reimbursement of expenses for services rendered during the Final Fee Period, (ii) directing payment of the Holdback and (iii) granting final allowance of compensation and reimbursement of expenses.

A. Rights and Duties of Debtors in Possession

15. Throughout the Chapter 11 Case, Applicant worked closely with Bradlees to ensure that Bradlees operated in accordance with the provisions of the Bankruptcy Code and applicable non-bankruptcy law and responded to numerous inquiries posed by Bradlees concerning possible transactions and other business issues. Applicant counseled Bradlees regarding proscribed, permitted and required conduct, and Bradlees' fiduciary and managerial role with respect to such transactions and issues.

B. Debtor-in-Possession and Emergence Financing

16. Prior to the Petition Date, Bradlees faced severe liquidity problems. In an effort to alleviate such problems, and in order to continue to operate their businesses as debtors-in-possession, on June 23, 1995, Bradlees entered into an agreement with Chemical Bank, predecessor-in-interest to The Chase Manhattan Bank ("Chase"), as Agent, under which Chase provided Bradlees with a working capital facility to meet Bradlees' ongoing cash and credit requirements during the Chapter 11 case (the "Chase DIP Facility"). The Chase DIP Facility had a two-year term, with an original maturity date of June 23, 1997.

17. Prior to the Petition Date, Applicant drafted a Motion which was filed with the Court requesting authorization to enter into the Chase DIP Facility. By Order dated June 26, 1995, the Court authorized Bradlees to obtain interim DIP financing in the amount of $100 million. On July 11, 1995, the Court entered a Final Order authorizing and approving the Chase DIP Facility in the full amount of $250 million.

18. With the Chase DIP Facility in place, vendors resumed shipments to Bradlees of new inventory on normal business terms. During the course of the Chapter 11 case, Applicant negotiated several amendments to the Chase

DIP Facility. The following table summarizes the dates of each amendment and the primary function, inter alia, of each amendment:

Amendment	Date	Purpose
First Amendment	June 30, 1995	Modified certain definitions contained in the Chase DIP Facility.
Second Amendment	August 9, 1995	Provided for the syndication of loans to be made under the Chase DIP Facility to a group of banks.
Third Amendment	March 15, 1996	Modified certain definitions and financial covenants contained in the Chase DIP Facility.
Amendment by Letter Agreement	August 15, 1996	Permitted the closing of fourteen stores and the establishment of a markdown reserve in connection therewith.

Amendment	Date	Purpose
Fourth Amendment	September 13, 1996	Provided for a reduction in the funds available under the DIP line due to closure of store locations and modified certain financial covenants contained in the Chase DIP Facility.
Fifth Amendment	January 13, 1997	Provided for a modification of the EBITDA covenant contained in Section 6.05 of the Chase DIP Facility.
Amendment by Letter Agreement	February 20, 1997	Permitted the closure of the store located in New Hyde Park, New York.
Sixth Amendment	March 20, 1997	Extended the maturity date of the Chase DIP Facility for one year.
Seventh Amendment[5]	October 29, 1997	Increased the borrowing base, increasing the amount of available credit to Bradlees.

[5] Technically, the Seventh Amendment to the Chase DIP Facility is the First Amendment to the "Amended and Restated Revolving Credit and Guaranty Agreement" which was

(continued)

19. In connection with the Chase DIP Facility, Applicant also negotiated with Bradlees' prepetition Bank Group (the "Bank Group") and Chase to obtain stand-by letters of credit from Chase to "back up" existing letters of credit issued by the Bank Group. This enabled Bradlees to, inter alia, obtain certain imported goods which vendors were unwilling to ship absent such assurances.

20. Toward the end of 1997, Bradlees believed that additional availability under a new financing facility was necessary to provide liquidity levels during the 1998 fiscal year (the fiscal year in which Bradlees anticipated its exit from chapter 11), which would be sufficient to satisfy the vendor community. Therefore, Bradlees sought to replace the Chase DIP Facility with a financing (a) which would provide Bradlees with additional availability by further increasing the percentage of eligible inventory on which borrowing was based, and by defining eligible inventory more liberally and (b) which would convert into an exit financing facility upon emergence from Chapter 11.

21. Applicant and Bradlees explored the possibility of obtaining such financing from various

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executed as part of the Sixth Amendment, and restates and incorporates all of the previous Amendments.

sources and solicited bids from a number of financial institutions. Applicant and Bradlees eventually determined that BankBoston, N.A. ("BankBoston") submitted the most favorable bid. Applicant prepared and filed with the Court an Application dated December 3, 1997 seeking authorization to enter into a DIP Financing facility with BankBoston. On December 22, 1997, the Court entered an Order authorizing Bradlees to enter into the DIP agreement with BankBoston (the "BankBoston DIP Facility"). As compared to the Chase DIP Facility, the BankBoston DIP Facility provided Bradlees with greater availability, and hence greater liquidity, for lesser fees and for a longer term.

22. By its terms, the BankBoston DIP Facility was convertible, by replacement, upon the satisfaction of certain conditions, into an exit financing facility for a term equal to the earlier of (a) three years from the date of closing of the exit facility or (b) four years from December 23, 1997. Applicant assisted Bradlees in negotiating and documenting the terms of the exit financing. On February 2, 1999, Bradlees' Effective Date, Bradlees converted the BankBoston DIP Facility into an exit financing facility and emerged from Chapter 11.

C. Exclusivity Extensions

23. Section 1121 of the Bankruptcy Code grants a debtor-in-possession the exclusive right to file a plan of reorganization for 120 days after the filing of a voluntary petition for relief under Chapter 11 and the exclusive right to solicit acceptances of that filed plan for 180 days after the Petition Date. Section 1121 additionally provides that each of these periods may be extended for cause before its expiration. On five occasions during the pendency of Bradlees' case, Applicant prepared written motions seeking extensions of Bradlees' time to file and solicit acceptances of a plan of reorganization and prepared arguments to support Bradlees' right to such extensions.[6]

24. First, toward the end of Bradlees' initial exclusivity period, which was set to expire on October 23, 1995, Applicant successfully demonstrated to the Court that sufficient cause existed to extend Bradlees' exclusive periods on the basis that Bradlees' management had expended significant time since the Petition Date responding to numerous inquiries and information requests made by the Creditors' Committee, the Bank Group, vendors, customers

[6] Applicant also made one oral motion to extend the exclusive solicitation period, which motion the Court granted.

and landlords. In addition, during the exclusive period, Bradlees, with Applicant's assistance, had negotiated the Chase DIP Facility and a merchandise return program, and additional time was needed to remedy Bradlees' other operational problems. By Order dated November 20, 1995, Bradlees' motion was granted and the exclusive filing period was extended through June 30, 1996 and the exclusive solicitation period through August 29, 1996.

25. On June 7, 1996, Applicant filed a motion seeking to further extend Bradlees' exclusivity periods. In the motion, Applicant asserted that Bradlees needed additional time to fully implement and evaluate its business plan. Following a contentious hearing held before the Court on June 25, 1996, at which various creditor constituencies objected to the relief sought, the Court entered an Order extending Bradlees' exclusive periods to file a plan of reorganization through February 1, 1997, and extending Bradlees' exclusive periods in which to solicit acceptances of a plan through April 2, 1997.

26. On January 10, 1997, Applicant filed a motion with the Court seeking an additional extension of Bradlees' exclusivity periods. In the motion, Applicant informed the Court of the recent appointment of Peter Thorner as Chairman and Chief Executive Officer following

the dismissal by Bradlees of the prior Chief Executive Officer. Applicant asserted that additional time was needed to successfully implement Mr. Thorner's strategies. The Court entered an Order on January 21, 1997, extending Bradlees' exclusive periods to file a plan of reorganization through August 4, 1997, and extending the exclusive periods to solicit acceptances of a plan through October 3, 1997.

27. On July 3, 1997, Applicant filed a motion seeking the entry of an order further extending Bradlees' exclusive periods to file a plan of reorganization and solicit acceptances of the plan through February 2, 1998 and April 3, 1998, respectively. In the motion, Applicant asserted that although the early signs from Peter Thorner's initiatives were positive, Bradlees required additional time to reorganize its operations and that the extension was necessary to maintain the confidence of the vendor and factor communities and to preserve continued credit support from those groups. By Order dated July 15, 1997, the Bankruptcy Court authorized the extension of exclusivity over the objections of certain creditor constituencies.

28. On December 8, 1997, Applicant filed a motion with the Court seeking the entry of an order extending Bradlees' exclusive periods to file a plan of

reorganization and solicit acceptances of the Plan through August 3, 1998 and October 5, 1998, respectively. In the motion, Applicant stated that although Bradlees was at its healthiest position since entering Chapter 11, it was not yet ready to emerge from bankruptcy. Applicant further stated that the additional time would allow for the occurrence of two pivotal steps toward the confirmation of a plan of reorganization: (i) the continued strengthening of Bradlees' operational performance, and (ii) an agreement among Bradlees' creditors on how their interests in Bradlees' estates should be distributed.

29. Several creditor groups objected to this extension of Bradlees' exclusive periods, and asserted that Bradlees was, after nearly two-and-a-half years in bankruptcy, capable of emerging from Chapter 11. Applicant entered into negotiations with the objecting creditor groups, and the parties subsequently agreed that Bradlees' exclusive periods would be extended, provided that during such period, Bradlees would file a plan of reorganization and disclosure statement.

30. The Court entered an Order dated December 22, 1997 which granted the motion but provided that if Bradlees did not, by April 1, 1998 (or under certain circumstances, a later date), file a plan or plans of

reorganization and disclosure statement (a) that was reasonably capable of obtaining exit financing and either (b) that was supported by each of the principal interests in the case including the pre-petition bank groups, the Official Creditors' Committee, the Unofficial Committee of Trade Claim Holders and the Subordinated Debt, or (c) which, if not supported by each of the principal interests referred to in (b) above, was supported by the beneficial holders of a majority in amount of the pre-petition revolving bank debt and the pre-petition vendor-trade claims as then reflected in Bradlees' books and records, then certain creditors would be permitted to file and seek confirmation of a plan of reorganization.

31. In January 1998, the Bank Group and the Unofficial Committee provided Applicant with a term sheet which included the principal provisions to be included in the plan of reorganization. Upon receipt of the term sheet, Applicant held numerous meetings with Bradlees and its other professionals to discuss the provisions of the term sheet. Thereafter, Applicant prepared a draft plan of reorganization which incorporated the majority of the provisions set forth in the term sheet.

32. In February of 1998, Applicant provided the Creditors' Committee, the Bank Group and the Unofficial

Committee with the draft of the plan of reorganization. After reviewing the draft plan, certain of such creditor groups provided Applicant with comments on the plan. Applicant met with such groups and discussed the comments with Bradlees. Finally, on April 13, 1998, Applicant filed the plan of reorganization and disclosure statement with the Court.

33. Thereafter, Applicant participated in numerous meetings with Bradlees and its creditor groups in an effort to resolve all outstanding issues. A hearing to consider the adequacy of the disclosure statement was originally scheduled for May 1998. As a result of these continued discussions, the disclosure statement hearing was adjourned several times. Although the parties made some progress in resolving the outstanding issues, several issues remained unresolved, including whether the creditor groups would continue to support Bradlees' stand-alone plan and appropriate management bonuses for successfully turning around the company. As a result, the Court appointed a mediator to assist the parties in completing the formulation of a consensual plan of reorganization.

34. With the assistance of the mediator, Applicant and the creditor groups were successful in resolving all of the outstanding issues. Applicant

thereafter revised the plan of reorganization and disclosure statement to reflect the agreed-upon provisions. On September 17, 1998, the Court held a hearing to consider the adequacy of the Disclosure Statement, and in an Order dated October 5, 1998, the Court approved the Disclosure Statement.

E. Claims Process and Bar Date

35. After the Petition Date, Applicant and Bradlees prepared Bradlees' Schedules of Assets and Liabilities (the "Schedules"). Applicant filed the Schedules on October 20, 1995 (which were subsequently amended on December 18, 1995).[7] Thereafter, Applicant prepared and filed a motion seeking to have April 1, 1996 (the "Bar Date") established as the final time for filing proofs of claim in Bradlees' Chapter 11 case. On February 6, 1996, the Court entered an Order granting the motion and establishing April 1, 1996 as the Bar Date. Because of the large number of creditors which were expected to file proofs of claim against Bradlees, Bradlees retained Donlin, Recano & Company, Inc. ("Donlin, Recano") to receive and process the proofs of claim which were filed. Applicant, working closely with Donlin, Recano, served notices of the Bar Date via first-class mail to the creditors and by publication in four national newspapers: The New York Times (national edition), The Wall Street Journal (national edition), The Boston Globe and Women's Wear Daily.

[7] Bradlees Schedules were amended various times to settle injury claims which were late-filed. However, such changes were *de minimis* and were merely for the convenience of Donlin, Recano to better track such settlements.

36. Because Applicant believed that many of the claims filed against it would be susceptible to objection, Applicant filed a Motion on September 29, 1997, seeking authorization to establish Procedures for Reconciliation of and Objection to Claims (the "Procedures"). By Order of the Court dated October 23, 1997, the Court authorized the Procedures. In accordance with the Procedures, Applicant has filed, to date, fourteen omnibus objections to claims, and the Court has entered ten orders granting the relief requested in the omnibus objections. The other objections remain pending as of the date hereof.

37. In addition to the omnibus objections prepared and filed by Applicant, during the Case, Applicant prepared and filed individual objections to several large claims against Bradlees. For example, Staten Island Majors Realty Associates ("SIMRA") filed two proofs of claim against Bradlees in the aggregate amount of over $65 million. Applicant prepared and filed an objection dated October 8, 1998 to the proofs of claim filed by SIMRA. The parties subsequently entered into settlement negotiations which culminated in a settlement. Under the terms of the settlement, SIMRA received an allowed claim against Stores in the amount of $5 million.

38. Similarly, Rosenshein Hub Development Corp. ("Rosenshein") filed two proofs of claim against Bradlees in the aggregate amount of over $125 million. Applicant prepared and filed an objection dated October 1, 1998 to Rosenshein's proofs of claim. The parties subsequently entered into settlement discussions led by Applicant, which culminated in a favorable settlement. Under the terms of the settlement, Rosenshein received allowed claims against both Stores and Bradlees, Inc., each claim in the amount of $2,025,000.

F. 365(d)(4) Extension Motions

39. Section 365 of the Bankruptcy Code allows for a debtor-in-possession to assume or reject executory contracts or unexpired leases. However, Section 365(d)(4) provides that all such decisions to assume or reject must be made within sixty days of the Petition Date, unless such time is extended "for cause". As of the Petition Date, Bradlees was a party to nearly 200 real property leases. In order to afford Bradlees an opportunity to review each of its leases in light of its overall business plan and reorganization prospects, Applicant prepared and filed a Motion on August 3, 1995 (the "August 3 Motion"), seeking to extend, through the date of confirmation of a plan or plans of reorganization, Bradlees' time within which to assume or reject such leases. The vast majority of the

landlords under Bradlees' leases did not object to the August 3 Motion and, following a hearing, the Bankruptcy Court entered an Order dated August 16, 1995, extending through confirmation of a plan or plans of reorganization Bradlees' time to assume or reject its non-residential leases with respect to the non-objecting landlords. With respect to those landlords who did object to the August 3 Motion, Applicant negotiated with each such landlord and, eventually, settled each such objection. In particular, Applicant, on behalf of Bradlees, and each objecting landlord agreed that Bradlees' time to assume or reject such leases would be extended through June 30, 1996. The Bankruptcy Court approved each such settlement (each, a "Landlord Stipulation").

40. By Motion dated June 7, 1996, Applicant again moved the Bankruptcy Court for the entry of an order extending through the date of confirmation of a plan or plans of reorganization the time to assume or reject each of the leases which were the subject of a Landlord Stipulation. The majority of the landlords under such leases did not object to the relief requested in the motion. However, three landlords did object. Each such objection was overruled by the Court by orders which

extended Bradlees' time to assume or reject such leases through confirmation of a plan or plans of reorganization.

G. Significant Litigation and Settlements

41. During the Case, Applicant represented Bradlees in several significant litigations and negotiated numerous settlements with regard to adversary proceedings commenced by or against Bradlees. The following summarizes some of the more significant litigations and settlements:

a. Westbury

42. In November 1995, Westbury Real Estate Ventures, Inc. ("Westbury") commenced an adversary proceeding against Bradlees, Inc. seeking (i) specific performance of an alleged option agreement to sell Bradlees, Inc.'s Westbury, New York property (the "Westbury Property") to Westbury, (ii) an order enjoining Bradlees, Inc. from transferring the Westbury Property to any other party and (iii) an administrative claim against Bradlees, Inc. in an amount of not less than $5 million. Because Bradlees, Inc. wished to sell the Westbury Property and had located a willing buyer, Applicant sought to dispose of the adversary proceeding quickly by moving for dismissal with prejudice of the complaint, or in the alternative, the awarding of summary judgment to Bradlees, Inc. The Court, in a published decision, granted Applicant's motion to

dismiss. See Westbury Real Estate Ventures, Inc. v. Bradlees, Inc. (In re Bradlees Stores, Inc.), 194 B.R. 555 (Bankr. S.D.N.Y. 1996).

43. Thereafter, after failing in attempts to have the Court reconsider its decision, on July 24, 1996, Westbury filed an appeal of the Bankruptcy Court's decision to the United States District Court for the Southern District of New York. In its pleadings, Applicant asserted that the District Court should not hear the appeal because the Bankruptcy Court's decision was interlocutory. In addition, Applicant argued that the Bankruptcy Court correctly dismissed Westbury's complaint on Rule Against Perpetuities grounds. On July 25, 1997, the District Court issued an order dismissing Westbury's appeal. See Westbury Real Estate Ventures, Inc. v. Bradlees, Inc. (In re Bradlees Stores, Inc.), 210 B.R. 506 (S.D.N.Y. 1997).

44. Westbury had also filed proofs of claim against Bradlees which raised issues similar to those raised in the adversary proceeding. Rather than expending estate resources litigating against Westbury, Applicant and Westbury entered into settlement discussions which culminated in a favorable settlement for Bradlees.

b. White City

45. On or about November 22, 1995, White City Shopping Centers, L.P. ("White City") filed an Application

seeking relief from the automatic stay or, alternatively, requiring Bradlees to provide White City with adequate protection for Bradlees' continued use of the premises. White City was the owner of property located at 50 Boston Turnpike, Shrewsbury, Massachusetts. Bradlees was the "anchor tenant" in the shopping center on the property under a lease dated August 8, 1962 (the "White City Lease").

46. White City alleged that Bradlees had failed to adhere to its maintenance obligations in violation of the White City Lease, and White City was, therefore, entitled to relief from the automatic stay to seek to evict Bradlees. On January 5, 1996, Applicant filed an objection to the Application of White City, arguing that (i) there was no postpetition default under the White City Lease since Bradlees was current on its postpetition rent and maintenance obligations at the store, (ii) certain of the conditions about which White City complained existed prepetition and were not subject to Section 365(d)(3) of the Bankruptcy Code, and (iii) in the alternative, the requested repairs were not "obligations" within the meaning of that term under Section 365(d)(3) of the Bankruptcy Code. The Court denied White City's efforts to terminate the White City Lease.

47. On October 4, 1996, White City again filed a motion with the Court seeking an order shortening Bradlees' time to assume or reject the White City Lease or, in the alternative, an order granting relief from the automatic stay. The White City Lease provided that if Bradlees ceased operations at the store for six months, the landlord could terminate the lease at any time after the expiration of the six-month period (the "Go Dark Provision"). Bradlees had closed the White City store on or about March 1, 1996, and consequently had ceased operations at that location. White City requested an order either shortening Bradlees' time to assume or reject the lease or, alternatively, an order lifting the stay to allow White City to proceed with eviction proceedings in state court because Bradlees had been closed for over six months.

48. On December 9, 1996, Applicant filed an Objection to the motion of White City, arguing that White City should be denied its request for two reasons. First, the Go Dark Provision conflicted with the policies behind Section 365 of the Bankruptcy Code and did not create an obligation that must be timely performed under Section 365(d)(3) of the Bankruptcy Code. Second, contrary to White City's allegations, neither White City nor the

tenants of White City were being materially harmed by the closing of the store.

49. At a hearing to consider the Motion, the Court established a "drop dead" date of February 28, 1997 for Applicant to file a motion to assume or assign the lease. If no motion were filed by such date, the lease would be deemed rejected. Bradlees subsequently determined to assign the White City Lease back to White City. Pursuant to an Order dated March 18, 1997, Bradlees was authorized to assign the White City Lease to White City.

c. Vornado

50. Bradlees was party to twenty-one leases with Vornado Realty Trust ("Vornado"). Nineteen of such leases were assigned to Bradlees in 1992 as a result of Bradlees' spin-off from The Stop & Shop Companies, Inc. ("Stop & Shop"). Prior to the Petition Date, Vornado, Bradlees, and Stop & Shop had entered into a Master Agreement and Guaranty (the "Lease Modification Agreement") pursuant to which, inter alia, (i) Vornado authorized the assignment of the leases from Stop & Shop to Bradlees and (ii) the leases were modified in certain respects. Among the modifications to the nineteen underlying leases, Vornado purported to impose certain restrictions on Bradlees' ability to assume, assign, or reject one or more of the leases.

51. Applicant commenced an adversary proceeding on October 10, 1996 against Vornado and Stop & Shop seeking, inter alia, (i) a declaration that certain provisions of the Lease Modification Agreement were invalid and (ii) the award of monetary damages. In addition, on October 14 and 24, 1996, respectively, Applicant filed two motions seeking to (a) assume and assign one lease with Vornado, (b) reject three leases with Vornado and (c) have declared invalid certain provisions of the Lease Modification Agreement.

52. Vornado objected to the relief sought by Bradlees. After negotiations with Vornado, Applicant and Vornado settled the dispute on terms set forth in a Stipulation and Order, which was approved by the Court on December 23, 1996. In particular, the parties agreed that the adversary proceeding would be dismissed without prejudice, Bradlees could assume and assign one lease and reject three others, and certain ground rules for addressing future dispositions of the remaining leases would be implemented. The settlement allowed Bradlees to assign one lease for $1.0 million, and to cease lease and other related payments for several non-operating stores.

d. Tomarc

53. On August 14, 1996, The Tomarc Company ("Tomarc"), the lessor of property leased in Clark, New

Jersey (the "Clark Lease"), filed a Motion seeking an Order compelling Bradlees to reject the Clark Lease or, in the alternative, deeming the Clark Lease rejected. Tomarc purportedly sought such relief because (i) the insurance which Bradlees maintained with respect to the property was inadequate and (ii) Bradlees did not adequately maintain the property. Applicant conducted discovery, and thereafter prepared and filed papers in opposition to Tomarc's Motion. Following a hearing, the Court issued a Memorandum Decision and Order Denying Landlord's Motion to Compel Debtors to Reject Lease or Deem Lease Rejected dated December 30, 1996.

54. On January 21, 1997, Tomarc filed a Motion to Deem the Extension of the Lease Invalid and the Lease Terminated, and, to the Extent Not Granted, to Compel the Debtors to Assume or Reject the Lease Prior to Confirmation of a Plan. On February 28, 1997, Applicant prepared and filed a Motion for Summary Judgment, asserting that Tomarc's motion should be denied because (i) it was procedurally improper because Tomarc could only obtain the declaratory relief it sought through an adversary proceeding, (ii) the motion was untimely, and (iii) the Court had already denied the requested relief.

55. In a Memorandum Decision and Order dated October 9, 1997, the Court granted summary judgment in favor of Bradlees as to that part of Tomarc's motion seeking to deem the extension of the lease invalid. The Court, however, denied Bradlees' motion for summary judgment as to that part of Tomarc's motion seeking to shorten Bradlees' time to assume or reject the lease. The Court held that there was an outstanding question of fact -- whether the uncertainty of Bradlees' continued tenancy was adversely impacting Tomarc's ability to obtain new financing -- which precluded the granting of summary judgment. Tomarc thereafter abandoned pursuit of its motion.

e. Sybase

56. On or about March 25, 1994, Stores entered into a software licensing agreement with Sybase, Inc. ("Sybase") under which Sybase agreed to provide software which Bradlees intended to use as a key part of its enterprise-wide client/server computing environment and which was anticipated to support all aspects of Bradlees' business. However, Bradlees subsequently learned that the Sybase software was incompatible with other software used by Bradlees and therefore did not perform as Bradlees had expected. Accordingly, on June 10, 1997, Bradlees commenced a lawsuit in the United States District Court for

the District of Massachusetts seeking damages from Sybase as well as an Order rescinding the contract.

57. On April 9, 1998, Applicant filed with the Court a Motion seeking to have the Sybase litigation assigned to mediation. Applicant argued that mediation was necessary because the Sybase litigation was languishing in the Massachusetts District Court, and there was little prospect of the Sybase litigation concluding at any time in the near future. On May 5, 1998, the Court entered a Stipulation and Order referring the Sybase litigation to mediation. As a result of the mediation process, Bradlees and Sybase reached a settlement of their dispute, the terms of which were set forth in a settlement agreement.

58. On August 4, 1998, Applicant filed a Motion with the Court seeking approval of the settlement agreement, and on August 25, 1998, the Court entered an Order approving the settlement agreement.

f. Somerville

59. On August 19, 1998, Stores commenced an adversary proceeding (the "Action") against The Stop & Shop Supermarket Company ("Stop & Shop Supermarket") seeking an injunction, enjoining Stop & Shop Supermarket from leasing or permitting the construction, opening, or operation of an A.J. Wright Store by an affiliate of The TJX Companies, Inc. ("TJX") in a shopping center in Somerville, Massachusetts ("Shopping Center") on the grounds that such acts would violate the terms of Stores' sublease with Stop & Shop Supermarket (the "Sublease"). Pursuant to the terms of the Sublease, Stop & Shop Supermarket, as sublessor, was prohibited from renting any portion of the Shopping Center to any entity which operated certain types of enumerated businesses.

60. On September 15, 1998, the Court directed the matter to mediation. As a result of the mediation process, Stores, Stop & Shop Supermarket and TJX reached a settlement of the Action, and on November 20, 1998 entered into a settlement agreement (the "Agreement") resolving the Action. On December 23, 1998, the Court entered an Order approving the Agreement. Pursuant to the Order approving the Agreement, TJX delivered to Stores a check in the amount of $300,000 which amount, depending on Stores' gross sales at the Somerville Store, may increase by an

additional $100,000 (which additional amount would be paid by TJX on or before December 1, 1999) in full and final settlement of all of Stores' claims raised in the Action. In addition, TJX delivered to Stores a check in the amount of $7,500 in full satisfaction for damages caused to Stores' HVAC compressors during construction of the A.J. Wright Store. Lastly, the parties exchanged mutual releases of all claims relating to or arising out of the Action, and Stores and Stop & Shop Supermarket dismissed the Action, with prejudice and without costs.

H. The IPO Investigation

61. During the Case, the series of transactions which culminated in the initial public offering (the "IPO") of Bradlees' stock in 1988 and the Spin-Off (the "Spin-Off") of Bradlees by Stop & Shop in 1992 were the subject of numerous discussions among Bradlees and its interested creditor constituencies. The discussions focused on the possible existence of causes of action against third parties and the validity of certain intercompany claims which arose as a result of the Spin-Off.

62. As of the Petition Date, the operating subsidiaries of Bradlees, Inc. owed Bradlees, Inc. approximately $282 million resulting from the IPO and Spin-

Off. This intercompany debt was comprised of three components:

- $104.6 million in proceeds from the Term Loan related to the Spin-Off "downstreamed" by Bradlees, Inc. to the operating subsidiaries.
- $100 million related to the repayment by Bradlees, Inc. of the Stop & Shop Subordinated Note given in satisfaction of debt originally owed by NE Holdings to Stop & Shop.
- $93.5 million related to the amount of proceeds from the Revolver Facility that had been downstreamed by Bradlees, Inc. to the subsidiaries for their operation.

63. At a Chamber's conference on August 8, 1995, the Court, in an effort to avoid duplication of work by professionals, directed that only one fiduciary of Bradlees' estates conduct a thorough legal and factual investigation into whether the estates had any causes of action arising out of the Spin-Off. The parties agreed that Applicant, with the assistance of Zolfo Cooper, LLC, would conduct the investigation and report its findings to the other parties. Accordingly, Applicant commenced a thirteen-month investigation into the various causes of action which may have existed as a result of the IPO and the Spin-Off.

64. As part of the investigation, Applicant engaged in extensive research regarding at least ten potential theories of recovery. Following the

investigation, Applicant concluded, in a 162-page report, that Bradlees had no viable claims against third parties arising out of the Spin-Off and that the debt incurred by Bradlees in connection with the Spin-Off was not avoidable under Sections 544 or 548 of the Bankruptcy Code. Applicant did conclude, however, that the intercompany debt, while valid on its face, could have been susceptible to challenge by creditors of Stores on various theories -- including recharacterization of the debt as equity or the subordination thereof.

I. Request for an Examiner

65. On May 22, 1997, the Unofficial Committee filed a motion (the "Examiner Motion") requesting an order directing the appointment of an examiner pursuant to Section 1104(c) of the Bankruptcy Code to: (i) re-examine the possible claims which arose from the Spin-Off and (ii) prosecute any such litigation on behalf of Stores.

66. Applicant filed an objection to the Examiner Motion arguing that investigation into the IPO and Spin-Off was sufficient and that the Unofficial Committee had waived its right to be heard by its own delay in seeking such relief. Following a hearing before the Court on June 4, 1997, the Court issued an opinion in which it denied the motion to appoint an examiner. See In re Bradlees Stores, Inc., 209 B.R. 36 (Bankr. S.D.N.Y. 1997). On June 13, 1997, the Unofficial Committee filed a Notice of Appeal, appealing the Court's decision to the United States District Court for the Southern District of New York. The Unofficial Committee requested several adjournments of the hearing to consider its appeal, and such appeal was never heard by the District Court.

J. Confirmation of Plan of Reorganization and Preparation to Go Effective -- Services Performed During the Final Fee Period.

67. As set forth above, by this Application, Applicant also seeks payment of fees and expenses for those

services performed during the Final Fee Period. Applicant respectfully submits that the professional services which it has rendered, and the expenses that it incurred on behalf of Bradlees during the Final Fee Period were necessary and resulted in very substantial benefits to Bradlees and its estate. Applicant further submits that the compensation sought for services rendered during the Final Fee Period is reasonable.

68. In particular, during the Final Fee Period, Applicant was involved in numerous projects relating to Bradlees' efforts to confirm a plan of reorganization and go effective concurrently with the start of Bradlees' fiscal new year, i.e., February 1, 1999. As Applicant described in its twelfth Fee Application, which it filed on February 5, 1999, during the prior fee period (September 1, 1998 through December 31, 1998), Applicant negotiated and prepared Bradlees' plan of reorganization, and on November 17, 1998, Applicant filed the First Amended and Modified Joint Plan of Reorganization of Bradlees Stores, Inc. and Affiliates under Chapter 11 of the Bankruptcy Code (the "First Amended Plan"). On November 18, 1998, the Court entered an Order (the "First Confirmation Order") confirming Bradlees' First Amended Plan.

69. Greenwich Holding Corporation ("Greenwich"), the holder of the lessor's interest under Stores' non-residential, real property lease (the "Union Square Lease") for property located at 14th Street and Broadway in New York, New York took an appeal of the First Confirmation Order to the United States District Court for the Southern District of New York. On December 23, 1998, the District Court (Hon. Loretta A. Preska) reversed the First Confirmation Order (the "District Court Decision") and remanded the matter to this Court.

70. As a result of the District Court Decision, at the commencement of the Final Fee Period, Bradlees was without a confirmed plan of reorganization. For numerous reasons, it was critical that Bradlees' confirm a plan of reorganization by February 1, 1999 and emerge from chapter 11 shortly thereafter. Thus, during the Final Fee Period, Applicant focused its efforts principally on three projects: (i) analyzing the District Court Decision and in light thereof (a) filing various motions to give effect to actions that would comply with the District Court Decision while providing Bradlees with necessary relief relating to the Union Square Lease, and (b) negotiating, drafting and confirming Bradlees' plan of reorganization, (ii) completing all documents necessary to go effective shortly

thereafter and (iii) objecting to claims filed against Bradlees prior to the deadline set forth in the Second Amended Plan.

A. Negotiating, Drafting and Confirming Plan of Reorganization

71. As a result of the District Court Decision, during the Final Fee Period, Applicant renewed negotiations on behalf of Bradlees with the major creditor groups in an effort to formulate the terms of a plan of reorganization which would not be susceptible to challenge.[8] The primary issue to be resolved related to the disposition of the Union Square Lease. In particular, the proceeds of the sale of the Union Square Lease were intended to be used to pay down Stores' obligations under the New Notes which were to be issued under the plan of reorganization. In order to maximize the value received by Bradlees from the sale of the Union Square Lease, Bradlees and its creditor groups sought to formulate a plan of reorganization which would provide for Bradlees' retention of the right to assign the Union Square Lease after the effective date.

[8] Such groups included the Official Committee of Unsecured Creditors (the "Creditors Committee"), the Bank Group and the Unofficial Committee of Trade Claims Holders (the "Unofficial Committee").

72. After considering several alternatives, Applicant, Bradlees and the creditor groups concluded that the plan of reorganization should provide that Stores would assume the Union Square Lease and assign such Lease at a future date through an auction process. Bradlees believed that such a formulation would have allowed Bradlees to maximize the proceeds from the sale of the Union Square Lease.

73. Thus, on January 6, 1999, Applicant, proceeding by an Order to Show Cause, filed a Motion for Entry of an Order under Bankruptcy Code Sections 1127 and 1129 Authorizing Debtors to Modify Joint Plan of Reorganization and for Confirmation of the Plan as Amended (the "Modification Motion"). A proposed Second Amended Plan of Reorganization was annexed to the Modification Motion. The proposed Second Amended Plan contained an amendment to the provisions relating to the assumption and assignment of the Union Square Lease, and provided that the Union Square Lease would be assumed by Stores as of the Effective Date, and would be assigned at a later date pursuant to an auction which was to occur under the Court's supervision. Applicant believed that the structure of the proposed Second Amended Plan compiled with the requirements set forth in Section 365 of the Bankruptcy Code and the

District Court Decision and would have allowed Stores to retain the right to assign the Union Square Lease.

74. The proposed Second Amended Plan contained certain other modifications as well, including a provision under which the holders of the New Notes would be granted a security interest in certain Additional Collateral, consisting of leasehold interests of Stores, in an amount up to $10.5 million. In addition, as under the First Amended Plan, the proposed Second Amended Plan, as it related to YON, would not have become effective until twenty days after the Yonkers Property was sold.[9]

75. In response to the Modification Motion and the proposed Second Amended Plan, Bradlees received two objections: (i) the Objection of Greenwich to Confirmation of Modified Plan of Reorganization (the "Greenwich Objection"), and (ii) the Objection of Acklinis Associates ("Acklinis") to Debtors' Order to Show Cause (the "Acklinis Objection").[10] In the Greenwich Objection, Greenwich objected to the proposed treatment under the Second Amended Plan with regard to the Union Square Lease. In particular,

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[9] The "Yonkers Property" means that certain leasehold interest owned by YON located in Yonkers, New York.

Greenwich asserted that the provisions of the Second Amended Plan relating to the assignment of the Union Square Lease were in violation of both Section 365 of the Bankruptcy Code and the District Court Decision.

76. In the Acklinis Objection, Acklinis objected to the treatment of YON under the Second Amended Plan. In particular, Acklinis asserted that the proposed Second Amended Plan was incapable of being confirmed since, inter alia, the interval between the Confirmation Date and the Yonker's Effective Date was too great.

77. Although Applicant believed that the assertions made in the Greenwich Objection and the Acklinis Objection were meritless, in an effort to address those objections, and to avoid further litigation and expedite Bradlees' emergence from Chapter 11, Applicant elected to revise the Second Amended Plan to excise those provisions which had elicited an objection. Thus, on January 26, 1999, Applicant filed a revised Second Amended Plan.

78. To address the assertions made in the Greenwich Objection, Applicant removed from the Second Amended Plan any provisions relating to the assumption or

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[10] Acklinis is the lessor under the lease for the Yonkers Property.

assignment of the Union Square Lease. Rather, Applicant prepared and filed several motions on January 19, 1999 seeking authorization to (i) assume the Union Square Lease, (ii) assign the Union Square Lease to Dostra, subject to higher and better offers and (iii) setting the bidding procedures (the "Procedures Motion") for parties to submit higher and better offers for the Union Square Lease. As a result of the amendments to the Second Amended Plan, Greenwich withdrew its objection to the Second Amended Plan.[11]

79. Similarly, in response to the Acklinis Objection, Applicant modified the Second Amended Plan as it related to YON in the following respects: (i) YON would assume its lease with respect to the Yonkers Property on the date of entry of an Order confirming the Second Amended Plan; (ii) YON would move to assign such lease, through an auction, at such time prior to August 27, 1999 as YON deemed to be appropriate; and (iii) the Second Amended Plan, as it related to YON, would become effective no later

[11] Greenwich did file an objection to the Procedures Motion in which it asserted, inter alia, that Stores could not assign the Union Square Lease after the Confirmation Date.

than August 27, 1999. As a result of these amendments, Acklinis withdrew its objection to the Second Amended Plan.

80. On January 26, 1999, Applicant filed the Second Amended Plan with the Court which included, inter alia, the amendments to the provisions relating to the Union Square Lease and to YON. The Confirmation Hearing with regard to the Second Amended Plan was scheduled for January 27, 1999. Prior to the Confirmation Hearing, certain of Bradlees' creditors were concerned that if Greenwich would prevail on its then-extant objection, Bradlees would be unable to assign the Union Square Lease after the Effective Date. Thus, the creditor groups entered into negotiations with Greenwich with regard to the Union Square Lease, which culminated in Greenwich's agreement to purchase the Union Square Lease from Stores. The Second Amended Plan was revised to include the terms of such sale.

81. Thereafter, at the Confirmation Hearing, the Court noted that there were no objections extant to the Second Amended Plan. The court found that the Second Amended Plan complied with all of the provisions of Section 1129 of the Bankruptcy Code, and accordingly, entered an Order confirming the Second Amended Plan.

B. Completion of Documents Necessary

to Go Effective.

82. Under the terms of the Second Amended Plan, Bradlees was unable to go effective until Applicant completed negotiating and drafting numerous documents. For example, Section 10.02 of the Second Amended Plan provided that Bradlees' have an exit financing facility in place prior to the occurrence of the Effective Date. Thus, throughout the Final Fee Period, Applicant devoted much time to negotiating with counsel for BankBoston, N.A., Bradlees' proposed exit facility lender, in an effort to complete the exit financing documents.

83. Similarly, the Second Amended Plan provided that certain creditors, including holders of allowed claims against Bradlees, Inc., were to receive various securities such as notes. During the Final Fee Period, Applicant negotiated with Bradlees' creditor groups the terms of the notes and related Trust Indenture (as well as the terms of certain mortgages securing the notes) and completed the drafting of same. All such documents were completed on February 2, 1999, on which date, Bradlees' Second Amended Plan became effective.

C. Objections to Claims

84. As set forth above, during the Case, Applicant devoted many hours to reviewing and objecting to proofs of claim filed against Bradlees. During the Final

Fee Period, Applicant sought to file objections to all claims which had not previously been the subject of an objection, because the Second Amended Plan provided that after the Effective Date, unless otherwise ordered by the Court, Applicant would be precluded from filing any further objections to claims.

85. In particular, Section 8.08 of the Second Amended Plan provided that "[u]nless otherwise ordered by the Bankruptcy Court, all Claims objections shall be Filed and served on the applicable claimant by the later of (a) February 1, 1999 or (b) the Effective Date." Thus, in order to preserve Bradlees' rights with respect to all claims, Applicant sought to object to all remaining claims. During the Final Fee Period, Applicant filed the twelfth, thirteenth and fourteenth omnibus objections. In the twelfth omnibus objection, Applicant objected to claims of landlords which arose as a result of lease rejections. In the thirteenth omnibus objection, Applicant objected to certain accounts payable claimants. Finally, in the fourteenth omnibus objection, Applicant objected to over 200 personal injury claims which had not been resolved through the Alternative Dispute Resolution program which had been implemented by the Court, in order to preserve Bradlees' rights to contest such claims.

86. During the Final Fee Period, Applicant also entered into a settlement agreement with Stop & Shop, which agreement settled over $20 million in claims, and Applicant also reached a settlement with Hallmark which reduced Hallmark's claim from $10.5 million to $7.9 million.[12]

87. As a result of Applicant's efforts during the Final Fee Period, Bradlees was able to satisfy all of the conditions precedent to confirmation of the Second Amended Plan and thereby confirm such Plan prior to Bradlees' new fiscal year and to go effective on the planned timetable.

III. Allowance of Compensation

88. Applicant submits that the services provided to Bradlees during the Final Fee Period and during the Case as a whole were necessary and provided great benefit to Bradlees, its estate and creditors. Therefore Applicant submits that the Court should allow the fees and expenses incurred from January 1, 1999 through February 2, 1999,

[12] Applicant intends to file shortly an application with the Court seeking approval of the Settlement Agreement with Hallmark.

approve the fees and expenses awarded during the Case, and authorize Bradlees to pay Applicant the Holdback.

89. Bankruptcy Code section 330 prescribes the general standards for determining the reasonableness of the amount of compensation sought. Section 330(a) of the Bankruptcy Code provides for the compensation of reasonable and necessary services rendered by professionals based upon the time, nature, extent and value of the services rendered, as well as the cost of comparable services in non-bankruptcy cases.

90. The concept of strict economy of administration of cases under the former Bankruptcy Act is no longer the rule. See In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 19-20 (Bankr. S.D.N.Y. 1991) ("Drexel Burnham"); In re Wilson Foods Corporation, 40 B.R. 118, 120 (Bankr. W.D. Okla. 1984). Bankruptcy Code section 330 was enacted to liberalize the practice of granting allowance of compensation to professionals in bankruptcy cases, and "to encourage successful administration of estates by attracting bankruptcy specialists of high quality." In re Penn-Dixie Industries, Inc., 18 B.R. 834, 838 (Bankr. S.D.N.Y. 1982); see also In re RBS Indus. Inc., 104 B.R. 579, 582 (Bankr. D.Conn. 1989) (Bankruptcy Code provides for marketplace fees "so that the best and the

brightest professionals are encouraged to practice in our bankruptcy courts"). Simply stated, fee awards in bankruptcy cases are to be commensurate with those available in other areas of law. In re Gainulias, 98 B.R. 27 (Bankr. E.D. Cal.), aff'd, 111 B.R. 867 (E.D. Cal. 1989); White Motor Credit Corporation, 50 B.R. 885, 890 (Bankr. N.D. Ohio 1985); H. Rep. No. 95-595, 9th Cong., 1st Sess., 329-330 (1977).

91. Bankruptcy Code section 330 provides that fees awarded to professionals must be reasonable. "In determining the 'reasonableness' of the requested compensation under § 330, Bankruptcy Courts now utilize the 'lodestar' method." Drexel Burnham, 133 B.R. at 21-22 (footnote omitted). While some courts have considered the twelve factors enumerated in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714 (5th Cir. 1974) when considering fee awards,[13] "it is now settled that the

[13] The Johnson factors are: (1) the time and labor required; (2) the novelty and difficulty of the questions; (3) the skill requisite to perform the legal services properly; (4) the preclusion of other employment by the attorney because of acceptance of the case; (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or other circumstances; (8) the amount involved and the results obtained; (9) the experience, reputation and ability of the attorneys; (10) the undesirability of the case; (11) the *(continued)*

'lodestar' method of fee calculation developed by the Third Circuit, is the method to be used to determine a 'reasonable' attorney fee in all federal courts, including the bankruptcy courts." In re Cena's Fine Furniture, Inc., 109 B.R. 575, 581 (E.D.N.Y. 1990) (citation omitted; emphasis in original) ("Cena's Fine Furniture").[14]

92. The lodestar is calculated by multiplying the number of hours reasonably performed by a reasonable hourly rate. Wells v. Bowen, 855 F.2d 37, 43 (2d Cir. 1988). There is a "'strong presumption' that the lodestar product is reasonable under [Bankruptcy Code] § 330." Drexel Burnham, 133 B.R. at 22. Indeed, the Supreme Court has found that "the lodestar figure includes most, if not all, of the relevant factors constituting a 'reasonable' attorney's fee." Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. 546, 563, 106 S.Ct. 3088, 3097 (1986). The Supreme Court has further found that the lodestar figure incorporates such factors as "'the novelty and complexity of the issues,' 'the special skill and

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nature and length of the professional relationship with the client; and (12) awards in similar cases.

[14] A number of courts, including courts in this district, have found that the lodestar approach has replaced the Johnson method of computing attorneys' fees. *(continued)*

experience of counsel,' the 'quality of representation,' and the 'results obtained' from litigation." Cena's Fine Furniture, 109 B.R. at 575 (quoting Blum v. Stenson, 465 U.S. 886, 898-900, 104 S.Ct. 1541, 1548-49 (1983)).

A. The Time And Labor Required

93. Under the lodestar method, the first relevant factor to be considered is the number of hours devoted by Applicant to Bradlees' case. Applicant spent many hours counseling Bradlees during various phases of the case during numerous meetings and teleconferences. Every facet and detail of the case was discussed with Bradlees' representatives and all of the decisions were fully counseled. Applicant coordinated and consulted with Bradlees' other professionals in the performance of the work necessary to accomplish the goals attained by Bradlees in the Chapter 11 case. Applicant also met and had frequent telephone meetings with the Bradlees' creditors and their counsel. In addition, Applicant spent a great deal of time (a) analyzing and considering issues which arose during these cases and then preparing appropriate pleadings and other documents on behalf of Bradlees; (b)

See Drexel Burnham, 133 B.R. at 22 (n. 5); Cena's Fine Furniture, 109 B.R. at 581.

assisting Bradlees in the reconciliation of claims; (c) preparing various motions on behalf of Bradlees and representing Bradlees at hearings to consider the requested relief, and (d) negotiating, formulating and drafting a consensual plan of reorganization.

94. Applicant has also devoted significant time to negotiations with Bradlees' creditors with respect to the relief sought in various motions and settlement of disputed claims. In this regard, Applicant made every effort to resolve issues that arose in the Chapter 11 case through negotiation and settlement, rather that resorting to protracted and expensive litigation. As a result, Applicant was able to resolve numerous disputes amicably, saving and preserving the estate's assets. Not only did Applicant preserve estate resources by avoiding unnecessary liquidation costs, such settlements reduced the amount of claims against the estate by many millions of dollars.

95. At times, however, Applicant was unable to settle Bradlees' disputes and was required to litigate certain matters. Applicant was successful in almost every such litigation during the Case. As set forth above, Applicant litigated and prevailed against, inter alia,: (i)

Westbury Real Estate Ventures, Inc.,[15] (ii) the Unofficial Committee with regard to the appointment of an examiner,[16] (iii) White City Shopping Centers, L.P., (iv) Vornado Realty Trust and (v) The Tomarc Company.

96. Applicant also endeavored to restrict the number of attorneys actively involved in the Chapter 11 case and to ensure that there was no duplication of effort by attorneys within Dewey Ballantine. In addition, Applicant assigned the performance of all tasks to the least senior attorney capable of performing such tasks consistent with the goal of sound legal representation. When appropriate, law clerks and legal assistants were utilized to the greatest extent possible.

97. In assessing the reasonableness of the amount of hours devoted to the Chapter 11 case by Applicant, the novelty and difficulty of the issues presented should be considered. During the case, Applicant was faced with numerous legal and factual issues in the

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[15] See Westbury Real Estate Ventures, Inc. v. Bradlees, Inc. (In re Bradlees Stores, Inc.), 194 B.R. 555 (Bankr. S.D.N.Y. 1996); Westbury Real Estate Ventures, Inc. v. Bradlees, Inc. (In re Bradlees Stores, Inc.), 210 B.R. 506 (S.D.N.Y. 1997)

[16] See In re Bradlees Stores, Inc., 209 B.R. 36 (Bankr. S.D.N.Y. 1997).

course of its representation of Bradlees. These issues, which included formulation and negotiation of a consensual plan of reorganization and disclosure statement, use of cash collateral, lease rejections, reconciliation of claims filed by creditors and settlement of objections to disputed claims, required significant time and expense to resolve. In representing Bradlees in the different aspects of the Chapter 11 case, Applicant called upon partners and associates from, inter alia, its bankruptcy, real estate, corporate, employee benefits, intellectual property, litigation and tax departments, each of whom was able to demonstrate extensive expertise and insight in performing the work at hand.

98. The results obtained in a case have obvious relevance in assessing the reasonableness of a fee award. Applicant submits that the results of Bradlees' Chapter 11 case were outstanding -- certainly better than those which could have been reasonably predicted at various stages of the Case. The ultimate goal of Chapter 11 is a successful restructuring in which the debtor emerges from Chapter 11 as a more financially secure company which is capable of successfully operating outside of the protection of the bankruptcy court. Unfortunately, in the 1990's, numerous retail chains, and specifically discount retail chains,

filed for Chapter 11 and subsequently failed to successfully emerge from Chapter 11. Indeed, a number of such retail enterprises were unable to reorganize and consequently liquidated, including Bradlees' closest competitor, which entered Chapter 11 at the same time as Bradlees but with a decidedly different result. Bradlees, however, was successful in emerging from Chapter 11 as more financially secure company.

99. Applicant submits that Bradlees' success during the Case was in great measure due to Applicant's skill in managing the Chapter 11 case. Bradlees' Chapter 11 case was highly complex. Not only is Bradlees an extremely large company, with over 10,000 employees and stores located in numerous northeastern states, but Bradlees' case was further complicated by the presence of different creditor groups, each of which had its own interests and actively participated in the case.

100. Among the greatest challenges faced by Applicant was the task of balancing the aspirations of particular creditors and creditor groups with the best interests of Bradlees and its creditor groups. At various stages of Bradlees' case, Applicant was required to defend Bradlees' interests in the face of challenges from various constituencies. At other times, Applicant was aligned with

the creditor groups in a united defense against third parties. For example, as set forth above, Applicant successfully argued against the Motion of the Unofficial Committee seeking the appointment of an examiner, while, later in the Case, Applicant argued with the Unofficial Committee in opposition to the appeal filed by Greenwich. Thus, Applicant was required to defend Bradlees' position, even against the opposition of certain creditor groups, while simultaneously maintaining working relationships with such groups in order to achieve a consensual reorganization. Applicant believes that it was highly successful in this effort.

101. Indeed, Applicant submits that its relationships with the creditor groups were critical in allowing Bradlees to formulate and file a consensual plan of reorganization. Applicant also submits that had Applicant's efforts to formulate and draft such a consensual plan of reorganization failed, Bradlees would likely have been forced to liquidate. In particular, Applicant believes that the failure to formulate a consensual plan of reorganization would have resulted in protracted litigation. Indeed, any such litigation would have taken months, if not years, to resolve. After the District Court Decision, Applicant's vendors and factors

expressed concern about the timing of Bradlees' emergence from Chapter 11. If Bradlees had not emerged from Chapter 11 when it did, Bradlees' vendors and factors might have cut-off support to Bradlees, dooming the company to liquidation. Thus, Applicant believes that its success in propounding alternatives to the provision in the plan of reorganization that was struck by the District Court and in drafting and confirming a consensual plan of reorganization consistent with the constraints of the District Court Decision and in a time frame that met creditor expectations preserved the viability of Bradlees, saved the jobs of its 10,000 employees and allowed for Bradlees' creditors to enjoy far greater recoveries than would have been available had the company liquidated.

102. In addition, Applicant and Bradlees' management worked closely during the Case to make all decisions which could possibly affect the Company's viability. Applicant advised Bradlees on numerous critical issues, including the assumption and rejection of certain leases, adversary proceedings commenced by creditors, and negotiations with Bradlees' creditors with regard to Bradlees' plan of reorganization and disclosure statement.

103. As a result of Applicant’s success in managing the Chapter 11 case, Bradlees met its initial goal, and successfully emerged from Chapter 11.

B. Dewey Ballantine's Hourly Rate

104. As described above, "Congress specifically intended, and [Bankruptcy Code] § 330 now provides, that attorneys' rates and practices that are accepted by the market must be utilized as one of the criteria in establishing compensation under § 330 of the Bankruptcy Code." Drexel Burnham, 133 B.R. at 21; see also In re Busy Beaver Bldg. Centers, Inc., 19 F.3d 833, 849 (3d Cir. 1994) ("The unambiguous policy inspiring [Bankruptcy Code] § 330(a) . . . is that professionals and paraprofessionals in bankruptcy cases should earn the same income as their non-bankruptcy counterparts"). By this Application, Dewey Ballantine seeks its customary fee for similar matters at rates which are comparable to those charged by law firms of a similar size and expertise in Dewey Ballantine's relevant market. Dewey Ballantine's request for reimbursement of Expenses also comports with its general policy of collection in full of all such Expenses incurred on behalf of clients in non-bankruptcy cases, as modified by the Guidelines.

105. When considering the reasonableness of a law firm's hourly fee rate, an important factor to be considered is the experience, reputation, and ability of the attorneys. Dewey Ballantine, in one form or another, has been engaged in the practice of law for nearly ninety years. The members of Dewey Ballantine's bankruptcy department have participated in many bankruptcy cases on behalf of debtors and creditors. In addition to its group of attorneys specializing in bankruptcy and related matters, Dewey Ballantine has an expansive general litigation, corporate, insurance, tax, real estate, pension and environmental practice, and Applicant was able to draw upon the services of experienced professionals in those areas of expertise to provide sound advice on various issues arising during the course of the Case.

LBR 9013-1(b) Waiver

106. Applicant respectfully requests that the Court waive the requirement under LBR 9013-1(b) that a separate memorandum of law be filed in support of this Application. Applicant reserves the right to submit a reply memorandum of law in the event objections to the Application are filed.

Notice

107. Notice of this Application was given in accordance with the Court's Order dated August 16, 1995 and the Court's Notice dated September 8, 1998 establishing, inter alia, notice requirements for these chapter 11 cases with respect to interim fee applications. Applicant respectfully submits, and requests that this Court so find, that no other or further notice is necessary or required.

108. Annexed hereto as Exhibit G are certifications required by the Guidelines.

WHEREFORE, Applicant respectfully requests the entry of an Order (a) allowing compensation for services rendered in the amount of $590,681.00 and reimbursement of expenses in the amount of $34,175.75 incurred during the Final Fee Period, (b) directing payment of the Holdback, (c) granting final allowance of fees in the amount of $11,376,048.40 and expenses in the amount of $1,226,487.81 incurred during the Case; and (d) granting such other and further relief as may be just and proper.

Dated: New York, New York
March 19, 1999

DEWEY BALLANTINE LLP

By: /s/
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