

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

U.S. BANKRUPTCY COURT  
DISTRICT OF DELAWARE

Oct 16 2 56 PM '00

FILED

In re: :  
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CELLNET DATA SYSTEMS, INC., et al., : :  
: : Chapter 11  
Debtors. : :  
: : Case No. 00-00844 (PJW)  
: : (Jointly Administered)  
: :

**APPLICATION FOR COMPENSATION AND REIMBURSEMENT  
OF EXPENSES PURSUANT TO SECTIONS 330 AND 331 OF  
THE BANKRUPTCY CODE**

Name of Applicant: The Blackstone Group L.P.  
Authorized to Provide Professional Services to: CellNet Data Systems, Inc., et al.  
Date of Retention: March 22, 2000 (effective February 4, 2000)  
Period for which compensation and reimbursement is sought: February 4, 2000 through April 30, 2000  
Amount of Compensation sought as actual, reasonable, and necessary: \$1,252,500.00  
Amount of Expense Reimbursement sought as actual, reasonable, and necessary: \$6,542.41  
This is a(n): \_\_\_\_\_ interim \_\_\_\_\_ x \_\_\_\_\_ final application.

No expenses are being requested in connection with the preparation of this application.

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	:	<b>Chapter 11</b>
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<b>Debtors.</b>	:	
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**APPLICATION FOR COMPENSATION AND REIMBURSEMENT  
OF EXPENSES PURSUANT TO SECTIONS 330 AND 331 OF  
THE BANKRUPTCY CODE**

**TO THE HONORABLE PETER J. WALSH  
UNITED STATES BANKRUPTCY JUDGE:**

The Blackstone Group L.P. ("Blackstone"), financial advisor to CellNet Data Systems, Inc., et al. (collectively, the "Debtors"), respectfully represents:

1. Pursuant to the Order of the Court dated March 22, 2000 (the "Retention Order"), Blackstone was retained, effective February 4, 2000, as financial advisor to the Debtors as per that certain agreement dated February 29, 2000 between Blackstone and the Debtors (the "Engagement Letter"), provided in Appendix A.
2. Blackstone submits this application for (i) allowance of compensation for services in the amount of \$1,252,500.00 and (ii) reimbursement of expenses in the amount of

\$6,542.41 under Sections 330 and 331 of the Bankruptcy Code, for February 4, 2000 through April 30, 2000 (the "Application Period").

2. Pursuant to the terms of the Engagement Letter, Blackstone was retained by the Debtors to: (a) assist in the development and review of the Company's business plans and related financial projections; (b) assist in the development of financial data and presentations to various creditors, prospective financing sources, potential acquirors and other third parties; (c) value any securities issued by the Company in connection with a Restructuring (as defined); (d) respond to expressions of interest from third parties regarding a potential Financing and/or Transaction (each as defined); (e) coordinate and assist third parties with due diligence; (f) negotiate the terms and conditions to any capital raised by the Company, including any debt and/or equity capital; (g) review, value and negotiate any proposals in connection with a Transaction; (h) value any non-cash consideration offered in connection with a proposed Transaction and (i) provide expert witness testimony. Prior to the commencement of the Debtors' chapter 11 case, Blackstone was retained by and provided similar services to the Debtors beginning on or about September 12, 1999. Terms of Blackstone's pre-petition retention included a monthly fee of \$150,000 and a Restructuring Fee, Transaction Fee, and/or Financing Fee upon completion of a Restructuring, Transaction, and/or Financing, respectively.
3. Pursuant to the terms of the Engagement Letter, as approved by the Retention Order, Blackstone may receive a fee of \$150,000 per month (the "Monthly Fee") for its advisory services on behalf of the Debtors. In addition, upon completion of a

Restructuring, Financing or Transaction, Blackstone would receive an additional fee (the "Transaction Fee") equal to: (i) \$900,000 plus (ii) 3% of the amount that Distribution to Interest Holders (as defined) exceeds \$190 million and less (iii) 50% of the Monthly Fees earned and received by Blackstone.

4. Blackstone provided the following services to the Debtors as part of its retention:
- Reviewed and analyzed the Debtors' operating results;
  - Assisted the Debtors in the development of financial projections;
  - Prepared a contact list of third parties concerning a potential Financing, Restructuring and/or Transaction;
  - Contacted third parties to solicit interest in a potential Financing, Restructuring and/or Transaction<sup>1</sup>;
  - Prepared materials, including operating and financial information, for third parties. Assisted third parties in completing due diligence;
  - Analyzed expressions of interest and proposals from third parties;
  - Negotiated the terms and conditions in the asset purchase agreement (the "APA") entered into between the Debtors and Schlumberger Resource Management Services Limited, Inc. ("SLB");
  - Prepared information regarding court-approved bidding procedures and break-up fees;
  - Provided expert witness testimony at the hearings on the solicitation process and bid procedure motion;
  - Re-solicited third parties (after the entry of the Bid Procedure Order) concerning interest in a competing Financing, Restructuring and/or Transaction. Prepared additional information for third parties and assisted in due diligence efforts;
  - Interacted with and updated the financial and legal advisors to the creditor's committee and noteholders;

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<sup>1</sup> As recorded during testimony on March 2, 2000 during the hearing to approve the Debtors' motion to approve the Bid Procedures, Blackstone contacted approximately 100 potential investors, lenders and acquirors.

- Analyzed a proposal to acquire the Debtors' investment in BCN not covered by the APA and related assets;
  - Presented to and advised the Debtors' board of directors concerning all matters related to the Debtors' efforts to solicit, negotiate and consummate a Financing, Restructuring and/or Transaction; and
  - Worked with the Debtors' other advisors on matters related to the Debtors' plan of reorganization.
5. Blackstone requests a total of \$1,252,500.00 for the services it rendered during the Application Period. This amount includes (i) Monthly Fees for the period February 4, 2000 through April 30, 2000<sup>1</sup> and (ii) a Transaction Fee of \$817,500.00. At the time that the Debtors entered into the APA (and for purposes of the break-up fee hearing), Blackstone estimated the value of the Transaction at approximately \$190 million.<sup>2</sup> This estimate included approximately (i) \$115 million of secured debt assumed, (ii) \$55 million of cash payment, and (iii) \$20 million of assumed other liabilities (collectively the "Base Amount"). As described herein, Blackstone's retention included a Transaction Fee equal to (i) \$900,000 plus (ii) 3% of the amount that the Distribution to Interest Holders exceeded \$190 million less (iii) 50% of Monthly Fees earned and received. Prior to closing the Transaction, SLB decided to purchase neither (i) the Debtors' equity interest in BCN nor (ii) the Debtors' rights to receive a royalty from BCN. Instead, these assets were sold, with the assistance of Blackstone, to Bechtel, with no corresponding reduction in purchase price by SLB as consideration for the Transaction. The Debtors received \$2.25 million for the BCN equity, and an additional \$2.25 million has been placed in escrow subject to the

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<sup>1</sup> Includes monthly fees of \$150,000.00 for February and March, and a reduced fee of \$135,000.00 for April.

<sup>2</sup> This amount is before incremental funding to be funded by SLB prior to closing the Transaction.

results of a litigation pending before this Court concerning a royalty interest. The Transaction Fee is calculated in Appendix E.

6. The financial services set forth above were performed primarily by: Timothy R. Coleman (Senior Managing Director); Nicholas Leone (Managing Director), Samuel Hirsch (Associate) and Michael Alexander (Analyst), as well as other professionals, as needed, of Blackstone. Details of the background and experience of the professionals are provided in Appendix B.
7. The amount of the fees and expenses sought in this application and Blackstone's billing processes are consistent with market practices both in and out of a bankruptcy context. Blackstone has never billed its clients on the number of hours expended by its professionals. Accordingly, Blackstone does not have hourly rates for its professionals and Blackstone's professionals generally do not maintain detailed time records of the work performed for its clients. Blackstone has, however, maintained its contemporaneous time records in the Debtors' case in one-half hour rather than one-tenth hour increments, in compliance with the Court order authorizing Blackstone's retention dated March 22, 2000. Time records of the hours expended during the Application Period, in the aggregate of 445.0 hours, are provided in Appendix C.
8. Blackstone incurred reasonable and necessary out-of-pocket expenses aggregating \$6,542.41 during the Application Period. Details of the expenses incurred during the Application Period are provided in Appendix D.

9. Blackstone's charges for expenses to the Debtors are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Blackstone are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not factor general overhead expenses into disbursements charged to its clients in connection with Chapter 11 cases. Blackstone has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions specifically explained:

- (a) Blackstone's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such meal time due to extreme time constraints. Blackstone employees are permitted to order meals in the office if the employee is required to work after 8:00 p.m.
- (b) All airfare charges billed to the Debtors are based on coach rates;
- (c) The Research/Other category of expenses includes charges from outside computer/electronic service companies that supply, for a fee, research and/or financial documents to Blackstone. The services provided by these companies primarily consist of the retrieval of financial documents from regulatory agencies and/or the retrieval of research that would not otherwise be available to Blackstone. The Research - In House category of expenses are the charges for time spent by Blackstone research staff, billed at a rate of

\$100 per hour, in operating the computer/electronic terminals related to these computer/electronic service companies.

- (d) Blackstone bills photocopying charges at the rate of \$.15 per page.
  - (e) With respect to local travel, Blackstone's general policy enables employees to travel by private car service, taxi or subway to and from meetings while rendering services to a client on a client related matter, for which the client is charged. Further, Blackstone employees are permitted to charge personal commuting expenses to a client as long as the employee is traveling after 8:00 p.m., primarily due to safety reasons.
  - (f) Blackstone bills its clients for time spent by its support staff providing word processing services. The word processing system automatically allocates time to a client based upon the operator's log-in by a client-matter number. Blackstone clients are charged at the personnel cost of \$30.00 per hour for the actual amount of time spent by the operator while rendering word processing services to the client.
  - (g) Blackstone bills outgoing long-distance facsimile charges at a rate of \$1.00 per page. Blackstone does not bill local or incoming facsimile charges to clients.
10. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interest of the Debtors and have furthered the goals of all parties in interest. The efforts expended by Blackstone in representing the



Debtors, the complexity of the issues and the difficulty in the negotiations in these cases have been substantial in this phase of the case.

11. Blackstone respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone in these cases.
12. Blackstone respectfully submits that the compensation requested for the Application Period for services rendered by Blackstone to the Debtors is fully justified and reasonable based upon (a) the time and labor required, (b) the complexity of the issues presented, (c) the skill necessary to perform the financial advisory services properly, (d) the preclusion of other employment, (e) the customary fees charged to clients in non-bankruptcy situations for similar services rendered, (f) time constraints required by the exigencies of the case and (g) the experience, reputation and ability of the professionals rendering services.
11. Blackstone respectfully submits that the expenses for which Blackstone seeks allowance during the Application Period were necessary and reasonable both in scope and amount.
12. No prior application for the relief requested herein has been made.
13. All services for which compensation is requested by Blackstone were performed for and on behalf of the Debtors after the filing of this case and were not rendered on behalf of any other person.

14. There is currently no agreement or understanding between Blackstone and any other person for the sharing of compensation received or to be received for services rendered in connection with these proceedings.


**WHEREFORE**, Blackstone requests the Court to:

- (a) Approve the allowance and payment of Blackstone's fees in the amount of \$1,252,500.00 and the reimbursement of expenses in the amount of \$6,542.41 for the Application Period;
- (b) Authorize and direct the Debtors to pay Blackstone's approval fees and expenses;
- (c) Grant such other and further relief as this Court deems just and proper.

Dated: New York, New York  
October 13, 2000

THE BLACKSTONE GROUP L.P.  
Financial Advisor to the Debtors

By: \_\_\_\_\_

  
Nick Leone  
Managing Director  
345 Park Avenue  
New York, NY 10154