

separations. K&E also drafted and negotiated new employment agreements for various senior executives who remained with the Debtors throughout the Chapter 11 Cases.

General Employee Benefits Counseling

K&E also researched and analyzed certain wages, pension and 401(k) issues involving the PBGC, responded to Department of Labor subpoenas, determined strategies regarding purported employee liabilities, researched employee confidentiality issues and analyzed benefit claims from pre-petition events.

41. Matter 27: Fee Applications of Other Professionals

(Fees: \$42,729.00; Hours: 321.00)

This Subject Matter includes time spent by K&E related to the filing of monthly and quarterly fee applications by bankruptcy professionals other than K&E, including Baker Botts L.L.P., Baker & Daniels, Lazard, Gregory P. Joseph Law Offices LLC, Dorsey & Whitney LLP, PricewaterhouseCoopers and Bridge Associates LLC. Such services included (i) preparing documents for the filing and service of such entities' fee applications; (ii) corresponding with the noticing agent to ensure proper service of the fee applications; (iii) reviewing the Court's docket for objections filed against such fee applications and preparing certificates of no objection for such fee applications, where applicable; and (iv) corresponding with the professionals regarding the preparation, filing, and status of their fee applications. K&E paraprofessionals also spent a limited amount of time reviewing the fee applications of other professionals retained under section 327 of the Bankruptcy Code in order ensure that such professionals complied with the requirements of the Interim Compensation Order.

42. Matter 28: Insurance and Regulatory Matters

(Fees: \$305,041.00; Hours: 665.90)

The Subject Matter includes time spent by K&E providing CNC's domestic state regulators with continual updates on developments in the Chapter 11 Cases. These updates occurred informally whenever significant events transpired, but no less than on a weekly basis. The communications were generally provided to the Texas Department of Insurance ("TDI"), who acted as the lead domestic regulatory agency. K&E also attended quarterly meetings of the National Association of Insurance Commissioners to provide updates to all domestic state regulators. In addition, K&E reviewed and revised presentations for such meetings. K&E also provided updates to other constituents of issues and concerns raised by the regulators. K&E prepared for and attended meetings in Texas with TDI to discuss timing, status, and corporate governance matters. K&E also negotiated various provisions of the CNC Debtors' plan and confirmation order in response to concerns raised by TDI. Finally, K&E participated in several conferences with regulators to ensure that all appropriate approvals necessary for the consummation of the CNC Debtors' plan were procured on a timely basis.

K&E also performed research into the regulatory implications of filing the insurance agency subsidiaries as part of the CFC Debtors' asset sales. K&E participated in several conferences with regulators regarding the filings.

Finally, K&E spent significant time reviewing various statutes and regulations governing unprofitable segments of the insurance businesses. K&E developed strategies for modifying and adjusting the companies' obligations under such segments. K&E spent substantial time in conferences with regulators explaining and clarifying strategies with respect to such business segments.

43. Matter 29: GM Building, possible sale of

(Fees: \$2,659,202.50; Hours: 7,816.90)

This Subject Matter includes time spent by K&E related to the GM Building.⁸ K&E was critical to the Debtors' success in monetizing their investment in the GM Building, a 50-story office building in New York City. The GM Building was the center of a dispute between the company and Donald Trump that stemmed from a joint 1998 investment. The investment structure involved seven entities and various documents that defined the rights and obligations of the parties. The relevant documents contemplated an ownership change or buy out in 2001, but such transfer did not occur in 2001. Instead, the parties became embroiled in litigation and then arbitration, tying up the company's investment. In addition, the underlying mortgages on the building were scheduled to mature in 2003.

During the bankruptcy case, K&E developed and executed a strategy that enabled the company to obtain value from its investment in the GM Building. First, K&E sued in the bankruptcy court to establish a strict timetable to resolve the dispute with Donald Trump. Second, K&E defeated Donald Trump in arbitration in New York, and ultimately crafted a confidential settlement with Mr. Trump, thereby avoiding any additional delay that may have been caused by appeals. Third, K&E negotiated extensions of the mortgages and leases in the GM Building, and worked with Eastdil to auction the GM Building for approximately \$1.4 billion. Fourth, K&E successfully defended a lawsuit filed in Delaware by a losing bidder. Fifth, K&E assisted the company in closing the sale of the GM Building on September 26, 2003. These victories will be reflected in the company's upcoming financial statements and risk based capital figures, both of which will be crucial to insurance ratings agencies and stock analysts.

⁸ Earlier in the Chapter 11 Cases, some K&E attorneys billed time spent on GM Building issues to matter #9: Contested Matters/Adversary Proceedings.

44. Matter 30: Collection Strategy/Director/Officer

(Fees: \$276,678.00; Hours: 860.30)

This Subject Matter includes time spent by K&E analyzing and proceeding with collection efforts on the D&O loans, central at issue throughout these Chapter 11 Cases. K&E reviewed the relevant loan documents and analyzed potential collection strategies, including, but not limited to, reviewing potential litigation forums and venues, and analyzing potential for recovery from various D&O loan participants, in particular the "Big 11". The Big 11 borrowers owe approximately \$500 million of the money borrowed under the D&O loan programs. Additionally, K&E contacted counsel for the Big 11 and prepared for and participated in numerous negotiation conferences with the same.

Actual and Necessary Expenses

45. It is K&E's policy to charge its clients in all areas of practice for identifiable non-overhead expenses incurred in connection with the client's case that would not have been incurred except for representation of that particular client. It is K&E's policy to charge its clients only the amount actually incurred by K&E in connection with such items. Examples of such expenses are postage, overnight mail, courier delivery, transportation, overtime expenses, computer assisted legal research, photocopying, out-going facsimile transmissions, airfare, meals, and lodging. With respect to airfare expenses, all travel, by all individuals, is billed at the coach class rate.

46. In order to ensure the compliance with all applicable deadlines in these highly complex Chapter 11 Cases K&E utilizes the services of overtime secretaries. K&E charges fees for these services pursuant to the prepetition engagement letter between K&E and the Debtors (the "Engagement Letter"), which permits K&E to bill the Debtors for overtime secretarial charges that arise out of business necessity. In addition, because of the almost

constant attention K&E professionals gave to these Chapter 11 Cases, K&E professionals also may charge their overtime meals and overtime transportation to the Debtors consistent with prepetition practices.

47. K&E charges (i) \$0.10 per page for duplication and (ii) \$0.75 per page for outgoing telecopier transmissions (plus related toll charges). K&E does not charge its clients for incoming telecopier transmissions. K&E has negotiated a discounted rate for Westlaw computer assisted legal research, which is approximately \$125/hour of online use of the standard Westlaw databases. Computer assisted legal research is used whenever the researcher determines that using Westlaw is more cost effective than using traditional (non-computer assigned legal research) techniques.

48. A monthly summary of expenses incurred during the Final Fee Period is attached hereto as Exhibit D. All of these disbursements comprise the amount of K&E's out-of-pocket expenses for which K&E is seeking final approval, totaling **\$2,123,122.64**.

Representations

49. K&E believes that the fee application is in compliance with the requirements of the Bankruptcy Code, the Bankruptcy Rules, Local Bankruptcy Rules, and the Interim Compensation Order.

50. In summary, by this Final Fee Application, K&E requests final approval of compensation for fees and expenses in the total amount of **\$24,769,589.14** consisting of (i) **\$22,646,466.50** for reasonable and necessary professional services rendered and (ii) **\$2,123,122.64** for actual and necessary costs and expenses incurred during the Final Fee Period.

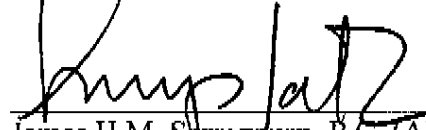
51. The amount remaining to be paid to K&E is **\$4,977,911.05**. This amount may decrease before the hearing on this Final Fee Application to the extent that K&E receives

payment in accordance with the Interim Compensation Order for the August 1, 2003 through September 9, 2003 monthly fee application.

WHEREFORE, K&E requests an entry of an order (a) allowing K&E on the final basis (i) compensation in the amount of **\$22,646,466.50** for the reasonable and necessary legal services K&E has rendered to the Debtors and (ii) reimbursement in the amount of **\$2,123,122.64** for the actual and necessary expenses that K&E incurred for the Final Fcc Period, (b) authorizing and directing the Debtors to pay K&E on the final basis (i) compensation in the amount of **\$4,686,083.46** for the reasonable and necessary legal services K&E has rendered to the Debtor and (ii) reimbursement in the amount of **\$291,827.59** for the actual and necessary expenses that K&E incurred for the Final Fcc Period, and (c) deeming all compensation and expenses previously paid by the Debtors in the total amounts of **\$17,960,383.04** and **\$1,831,295.05** respectively, approved as final.

Chicago, Illinois
Dated: October 9, 2003

Respectfully submitted,
KIRKLAND & ELLIS LLP



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