

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

HEARING DATE: March 14, 2001
TIME: 10:00 a.m.

Chapter 11

DEWEY BALLANTINE LLP
Counsel to the Debtors

In re

Final Fees Sought \$2,848,834.75
Final Expenses Sought \$230,616.67

Case No. 00 B 12184 (AJG)

CONTINENTAL CORPORATION, et al.,

(Jointly Administered)

Debtors.

Name of Professional	Year Admitted	Hours	Rate(s)	Total
Partner				
Carol T. Ivanick	1963	3.40	595.00/650.00	2,072.50
Richard W. Reinthalder	1974	66.10	595.00/650.00	41,606.50
Richard S. Miller	1978	781.50	570.00/625.00	458,011.50
Stuart Hirshfield	1966	2.60	595.00	1,547.00
Jonathan L. Freedman	1982	.30	585.00	175.50
Anne K. Hilker	1978	.20	585.00	117.00
Janis M. Meyer	1982	12.60	520.00/585.00	6,714.50
Brian J. Morris	1980	11.10	520.00/585.00	6,376.50
Eileen B. Gordon	1980	52.00	495.00/560.00	28,808.00
Linda Ransom	1979	.50	560.00	280.00
Paul J. Wessel	1988	74.20	470.00/560.00	37,727.00
Christopher J. DiAngelo	1984	92.80	545.00	50,576.00
Thomas W. Giegerich	1981	.30	545.00	163.50
Benjamin Hoch	1989	354.00	470.00/540.00	167,822.00
Cecily P. Maguire	1987	.50	540.00	270.00
Sean M. Moran	1989	44.00	470.00/540.00	20,960.00
Steven P. Lund	1976	14.40	495.00	7,128.00
Stanton J. Lovenworth	1978	4.40	495.00	2,178.00
AnnaLiza Harris	1989	66.20	420.00/490.00	28,595.00
Eliza A. Donlin	1988	13.50	470.00	6,345.00
Roslyn Tom	1991	215.80	445.00	96,031.00

Hourly rates for similar work in non-bankruptcy matters are the same.

Blended Hourly Rate:
366.33
(Excluding Paraprofessionals)

Name of Professional	Year Admitted	Hours	Rate(s)	Total
Counsel				
Dianne Coffino	1989	25.70	420.00/475.00	11,575.00
Joel I. Krasnow	1990	.20	420.00	84.00
Associates				
Bronwyn D. Andreas	1991	80.70	370.00/450.00	30,067.00
Allen W. Hubsch	1988	57.50	370.00/450.00	21,339.00
Mary Jane Constant	1994	94.50	370.00/425.00	36,417.00
Michael Gallagher	1994	18.60	370.00/425.00	6,920.50
James P. Smith	1994	65.10	370.00/425.00	27,057.00
Anthony Acevedo	1998	86.30	335.00/395.00	30,038.50
Eric M. Kay	1996	1,153.60	335.00/395.00	411,308.00
Mark D. Allison	1996	185.80	315.00/375.00	61,683.00
Lisa Beth Deutsch	1997	12.80	285.00/355.00	3,690.00
Gretchen Harders-Chen	1998	237.40	285.00/355.00	75,863.00
Mark C. Hulbert	1997	140.20	285.00/355.00	40,776.00
Jorian L. Rose	1998	1,269.20	285.00/355.00	394,804.00
Shirin Zade	1998	16.30	355.00	5,786.50
Andrea Davis	1995	324.50	335.00	108,707.50
Michael DuQuensay	1996	31.60	335.00	10,586.00
Valentine G. Aguilar	1996	32.00	315.00	10,080.00
Kenneth R. Barr	1996	17.60	315.00	5,544.00
Glenn T. Brizan	1992	969.70	235.00/315.00	250,103.50
Michael Cantwell	1994	2.30	315.00	724.50
Daniel J. Loskove	1995	6.20	315.00	1,953.00
James O. Nygard	1998	62.30	235.00/315.00	16,400.50
Seth Fenton	1998	3.50	285.00	997.50
Johann Lee	1997	1.30	285.00	370.50
William D. Brick	1996	.50	270.00	135.00
Gabriella Davi	2000	16.20	270.00	4,374.00
Jon Finkelstein	1999	49.80	185.00/270.00	11,848.00
Alain Genier	1999	4.50	270.00	1,215.00
A. Victor Glaser	2000	225.50	185.00/270.00	48,322.00
David R. Hassel	1999	33.25	185.00/270.00	7,549.50
Eric L. Palmquist	2000	39.50	185.00/270.00	7,324.50
David Naidu	1998	2.90	235.00	681.50
David W. Beaning	N/A	4.70	185.00/225.00	989.50
Glenn S. Pfeiffer	N/A	4.50	225.00	1,012.50
Joy L. Devito	1999	1.40	185.00	259.00

Name of Professional	Year Admitted	Hours	Rate(s)	Total
JB Clark	1999	4.80	185.00	888.00
David Escoffery	N/A	8.00	185.00	1,480.00
Alice M. Kenniff	1999	60.30	185.00	11,155.50
Matthew McCabe	1999	1.50	185.00	277.50
Specialist				
Jill Chavooshian	N/A	37.90	320.00/370.00	13,883.00
Celia Grubman	N/A	24.05	195.00	4,689.75
Kevin Bell	N/A	1.50	170.00	255.00
Judith Strigaro	N/A	1.00	170.00	170.00
Kathryn Sears	N/A	29.90	150.00/160.00	4,605.00
Jamelle R. Straker	N/A	640.30	140.00/155.00	91,380.50
Library				
Shirley E. Diamond	N/A	3.90	180.00	702.00
Robert Lansden	N/A	.40	145.00	58.00
Legal Assistants				
Paul Aucuri	N/A	11.00	150.00	1,650.00
Alex Dennis	N/A	1.00	150.00	150.00
Stephanie Gillette	N/A	22.00	140.00/150.00	3,100.00
Michael Lee	N/A	1.80	150.00	270.00
Christine Guthrie	N/A	222.10	135.00/140.00	30,303.50
JA Medure	N/A	1.50	140.00	210.00
Eman Vovsi	N/A	6.50	140.00	910.00
Emily R. Billo	N/A	2.60	130.00	338.00
Geoffrey S. Brown	N/A	8.50	130.00	1,105.00
Diana Cordoba	N/A	2.00	130.00	260.00
Paul Curtis	N/A	1.55	130.00	201.50
Joseph L. Dixon	N/A	2.50	130.00	325.00
Gene McGloin	N/A	2.10	130.00	273.00
David L. Irwin	N/A	2.30	130.00	299.00
Elana Konstant	N/A	3.50	130.00	455.00
Latoya Laguerre	N/A	23.00	130.00	2,990.00
Tyson R. Lewis	N/A	3.10	130.00	403.00
Kristine M. Niehaus	N/A	164.80	130.00	21,424.00
Kimberly A. Robinson	N/A	63.80	130.00	8,294.00
Bryant Roman	N/A	6.50	130.00	845.00
Michael Santo	N/A	13.00	130.00	1,690.00
Michael Schwartzberg	N/A	2.00	130.00	260.00
Jason A. Shapiro	N/A	14.00	130.00	1,820.00

Name of Professional	Year Admitted	Hours	Rate(s)	Total
Mathew Sullivan	N/A	30.60	130.00	3,978.00
Walter Wang	N/A	.40	130.00	52.00
Cheri Williams	N/A	211.30	130.00	27,469.00
Barry Kelley	N/A	1.00	125.00	125.00
Total		8,726.05		2,848,834.75

Hearing Date: March 14, 2001
Time: 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11
CONTIFINANCIAL CORPORATION, et al., : Case No. 00 B 12184 (AJG)
Debtors. : (Jointly Administered)
-----X

**APPLICATION OF DEWEY BALLANTINE LLP FOR FINAL
ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AS COUNSEL FOR THE DEBTORS AND FOR
REIMBURSEMENT OF EXPENSES AND DISBURSEMENTS**

TO: THE HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE

Dewey Ballantine LLP ("Dewey Ballantine" or the "Applicant"),
bankruptcy counsel to the CFN Entities¹ pursuant to section 327(a) of the United States
Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and special counsel
to the CMC Entities² (and together with the CFN Entities, the "Debtors") pursuant to
section 327(e) of the Bankruptcy Code, hereby submits this application (the "Final Fee

¹ The CFN Entities are comprised of ContiFinancial Corporation ("CFN"), ContiFinancial Services Corporation, ContiAsset Receivables Management L.L.C., ContiTrade Services L.L.C., ContiWest Corporation, Keystone Mortgage Investment, Inc., Keystone Capital Group, Inc. and Warminster National Abstract, Inc.

² The CMC Entities are comprised of ContiMortgage Corporation ("CMC"), California Lending Group, Inc., ZTS Corp., ContiInsurance Agency, Inc., Crystal Mortgage Company, Inc., Lenders M.D. Inc., Resource One Consumer Discount Company, Inc., Resource One Consumer Discount Company of Minnesota, Inc., Resource One of Delaware Valley, Inc., Resource One Mortgage of Oxford Valley, Inc.

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Application") pursuant to sections 330 and 331 of the Bankruptcy Code and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), seeking an order (i) allowing and directing payment of compensation for services rendered and reimbursement of expenses and disbursements for the period from September 1, 2000 through and including December 19, 2000 (the "Final Fee Period"), (ii) granting final allowance and directing payment of compensation and reimbursement of expenses and disbursements for services rendered as counsel to the Debtors during the period from May 17, 2000 through and including December 19, 2000, and (iii) allowing and directing the payment of the fees and expenses previously sought by Dewey Ballantine pursuant to the Application for First Interim Allowance of Compensation of Dewey Ballantine LLP For Services Rendered as Counsel To ContiFinancial Corporation, ContiMortgage Corporation and Affiliates and For Reimbursement of Expenses and Disbursements (the "Interim Fee Application"),³ which was subject to a holdback (the "Holdback"),⁴ and in support thereof, respectfully represents as follows:

...continued from the preceding page

ResourceCorp Financial, Inc., Royal Mortgage Partners, L.P. ("Royal") and Fidelity Mortgage Decisions Corporation ("Fidelity").

³ Pursuant to the Order, dated October 26, 2000, allowing interim compensation and reimbursement of expenses and disbursements (the "Interim Fee Order"), the Court awarded Applicant fees in the amount of \$1,323,808.40 and reimbursement of expenses in the amount of \$114,492.15.

⁴ At the hearing on the Interim Fee Application, Dewey Ballantine informed the Court that it would not currently seek allowance or payment of the Holdback in the amount of \$330,950.10 but instead would seek allowance and payment of the Holdback in connection with the Final Fee Application.

Introduction

1. On May 17, 2000 (the "Petition Date"),⁵ following an extended out-of-court restructuring effort during which the Debtors (i) nearly succeeded in consummating a stock sale that would have resulted in satisfaction or assumption of more than \$2.5 billion of then outstanding indebtedness plus a return to shareholders and (ii) did succeed in effecting repayment of more than \$1.5 billion in debt, the Debtors each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Cases"). The Cases were commenced to implement the final transfer of the Debtors' remaining salvageable business lines and establish a structure to effect and maximize distributions to creditors. Pursuant to an Order of this Court dated May 18, 2000, the Debtors' chapter 11 cases were consolidated for procedural purposes only and are being jointly administered under Case Number 00-B-12184 (AJG).⁶ No trustee or examiner was appointed in the Cases.

2. This Court has jurisdiction to consider this Final Fee Application pursuant to 28 U.S.C. §§ 157 and 1334, and the Standing Order of referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 10, 1984 (Ward, Acting C.J.). Consideration of this Final Fee Application is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

⁵ Two of the Debtors, Royal and Fidelity, commenced their chapter 11 cases on August 14, 2000.

⁶ By Order dated August 14, 2000, the Court authorized the joint administration of the chapter 11 cases of Royal and Fidelity with the chapter 11 cases of CFN, CMC and their affiliates under Case No. 00-B-12184 (AJG).

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Kathryn Sears	N/A	29.90	150.00/160.00	4,605.00
Jamelle R. Straker	N/A	640.30	140.00/155.00	91,380.50
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Shirley E. Diamond	N/A	3.90	180.00	702.00
Robert Lansden	N/A	.40	145.00	58.00
Legal Assistants				
Paul Aucuri	N/A	11.00	150.00	1,650.00
Alex Dennis	N/A	1.00	150.00	150.00
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Walter Wang	N/A	.40	130.00	52.00
Cheri Williams	N/A	211.30	130.00	27,469.00
Barry Kelley	N/A	1.00	125.00	125.00
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ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AS COUNSEL FOR THE DEBTORS AND FOR
REIMBURSEMENT OF EXPENSES AND DISBURSEMENTS**

TO: THE HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE

Dewey Ballantine LLP ("Dewey Ballantine" or the "Applicant"),
bankruptcy counsel to the CFN Entities¹ pursuant to section 327(a) of the United States
Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and special counsel
to the CMC Entities² (and together with the CFN Entities, the "Debtors") pursuant to
section 327(e) of the Bankruptcy Code, hereby submits this application (the "Final Fee

¹ The CFN Entities are comprised of ContiFinancial Corporation ("CFN"), ContiFinancial Services Corporation, ContiAsset Receivables Management L.L.C., ContiTrade Services L.L.C., ContiWest Corporation, Keystone Mortgage Investment, Inc., Keystone Capital Group, Inc. and Warminster National Abstract, Inc.

² The CMC Entities are comprised of ContiMortgage Corporation ("CMC"), California Lending Group, Inc., ZTS Corp., ContiInsurance Agency, Inc., Crystal Mortgage Company, Inc., Lenders M.D. Inc., Resource One Consumer Discount Company, Inc., Resource One Consumer Discount Company of Minnesota, Inc., Resource One of Delaware Valley, Inc., Resource One Mortgage of Oxford Valley, Inc.

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Application") pursuant to sections 330 and 331 of the Bankruptcy Code and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), seeking an order (i) allowing and directing payment of compensation for services rendered and reimbursement of expenses and disbursements for the period from September 1, 2000 through and including December 19, 2000 (the "Final Fee Period"), (ii) granting final allowance and directing payment of compensation and reimbursement of expenses and disbursements for services rendered as counsel to the Debtors during the period from May 17, 2000 through and including December 19, 2000, and (iii) allowing and directing the payment of the fees and expenses previously sought by Dewey Ballantine pursuant to the Application for First Interim Allowance of Compensation of Dewey Ballantine LLP For Services Rendered as Counsel To ContiFinancial Corporation, ContiMortgage Corporation and Affiliates and For Reimbursement of Expenses and Disbursements (the "Interim Fee Application"),³ which was subject to a holdback (the "Holdback"),⁴ and in support thereof, respectfully represents as follows:

...continued from the preceding page

ResourceCorp Financial, Inc., Royal Mortgage Partners, L.P. ("Royal") and Fidelity Mortgage Decisions Corporation ("Fidelity").

³ Pursuant to the Order, dated October 26, 2000, allowing interim compensation and reimbursement of expenses and disbursements (the "Interim Fee Order"), the Court awarded Applicant fees in the amount of \$1,323,808.40 and reimbursement of expenses in the amount of \$114,492.15.

⁴ At the hearing on the Interim Fee Application, Dewey Ballantine informed the Court that it would not currently seek allowance or payment of the Holdback in the amount of \$330,950.10 but instead would seek allowance and payment of the Holdback in connection with the Final Fee Application.

Introduction

1. On May 17, 2000 (the "Petition Date"),⁵ following an extended out-of-court restructuring effort during which the Debtors (i) nearly succeeded in consummating a stock sale that would have resulted in satisfaction or assumption of more than \$2.5 billion of then outstanding indebtedness plus a return to shareholders and (ii) did succeed in effecting repayment of more than \$1.5 billion in debt, the Debtors each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Cases"). The Cases were commenced to implement the final transfer of the Debtors' remaining salvageable business lines and establish a structure to effect and maximize distributions to creditors. Pursuant to an Order of this Court dated May 18, 2000, the Debtors' chapter 11 cases were consolidated for procedural purposes only and are being jointly administered under Case Number 00-B-12184 (AJG).⁶ No trustee or examiner was appointed in the Cases.

2. This Court has jurisdiction to consider this Final Fee Application pursuant to 28 U.S.C. §§ 157 and 1334, and the Standing Order of referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 10, 1984 (Ward, Acting C.J.). Consideration of this Final Fee Application is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

⁵ Two of the Debtors, Royal and Fidelity, commenced their chapter 11 cases on August 14, 2000.

⁶ By Order dated August 14, 2000, the Court authorized the joint administration of the chapter 11 cases of Royal and Fidelity with the chapter 11 cases of CFN, CMC and their affiliates under Case No. 00-B-12184 (AJG).

3. Prior to the Petition Date, two unofficial committees had been formed: (i) an unofficial bank group committee (the "Unofficial Bank Group Committee") formed early in 1999 and comprised of members of the Debtors' pre-petition bank group (the "Bank Group") and (ii) an unofficial noteholders committee, organized in or about October 1999 and comprised of certain holders of three series of notes (the "Senior Notes") issued by CFN (the "Unofficial Noteholders' Committee," and together with the Unofficial Bank Group Committee, the "Unofficial Committees").⁷ The Unofficial Bank Group Committee represented holders of claims against the Debtors in the approximate amount of \$338 million. The Unofficial Noteholders' Committee, advised the Debtors that its members hold in excess of 50% of the aggregate principal amount of the \$700 million issued Senior Notes. The Unofficial Bank Group Committee was represented by Weil, Gotshal & Manges LLP. The Unofficial Noteholders Committee was represented by Akin, Gump, Strauss, Hauer & Feld, L.L.P. Each of the Unofficial Committees also retained a financial advisor.

4. On September 13, 2000, prior to the expiration of their initial period of exclusivity, the Debtors filed a plan of reorganization and disclosure statement. On December 19, 2000 (the "Confirmation Date"), approximately seven (7) months after the Petition Date, the Court entered an Order (the "Confirmation Order") confirming the

⁷ An Official Creditors' Committee was appointed by the Office of the United States Trustee on May 24, 2000. After much acrimony and upon the request of its members in conjunction with resolution of alleged preferential payments received by members of the Unofficial Committees, the United States Trustee disbanded the Official Creditors' Committee on June 29, 2000. With the disbandment of the Official Creditors' Committee, the Unofficial Committees continue to function as they did before the Cases were filed.

Third Amended Plan of Reorganization of ContiFinancial Corporation and Affiliates under Chapter 11 of the Bankruptcy Code dated December 18, 2000 (the "Plan").⁸

Background

5. Prior to the Petition Date, the Debtors were engaged in the finance business by originating and servicing home equity loans and other loan products.⁹ The Debtors were a leading originator, purchaser, seller, securitizer and servicer of home equity loans, concentrating on lending to individuals whose borrowing needs were generally not being served by traditional financial institutions due to such individuals' impaired credit profiles and other factors. These loans were primarily for debt consolidation, home improvements, education or refinancing and were most often secured by first mortgages on one to four family residential properties. As of the Petition Date, the Debtors serviced approximately 150,000 loans with an aggregate face value of approximately \$8 billion. The Debtors' first efforts following the Petition Date were concentrated upon completing a sale of their servicing business in order to preserve the value of these loans for the benefit of investors and the Debtors' creditors. On June 21, 2000, this Court entered an Order authorizing the Debtors to sell their servicing business

⁸ All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan, as modified.

⁹ Historically, the Debtors operated as a more diversified consumer and commercial financial intermediary that originated, securitized and serviced various consumer and commercial loan products in addition to home equity loans. These products included residential and commercial mortgages, auto loans, equipment leases and franchise loans. Due to the unavailability of necessary capital, the Debtors were unable to continue financing their diversified product lines. As a result and during their pre-petition restructuring efforts, the Debtors restricted their focus to their core home equity loan business and reduced or eliminated most of their other loan products.

to Fairbanks Capital Corp. ("Fairbanks") pursuant to the terms of an asset purchase agreement dated May 12, 2000 (the "Fairbanks Asset Purchase Agreement").¹⁰

6. On May 18, 2000, the Debtors filed a motion seeking to retain Dewey Ballantine as bankruptcy counsel to the CFN Entities and as special counsel to the CMC Entities. On May 18, 2000, the Court entered an interim Order (the "Interim Retention Order") authorizing the Debtors to retain Dewey Ballantine until July 18, 2000, pending a final hearing on such motion on notice to creditors. The Interim Retention Order authorized Dewey Ballantine to perform professional services for the CFN Entities including:

- to advise the CFN Entities of their powers and duties as debtors in possession;
- to assist in the preparation of financial statements, the schedules of assets and liabilities, the statements of financial affairs, and other reports and documentation required by the Bankruptcy Code and the Bankruptcy Rules;
- to participate in hearings on matters pertaining to affairs of the debtors in possession;
- to prosecute and defend litigated matters that may arise during these Cases;
- to negotiate, formulate, and confirm a plan(s) of reorganization for the CFN Entities;
- to counsel and represent the CFN Entities concerning the assumption or rejection of executory contracts and leases,

¹⁰ Both prior to and after the Petition Date, the Debtors extensively marketed their remaining origination assets for sale in order to extract value from such assets for distribution to creditors. The Debtors successfully completed the transfer of certain origination assets held by Royal. After the Debtors were unsuccessful in consummating a sale of their remaining origination business lines, the Debtors wound down and terminated the remaining origination lines.

administration of claims, and numerous other bankruptcy-related matters arising from these Cases; and

- to perform such other legal services that are desirable and necessary for the efficient and economic administration of these Cases.

The Interim Retention Order also authorized Dewey Ballantine to perform services for the CMC Entities including:

- to advise the CMC Entities in corporate matters;
- to advise the CMC Entities as to securitization matters and/or loan acquisition or deposition of loan pools and related assets;
- to advise the CMC Entities on matters related to securities law compliance;
- to continue to advise the CMC Entities in an effort to formulate and implement asset sales and a final restructuring plan;
- to work with and assist the CMC Entities' bankruptcy counsel as may be necessary; and
- to provide such other services consistent therewith as the CMC Entities may require.

A final order (the "Final Retention Order") authorizing the Debtors to retain Dewey Ballantine to perform the above-mentioned services, as well as authorizing the Debtors to retain Dewey Ballantine as special labor, employment and benefits counsel, was entered by the Court on July 20, 2000. A copy of the Final Retention Order is annexed hereto as Exhibit "A".

7. This Final Fee Application has been prepared in accordance with (i) the Amended Guidelines for Fees and Disbursements for Professionals in the Southern District of New York Bankruptcy Cases adopted by the Court on April 14, 1995 (the "Local Guidelines"); (ii) the United States Trustee Guidelines for reviewing Applications

for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 adopted January 30, 1996 (the "UST Guidelines" and, collectively with the Local Guidelines, the "Guidelines"); (iii) this Court's Order dated June 21, 2000, establishing certain procedures for monthly compensation and reimbursement of expenses of professionals (the "Fee Procedures Order"); (iv) the Final Retention Order; and (v) the Confirmation Order.

8. Pursuant to Section II(B) of the UST Guidelines, Applicant is required to describe the status of the Cases. In accordance with such requirement, Applicant submits the following:

- Plan and Disclosure Statement -- On December 19, 2000, the Court entered the Confirmation Order confirming the Plan. The Debtors, with the assistance of the Applicant, have been working with the proposed Liquidating Trustee and his advisors in anticipation of an Effective Date for the Plan occurring sometime in February.
- Operating Reports and Payment of Fees -- The Debtors have timely filed all monthly operating reports with the Court. The Debtors have also paid and will continue to pay all quarterly fees to the United States Trustee as they become due.

9. Further, in accordance with the Fee Procedures Order, Applicant has filed monthly fee statements (the "Monthly Fee Statements") of the fees and expenses it has incurred for each month since the Interim Fee Application as follows:¹¹

¹¹ Pursuant to the Fee Procedures Order, Applicant was paid 80% of its fees and 100% of its expenses for the month of September. In accordance with statements made on the record of the hearing on the Interim Fee Application held on October 26, 2000, Applicant did not seek current payment of the fees and expenses reflected in its October and November Monthly Fee Statements. The Fee Statement for the period December 1 through December 19, 2000 is included within this Final Fee Application.

<u>Month Ending</u>	<u>Fees Requested</u>	<u>Expenses Requested</u>
September 30, 2000	\$292,090.50	\$37,867.44
October 30, 2000	\$340,836.25	\$37,165.28
November 30, 2000	\$313,451.00	\$23,684.56

This Final Fee Application also includes a description of the services rendered and fees and expenses incurred by Applicant during the period from December 1, 2000 through and including the Confirmation Date. Consequently, the December Monthly Fee Statement is subsumed within this Final Fee Application.

Relief Requested

10. During the Cases, Applicant has submitted one prior interim application seeking payment of fees and reimbursement of expenses which was approved by Order of the Court dated October 26, 2000. The Interim Fee Application covered the period from May 17, 2000 through and including August 31, 2000 (the "Interim Fee Period"). Thus the Court has not yet considered Applicant's fees and expenses incurred during the period from September 1, 2000 through and including December 19, 2000.¹²

11. Pursuant to this Final Fee Application, Dewey Ballantine seeks an order (i) allowing and directing payment of compensation for services rendered and reimbursement of expenses and disbursements incurred during the Final Fee Period, (ii) granting final allowance and directing payment of compensation and reimbursement of

¹² Pursuant to the Plan and the Confirmation Order, the reasonable fees and expenses of Professionals incurred after the Confirmation Date are to be paid by the Debtors or the Liquidating Trustee, as the case may be, in the ordinary course of business and without further Bankruptcy Court approval.

expenses and disbursements for services rendered as counsel to the Debtors from the Petition Date through and including the Confirmation Date, and (iii) allowing and directing payment of the Holdback.

12. Applicant has maintained detailed records of the time expended in rendering the professional services performed on behalf of the Debtors during the Final Fee Period and throughout the pendency of the Cases. Such time records were generated contemporaneously with the performance of the professional services described therein and in the ordinary course of Applicant's practice. The individual time records were recorded by the attorney or legal assistant who rendered the particular services described. Annexed hereto as Exhibit "B" 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 the Cases during the Final Fee Period. Annexed hereto as Exhibit "C" is a breakdown of the approximate hours spent and the approximate time billed on certain selected matters during the Final Fee Period and during the entire pendency of the Cases. Annexed hereto as Exhibit "D" is a copy of the actual time records maintained by Applicant for the Final Fee Period.

13. Applicant's records reflect that, during the Final Fee Period, attorneys, clerks and legal assistants rendered an aggregate of 3,485.05 hours of legal services. These services represent a total charge of \$1,194,074.25, calculated in accordance with Dewey Ballantine's normal hourly rates in effect at the time the services were rendered.

14. Applicant also maintains records of all necessary expenses and disbursements (collectively, the "Expenses") incurred by Applicant in connection with

the performance of its services. Attached hereto as Exhibit "E" is a schedule, prepared from documents maintained by Applicant'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 the Debtors during the Final Fee Period aggregates \$117,054.28.

15. Moreover, Applicant's records reflect that, during the entire pendency of the Cases, attorneys, clerks and legal assistants rendered an aggregate of 8,726.05 hours of legal services, representing aggregate time charges of \$2,848,834.75. Annexed hereto as Exhibit "F" 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 these matters. Further, attached hereto as Exhibit "G" is a schedule, prepared from documents maintained by Applicant's billing department, which sets forth the amounts and types of Expenses incurred during the Cases (including the Final Fee Period). Applicant's Expenses incurred during the entire pendency of the Cases aggregate \$230,616.67. Attached hereto as Exhibit "H" is a complete breakdown of all such Expenses.

16. As stated above, Applicant has previously filed one interim fee application.¹³ The following table sets forth the date of the Interim Fee Application, the amount of fees and expenses requested, and the amount of fees and expenses awarded:

¹³ Annexed to the previously filed Interim Fee Application was an exhibit containing detailed time descriptions of the work performed by Applicant during the Interim Fee Period. Due to the sheer size of the time descriptions annexed to the Interim Fee Application, Applicant has not annexed the time descriptions hereto. A copy of the Interim Fee Application is on file with the Clerk of the Bankruptcy Court and may be examined during the hours established therefor by the Clerk of the Bankruptcy Court.

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Docket No.	Fee Period	Fees Requested	Fees Awarded	Expenses Requested	Expenses Awarded
350	5/17/2000- 08/31/2000	\$1,654,760.50	\$1,323,808.40	\$114,492.15	\$114,492.15

As stated, Applicant did not seek the allowance or payment of the \$330,952.10 Holdback at the hearing on the Interim Fee Application. Rather, Applicant is seeking such allowance in connection with this Final Fee Application.

17. Applicant respectfully submits that the professional services which it has rendered and the expenses that it incurred on behalf of the Debtors were necessary and have resulted in substantial benefits to the Debtors and their estates. Set forth below is a summary of the services provided by Applicant to the Debtors during the Cases. Based on an analysis of Section 330 of the Bankruptcy Code and other relevant factors, Applicant respectfully submits that the compensation sought in this Application is reasonable and appropriate.

Services Rendered

18. Applicant submits that in light of Applicant's success in guiding the Debtors through chapter 11, in particular (i) achieving confirmation of a plan of reorganization approximately seven months after the Petition Date with the eventual support of the Unofficial Committees and overwhelming creditor acceptance, (ii) the size and complexity of the Cases, and (iii) the quality of Applicant's services, the relief requested in this Final Fee Application should be granted. Highlighted below are some

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Alternatively, the Interim Fee Application may be accessed at the following internet site for the Debtors' Cases: <http://ecf.nysb.uscourts.gov/cgi-bin/DocketSheet.pl?17771>.

of the more significant aspects of the services Applicant has performed on behalf of the Debtors and the benefits conferred upon the Debtors, their estates, and creditors as a result of Applicant's efforts.

I. Services Rendered During Interim Fee Period¹⁴

19. The Debtors commenced their chapter 11 cases in order to, inter alia, (i) consummate the sale of CMC's servicing business to Fairbanks, (ii) effectuate the transfer and sale or termination of the Debtors' remaining origination business lines, and (iii) implement the remaining transactions called for in the Plan in order to transfer the value of the Debtors' remaining assets to their creditors. To achieve the Debtors' objectives, since the Petition Date and throughout the Interim Fee Period, Applicant has worked closely with the Debtors, Togut, Segal & Segal LLP ("Togut, Segal"), bankruptcy counsel to the CMC Entities, and the Debtors' other advisors, to ensure that the Debtors operated in accordance with the provisions of the Bankruptcy Code, Bankruptcy Rules and applicable non-bankruptcy law. Further, in connection with the efficient administration of the Debtors' estates, Applicant assisted the Debtors in obtaining Bankruptcy Court approval of various professionals to perform necessary services in connection with the administration of their Cases and the operation of their business, including certain ordinary course professionals such as attorneys, appraisers, mortgage brokers, realtors and other professionals that were essential to the Debtors' multi-servicing and loan origination operations. Applicant spent numerous hours in

¹⁴ The following is a brief recitation of the more significant aspects of the services applicant performed on behalf of the Debtors from the Petition Date through August 31, 2000 (the "Interim Fee Period"). For a more detailed description of the

continued on the following page...

teleconferences and meetings counseling the Debtors regarding the types of information to be included in the Debtors' Schedules, monthly operating reports and various other requirements of a debtor and debtor in possession. Applicant has worked closely with the claims and voting and tabulation agent, Donlin, Recano & Company ("Donlin, Recano"), to receive and process the proofs of claim filed in the Cases, which proofs of claim were required to be filed against the Debtors' estates no later than September 14, 2000 in accordance with the terms of the Bar Date sought and obtained by Applicant and Togut, Segal. Further, Applicant responded to numerous creditor inquiries regarding the filing of proofs of claim, the claims administration process and various events occurring in the Cases.

20. With regard to the sale of CMC's servicing business to Fairbanks (the "Fairbanks Sale"), the Debtors, with Applicant's assistance, were successful in proving to the Court, their creditors, and the certificate insurers and securitization trustees whose consent was necessary to close the sale, that the sale was in the best interests of the Debtors' estates. The Debtors, with the assistance of the Applicant, was able to negotiate settlement agreements with the certificate insurers, MBIA Insurance Corporation ("MBIA") and Financial Guaranty Insurance Corporation ("FGIC"), which settlements enabled the parties to close the Fairbanks Sale. Under the settlement agreements, MBIA and FGIC consented to the Fairbanks Sale and the assumption and assignment of certain pooling and servicing agreements to Fairbanks, in exchange for the establishment of

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services Applicant rendered during the Interim Fee Period, see the "Services Rendered" section of the Interim Fee Application.

reserve accounts and the treatment of their claims against the Debtors in the manner specified under their respective settlement agreements. The Debtors' financial professionals estimated that the value to be realized by the Debtors pursuant to the Fairbanks Sale to be in the range of \$104,000,000 to \$125,000,000. On June 21, 2000, the Court entered an Order (i) authorizing the sale of CMC's servicing business to Fairbanks free and clear of all liens, claims and encumbrances, (ii) authorizing the assumption and assignment of certain executory contracts and unexpired leases, (iii) approving the terms and conditions of the Fairbanks Asset Purchase Agreement and (iv) authorizing the Debtors to consummate such agreement. On July 14, 2000, CMC and Fairbanks closed the Fairbanks Asset Purchase Agreement, as amended. Subsequently, Applicant assisted the Debtors with the often complex, post-closing issues in connection with the sale. Applicant also assisted the Debtors in negotiating the transfer of employees and managers to Fairbanks to ensure a smooth transition of the servicing business operations and the termination of various employee benefit plans.

21. Additionally, Applicant has worked closely with the Debtors in an effort to effect the sale, and thus realize the value, of the Debtors' remaining origination business. During the Interim Fee Period, Applicant conducted negotiations with the proposed purchaser of the origination business, Avatar Acquisition, L.L.C. ("Avatar") and its advisors, regarding the terms of the sale. After substantial negotiations and numerous drafts, the parties executed the final version of such agreement dated September 18, 2000 (the "Avatar Stock Purchase Agreement"). The motion to approve the Avatar Stock Purchase Agreement containing requests for relief demanded by Avatar and its proposed financier, was filed with the Court on September 22, 2000. As described

below, after the Court had approved the Avatar transaction, Avatar's lender decided to terminate its financing commitment, and thus, the transaction was not consummated.

22. Also during the Interim Fee Period, Applicant filed various notices and pleadings to assume and assign certain executory contracts and unexpired leases to Fairbanks, and to reject certain non-residential property leases that neither Fairbanks nor the proposed purchaser of the remaining origination business had expressed an interest in assuming as well as leases that the Debtors vacated prior to the Petition Date. Applicant also assisted and advised the Debtors regarding CMC's obligations as lessee and CFN's obligations as guarantor under that certain lease for the premises from which CMC primarily conducted its servicing business, and in connection thereto prepared a settlement agreement resolving the lease dispute with the landlord for such premises. By Order dated August 31, 2000, the Court approved the settlement agreement.

23. Another significant settlement that was resolved by the Debtors with Applicant's assistance during the Interim Fee Period involved the Bank Group and the Unofficial Noteholders Committee regarding certain pre-petition payments that the Debtors made to their creditors. Applicant played a material role in bridging the gap between the groups and developing a stipulation (the "Pre-Petition Payments Stipulation") which resolved the dispute and restored equilibrium to the Cases. The Pre-Petition Payments Stipulation removed a significant impediment to the efficient administration of these Cases and enabled the Debtors to proceed with their reorganization strategies. By order dated August 8, 2000, the Court approved the Pre-Petition Payments Stipulation.

24. Finally during the Interim Fee Period, Applicant assisted and advised the Debtors regarding the formulation of a plan of reorganization and disclosure statement, including tax and other substantive issues. Applicant prepared and circulated drafts of the plan and disclosure statement and conducted extensive negotiations with the Unofficial Committees and bankruptcy counsel for the CMC Entities over the structure and terms of the Plan. This work enabled the Debtors to file their initial plan and related disclosure statement within their initial period of exclusivity and also formed the basis for the confirmed Plan and the creation of a Liquidating Trust and Disputed Claims Reserve Trust.

II. Services Rendered During Final Fee Period

A. Formulation of Disclosure Statement and Plan of Reorganization

25. During the Final Fee Period, Applicant accelerated its efforts to negotiate, document and confirm a consensual joint plan of reorganization for the Debtors. As part of this process, Applicant spent considerable time exploring and resolving difficult structuring, tax and other issues created by the Debtors' complex corporate structure and the nature of the Debtors' remaining assets. Applicant also participated in numerous meetings with the Debtors, the Debtors' financial and other advisors, bankruptcy counsel for the CMC Entities and the professional advisors for the Unofficial Committees regarding the best means of maximizing the value of the Debtors' estates and the available return to creditors. These meetings addressed, among other things, (a) the treatment of claims, (b) the type and nature of the residuals that comprised the bulk of value available for creditors and the form of consideration to be distributed under the Plan, (c) the means of implementing the Plan, i.e., the creation and governance of the Liquidating Trust and Disputed Claims Reserve Trust, (d) the value and attributes

of the assets to be transferred to the Liquidating Trust, (e) the tax consequences of the Plan, (f) the post-confirmation treatment of the Debtors, (g) substantive consolidation and related issues and (h) other specific provisions of the Plan and related documents.

26. With regard to the issue of substantive consolidation of the Debtors, Applicant along with Togut, Segal and the Debtors' other advisors identified and explored available alternatives and then engaged in intense negotiations with the Unofficial Committees that resulted in the Compromise and Settlement embodied in the Plan. The provisions of the Plan relating to the substantive consolidation of the Debtors, the cancellation of intercompany loans and claims, and the payment of the Settlement Debtors Premium to the holders of claims against the Settlement Debtors, were central to the Compromise and Settlement. Applicant was successful in advising the Debtors and convincing the Unofficial Committees and the Debtors' creditors that the Compromise and Settlement was fair and reasonable and in the best interest of the Debtors' estates and creditors of all the Debtors. Moreover, Applicant believes that if the Debtors had not entered into the Compromise and Settlement, resolution of those complex issues would have resulted in costly and protracted litigation, depletion of the assets of the estates, frustration and significant delay of the Debtors' efforts toward confirmation of their plan of reorganization.

27. As a result of Applicant's efforts and as a consequence of the negotiations regarding the contents of the plan of reorganization, the Debtors' Joint Plan of Reorganization dated September 13, 2000 (the "Initial Plan") and related Disclosure Statement ultimately were formulated and filed by the Debtors with the Court on September 13, 2000, within the initial exclusive period prescribed pursuant to Section

1121 of the Bankruptcy Code. In conjunction therewith, on behalf of the Debtors, Applicant prepared, coordinated and filed a motion to establish procedures for seeking approval of the disclosure statement and to establish procedures for the solicitation of votes on the reorganization plan.

28. Even before the Petition Date and thereafter, it was and remained Applicant's stated intention to confirm a consensual reorganization plan not later than December 31, 2000. Based on negotiations among the parties in interest after the Initial Plan was filed on September 13, 2000, Applicant continued to revise and circulate an amended disclosure statement and plan to maintain currency with developments and provide additional information. The first amended joint plan was filed on November 7, 2000 and the related disclosure statement was filed on November 8, 2000. Negotiations continued through the disclosure statement hearings. In order to reflect certain statements made at the hearing on approval of the disclosure statement, which was held on November 8, 2000, Applicant filed the second amended joint plan and related disclosure statement on November 9, 2000. By Order dated November 10, 2000, the Court approved, among other things, the disclosure statement as containing adequate information, prescribed the procedures for solicitation of votes on the plan, and scheduled December 19, 2000 as the hearing date to consider confirmation of the plan. Shortly thereafter, Applicant prepared and filed a motion to extend the Debtors' exclusive period to solicit acceptances of their plan of reorganization.

29. To facilitate solicitation of votes and distribution of solicitation materials, Applicant coordinated with Donlin, Recano in preparing solicitation packages and responding to creditor inquiries regarding the procedures for voting on the plan.

Further, Applicant engaged in negotiations with creditors seeking temporary allowance of their claims for voting purposes and prepared stipulations with such creditors providing for the temporary allowance of their claims for voting purposes only.

B. Confirmation of the Plan

30. In anticipation of and preparation for confirmation of the Plan, the Debtors coordinated with various parties in interest, including the Debtors' other advisors and respective counsel for the Unofficial Committees, prepared and collected appropriate comments upon and finalized for filing numerous pleadings and documents, which included (i) a motion for entry of an order finding that certain proposed plan modifications ("the Plan Modifications") do not adversely change the treatment of creditors under the Plan; (ii) the Debtors' third amended joint plan of reorganization dated December 18, 2000, which reflected the Plan Modifications and other non-material plan modifications (collectively, the "Modifications"); (iii) the proposed Confirmation Order with findings of facts and conclusions of law; (iv) a memorandum of law in support of confirmation, which included, among other things, the Debtors' motion to approve the Modifications as non-material and the Debtors' responses to the objections to confirmation filed by certain creditors and the objection to the Plan Modifications filed by the United States Trustee; (v) the declaration of Carole G. Donlin certifying the ballots accepting or rejecting the Plan and (vi) certain Plan Exhibits, specifically, the draft Liquidating Trust and Plan Administration Agreements

31. Concurrently with the preparation of the foregoing pleadings and documents in support of confirmation of the Plan, Applicant assisted and advised the Debtors in connection with the establishment of the Liquidating Trust under the Plan,

including, assisting the Debtors and the Unofficial Committees with the retention of a liquidating trustee and assisting and advising the proposed liquidating trustee and his advisors in connection with the implementation of the Plan and other issues regarding the transition of the Debtors' assets to the Liquidating Trust.

32. Due in part to Applicant's careful preparation of the confirmation documents and Applicant's presentation to the Court at the confirmation hearing of the substantive grounds in support of confirmation, and after Applicant had resolved all objections to the Plan and Plan Modifications, the Court entered the Confirmation Order. Due to the efforts of Applicant and Applicant's leadership role in these Cases, the Debtors achieved confirmation of the Plan in an efficient and orderly manner.

C. Claims Administration and Reconciliation Process

33. By Order dated August 7, 2000, the Court fixed September 14, 2000, as the date by which certain proofs of claim must be filed against the Debtors' estates. During the Final Fee Period, Applicant coordinated the efforts of the Debtors, their other advisors and Donlin, Recano in reviewing and analyzing the claims register and the proofs of claim filed in the Cases. To date, approximately 1,000 claims have been filed in the Cases in the approximate amount of \$36.5 billion. Of that amount, 7 claims totaling \$35 billion were filed by MBIA, despite the previous settlement of MBIA's potential claims of an amount not to exceed \$6 million. After Applicant held what turned out to be surprisingly detailed and lengthy negotiations with MBIA, MBIA amended its claims to reflect the terms of the MBIA Agreement, including reducing the amount of its claims to an aggregate \$6 million secured claim against the Debtors.

34. Because Applicant believed that many of the claims filed against the Debtors would be susceptible to objection, Applicant requested and the Court entered an Order dated October 25, 2000 (the "Claims Procedures Order"), establishing procedures for the reconciliation of and objection to claims. Pursuant to the Claims Procedures Order, Applicant has prepared, coordinated and filed, to date, two omnibus objections to claims.

35. The first omnibus objection to claims, which was filed on November 3, 2000, sought to disallow and expunge 32 duplicate or amended and superseded claims in the approximate amount of \$18 million. By Order dated December 7, 2000, the Court granted the Debtors' first omnibus objection to claims.

36. The second omnibus objection to claims, which was filed on November 15, 2000, sought to expunge 59 late filed claims in the aggregate amount of \$814,686.07. The Debtors received nine responses to the second omnibus objection to claims and adjourned the objection with respect to those respondents in the hopes of settling such claims. By Order dated December 21, 2000, the Court entered an Order expunging certain late filed claims and adjourned the hearing with regard to the late claims filed by the nine respondents to February 13, 2001.

37. Applicant also assisted the Debtors in analyzing contingent, unliquidated and disputed proofs of claim for the purposes of estimating and establishing appropriate reserves for such claims and for distribution to creditors under the Plan. In connection thereto, Applicant assisted Togut, Segal in preparing and filing a motion (the "First Estimation Motion") dated December 15, 2000 seeking to estimate approximately 110 claims, which included claims in the aggregate face amount of \$88.9 million. The

Debtors received several objections to its estimation motions. The Debtors with the assistance of counsel were able to resolve all of the objections to the First Estimation Motion. Accordingly, by Order dated January 11, 2001, the Court granted the Debtors the relief requested in the First Estimation Motion.

38. Also, on December 15, 2000, Applicant filed its second motion (the "Second Estimation Motion") seeking to estimate Claim Nos. 803, 804 and 808 filed by Jackson National Life Insurance Company ("Jackson National"). Applicant sought to estimate at "\$0" each of Jackson National's claims, which were each filed in the approximate amount of \$89 million. Subsequent to the Confirmation Date, the claimant, Jackson National, informed Applicant that it would not respond to the motion and that it consented to the relief sought with respect to its claims. Accordingly, on January 25, 2001, the Court granted the relief requested in the Second Estimation Motion.

39. Applicant also conducted negotiations with the Pension Benefit Guaranty Corporation (the "PBGC") regarding more than forty unliquidated claims filed by the PBGC against the Debtors. On December 13, 2000, the PBGC agreed to withdraw any and all claims filed by the PBGC in these Cases.

40. Pursuant to the Plan, the Debtors are required to prepare and file a list of Disputed Claims on or before the Effective Date of the Plan. Applicant has assisted the Debtors in reviewing all claims filed in the Cases in order to prepare such a list of Disputed Claims. This list will assist the Plan Administrator in determining the claims that must be objected to, settled or otherwise resolved after the Effective Date of the Plan.

D. Asset Disposition

41. The Debtors' primary reorganization strategy has been to liquidate certain assets while effecting their reorganization around certain remaining core assets. In order to achieve that objective, the Debtors sold their servicing business to Fairbanks. As set forth above, the Fairbanks Sale was approved by Order of the Court on June 21, 2000 and the Debtors and Fairbanks consummated the Fairbanks Asset Purchase Agreement, as amended, on July 14, 2000. During the Final Fee Period, Applicant has advised the Debtors in matters attendant to the transfer of their servicing business to Fairbanks and Fairbanks' administration of the Debtors' assets.

42. Applicant has also advised and assisted the Debtors in connection with the Debtors' efforts to transfer and sell the Debtors' remaining origination business lines (the "Origination Business"). After the Debtors marketing efforts turned up no buyers that would contribute value to the Origination Business, the Debtors determined that the proposal made by Avatar to acquire the Origination Business was the best option available to exit the Origination Business. As stated previously, after substantial negotiations, the Debtors and Avatar entered into the Avatar Stock Purchase Agreement, dated September 18, 2000.

43. Applicant was requested by the Debtors to play a significant role in conducting the negotiations and preparing the documentation regarding the proposed sale of the Origination Business, preparing pleadings regarding the proposed sale, assisting in discussions with Avatar's lender, UBS Principal Finance ("UBS"), regarding the terms and provisions of UBS' agreement to finance the sale, and reviewing documents in connection thereto. On October 2, 2000, the Debtors obtained an Order from the

Bankruptcy Court approving bidding procedures, including a reimbursable expenses fee and a minimum overbid amount. The Court also scheduled the hearing to consider approval of the sale for October 12, 2000.

44. Several entities filed objections to the proposed sale of the Origination Business to Avatar, specifically, the Unofficial Noteholders Committee, the New York City Department of Finance, the United States Attorney and the United States Trustee. The main thrust of the objections concerned the Debtors' request for injunctive relief regarding certain tax obligations as requested by Avatar and UBS. The Debtors and Applicant believed that although the relief sought would be difficult to achieve, there were valid grounds for requesting the tax injunctions. After conducting negotiations with the objecting parties, the Debtors agreed to remove the objectionable provisions from the Avatar Stock Purchase Agreement in order to facilitate approval of the sale. On October 12, 2000, the Court approved the sale of the Origination Business to Avatar, pending the submission of a consensual Order.

45. After engaging in extensive negotiations, which resulted in an agreement for the establishment of a limited tax indemnification provision in Avatar's favor, Avatar's financing fell apart. Because the parties were unable to come to an agreement regarding the terms of the sale of the Origination Business, an order was not submitted and the transaction was never consummated.

46. Although, the Debtors' attempt to sell the Origination Business was ultimately unsuccessful, the Debtors believe that the efforts to achieve the sale to Avatar were in the best interests of the Debtors' estates and resulted in, among other things,

stability for the Hatboro servicing operation that assisted Fairbanks assumption of that business and reduction in costs that otherwise might have been incurred by these estates.

E. Employee Benefit Matters

47. Applicant has assisted and advised the Debtors regarding the continuation or termination of various employee benefit plans, including the employee benefit programs covering CMC's servicing and origination business lines. Applicant conducted negotiations with the PBGC and employees affected by such plan terminations and prepared the required notices to inform plan participants of the termination of such plans. Further, Applicant advised the Debtors regarding the assumption of various employee related obligations by the Liquidating Trust and has researched various employee plan termination issues, including the payment of plan benefits during plan termination, the release of claims against the Debtors, employee WARN notice requirements and various COBRA issues.

48. In recognition of the Debtors' need to retain certain employees who are employed by CFN and/or CMC to continue to work on matters that should be completed prior to the Effective Date, Applicant assisted and advised the Debtors regarding the implementation of a new severance plan (the "New Severance Plan") that replaced the Debtors' pre-petition severance plan. Applicant prepared the documentation memorializing the New Severance Plan, the board resolutions in connection thereto, the required notice of change of plan benefits and the pleadings seeking approval of the New Severance Plan on shortened notice and represented the Debtors at the hearing regarding the same. By Order dated October 26, 2000, the Court authorized the Debtors to implement the New Severance Plan.

F. Unexpired Leases And Executory Contracts

49. During the Final Fee Period, the Debtors continued the process of analyzing their unexpired leases and executory contracts and identifying the leases and executory contracts that could be rejected pursuant to the sale or termination of the origination business or as burdensome or unnecessary to the Debtors' estates. Applicant assisted the Debtors in this process by analyzing documentation pertaining to leases and executory contracts, preparing the necessary pleadings to reject the relevant leases and executory contracts, and obtaining Court approval of the same. In this process, Applicant assisted the Debtors in negotiating with non-debtor parties regarding the amounts owed, payments received and properties returned or to be returned.

50. Pursuant to the Plan, all executory contracts and unexpired leases of each Debtor shall be deemed rejected, except as set forth in the Plan, including any executory contract or unexpired lease listed in a schedule to be filed by the Debtors as Exhibit "E" to the Plan. During the Final Fee Period, Applicant assisted the Debtors in their efforts to identify the leases and executory contracts to be included in such Exhibit.

51. With Applicant's assistance, the Debtors successfully rejected burdensome leases and contracts and retained those that are beneficial through the chapter 11 process, all in accordance with the Bankruptcy Code and Bankruptcy Rules.

G. Significant Settlements

52. Applicant assisted and advised the Debtors in connection with the negotiation of a stipulation (the "Stipulation") among the Debtors, the Unofficial Committees and seven key executives (the "Key Executives") of the Debtors regarding certain disputes that had arisen in connection with the pre-petition establishment and

funding of a certain executive incentive trust (the "Incentive Trust") established for the benefit of the Key Executives. On October 26, 2000, the Debtors, each of the Unofficial Committees and the Key Executives entered into the Stipulation in order to avoid potential litigation regarding the establishment of and transfers made to fund the Incentive Trust, distributions thereunder, and \$300,000 previously transferred to Wilmington Trust Company ("Wilmington") as trustee under the Incentive Trust. Among other things, and based on certain conditions set forth in the Stipulation, the Stipulation provided for CFN to receive funds from Wilmington and/or the Key Executives for the benefit of CFN's Estate. On November 8, 2000, the Court entered an Order approving the Stipulation.

53. Applicant has also spent numerous hours over a period of several months engaged in settlement discussions with American General Finance, Inc. ("AmGen") regarding claims that the Debtors and AmGen have asserted against each other arising under certain pre-petition whole loan purchase and sale agreements between the parties. Presently, AmGen and the Debtors are close to completing their negotiations regarding the terms of a global settlement that resolves all claims arising under the whole loan purchase and sale agreements.¹⁵

H. Pending Litigation and Potential Causes of Actions

54. Applicant has reviewed documents, researched legal issues and assisted and advised the Debtors in the analysis, prosecution and defense of claims by

¹⁵ In accordance with the Plan, Applicant on behalf of the Debtors filed on January 12, 2000, a notice of rejection of the executory contracts entered into between AmGen and the Debtors.

and against the Debtors' estates, including (i) the collection of certain outstanding pre-petition loans made by the Debtors to certain former officers; (ii) the complaint filed by Jackson National Life Insurance Company; (iii) the Stipulation relating to the Key Executives and the Incentive Trust described above; and (iv) the settlement of claims against AmGen as described above.

I. Fee Application Issues

55. Applicant prepared Monthly Fee Statements, the Interim Fee Application and the notice of hearing of the first interim fee applications, and engaged in discussions with the Office of the United States Trustee and the Unofficial Committees regarding the interim fee applications. In response to the motion filed by Unofficial Noteholders Committee to suspend operation of the Fee Procedures Order (the "Fee Suspension Motion"), Applicant prepared a preliminary response and filed such response with the Court on October 17, 2000. In addition, Applicant with Togut, Segal filed on October 25, 2000 a joint objection to the Fee Suspension Motion. Applicant assisted and advised the Debtors in connection with a negotiated agreement resolving the Fee Suspension Motion and represented the Debtors at the hearing on the Fee Suspension Motion.

J. Communications With Parties In Interest

56. Throughout these Cases, Applicant on behalf of the Debtors has been in communication with the Debtors' other advisors and the Unofficial Committees and their professionals regarding the various motions, documents and other matters described herein. Communications with counsel and financial advisors to the Unofficial Committees have been extensive. Applicant has also communicated with key parties in

interest, including the United States Trustee, on all significant matters in an attempt to reach a consensus and thereby keeping litigation to a minimum which, consequently, has expedited confirmation of the Plan, saved the Debtors and their Estates time and money, and minimized the burden on the Court.

57. Additionally, Applicant has maintained communication in person or by telephone with the Debtors' management and in-house counsel, and has rendered professional advice on a continuous basis with respect to problems arising in connection with the conduct of the Debtors' businesses and the fulfillment of their obligations as debtors in possession. Applicant has also counseled the Debtors' boards of directors, attended board meetings and provided advice on a variety of legal and related issues. The working relationship among Applicant, the Debtors' management, in-house attorneys, and other personnel has enabled these cases to reach timely resolution of numerous complex and at times divisive matters.

K. General Case Administration

58. The Court is cognizant of the substantial demands placed upon attorneys for the Debtors in any chapter 11 reorganization case of this size. Throughout the process, the attorneys for the debtors remain the focal point for the submission of all inquiries, written communications, requests, demands and complaints from creditors, other interested parties, and the press. Applicant has devoted a significant number of hours to the fulfillment of its professional duties and responsibilities and coordination of the efforts of all entities and their advisors in these Cases. This has involved the usual activities associated with the administration of chapter 11 cases of this size and complexity, including (i) the monitoring of incoming correspondence, pleadings and

dockets, (ii) information dissemination and coordination among Applicant's attorneys and other advisors engaged in the Cases, (iii) assisting and advising the Debtors and other advisors regarding the preparation and filing of the Debtors' monthly operating statements and preparing and filing with the Securities and Exchange Commission a Form 8-K in connection thereto, and (iv) providing advice to the Debtors on various obligations and duties arising under the Bankruptcy Code and Bankruptcy Rules. The time expended on such matters has been necessary to coordinate the many diverse aspects and interests involved in these Cases and to assure minimal disruption and displacement in the operations or termination of the Debtors' businesses. Such efforts have resulted in substantial savings to the Debtors' estates through the efficient resolution of problems and the avoidance of potentially expensive and time-consuming litigation.

Allowance of Compensation

59. Applicant submits that the services provided to the Debtors during the Final Fee Period and during the Cases as a whole were necessary and provided great benefit to the Debtors, their creditors and estates. Therefore Applicant submits that the Court should allow the fees and expenses incurred from September 1, 2000 through December 19, 2000, approve the fees and expenses previously paid during the Cases, and authorize the Debtors or the Liquidating Trustee, as the case may be, to pay Applicant the Holdback, as well as the fees and expenses incurred during the Final Fee Period.

60. Bankruptcy Code section 330 prescribes the general standards for determining the reasonableness of the amount of compensation sought, including interim compensation allowable under section 331. 3 Collier on Bankruptcy, ¶ 331.03 at 331-12 (15th ed. 1998). 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.

61. The concept of strict economy of administration of cases under the former Bankruptcy Act is no longer the rule. See In re Ames Dep't Stores, Inc., 76 F.3d 66, 71 (2d Cir. 1996); In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 19-20 (Bankr. S.D.N.Y. 1991). Congress enacted Bankruptcy Code section 330 to liberalize the practice of granting allowance of compensation to professionals in bankruptcy cases, in order to ensure "that attorneys be reasonably compensated and that future attorneys not be deterred from taking bankruptcy cases due to a failure to pay adequate compensation." Ames Dep't Stores, 76 F.3d at 72 (quoting In re UNR Indus., Inc., 986 F.2d 207, 208-09 (7th Cir. 1993)). See also In re Penn-Dixie Indus., Inc., 18 B.R. 834, 838 (Bankr. S.D.N.Y. 1982) (section 330 was enacted "to encourage successful administration of estates by attracting bankruptcy specialists of high quality."); 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. See Ames Dep't Stores, 76 F.3d at 71; H. Rep. No. 95-595, 9th Cong., 1st Sess., 329-330 (1977).

62. Bankruptcy Code section 330 provides that fees awarded to professionals must be both necessary and reasonable. See In re Keene Corp., 205 B.R. 690, 696 (Bankr. S.D.N.Y. 1997). The test for determining necessity is objective, focusing on what a reasonable lawyer would have performed in the same circumstances. See In re Angelika Films 57th Inc., 227 B.R. 29, 42 (Bankr. S.D.N.Y. 1998). This test

does not rely on hindsight to determine the ultimate success or failure of the attorney's actions. See id.; Keene, 205 B.R. at 696. Ultimately, "if the services of a debtor's attorney are reasonably likely to benefit the debtor's estate, they should be compensable." Angelika Films, 227 B.R. at 42 (quoting Ames Dep't Stores, 76 F.3d at 71-72).

63. "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,¹⁶ "it is 'sufficiently congruent with the criteria applicable under New York law to justify [using the lodestar approach].'" In re Masterwear Corp., 233 B.R. 266, 277 (Bankr. S.D.N.Y. 1999) (quoting Sequa Corp. v. GBJ Corp., 156 F.3d 136, 148, 49 (2d Cir. 1998)). See also In re Cena's Fine Furniture, Inc., 109 B.R. 575, 581 (E.D.N.Y. 1990) ("[I]t is now settled that the '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.") (citation omitted, emphasis in original).¹⁷

¹⁶ 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 nature and length of the professional relationship with the client; and (12) awards in similar cases.

¹⁷ A number of courts, including courts in this district, have found that the lodestar approach has replaced the Johnson method of computing attorneys' fees. See Drexel Burnham, 133 B.R. at 22 n.5; Cena's Fine Furniture, 109 B.R. at 581. Cf.

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64. The lodestar is calculated by multiplying the number of hours reasonably performed by a reasonable hourly rate. See Savoie v. Merchants Bank, 166 F.3d 456, 460 (2d Cir. 1999); 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 (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 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 (1983)).

A. The Time And Labor Required

65. Under the lodestar method, the first relevant factor to be considered is the number of hours devoted by Applicant to the Debtors' Cases. As described above, Applicant spent many hours in meetings and teleconferences developing strategies, defusing problems and counseling the Debtors regarding the Cases and their status, and their duties as debtors in possession. Applicant also spent numerous hours in telephone conferences and meetings with the United States Trustee, with counsel to and

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Masterwear, 233 B.R. at 278 ("Adjustments to the 'lodestar' amount are proper only in rare and exceptional cases supported by specific evidence and detailed findings.") (citing Pennsylvania v. Delaware Valley Citizens' Council for Clean Air, 478 U.S. 546, 563 (1986)).

the members of the Unofficial Committees and Debtors' other advisors as well as other parties in interest. Applicant expended time analyzing and considering issues which were expected and those that unexpectedly arose during these Cases, preparing and/or coordinating the preparation of appropriate documents, memoranda and various pleadings on behalf of the Debtors and representing the Debtors at hearings to consider the requested relief. In this regard, Applicant has made every effort to resolve issues that have arisen in these Cases prior to court hearings to avoid costly and time-consuming litigation. Further, Applicant spent a significant amount of time assisting and advising the Debtors with regard to a myriad of issues as reflected on the record of these Cases and in Applicant's Monthly Fee Statements, Interim Fee Application and this Final Fee Application.

66. The particular circumstances of the Debtors' Cases required Applicant to engage in extensive communication, negotiation and consensus-building. In this regard, Applicant made every effort to resolve issues that arose in these Cases through negotiation and settlement, rather than resorting to protracted and expensive litigation. As a result, Applicant was able to resolve numerous disputes amicably, saving and preserving the assets of the estates.

67. Applicant has endeavored to restrict the number of attorneys primarily and actively involved in these Cases and to ensure that there has been no duplication of effort by Applicant's attorneys, either internally or with the Debtors' other retained legal advisors. In addition, Applicant utilized a number of attorneys within the firm who possessed specialized knowledge and expertise in the numerous discrete legal disciplines impacting the Debtors' businesses and these Cases. In each instance, and

wherever possible, the performance of all tasks was assigned to the least senior attorney capable of performing such tasks consistent with the goal of sound legal representation.

68. In assessing the reasonableness of the number of hours devoted to these Cases by Applicant, the novelty and difficulty of the issues presented should be considered. Applicant has been faced with numerous complex legal and factual issues when counseling the Debtors, whose size and scope of business affairs (including their numerous employees, reduction of operations and the complex nature of their corporate structure and remaining assets) required continuous and comprehensive legal assistance. In representing the Debtors in the variety of aspects presented by these Cases, Applicant utilized partners and associates from various practice groups including bankruptcy, corporate, securitization, tax, ERISA, environmental, litigation and real estate, each of whom was able to demonstrate extensive expertise and insight in performing the work at hand.

69. The results obtained in a case have relevance in assessing the reasonableness of a fee award. As mentioned above, Applicant achieved beneficial results for the Debtors and their estates by advising and acting on behalf of the Debtors, acting directly and coordinating the efforts of other retained professionals in an effort to ensure that the estates were protected at all times, and, whenever possible, working consensually with all parties to facilitate the Debtors' reorganization efforts and avoid a meltdown. In addition, Applicant worked closely with each of the Unofficial Committees representing the Debtors' major creditor constituencies and with other parties in interest to accomplish the Debtors' goals and prompt resolution of these Cases. Applicant

respectfully submits that that the Plan provides the best means of maximizing the available value of the Debtors' estates for the benefit of their creditors.

B. Applicant's Hourly Rate

70. As described above, "[t]he reasonable hourly rates are the prevailing rates for similar services by lawyers of reasonably comparable skill, experience and reputation in the relevant market -- here, New York City." Masterwear, 233 B.R. at 278; 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, therefore, Applicant 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 Applicant's relevant market. Applicant'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.

71. 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. Applicant, in one form or another, has been engaged in the practice of law for over ninety years. The members of Applicant's bankruptcy department have participated in many bankruptcy cases on behalf of debtors, creditors and purchasers of assets. In addition to its group of attorneys specializing in bankruptcy and related matters, Applicant 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 these Cases.

72. During the Final Fee Period of September 1, 2000 through December 19, 2000, Applicant devoted an aggregate amount of 3,485.05 hours to the performance of legal services as counsel to the Debtors, representing aggregate time charges of \$1,194,074.25.

73. During the pendency of these Cases from May 17, 2000 through December 19, 2000, Applicant devoted an aggregate amount of 8,726.05 hours to the performance of legal services as counsel to the Debtors, representing aggregate time charges of \$2,848,834.75 which includes the Holdback.

74. As to Expenses, Applicant seeks approval for the reimbursement of actual and necessary Expenses incurred during the Final Fee Period of September 1, 2000 through December 19, 2000 in the sum of \$117,054.28. Applicant's disbursements and expenses incurred during the pendency of these Cases from May 17, 2000 through December 19, 2000, aggregate \$230,616.67. Applicant submits that the amount of expenses and disbursements it incurred in connection with the effective and efficient performance of its services was necessary and are reasonable.

75. Annexed hereto as Exhibit "I" are affidavits and certifications required by the Bankruptcy Code, Bankruptcy Rules and the Guidelines.

LBR 9013-1(b) Waiver

76. Applicant has incorporated its memorandum of law into this Application. Accordingly, 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 in law in the event objections to the Application are filed.

Notice

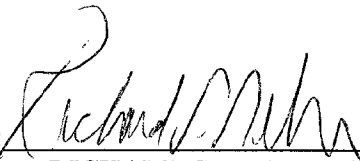
77. Notice of this Motion has been given to (i) the Office of the United States Trustee; (ii) counsel for the Unofficial Bank Group Committee; (iii) counsel for the Unofficial Noteholders Committee; (iv) Jeffrey H. Beck, the proposed Liquidating Trustee; (v) counsel for the proposed Liquidating Trustee; and (vi) persons who have filed a Notice of Appearance in these cases. Applicant respectfully submits, and requests that this Court find, that no other notice is necessary or required.

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WHEREFORE, Applicant respectfully requests the entry of an order (a) allowing compensation for legal services rendered in the amount of \$1,194,074.25. and reimbursement for Applicant's actual and necessary expenses in the amount of \$117,054.28 incurred during the Final Fee Period; (b) allowing and directing payment of the Holdback in the amount of \$330,952.10; (c) granting final allowance of fees in the amount of \$2,848,834.75 and expenses in the amount of \$230,616.67 incurred during the pendency of these Cases; and (d) granting such other and further relief as may be just and proper.

Dated: New York, New York
February 2, 2001

CONTIFINANCIAL CORPORATION, ET AL.,
Debtors and Debtors in Possession
By Their Bankruptcy Attorneys
DEWEY BALLANTINE LLP

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