

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:	§	CHAPTER 11
	§	
ENCOMPASS SERVICES CORPORATION, <i>et al.</i>	§	Case No. 02-43582-H4-11
	§	
Debtors.	§	JOINTLY ADMINISTERED

**FIRST INTERIM APPLICATION BY ANDREWS & KURTH L.L.P. AS
COUNSEL FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD
FROM NOVEMBER 26, 2002 THROUGH FEBRUARY 28, 2003**

**A HEARING WILL BE CONDUCTED ON THIS MATTER ON
MAY 7, 2003 AT 11:00 A.M. IN COURTROOM 403, 515 RUSK, 4TH
FLOOR, HOUSTON, TEXAS. IF YOU OBJECT TO THE RELIEF
REQUESTED, YOU MUST RESPOND IN WRITING, SPECIFICALLY
ANSWERING EACH PARAGRAPH OF THIS PLEADING. YOU MUST
FILE YOUR RESPONSE WITHIN TWENTY DAYS FROM THE DATE
YOU WERE SERVED WITH THIS PLEADING. YOU MUST GIVE A
COPY OF YOUR RESPONSE TO THE PERSON WHO SENT YOU THE
NOTICE; OTHERWISE, THE COURT MAY TREAT THE PLEADING AS
UNOPPOSED AND GRANT THE RELIEF REQUESTED.**

TO THE HONORABLE UNITED STATES BANKRUPTCY COURT:

COMES NOW Andrews & Kurth L.L.P. (“Applicant”), and hereby applies pursuant to this First Interim Application (the “First Application”) under 11 U.S.C. Sections 327, 328, and 503 for approval of compensation for services in the amount of \$491,727.15 and reimbursement of expenses in the amount of \$19,637.49 incurred during Applicant’s employment as counsel to the Official Committee of Unsecured Creditors (the “Committee”) of Encompass Services Corporation *et al.* (the “Debtors”), from November 26, 2002 through February 28, 2003, as required under the Administrative Order Pursuant to §§ 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals (“Administrative Order”).

RELEVANT BACKGROUND

1. On November 19, 2002, the Debtors filed voluntary petitions under Chapter 11 and commenced these cases.

2. The Committee was appointed on November 25, 2002 (Docket No. 179) and on November 26, 2003, the Committee retained A&K as its counsel. A&K agreed to a 10% reduction in fees for the first 120 days of its employment, as stated in the Statement of Andrews & Kurth L.L.P. and Affidavit of Hugh M. Ray Pursuant to Bankruptcy Rule 2014 and 2016(b) and Bankruptcy Code § 504, attached hereto as Exhibit "A."

3. On January 8, 2003, the Court authorized the employment of Applicant as counsel for the Official Unsecured Creditors' Committee of Encompass Services Corporation, *et al.*, effective as of November 26, 2002, pursuant to the order attached hereto as Exhibit "B."

4. On or about December 18, 2002, the Administrative Order was entered.

COMPENSATION AND REIMBURSEMENT OF EXPENSES SOUGHT BY APPLICANT

5. Applicant hereby seeks interim allowance of its claims for compensation and reimbursement of expenses pursuant to Section 503(b)(2) of the Bankruptcy Code. Applicant requests compensation on an hourly basis for its services rendered, with professional fees ranging from \$65 - \$550 per hour, depending on the experience level of the attorney or legal assistant and the nature of the work performed. The rates sought are the same rates Applicant charges its clients for similar services in cases other than under Title 11 and are similar to the customary compensation rates charged by comparably skilled practitioners in Title 11 cases.

6. This First Interim Application includes compensation for services in the sum of \$491,727.15 and reimbursement of expenses in the sum of \$19,637.49. The Interim Application covers the period from November 26, 2002 through February 28, 2003 (the "First Period"), as more particularly described below.

7. Detailed statements of the services rendered, time expended, and expenses incurred for the First Period are attached hereto and incorporated herein by reference for all purposes, as follows:

<u>Exhibit Number</u>	<u>Period Covered By Statement</u>
“C-1”	November and December 2002
“C-2”	January, 2003
“C-3”	February, 2003

8. Applicant has not previously filed an interim application but certain payments have been received by Applicant in accordance with the Administrative Order. Specifically, Applicant has submitted monthly fee statements and when no objections to the statements were made, received interim payments of 80% of its undisputed fees and 90% of its expenses. The monthly fee statements and the payments received by the Applicant are summarized, as follows:

Invoice Period	Total Fees (prior to discount)	Less 10% Adjustment	Fees Invoiced	Fees Paid	Expenses Sought	Expenses Paid
November/December, 2002	\$180,456.50	\$-18,045.65	\$162,410.85	\$129,928.68	\$5,180.69 ¹	\$5,432.12
January, 2003	\$214,908.50	\$-21,490.85	\$193,417.65	\$154,734.12	\$7,551.73	\$6,796.56
February, 2003	\$150,998.50	\$-15,099.85	\$135,898.65	\$108,718.92	\$6,905.07	\$6,214.56
Totals Paid	\$546,363.50	\$-54,636.35	\$491,727.15	\$393,381.72	\$19,637.49	\$18,443.24

Accordingly, for the \$491,727.15 in fees and \$19,637.49 in expenses sought herein, Applicant has received payments of \$393,381.72 for fees and \$18,443.24 for expenses, leaving a remaining balance of \$98,345.43 for fees and \$1,194.25 for reimbursement of expenses owing. Applicant requests allowance of all amounts and seeks payment from the Debtors for the remaining balance owing for the First Period as set forth herein.

¹ Applicant’s original invoice for November/December 2002 (Exhibit “C-1”) included \$6,035.69 in expenses. In preparing this Application, Applicant discovered that its fax charges for November/December 2002 needed to be reduced in accordance with the Guidelines For Attorney Fee Applications-Reimbursement of Expenses. Accordingly, after reducing the fax charges, Applicant is only seeking \$5,180.69 in expenses for November/December 2002, which adjusted amount is reflected on Exhibit “E.”

SUMMARY OF APPLICANT'S SERVICES AND EXPENSES

9. Attached as Exhibit "D" is a summary of the attorneys and paralegals who performed services for the Committee for which compensation is requested, and the total amounts requested for each individual. In accordance with Applicant's customary billing practices, rates for attorneys were adjusted as of January 1, 2003. Accordingly, Exhibit "D" and the other tables contained herein reflect two rates for most attorneys: (1) the rate effective through year end 2002; and (2) the rate effective January 1, 2003.

10. Attached as Exhibit "E" is a summary of actual expenses incurred by Applicant on behalf of the Committee; Exhibits "C-1" through C-3" include additional detail regarding these expenses. The expense charges are intended to cover Applicant's actual out-of-pocket costs, which are not incorporated into the Applicant's hourly billing rates. The expenses were necessary, reasonable, and justified under the circumstances to serve the needs of the Committee.

SUMMARY OF PROJECTS/ACTIVITIES

11. Every time entry for all work performed on this case, including a designation of the attorney or paralegal who performed the work, is contained chronologically in Exhibits "C-1" through "C-3." The following is a summary, by project, of the services rendered, which is more completely detailed in Exhibits "C-1" through "C-3."

Asset Disposition (144603)

12. This project category includes all of Applicant's services related to disposition of Debtors' assets. Specifically, Applicant's services included representing the Committee in all aspects of Debtors' numerous asset sales, including the sale of Debtors' business units. Applicant worked closely with the Committee's financial advisor, Chanin Capital Partners LLC ("Chanin"), to analyze the impact of the asset sales on unsecured creditors. On behalf of the Committee, Applicant reviewed and, where appropriate, objected to Debtors' proposed bidding

procedures for businesses to be sold at auction, analyzed and provided comments and/or objections to proposed Asset Purchase Agreements, reviewed bids from potential purchasers, communicated with potential purchasers, attended auctions, analyzed and provided comments and, where appropriate, objections to proposed sale orders, reviewed the objections to sales filed by other parties, attended closings, and verified wire confirmations for sales needed to be closed by December 31, 2002 to generate tax refunds. Applicant also participated in post-closing matters including collection adjustments and settlements thereto, application of proceeds, and break-up fee issues. Applicant's efforts ensured that various costs, such as break-up fees, were paid from sales proceeds and not from unencumbered assets available to unsecured creditors. Furthermore, Applicant's efforts helped (i) ensure that trade debt was assumed by the purchasers, thereby satisfying the claims of certain unsecured creditors, and reducing the size of unsecured claims as a whole, and (ii) ensure that the former owners were not obtaining improper releases. Applicant's services were actual, necessary, and beneficial because it was necessary for the Debtors to liquidate their assets on an expedited basis and for the Committee to ensure that the sales proceeded in a fashion that was in the best interests of the estates.

13. This project includes 264.20 hours and requested fees in the amount of \$96,759.90 for the First Period. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		28.10	18.20	46.30	\$25,465.00
Hugh M. Ray	500	13.90	39.80		53.70	\$26,850.00
Jim Donnell	495		5.70	2.30	8.00	\$3,960.00
Jim Donnell	475	7.40			7.40	\$3,515.00
Robin Russell	475	0.40			0.40	\$190.00
Roy Bertolatus	425	14.40			14.40	\$6,120.00

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Paul Moak	395	0.80			0.80	\$316.00
Christy Milner	330	3.80			3.80	\$1,254.00
Jennifer Gore	350		33.10	34.70	67.80	\$23,730.00
Jennifer Gore	315	30.80			30.80	\$9,702.00
Scott Olson	290	0.90			0.90	\$261.00
Basil A. Umari	240		0.40	4.30	4.70	\$1,128.00
Basil A. Umari	200	24.20			24.20	\$4,840.00
Shahreen Rafique	180		1.00		1.00	\$180.00
Subtotal		96.60	108.10	59.50	264.20	\$107,511.00
Less 10% Discount						(\$10,751.10)
Total		96.60	108.10	59.50	264.20	\$96,759.90

Assumption/Rejection of Leases (144604)

14. This project category includes all of Applicant’s services to the Committee related to Debtors’ assumption and rejection of executory contracts and unexpired leases. Specifically, Applicant’s services included analyzing on behalf of the Committee, and where appropriate objecting to, Debtors’ motions to reject certain executory contracts and unexpired leases, as well as motions filed by others seeking to compel assumption or rejection. Applicant also attended court hearings regarding the foregoing on behalf of the Committee. Applicant’s services were actual, necessary, and beneficial because the Debtors’ decision to assume or reject executory contracts and unexpired leases affects the size of claims against the Debtors’ estates and thus the funds available to satisfy the claims of unsecured creditors.

15. This project includes 14.00 hours and requested fees in the amount of \$5,453.55. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov/Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		1.30	3.80	5.10	\$2,805.00
Hugh M. Ray	500	0.50			0.50	\$250.00
Jim Donnell	495			0.50	0.50	\$247.50

Jim Donnell	475	0.30			0.30	\$142.50
JenniferGore	350		2.10	4.20	6.30	\$2,205.00
Jennifer Gore	315	1.30			1.30	\$409.50
Subtotal		2.10	3.40	8.50	14.00	\$6,059.50
Less 10% Discount						(\$605.95)
Total		2.10	3.40	8.50	14.00	\$5,453.55

Avoidance Action Analysis (144605)

16. This project category includes all of Applicant’s services related to the analysis of potential causes of actions available to the Debtors and that could be brought by the Committee. Specifically, Applicant’s services included analyzing the Pre-Petition Secured Lender’s (“Pre-Petition Lenders”) lien filings to ensure the liens were valid and properly perfected. In addition, Applicant analyzed potential avoidance actions and other claims against the Pre-Petition Lenders. Further, Applicant prepared a draft complaint with respect to the various avoidance actions and other claims that the Committee may assert against the Pre-Petition Lenders on or before its June 30, 2003 deadline. Applicant’s services were actual, necessary, and beneficial because the lien position of the Pre-Petition Lenders needed to be evaluated, unencumbered assets needed to be identified, and the litigation may be an important source of recovery for unsecured creditors.

17. This project includes 233.40 hours and requested fees in the amount of \$66,614.85. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh Ray	550			0.90	0.90	\$495.00
Jim Donnell	495		1.20	10.70	11.90	\$5,890.50
Jim Donnell	475	2.90			2.90	\$1,377.50
Robin Russell	495			0.30	0.30	\$148.50
Robin Russell	475	0.40			0.40	\$190.00
Linda Dole	475			0.50	0.50	\$237.50

Doug Dillon	440		16.20	43.50	59.70	\$26,268.00
Omar Saleh	350			1.60	1.60	\$560.00
Jennifer Gore	350		1.70	20.10	21.80	\$7,630.00
Jennifer Gore	315	0.90			0.90	\$283.50
Sharon Ward	335		13.70	15.50	29.20	\$9,782.00
Allison Comment	270			26.70	26.70	\$7,209.00
Basil Umari	240			20.10	20.10	\$4,824.00
Chasless Yancy-Hunter	210			0.10	0.10	\$21.00
Shahreem Rafique	180			11.70	11.70	\$2,106.00
Bonnie J. Reynolds	160			33.90	33.90	\$5,424.00
Donna Tidwell	160			2.90	2.90	\$464.00
Debbie Weatherford	140			2.20	2.20	\$308.00
Zory Agosto	140			5.70	5.70	\$798.00
Subtotal		4.20	32.80	196.40	233.40	\$74,016.50
Less 10% Discount						(\$7,401.65)
Total		4.20	32.80	196.40	233.40	\$66,614.85

Case Administration (144606)

18. This project category includes all of Applicant's services related to the general administration of the case, including reviewing docket entries and miscellaneous pleadings, monitoring hearing settings and agendas, reviewing Debtors' operating reports, schedules, and statement of financial affairs, preparing for and attending omnibus hearing settings, and communicating with creditors regarding the status of the case. Applicant's services were actual, necessary, and beneficial, because the Committee must monitor the Debtors' filings and reports and respond to creditor inquiries.

19. This project includes 78.50 total hours and total fees in the amount of \$19,041.30. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		1.10	2.80	3.90	\$2,145.00
Hugh M. Ray	500	2.40			2.40	\$1,200.00
John A. Lee	515			1.00	1.00	\$515.00
Jim Donnell	495			0.50	0.50	\$247.50

Jim Donnell	475	1.70			1.70	\$807.50
Paul Moak	395	1.10			1.10	\$434.50
Jennifer Gore	350		10.20	15.90	26.10	\$9,135.00
Jennifer Gore	315	2.10			2.10	\$661.50
Basil Umari	240		2.50	0.20	2.70	\$648.00
Basil Umari	200	7.90			7.90	\$1,580.00
Carol McClain	130		8.70	20.40	29.10	\$3,783.00
Subtotal		15.20	22.50	40.80	78.50	\$21,157.00
Less 10% Discount						(\$2,115.70)
Total		15.20	22.50	40.80	78.50	\$19,041.30

Fee/Employment Applications (144607)

20. This project category includes all of Applicant’s services related to fee/employment applications, including services related to Applicant’s application to be employed, Applicant’s conflict review and preparation of its 2014 statement, the motion to approve the Administrative Order, Applicant’s monthly fee statements under the Administrative Order, and Chanin’s employment application. Applicant’s services were actual, necessary, and beneficial because it was necessary for the Committee to employ and retain professionals in this case and for such professionals to submit statements and applications to be paid. While this project category includes Applicant’s services related to its monthly fee statements, it does not include any time for preparing this First Application. Applicant intends to include the time spent in preparing this First Application in its next Application.

21. This project includes 106.00 hours and requested fees in the amount of \$27,283.50. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		3.00	0.70	3.70	\$2,035.00
Hugh M. Ray	500	13.80			13.80	\$6,900.00
Jim Donnell	495		0.90	3.90	4.80	\$2,376.00

Jim Donnell	475	2.50			2.50	\$1,187.50
Jennifer Gore	350		2.50	5.90	8.40	\$2,940.00
Jennifer Gore	315	0.20			0.20	\$63.00
Basil Umari	240		4.10	7.70	11.80	\$2,832.00
Basil Umari	200	58.10			58.10	\$11,620.00
Eileen Leahy	135			2.10	2.10	\$283.50
Debbie Weatherford	130	0.60			0.60	\$78.00
Subtotal		75.20	10.50	20.30	106.00	\$30,315.00
Less 10% Discount						(\$3,031.50)
Total		75.20	10.50	20.30	106.00	\$27,283.50

Fees/Employment Objections (144608)

22. This project category includes all of Applicant’s services related to the employment of professionals employed in the case other than Applicant and Chanin. Specifically, Applicant’s services included analyzing and, where appropriate, objecting to the employment applications of professionals in the case and attending court hearings thereto. In addition, Applicant analyzed objections of others, including those to its own employment and negotiated with objecting parties regarding the same. Finally, Applicant reviewed the monthly invoices submitted by other professionals to ensure compliance with the Administrative Order. Applicant’s services were actual, necessary, and beneficial because the Committee must monitor the Debtors’ retention of professionals and resulting administrative costs to ensure that they are necessary and appropriate .

23. This project includes 88.30 hours requested fees in the amount of \$31,166.55. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov/Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		12.60	1.20	13.80	\$7,590.00
Hugh M. Ray	500	12.60			12.60	\$6,300.00
Jim Donnell	495		10.30		10.30	\$5,098.50
Jim Donnell	475	6.60			6.60	\$3,135.00

Douglas Walter	440		0.50		0.50	\$220.00
Jennifer Gore	350		16.70	0.70	17.40	\$6,090.00
Jennifer Gore	315	4.40			4.40	\$1,386.00
Basil Umari	240		4.40	3.80	8.20	\$1,968.00
Basil Umari	200	11.60			11.60	\$2,320.00
Shahreen Rafique	180		2.90		2.90	\$522.00
Subtotal		35.20	47.40	5.70	88.30	\$34,629.50
Less 10% Discount						(\$3,462.95)
Total		35.20	47.40	5.70	88.30	\$31,166.55

Financing (144609)

24. This project category includes all of Applicant's services related to the Debtors' use of cash collateral and debtor-in-possession financing. Specifically, with the aid of the Committee's financial advisor Chanin, Applicant analyzed and responded on behalf of the Committee to all aspects of Debtors' efforts to obtain post-petition debtor-in-possession financing, as well as use of cash collateral. Of particular concern to the Committee was the threat the proposed financing posed to otherwise unencumbered assets, such as expected tax refunds. In addition, the Committee was concerned with attempts by the lenders to limit the Committee's right to investigate and pursue avoidance actions and other claims against the lenders, and to require a waiver of 506(c) rights against the post-petition lenders. Applicant analyzed the proposed financing order and Debtors' financing motion and prepared a detailed objection thereto and a memorandum of authorities. In addition, Applicant attended two hearings on the financing motion and conducted depositions of D. Miller, CFO of Encompass, a representative of Houlihan Lockey, Barry Silber, and Pat Apelian. Applicant's services were actual, necessary, and beneficial because the Committee must ensure that the Debtors' financing orders are appropriate and limited and that the Committee's rights to bring surcharge and other causes of actions are preserved.

25. This project includes 461.30 total hours and total fees in the amount of \$163,984.50. A summary of the attorneys or paralegals who performed services and for whom

reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh Ray	550		10.10	3.60	13.70	\$7,535.00
Hugh Ray	500	36.70	6.80		43.50	\$21,750.00
Tom Ford	525	0.50			0.50	\$262.50
Tom Popplewell	500	1.50			1.50	\$750.00
Jim Donnell	495		68.30	7.60	75.90	\$37,570.50
Jim Donnell	475	71.60			71.60	\$34,010.00
Robin Russell	495		0.30		0.30	\$148.50
Robin Russell	475	10.90			10.90	\$5,177.50
Linda Dole	475		0.50		0.50	\$237.50
Doug Dillon	440		5.80		5.80	\$2,552.00
Doug Dillon	415	24.80			24.80	\$10,292.00
Todd Culwell	420		20.10		20.10	\$8,442.00
Marty Smith	380	0.50			0.50	\$190.00
Jennifer Gore	350		65.40	19.60	85.00	\$29,750.00
Jennifer Gore	315	25.90			25.90	\$8,158.50
Basil Umari	240		1.40		1.40	\$336.00
Basil Umari	200	15.50			15.50	\$3,100.00
Will Freeman	210	1.70			1.70	\$357.00
Chasless Yancy Hunter	210		15.00		15.00	\$3,150.00
Shahreen Rafique	180		44.20		44.20	\$7,956.00
Shahreen Rafique	160	3.00			3.00	\$480.00
Subtotal		192.60	237.90	30.80	461.30	\$182,205.00
Less 10% Discount						(\$18,220.50)
Total		192.60	237.90	30.80	461.30	\$163,984.50

Plan and Disclosure Statement (144610)

26. This project category includes all of Applicant's services related to the initial draft of the Debtors' Plan and Disclosure Statement, including analyzing Debtors' draft plan and meeting with lawyers for the bank group to negotiate certain provisions of the Plan. Applicant's services were actual, necessary, and beneficial because the Committee must evaluate and negotiate the proposed plan for the benefit of the unsecured creditors.

27. This project includes 22.60 total hours and total fees in the amount of \$10,273.05. A summary of the attorneys or paralegals who performed services and for whom reimbursement

is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		4.40	8.70	13.10	\$7,205.00
Jim Donnell	495		1.70	4.40	6.10	\$3,019.50
Jennifer Gore	350			3.40	3.40	\$1,190.00
Subtotal			6.10	16.50	22.60	\$11,414.50
Less 10% Discount						(\$1,141.45)
Total			6.10	16.50	22.60	\$10,273.05

Meetings and Communications with Creditors' Committee (144612)

28. This project category includes all of Applicant's services in communicating with the Committee and keeping the Committee abreast of developments in the case, including Committee meetings and status reports. Applicant's services were actual, necessary, and beneficial because it was necessary for Applicant to advise the Committee.

29. This project includes 70.30 total hours, and total fees in the amount of \$26,882.10. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov/Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh Ray	550		9.40	7.10	16.50	\$9,075.00
Hugh M. Ray	500	11.60	5.20		16.80	\$8,400.00
Jim Donnell	495		5.00	2.20	7.20	\$3,564.00
Jim Donnell	475	4.30			4.30	\$2,042.50
Jennifer Gore	350		4.00	4.60	8.60	\$3,010.00
Jennifer Gore	315	3.40			3.40	\$1,071.00
Basil Umari	240		1.40	1.80	3.20	\$768.00
Basil Umari	200	9.40			9.40	\$1,880.00
Marilyn Herzog	65	0.90			0.90	\$58.50
Subtotal		29.60	25.00	15.70	70.30	\$29,869.00
Less 10% Discount						(\$2,986.90)
Total		29.60	25.00	15.70	70.30	\$26,882.10

Other Contested Matters (144615)

30. This project category includes all of Applicant’s services related to contested matters not covered by another project category. These matters included analyzing a motion regarding removal of litigation. Applicant’s services were actual, necessary, and beneficial because the Committee must evaluate contested matters that may affect the Debtors’ estates and the potential for recovery for unsecured creditors.

31. This project includes 1.80 hours requested fees in the amount of \$819.00. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		1.40		1.40	\$770.00
Jennifer Gore	350		0.40		0.40	\$140.00
Subtotal			1.80		1.80	\$910.00
Less 10% Discount						(\$91.00)
Total			1.80		1.80	\$819.00

Relief From Stay Proceedings (144616)

32. This project category includes all of Applicant’s services related to motions filed seeking relief from the automatic stay. Specifically, Applicant’s services included reviewing motions for relief from the automatic stay to make sure they did not threaten to deplete estate assets or trigger a default under the DIP financing agreement, reviewing and conferring with Debtors’ counsel regarding objections and stipulations, and attending court hearings regarding the lift stay motions and objections thereto. Applicant’s services were actual, necessary, and beneficial, because the automatic stay protects Debtors’ estates and the resources available to satisfy unsecured creditors. Thus, the Committee has an important interest in making sure that the stay is not improperly lifted.

33. This project includes 20.30 hours requested fees in the amount of \$6,339.15. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		0.60	3.50	4.10	\$2,255.00
Jim Donnell	495			0.30	0.30	\$148.50
Jennifer Gore	350		5.60	0.50	6.10	\$2,135.00
JenniferGore	315	2.20			2.20	\$693.00
Basil Umari	240		1.70	5.60	7.30	\$1,752.00
Basil Umari	200	0.30			0.30	\$60.00
Subtotal		2.50	7.90	9.90	20.30	\$7,043.50
Less 10% Discount						(\$704.35)
Total		2.50	7.90	9.90	20.30	\$6,339.15

Claims Administration and Objections (144618)

34. This project category includes all of Applicant’s services related to the administration of claims. In particular, Applicant objected on behalf of the Committee to Debtors’ request to pay unidentified critical vendors at their own discretion. As a result, Debtors were required to give notice to the Committee of intended payments to critical vendors in excess of \$150,000. In addition, Applicant analyzed and, where appropriate objected on behalf of the Committee to various other motions related to claim administration including: Debtors’ Employee Wage Motion, Debtors’ Key Employee Retention Program Motion, Debtors’ Omnibus Settlement Motion, and Debtors’ Bar Date and Deadline Motion. In addition, Applicant analyzed and where appropriate objected to administrative expense motions, including that of B-1 Acquisition Corp. In addition, Applicant responded to inquiries from various creditors regarding orders affecting claims, including the Critical Vendor order. Applicant’s services were actual, necessary, and beneficial, because the Committee must evaluate claims against the estate

that may affect the recovery to unsecured creditors as a whole. Thus, the Committee has an interest in the orderly and proper allowance of claims.

35. This project includes 97.70 total hours and total fees in the amount of \$33,084.00. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual, with the 10% discount reflected before calculation of the total amount sought for all individuals, is as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Hugh M. Ray	550		6.70	8.40	15.10	\$8,305.00
Hugh M. Ray	500	14.70			14.70	\$7,350.00
Jim Donnell	495		1.40	0.20	1.60	\$792.00
Jim Donnell	475	7.20			7.20	\$3,420.00
Jennifer Gore	350		13.20	14.70	27.90	\$9,765.00
Allison Comment	270		11.20		11.20	\$3,024.00
Basil Umari	240		1.00	1.60	2.60	\$624.00
Basil Umari	200	17.40			17.40	\$3,480.00
Subtotal		39.30	33.50	24.90	97.70	\$36,760.00
Less 10% Discount						(\$3,676.00)
Total		39.30	33.50	24.90	97.70	\$33,084.00

Asset Analysis (144995)

36. This project category includes all of Applicant’s services related to analysis of Debtors’ asset available to satisfy claims. Specifically, Applicant’s services included investigating potential assets, such as estate causes of action and joint venture assets available to Debtors’ estates. Applicant’s services were actual, necessary, and beneficial, because the Committee must investigate the Debtors’ assets and potential causes of action.

37. This project includes 12.70 hours and requested fees in the amount of \$4,025.70. A summary of the attorneys or paralegals who performed services and for whom reimbursement is requested, and the total amounts requested for each individual is, with the 10% discount reflected before calculation of the total amount sought for all individuals, as follows:

Name	Hourly Rate	Nov./Dec.	Jan.	Feb.	Total Hours Billed	Total Compensation
Jim Donnell	495		0.30	1.10	1.40	\$693.00
Gary Miller	475			2.40	2.40	\$1,140.00
Jennifer Gore	350		2.20	2.20	4.40	\$1,540.00
Chris Wade	290		0.40		0.40	\$116.00
Basil Umari	240		1.50	2.60	4.10	\$984.00
Subtotal			4.40	8.30	12.70	\$4,473.00
Less 10% Discount						(\$447.30)
Total			4.40	8.30	12.70	\$4,025.70

OTHER FACTORS RELEVANT TO APPLICATION

38. Skill required to perform the legal services. The services performed by Applicant involved complex bankruptcy and lending issues and required a solid foundation in corporate, lending, litigation, and bankruptcy law. Applicant believes that its skills and reputation in these areas are excellent.

39. Preclusion of employment. Applicant was not precluded from other employment due to the acceptance of this case.

40. Customary fees. As discussed above, each of the attorneys of the Applicant charged his or her customary standard billing rate to this file, as may have been adjusted on January 1, 2003. However, for the first 120 days, such fees were discounted by 10%.

41. Fixed fee. The fee during this period of time was fixed as each attorney was performing services on an hourly basis; accordingly, the fee is not contingent upon the success or the results achieved, other than this Court's review of the relative benefits of its efforts to the estate.

42. Results achieved. The Applicant respectfully asserts that the results in this case have so far been excellent and in the best interests of the Committee and unsecured creditors. Specifically, Applicant has vigorously represented the Committee in ensuring that all asset sales, debt assumptions, and critical vendor payments were made in the best interests of the estates. In

the context of financing, the Committee has also ensured that surcharge rights are preserved, that the Court was aware of potential unencumbered assets, that such assets were not encumbered by overbroad replacement liens created by the DIP order, and that the Committee would have sufficient time in which to investigate avoidance actions and other claims. Applicant is still in the process of considering potential avoidance actions and other claims and believes it may be successful in increasing the recovery for unsecured creditors.

43. Case prognosis: The Debtors' Disclosure Statement was approved on April 9, 2003. The Committee currently intends to oppose the Plan which is set for confirmation on May 21, 2003.

44. Undesirability of case. This case was not undesirable.

45. Relationship with client. The Applicant has no other relationship with the Committee, which came into existence only for the purposes of this case.

46. Awards in similar case. Such awards vary depending upon the nature of the case, the expertise of the law firm and the expertise of the attorneys handling the matter. Based upon the facts and circumstances herein, and the awards in similar cases, Applicant believes that its request is similar to what would be sought by other law firms.

47. All services for which compensation is requested were performed on behalf of the Committee and not on behalf of any creditor, the Debtors, or other person.

48. All services performed and expenses incurred were reasonable and necessary, and none were duplicative.

49. There is no agreement or understanding in existence between the Applicant and any other party for the sharing of compensation except as allowed under Rule 2016 of the Federal Rules of Bankruptcy Procedure.

50. Pursuant to Rule 2016 no payments have heretofore been made by any party, or promised by any party to Applicant for the services rendered, except in accordance with the Administrative Order.

SUMMARY

51. Pursuant to this First Application, Applicant seeks interim approval of compensation in the sum of \$491,727.15 and approval of the reimbursement of its expenses in the sum of \$19,637.49. Applicant has already been paid, on an interim basis, \$393,381.72 for fees and \$18,443.24 for expenses, leaving a remaining balance of \$98,345.43 for fees and \$1,194.25 for reimbursement of expenses owing. Pursuant to this First Application, Applicant is requesting interim allowance of all amounts, and for the Debtor to pay the unpaid balance of \$98,345.43 in compensation and \$1,194.25 in reimbursement of expenses for the First Period.

PRAYER

WHEREFORE, Applicant respectfully prays that Applicant be allowed compensation for fees for the period from November 26, 2002 through February 28, 2003 in the sum of \$491,727.15; that Applicant be awarded the sum of \$19,637.49 as reimbursement for actual and necessary expenses for the period of November 26, 2002 through February 28, 2003; that after deduction of the fees and expenses that have already been paid to Applicant pursuant to the Administrative Order, the Court order the Debtors to pay the balance of compensation and reimbursement of expenses allowed herein to the Applicant, and for any and all further relief to which the Applicant is justly entitled.

Dated this 14th day of April, 2003

Respectfully Submitted,

By: Jennifer M. Gore (ECF)

Hugh Ray

Attorney in Charge

S. D. Texas No. 2278

Texas Bar No. 16611000

James Donnell

S. D. Texas No. 7792

Texas Bar No. 05981300

Jennifer M. Gore

S.D. Texas No. 20434

Texas Bar No. 00796655

600 Travis, Suite 4200

Houston, Texas

(713) 220-4200 (Telephone)

(713) 220-4285 (Facsimile)

Attorneys for the Official Committee of Unsecured
Creditors

OF COUNSEL:

ANDREWS & KURTH L.L.P.

600 Travis, Suite 4200

Houston, Texas 77002

(713) 220-4200 (Telephone)

(713) 220-4285 (Facsimile)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing First Interim Application by Andrews & Kurth L.L.P. as Counsel for the Committee for Compensation and Reimbursement of Expenses for the Period From November 26, 2002 through February 28, 2003 has been served by email where available by the clerk under the ECF Administrative Procedures, and by United States Mail, postage prepaid to each of the following parties on this the 14th day of April 2003:

Debtors:

Encompass Services Corporation
3 Greenway Plaza, Suite 2000
Houston, TX 77046
(Attn: Gray H. Muzzy)

Counsel for the Debtors:

Alfredo R. Pérez/Lydia T. Protopapas
Weil, Gotshal & Manges LLP
700 Louisiana, Suite 1600
Houston, Texas 77002

Office of the United States Trustee:

Hector T. Duran
Office of the U.S. Trustee
515 Rusk
Houston, TX 77002

Counsel for Agent for the Prepetition and Postpetition Lenders:

R. Michael Farquhar/Mark Brannum
Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Dallas, TX 75270-2199

Committee Chairs:

John Pare
Hughes Supply, Inc.
20 North Orange Ave. Suite 200
Orlando, Florida 32801

Phillip Falcone
Harbert Management Corporation
555 Madison Avenue, 28th Floor
New York, NY 10022

Jennifer M. Gore (ECF)