

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	:	CHAPTER 11
	:	
ENCOMPASS SERVICES CORPORATION, <u>et al.</u>	:	Case No. 02-43582-H4-11
	:	
Reorganized Debtors.	:	JOINTLY ADMINISTERED
	:	

**COVER SHEET FOR FINAL APPLICATION OF FMI CORPORATION AS
FINANCIAL ADVISOR FOR DEBTORS FOR ALLOWANCE OF COMPENSATION
FOR PROFESSIONAL SERVICES RENDERED AND FOR REIMBURSEMENT OF
ACTUAL AND NECESSARY EXPENSES INCURRED
FROM NOVEMBER 19, 2002 THROUGH JUNE 9, 2003**

Name of Applicant: FMI Corporation

Authorized to Provide
Professional Services to: Encompass Services Corporation

Date of Retention: February 26, 2003 (Effective November 19, 2002)

Compensation Period:
Period for which compensation
and reimbursement are sought: November 19, 2002 through June 9, 2003

Amount of compensation sought
as actual, reasonable, and necessary: \$ 2,901,627.02

Amount of expense reimbursement
sought as actual, reasonable, and necessary: \$ 22,153.02

If this is not the first application filed, disclose the following for each prior application:

Date Filed	Period Covered	Requested Compensation	Requested Expenses	Approved Compensation	Approved Expenses
March 25, 2003	November 19, 2002 – February 28, 2003	\$1,425,000	\$21,417.52	\$1,425,000	\$21,417.52

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
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In re:	:	CHAPTER 11
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ENCOMPASS SERVICES CORPORATION,	:	Case No. 02-43582-H4-11
<u>et al.</u>	:	
	:	
Reorganized Debtors.	:	JOINTLY ADMINISTERED
	:	

**FINAL APPLICATION OF FMI CORPORATION
AS FINANCIAL ADVISOR FOR DEBTORS FOR ALLOWANCE OF COMPENSATION
FOR PROFESSIONAL SERVICES RENDERED AND FOR REIMBURSEMENT
OF ACTUAL AND NECESSARY EXPENSES INCURRED FROM NOVEMBER 19, 2002,
THROUGH JUNE 9, 2003**

A HEARING WILL BE HELD ON THIS MATTER ON OCTOBER 29, 2003 AT 11:00 A.M. IN COURTROOM 403, 515 RUSK AVENUE, 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 WITH THE CLERK OF THE BANKRUPTCY COURT WITHIN TWENTY DAYS FROM THE DATE YOU WERE SERVED WITH THIS PLEADING UNLESS YOU DID NOT RECEIVE THIS NOTICE IN TIME TO DO SO. IN THAT SITUATION, FILE YOUR RESPONSE AS SOON AS POSSIBLE. IN ADDITION TO FILING YOUR RESPONSE WITH THE CLERK, 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 WILLIAM R. GREENDYKE,
UNITED STATES BANKRUPTCY JUDGE:

FMI Corporation (“FMI”) hereby files its final application (the “Application”) for allowance of compensation for services rendered and reimbursement of actual and necessary expenses incurred by FMI during the period from November 19, 2003 (the “FMI Retention Date”) through June 9, 2003 (the “Compensation Period”) pursuant to section 330 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 2016 of the Local Rules of the United States

Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Local Rules”) and respectfully represents as follows:

Jurisdiction and Venue

1. The Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of this Application is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

2. On November 19, 2002 (the “Commencement Date”), Encompass Services Corporation and its direct and indirect subsidiaries filed voluntary petitions for relief under the Bankruptcy Code.

3. On May 28, 2003, after notice and a hearing held on May 21, 2003, this Court entered an order approving and confirming the Second Amended Joint Plan of Reorganization of Encompass Services Corporation and its Affiliated Debtors Under Chapter 11 of the Bankruptcy Code, dated April 11, 2003, as modified by the Immaterially Modified Second Amended Joint Plan of Reorganization of Encompass Services Corporation and its Affiliated Debtors Under Chapter 11 of the Bankruptcy Code dated May 21, 2003, and as supplemented by the Debtors’ Plan Supplement dated May 8, 2003, the Debtors’ First Amended Plan Supplement dated May 14, 2003, and the Debtors’ Second Amended Plan Supplement dated May 19, 2003 (all of the foregoing collectively, the “Plan”).

4. On June 9, 2003, the Plan became effective, and Encompass Services Corporation and Encompass Services Holding Corp., as reorganized debtors (collectively, the “Debtors”), emerged from chapter 11 of the Bankruptcy Code.

5. FMI’s retention was approved by the Court on February 26, 2003 (Docket No. 877) (the “FMI Retention Order”). The effective date of the retention was

November 19, 2003. A copy of the FMI Retention Order is attached hereto as Exhibit A. Attached hereto as Exhibit B is the Affidavit of Andrew W. Arnold in Support of the Debtors' Application for Order Pursuant to 11 U.S.C. §§ 328(a), 329 and 504 and Fed. R. Bankr. P. 2014(a) and 2016(b) Authorizing Employment and Retention of FMI Corporation as Management Consultants.

Compensation Requested

6. This is FMI's final application for compensation in this case. Section 330 of the Bankruptcy Code allows a court to award a professional (a) "reasonable compensation for actual, necessary services" rendered by a professional, based on "the nature, the extent, and the value of such services" and taking into account factors such as the "time spent on such services" and whether the services were necessary and beneficial to the estate, and (b) "reimbursement for actual, necessary expenses." 11 U.S.C. § 330.

7. By this Application and in accordance with section 330 of the Bankruptcy Code, FMI requests final allowance of \$2,901,627.02 for the Compensation Period, representing \$2,879,474.00 as compensation for professional services rendered during the Compensation Period and \$22,153.02 as reimbursement for actual and necessary expenses FMI incurred during the Compensation Period. Of the total final allowance of \$2,901,627.02, \$240,000 represents professional fees contingent on Encompass collecting \$14,350,000 in deferred payments due Encompass by various buyers of divested subsidiaries. Exhibit G lists the subsidiaries and the FMI fee calculation. The uncollected amount due FMI as of this Final Application is \$2,661,627.02, not including the \$240,000.00 in potential deferred payment fees.

8. Since the Commencement Date, in accordance with the Court's December 18, 2002 order (Docket #389), FMI has submitted monthly statements to the Debtors requesting 80% of its fees and 90% of expense disbursements for the month. A summary of such

requests and the amount paid and/or held back is attached as Exhibit E. Exhibit F provides a comprehensive summary of all professional fees earned for each subsidiary divestiture.

9. On March 25th, 2003 FMI submitted the “First Interim Application requesting interim allowance of \$1,446,417.52 for the interim period of November 19, 2002 through February 28, 2003, comprising \$1,425,000 as compensation for professional services rendered and \$21,417.52 as reimbursement for actual and necessary expenses FMI incurred during this interim period. The Court entered an order approving the First Interim Application **in full** on May 7th, 2003, Docket No. 2329. As of the date hereof, FMI has received payment of \$2,468,658.30 for fees and expenses incurred from the Commencement Date through June 9, 2003. Other than these payments, FMI has received no payment and no promises of payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application.

10. There is no agreement or understanding between FMI and any other person for the sharing of compensation to be received for services rendered in this case.

11. FMI’s charges for professional services rendered in this case are billed in accordance with FMI’s existing billing procedures. The rates FMI charged for the services rendered by its professionals in this chapter 11 case are the same rates FMI charges for professional services rendered in comparable nonbankruptcy-related matters and are reasonable based on the customary compensation charged by comparably skilled professionals in comparable nonbankruptcy cases in a competitive national financial market.

12. FMI submits that this Application complies with section 330 of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Local Rules, and the guidelines adopted by the Executive Office for the United States Trustee.

Summary of Services

13. Pursuant to Rule 2016(d)(3) of the Bankruptcy Local Rules, fee applications must include a detailed description of each major task performed by the applicant. In accordance with the terms of the FMI Retention Order and as FMI does not bill on an hourly basis nor maintain a system to record time, FMI is hereby providing the following summary of certain of the significant professional services rendered by FMI during the Compensation Period. The professionals who provided such services are listed on Exhibit C. During the Compensation Period, FMI has primarily focused its efforts in the following areas:

- (a) Advised Encompass on the valuation, transaction structure of the electrical, mechanical and industrial subsidiaries;
- (b) Prepared subsidiary information packages;
- (c) Contacted local, regional and national strategic investors and private equity investors;
- (d) Screened all candidates for their ability to complete a transaction, and;
- (e) Assisted in the negotiations of key transaction terms.

14. FMI submits that the foregoing services were necessary to the administration of these chapter 11 cases, were necessary and beneficial to the estates at the time at which such services were rendered, and were performed without unnecessary duplication of effort or expense. FMI's request for compensation for the foregoing services is reflective of a reasonable and appropriate amount of time expended in performing such services commensurate with the complexity, importance and nature of the problem, issue or task involved.

First Colonial Factors

15. Pursuant to Bankruptcy Local Rule 2016(a), fee applications must include a discussion of the factors considered in *American Benefit Life Ins. Co. v. Baddock (In re First*

Colonial Corp. of America), 544 F.2d 1291, 1298-99 (5th Cir. 1977), *cert. denied*, 431 U.S. 904 (1977). Consideration of the factors listed in *First Colonial Corp.* indicates that the compensation requested by FMI for the services rendered during the final Compensation Period is reasonable:

(a) Time and Labor Required: FMI directly involved seven senior professionals and several junior professionals and staff to the Debtors' divestiture project.

(b) Novelty and Difficulty of the Questions: The time constraints, the fact that the value of the Debtors' subsidiaries was dependent upon keeping the management teams intact, and the loss / deterioration of backlog due to a lack of bonding capacity, were all factors that made the marketing of the subsidiaries extremely difficult.

(c) Skill Requisite to Perform the Service Properly: FMI did not perform legal services for the Debtors and, as a result, this factor is not applicable to the scope of FMI's retention. The skills required for the divestitures included: financial analysis expertise, knowledge of the operational complexities of the construction industry, understanding of the typical divestiture contractual terms, experience in valuation of construction companies and negotiation skills.

(d) Preclusion of Other Employment Due to the Acceptance of the Case: Although FMI's representation of Encompass Services Corporation has consumed a significant portion of the time of several of the professionals who have worked on this matter, FMI was not precluded from taking other employment as a result of these cases.

(e) Customary Fee: FMI represents that the fixed and contingent fees charged are reasonable, fair, and customary for the degree of skill and expertise required in this case.

(f) Whether the Fee is Fixed or Contingent: All fees were contingent except for an initial retainer of \$75,000. All contingent fees were for completing transactions approved by Encompass and the Debtors in Possession.

(g) Time Limitations: The time limitations do not directly apply to FMI's scope of services; however, FMI did meet the 2002 year end deadline for the subsidiaries that needed to be divested to utilize the tax loss carry forward.

(h) Amount Involved and Results Obtained: FMI, on behalf of Encompass, has worked with the Debtors on a number of issues during the Compensation Period, including, but not limited to, activities which contributed to the divestiture of twenty-two of the Debtors' electrical, mechanical and industrial operations and paved the way for the quick approval of the disclosure statement and confirmation of a plan of reorganization on May 28, 2003, less than seven months from the Commencement Date.

(i) Experience, Reputation and Ability of Professionals: Encompass selected FMI as their professionals for marketing and divesting of operations because FMI:

(i) Is the largest firm exclusively providing consulting, financial advisory and intermediary services to the construction industry;

(ii) Was familiar with many of the subsidiary operations and the markets served by the Debtors, and;

(iii) Had knowledge of the most likely regional and national prospects that had the capacity to acquire certain assets/operations of the Debtors.

(j) Undesirability of the Case: Whenever a professional agrees to represent Encompass Services Corporation, there is an inherent risk that the firm's professionals'

fees and expenses will not get paid. Due to this uncertainty, professionals frequently choose not to represent debtors.

(k) Nature and Length of the Professional Relationship with the Client:

FMI has provided services to Encompass Services Corporation since November 19, 2002. FMI has not represented Encompass Services Corporation in any other matters.

(l) Awards in Similar Cases: FMI's requested fees and expenses are similar to fees and expenses paid in other chapter 11 bankruptcy cases of this nature, length of time, and complexity.

Actual and Necessary Expenses

16. Attached hereto as Exhibit D and incorporated herein by reference, is a detailed description of the actual and necessary expenses incurred by FMI in connection with its employment with the Debtors during the Compensation Period. As set forth on Exhibit D, FMI seeks reimbursement of actual and necessary expenses incurred by FMI during the Compensation Period in the aggregate amount of \$22,153.02.

17. FMI states as follows regarding these expenses: FMI charges for expenses incurred (i.e., travel, shipping, and fax charges) at the provider's cost without markup. The basis for these rates is FMI's calculation of the actual cost of these expenses.

Conclusion

WHEREFORE FMI respectfully requests (a) final allowance of \$2,901,627.02 for the Compensation Period, representing \$2,879,474.00 as compensation for professional services rendered during the Compensation Period and \$22,153.02 as reimbursement for actual and necessary expenses FMI incurred during the Compensation Period; (b) authorization for the Debtors to pay FMI such sums to the extent that such sums have not previously been paid; and (c) for such other and further relief as is just.

Dated: August 8, 2003
Houston, Texas

Respectfully submitted,

FMI CORPORATION

By: /s/ Andrew W. Arnold

Andrew W. Arnold
55 Madison Street, Suite 450
Denver, CO 80206
303.377.4740 (p)
303.377.3535 (f)

**PROFESSIONAL ADVISOR FOR THE DEBTORS
AND THE DEBTORS IN POSSESSION**

EXHIBIT A

Contracts are Available on File Upon Request

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	:	CHAPTER 11
ENCOMPASS SERVICES CORPORATION,	:	Case No. 02-43582-H4-11
<u>et al.</u>	:	
Debtors.	:	JOINTLY ADMINISTERED

**FINAL ORDER PURSUANT TO SECTIONS 327(a) AND 328(a) OF THE
BANKRUPTCY CODE AUTHORIZING THE EMPLOYMENT AND RETENTION OF
FMI CORPORATION AS THE DEBTORS' MANAGEMENT CONSULTANTS**

[This instrument pertains to Docket #379 & #624]

Upon consideration of the application (the "Application") of Encompass Services Corporation and its direct and indirect subsidiaries (collectively, the "Debtors") for an order pursuant to sections 327(a) and 328(a) chapter 11 of title 11 of the United States Code for authorization to retain and employ FMI Corporation ("FMI") as management consultants to the Debtors and for the approval of the proposed terms of such employment set forth in the letter agreements dated as of March 5, 2002; August 2, 2002; and November 23, 2002, attached as Exhibits B, C, and D to the Application (collectively, the "Agreements"); and upon the Affidavit of Andrew W. Arnold (the "Arnold Affidavit") in support of the Application attached as Exhibit A to the Application; and the Court having entered an Interim Order Pursuant To Sections 327(a) and 328(a) Of The Bankruptcy Code Authorizing the Employment of FMI Corporation as the Debtors' Management Consultants (the "FMI Interim Retention Order") on January 8, 2003; and in consideration of the filed objection; and the Court being satisfied, based on the representations made in the Application and the Arnold Affidavit, that FMI represents or holds no interest adverse to the Debtors or to their estates as to the matters upon which it is to be

engaged and is disinterested under section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code; and the Court being satisfied that the relief requested in the Application is in the best interests of the Debtors and their estates as modified and limited herein; and certain interested parties having requested clarification of the particular asset sales for which FMI was being retained and it appearing that such clarification has been provided; and it appearing that due notice of this Application has been given and that no other or further notice be given and sufficient cause appearing therefor, it is

ORDERED that the Application is granted on a final basis; and it is further

ORDERED that, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure, the Debtors are authorized on a final basis to retain and employ FMI as their management consultants for the purpose of providing management consulting and other related services in connection with asset sales consummated prior to the date of the FMI Interim Retention Order in accordance with the terms of the Agreements, as clarified and limited herein, and the FMI Interim Retention Order, effective as of the commencement of these cases; and it is further

ORDERED that the retention of FMI in connection with asset sales occurring subsequent to the date of the FMI Interim Retention Order with respect to the following Debtors: Mechanical Services of Orlando, Inc.; Air Systems, Inc.; Encompass Industrial Services Southwest, Inc. (f/k/a Gulf States, Inc.); Garfield-Indecon Electrical Services, Inc.; Sander Bros., Inc.; Encompass Capital, Inc.; Encompass Constructors, Inc (f/k/a Atlantic Industrial Constructors, Inc.); and Gamewell Mechanical, Inc., is authorized on a final basis on the same terms as those set forth in the FMI Interim Retention Order; and it is further


ORDERED that, prior to any retention of FMI with respect to work to be performed subsequent to the date of this Order, and not identified in the preceding paragraph, and any prospective fees to be earned by FMI subsequent to the date of this Order, and not attributable to the asset sales identified in the preceding paragraph, the Debtors shall give notice of any proposed services to be rendered by FMI, including the identification of any business interests or assets to be sold or exchanged and the reasons therefor, to counsel to the Committee, and if the Committee objects to such employment within three (3) business days, then any further services to be rendered by FMI shall be considered by the Court at the next available hearing date in these cases; and it is further

ORDERED that if the Committee does not object to the employment of FMI in accordance with the terms of the preceding paragraph, the retention of FMI shall be authorized on a final basis on the same terms as those set forth in the FMI Interim Retention Order; and it is further

ORDERED that any subject to the foregoing and the standards imposed by section 328(a) of the Bankruptcy Code, FMI shall seek approval of its compensation and expenses by application submitted in accordance with sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, and the rules and orders of this Court; and it is further

ORDERED that this Court will retain exclusive jurisdiction to construe and enforce the terms of the Application, the Agreements, the FMI Interim Retention Order and this Order.

Dated: 1/22, 2003
Houston, Texas



THE HONORABLE WILLIAM R. GREENDYKE
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Affidavit For Interim Application on File

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	CHAPTER 11
ENCOMPASS SERVICES CORPORATION, <u>et al.</u>	Case No. 02-43582-H4-11
Debtors.	JOINTLY ADMINISTERED

**AFFIDAVIT OF ANDREW W. ARNOLD IN SUPPORT OF THE DEBTORS'
APPLICATION FOR ORDER PURSUANT TO 11 U.S.C. §§ 328(a), 329 AND 504 AND
FED. R. BANKR. P. 2014(a) and 2016(b) AUTHORIZING EMPLOYMENT AND
RETENTION OF FMI CORPORATION AS MANAGEMENT CONSULTANTS**

STATE OF COLORADO)
) ss:
COUNTY OF DENVER)

Andrew W. Arnold, being duly sworn upon his oath, states and affirms as follows:

1. I am a Managing Director of FMI Corporation ("FMI") management consulting firm with an office located at 55 Madison Street, Suite 410, Denver, Colorado 80206. I make this declaration (the "Declaration") on behalf of FMI in support of the Application under sections 327(a) and 328(a) of the Bankruptcy Code for an Order authorizing the employment and retention of FMI as management consultants for Encompass Services Corporation, et al. (the "Debtors") in these chapter 11 cases, pursuant to the terms and conditions set forth in the agreements dated March 5, 2002; August 2, 2002; and November 23, 2002 (collectively, the "Agreements"), a copies of which are attached to the Application as Exhibits B, C, and D, respectively. Except as otherwise noted, I have personal knowledge of the matters set forth herein.

2. FMI is a nationally recognized management consulting firm with three (3) offices and more than 100 professionals.¹ FMI is the nation's largest provider of management consulting training and capital services to the worldwide construction industry. It provides services in the areas of strategic planning, leader and organizational development, marketing, sales, business development, strategic market information, mergers and acquisitions, acquisition integration, ownership transition, private equity financing, project delivery improvement, management and field-level training, compensation planning, strategic sourcing, and productivity. FMI advises contractors; engineering, architectural, and environmental firms; manufacturers and distributors of building material products and construction equipment; construction materials producers; surety companies; trade associations; providers of professional services; private owners; government agencies; and utility companies.

3. FMI has agreed to provide management consulting services to the Debtors in the above-captioned chapter 11 cases before this Court, pursuant to the terms and conditions of the Agreements. No agreement exists to share any compensation received by FMI for its services with any person or firm.

4. The terms and conditions of the Agreements were heavily negotiated between the Debtors, FMI and their respective legal advisors, and reflected the parties' mutual agreement as to the substantial efforts that will be required in the engagements. As is customary in similar engagements, both in and outside of bankruptcy, the Agreements provide for FMI to receive a engagement fees and fees upon the successful consummation of transactions. Taking into account the complex nature of the engagements and the time constraints being imposed, the

¹ The names, positions and resident offices of the FMI professionals currently expected to have primary responsibility for providing services to the Debtors are listed on Schedule 1 attached hereto and incorporated herein by reference.

terms contained in the Agreements are similar to the terms agreed to by FMI and other management consulting firms in similar consulting engagements, both in and outside of bankruptcy.

5. FMI is a “disinterested person” as that term is defined in section 101(14) of the Bankruptcy Code in that FMI:

- (a) is not a creditor, equity security holder or insider of the Debtors;
- (b) is not and was not an investment banker for any outstanding security of the Debtors;
- (c) has not been, within three (3) years before the date of the filing of the Debtors’ chapter 11 petition, (i) an investment banker for a security of the Debtors, or (ii) an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the Debtors; and
- (d) is not and, was not, within two (2) years before the date of the filing of the Debtors’ chapter 11 petition, a director, officer, or employee of the Debtors or of an investment banker as specified in subparagraph (b) or (c) of this paragraph.

6. Moreover, to the best of my knowledge, information and belief formed after reasonable inquiry, FMI and its affiliates, professionals and employees have no materially adverse interest to the Debtors’ estate or the creditors in these cases.

7. To the best of my knowledge, information and belief formed after reasonable inquiry, other than in connection with these cases and as set forth below and in Schedule 2, neither I, FMI and its affiliates, nor any of our professionals or employees, have any connection with the Debtors, their creditors, any other party with an actual or potential interest in this chapter 11 case, the Debtors’ respective attorneys, accountants and other professionals, the United States Trustee, or the United States Bankruptcy Court. Specifically, FMI has thousands of clients, past and present, who are located throughout the United States, Canada, Latin

America, Europe, and the Pacific Rim, in a variety of industries. While FMI has not advised any of these parties in connection with this chapter 11 case, it is possible that certain of these parties, their creditors and the related professionals may have some relationship to the Debtors or their creditors in these cases.

8. To determine its relationship with parties-in-interest in these cases, FMI has begun to research its client databases to determine whether it has any relationships with the following entities (collectively, the "Interested Parties") that were identified to FMI by the Debtors:

- (a) The Debtors and their affiliates as identified to FMI by the Debtors;
- (b) The Debtors' directors and senior officers and certain of their major business affiliations, as identified by the Debtors;
- (c) The Debtors' key creditors, including participants in the Debtors' term loans and holders of bonds issued by the Debtors, as identified to FMI by the Debtors;
- (d) The Debtors' trade creditors with claims over \$500,000, as identified to FMI by the Debtors; and
- (e) The attorneys and other professionals that the Debtors have identified for employment in these chapter 11 cases in applications filed on the Commencement Date or anticipated to be filed shortly thereafter.

To the extent identified to date, Schedule 2 discloses FMI's relationships with Interested Parties that have any connection to the Debtors. Schedule 2 will be supplemented from time to time, as appropriate, in the event affiliated entities are added to the Interested Party list by the Debtors and/or further investigation of the Interested Parties yields additional information material to this engagement.

9. As described in the Application, FMI is a prepetition creditor for those engagements listed in Schedule 3.

10. FMI will apply to the Court for payment of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of this Court, the Agreements, and pursuant to any additional procedures that may be established by the Court in these cases. Because FMI will be compensated through engagement fees with potential transaction fees, and as FMI does not have the requisite systems in place to record its time, FMI should not be required to maintain or provide detailed time records in connection with any of its fee applications. In support of such applications, FMI will establish those services provided on behalf of the Debtors

during the applicable period, and those professionals (and their qualifications) who provided such services.

/s/ Andrew W. Arnold

Andrew W. Arnold
Managing Director

STATE OF COLORADO)

COUNTY OF DENVER) ss:

SWORN TO AND SUBSCRIBED before me, a Notary Public for the State and County aforesaid, on this 17th day of December, 2002.

/s/ Georgia Ann Rourie

Notary Public

Schedule 1

Hugh Rice, Managing Director
55 Madison St., Suite 410
Denver, CO 80206

Andrew Arnold, Managing Director
55 Madison St., Suite 410
Denver, CO 80206

Landon Funsten, Director
5151 Glenwood Ave.
Raleigh, NC 27612

Randy Stutzman, Consultant
5301 W. Cypress St.
Tampa, FL 33607

Will Hill, Senior Consultant
55 Madison St., Suite 410
Denver, CO 80206

Ben Brahinsky, Managing Director
55 Madison St., Suite 410
Denver, CO 80206

Stuart Phoenix, Managing Director
5151 Glenwood Ave.
Raleigh, NC 27612

Schedule 2

James T. Broyles – PAC Rim

P. O. Box 7088

Rancho Santa Fe, CA 92068

Currently representing Encompass for the sale of the Subsidiary Broyles is managing.

Johnson Controls

5757 North Green Bay, Milwaukee, WI 53209

Managing Consulting for Johnson Controls not in connection with any Encompass activities.

Total Plumbing, Inc.

4701 North Colorado Blvd., Denver, CO 80216

Management Consulting.

Schedule 3



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.4400
F: 919.785.9320
E-mail: faccounting@fminet.com

INVOICE

Invoice #: 10088032693-FMI
Date: November 13, 2001

Encompass Services Corporation
Attention: Mr. Scott Clifton
1 Greenway Plaza Suite 2000
Houston, TX 77046
USA

Billable Expenses for Encompass Services Corporation

Client	Encompass Services Corporation				
Project	Description	Employee Name	Dates of Travel	Activity	Amount
MASC02Y	Professional Consulting Services FOR the Divestiture of EIS Re August 2 proposal.	Andrew W Arnold	9/12/2002	Travel Expenses	\$1,096.00
			9/12/2002	Meals	\$8.50
			9/26-27/2002	Travel Expenses	\$1,256.97
			9/26-27/2002	Meals	\$314.63
		Randal G Stutzman	10/7/2002	Travel Expenses	\$940.36
			10/7/2002	Meals	\$76.48
			9/24-25/2002	Travel Expenses	\$1,465.64
			9/24-25/2002	Meals	\$5.44
				Total	\$5,164.02

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.8400
F: 919.785.9320
E: mail@accounting@fminet.com

INVOICE

Invoice #: ID000032164-FMI

Date: October 23, 2002

Encompass Electrical Technologies
Attention: Art Grell
5001 S. Zuni Street
Littleton, CO 80120
USA

Billable Professional Services and Expenses for Encompass Electrical Technologies

Client:	Encompass Electrical Technologies				
Project	Description	Employee Name	Date of Travel	Activity	Amount
PRODOZY	Productivity Assessments & Worksmart Class	Jason M Baumgarten	8/9/2002	Materials	\$167.86
				Travel Expenses	\$28.92
				Total	\$196.78

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.8400
F: 919.785.9320
E-mail: accounting@fminet.com

INVOICE

Invoice #: 10000032666-FMI

Date: November 13, 2001

Encompass Electrical Technologies
Attention: Art Groll
5001 S. Zuni Street
Littleton, CO 80120
USA

Billable Professional Services and Expenses for Encompass Electrical Technologies

Client	Encompass Electrical Technologies				
Project	Description	Employee Name	Dates of Travel	Activity	Amount
PROD02Y	Productivity Assessments & Worksmart Class			Materials	\$5.08
		Richard D Dotner	9/9-10/2002	Travel Expenses	\$774.10
			9/9-10/2002	Meals	\$18.99
Total					\$798.17

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.8400
F: 919.785.9320
E: mail: accounting@fmifinet.com

INVOICE

Invoice #: 10000032667-FMI
Date: November 13, 2001

Encompass Electrical Technologies
Attention: Art Grell
5001 S. Zuni Street
Littleton, CO 80120
USA

Billable Expenses for Encompass Electrical Technologies

Client:	Encompass Electrical Technologies				
Project	Description	Employee Name	Dates of Travel	Activity	Amount
TRG02	TRAINING PROGRAMS ENCOMPASS RIVIERA	Eric J Sanderson	9/10-13/2002	Travel Expenses	\$1,223.78
			9/10-13/2002	Meals	\$52.50
			9/30-10/2/2002	Travel Expenses	\$1,192.35
			9/30-10/2/2002	Meals	\$97.32
Total					\$2,565.95

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27422-1108
T: 919.787.8400
F: 919.785.9320
E: malik.accounting@fmi.net.com

INVOICE

Invoice #: 10000032946-FMI
Date: September 30, 2002

Encompass Electrical Technologies
Mr. Art Groll
5001 S. Zuni Street
Littleton, CO 80120

Project

Amount Due

On site consulting on the Field Leadership Academy, meeting for preparation of roll out of training, consulting local Utah leaders on how to run weekly foreman training meetings (Sept 10) and two days of Leadership Academy Training including the Conduitworks and the Leadership modules (Sept. 11-12).
September 10, 11, and 12, 2002.

\$12,000.00

Total Amount Due:

\$12,000.00

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.3400
F: 919.785.9320
E: mail: accounting@fmi.net.com

INVOICE

Invoice #1 I0000032952-FMI
Date: October 31, 2002

Encompass Electrical Technologies
Mr. Art Grell
5001 S. Zuni Street
Littleton, CO 80120

Project

Amount Due

Two days of Training on the Leadership Academy, October 8 and 9
and one half day of consulting on the ongoing weekly foremen training
program. Salt Lake City, Utah. October 7-9, 2002. Eric Sanderson,
Consultant.

\$10,000.00

Total Amount Due:

\$10,000.00

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.8400
F: 919.785.9320
E-mail: accounting@fminet.com

INVOICE

Invoice #: Y0000033101-FMI

Date: November 30, 2002

Encompass Electrical Technologies
Attention: Art Grell
3001 S. Zuni Street
Littleton, CO 80120
USA

Billable Expenses for Encompass Electrical Technologies

Client	Encompass Electrical Technologies				
Project	Description	Employee Name	Date of Travel	Activity	Amount
PROD02Y	Productivity Assessments & Worksmart Class	Eric J Sanderson	11/5/2002	Travel Expenses	\$1,206.23
			11/5/2002	Meals	\$35.50
				Total	<u>\$1,241.73</u>

Payable Upon Receipt



MANAGEMENT CONSULTANTS
TO THE CONSTRUCTION INDUSTRY

FMI Corporation
PO Box 31108
Raleigh, NC 27622-1108
T: 919.787.8400
F: 919.785.9320
E-mail: accounting@fminet.com

INVOICE

Invoice #: 10000033157-FMI
Date: November 30, 2002

Encompass Electrical Technologies
Attention: Art Grell
3001 S. Zuni Street
Littleton, CO 80120
USA

Project	Total
Productivity Assessments & Workmart Class	\$8,000.00
Total Balance Due This Page:	\$8,000.00

Eric Sanderson, on site Front Line Leadership Academy training, 2 training sessions at Encompass Electrical of Utah on November 5 and 6, 2002

Payable Upon Receipt

EXHIBIT C

Professional Services Rendered by FMI

NAME OF PRIMARY PROFESSIONALS	DEPARTMENT AND YEAR ADMITTED	HOURLY RATE	TOTAL HOURS BILLED	TOTAL COMPENSATION
ASSOCIATES:	Not Relevant	Not Relevant	Not Relevant	Not Relevant
Ben Brahinsky				
Andy Arnold				
Adam Patnaude				
Hugh Rice				
Randy Stutzman				
Will Hill				
Landon Funsten				
Stuart Phoenix				
Total Associates 8				

EXHIBIT C (continued)

NAME OF PROFESSIONAL	DEPARTMENT	HOURLY RATE	TOTAL HOURS BILLED	TOTAL COMPENSATION
PARAPROFESSIONALS:				
Total Paraprofessionals				

EXHIBIT C (continued)

PROFESSIONALS TOTALS:	BLENDED RATE	TOTAL HOURS BILLED	TOTAL COMPENSATION
Partners			
Associates			
Paraprofessionals			
Grand Total			

EXHIBIT D

FMI Corporation Expenses For Encompass Services Corporation 11/19/02 Through 2/28/03

Consultant	Travel Dates	Travel	Meals	Total
Andrew Arnold	11/20-21/2002	736.48	43.44	779.92
Randal Stutzman	11/24/2002	1,024.82	7.33	1,032.15
Andrew Arnold	11/26/2002	1,100.34	-	1,100.34
Adam Patnaude	11/21/2002	141.00	-	141.00
Adam Patnaude	11/25-27/2002	1,278.89	17.00	1,295.89
Stuart Phoenix	12/9-10/2002	950.17	56.93	1,007.10
Randal Stutzman	12/17/2002	545.50	33.07	578.57
Stuart Phoenix	12/18-19/2002	550.85	50.84	601.69
Ben Brahinsky	12/31/2002	1,032.93	22.32	1,055.25
Andrew Arnold	12/31/2002	1,076.91	48.89	1,125.80
Landon Funsten	1/6/2003	102.20	10.50	112.70
Landon Funsten	01/09/2003	180.19	10.50	190.69
Adam Patnaude	01/13-17/2003	1,626.85	105.17	1,732.02
Stuart Phoenix	01/13-15/2003	560.65	26.88	587.53
Randal Stutzman	1/13/2003	2,224.92	119.44	2,344.36
Landon Funsten	1/16/2003	116.80	2.00	118.80
Adam Patnaude	01/20-24/2003	2,630.54	165.80	2,796.34
Stuart Phoenix	01/22/2003	457.28	-	457.28
Landon Funsten	01/24/2003	-	87.60	87.60
Landon Funsten	01/29/2003	560.95	21.00	581.95
Shipping charges				113.62
TOTAL		16,898.27	828.71	17,840.60

Exhibit D (Continued)

Encompass Services Corporation Expenses

Consultant	Travel Dates	Travel	Meals	Total
Adam Patnaude	2/25-27/2003	938.37	103.30	1,041.67
Adam Patnaude	2003	53.66	-	53.66
Randal Stutzman	2/26/2003	733.10	15.00	748.10
Randal Stutzman	1/25/2003	80.30	7.67	87.97
Randal Stutzman	1/29/2003	523.10	3.73	526.83
Randal Stutzman	1/30/2003	80.30	12.57	92.87
Randal Stutzman	1/31/2003	10.95	23.70	34.65
Randal Stutzman	2/6/2003	784.96	15.02	799.98
Shipping charges				97.09
Conference Calls				94.10
TOTAL		3,204.74	180.99	3,576.92

Encompass Services Corporation Expenses

Consultant	Travel Dates	Travel	Meals	Total
Shipping charges	Apr-03			735.50
TOTAL		-	-	735.50

EXHIBIT E

Encompass Billing/Collection Summary

Billing Date	Period Fees and Expenses	Fees Earned	Expenses	Total Fees and Expenses	Fee Holdbacks	Expense Holdbacks	Total Fee and Expense Holdback	Net Billing	Collections	Uncollected Total Billings
21-Jan-03	11-19--12-31-02	431,250.00		431,250.00	86,250.00		86,250.00	345,000.00	345,000.00	
25-Feb-03	January	581,250.00	17,840.60	599,090.60	116,250.00		116,250.00	482,840.60	482,840.60	
25-Mar-03	February	350,000.00	3,476.92	353,476.92	70,000.00	367.69	70,367.69	283,219.23	283,219.00	
	Interim billing 2/28							285,357.00	335,357.69	
25-Apr-03	March	501,526.00	736.50	502,300.50	120,325.00	73.55	120,398.55	481,901.95	481,901.95	
25-May-03	April	168,750.00		168,750.00	33,750.00		33,750.00	135,000.00	135,000.00	
25-Jun-03	May	206,599.00		206,599.00	101,319.80		101,319.80	405,279.00	405,279.00	
TOTAL		2,839,474.00	22,153.02	2,861,627.02	527,884.80	431.24	528,326.04	2,418,657.88	2,468,698.30	192,968.72

EXHIBIT F

ENCOMPASS SERVICES CORPORATION

FMI Divestiture Fee Summary for Transactions

Subsidiary Divested by FMI	Total FMI Fees Submitted for Final
Total FMI Fees through 12/31/02:	
EMS - Minneapolis	100,000
EMS - Edina	100,000
EMS - San Diego	50,000
EET - Northern AZ	25,000
EMS - Seattle	50,000
EET - Seattle	31,250
Total Divestiture Fees	356,250
Retainer	75,000
	431,250
Total FMI Fees 1/1/03 through 1/31/03:	
EIS - Gulf States	406,250
EET - Ohio Valley	50,000
EMS Southeast (Joey Mechanical)	25,000
Gamewell	100,000
	581,250
Total FMI Fees 2/1/03 through 2/28/03:	
EET Mid-Atlantic (Watson)	25,000
EET Southeast (N. Florida - Regency)	25,000
EMS Central Florida (MSI)	50,000
Encompass Constructors	100,000
EET Colorado (Piviera)	100,000
Pacific Firm Collection of Deferred Payment (2.5% on \$2M collected)	50,000
	350,000
Total FMI Fees 3/1/03 through 3/31/03:	
EET Northern Virginia	100,000
EET Florida (Tri-City)	25,000
EET Dallas/Houston	175,000
EMS - Northern California (Air Systems)	100,000
EET Knoxville	25,000
Sanders	100,000
EMS Seattle Collection of Deferred Payment (2.5% on \$3,065M)	76,625
	601,625
Total FMI Fees 4/1/03 through 4/30/03:	
Farfield	100,000
Sequoia (\$100,000 minimum less \$31,250 billed)	68,750
	168,750
Total FMI Fees 5/1/03 through 5/31/03:	
EET-Northern Arizona (\$100,000 minimum less \$25,000 billed)	75,000
Tax Calculation	431,599
	506,599
Total Professional Fee Billings 11/19/02 - 6/9/03	2,639,474

Exhibit C

Potential Encompass Collections and Resulting FMI Contingent Fees

Subsidiaries Divested By FMI	Potential remaining Encompass Deferred Payments	Potential FMI Fees From Deferred Payments	Minimum Fees Billed	Potential FMI Fees From Deferred Payments Less Minimum Fees Billed
EMS - San Diego (Pacific Rim)	2,000,000	50,000	0	50,000
EET - Northern Arizona	6,000,000	150,000	75,000	75,000
EMS - Seattle (MMI Tax Entity)	3,000,000	75,000	0	75,000
EET - Seattle (Sequoia Corp)	3,350,000	83,750	68,750	15,000
Gulf States	1,000,000	25,000	0	25,000
Total	15,350,000	383,750	143,750	240,000

Certificate of Service

This is to certify that a true and correct copy of the foregoing Application was served upon the parties listed below by e-mail or by United States mail, first class, postage prepaid on this the 8th day of August, 2003.

Encompass Services Corporation
3 Greenway Plaza, Suite 2000
Houston, TX 77046
Attn: Todd Matherne

Weil, Gotshal & Manges LLP
700 Louisiana, Suite 1600
Houston, TX 77002
Attn: Alfredo Perez
Lydia Protopapas

Office of the United States Trustee
515 Rusk Street, 3rd Floor
Houston, TX 77002
Attn: Hector Duran, Jr.

Counsel for the Debtors' Prepetition
Lenders and Counsel for the Debtors'
Postpetition Lenders:

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

Chairperson of and Counsel to the
Committee:

Philip Falcone - Co-chair
Harbert Management Corporation
555 Madison Avenue, 28th Floor
New York, NY 10022
Facsimile: 212-521-6972

John Pare - Chair
Hughes Supply, Inc.
20 North Orange Ave., Suite 200
Orlando, FL 32801

Andrews & Kurth L.L.P.
600 Travis Street, Suite 4200
Houston, TX 77002
Attn: Hugh M. Ray
Jim Donnell

/s/ Rene Olvera

Rene Olvera

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	:	CHAPTER 11
	:	
ENCOMPASS SERVICES CORPORATION, <u>et al.</u>	:	Case No. 02-43582-H4-11
	:	
Reorganized Debtors.	:	JOINTLY ADMINISTERED

**ORDER APPROVING FINAL APPLICATION OF FMI CORPORATION
AS FINANCIAL ADVISOR FOR DEBTORS FOR ALLOWANCE OF COMPENSATION
FOR PROFESSIONAL SERVICES RENDERED AND FOR REIMBURSEMENT
OF ACTUAL AND NECESSARY EXPENSES INCURRED
FROM NOVEMBER 19, 2002 THROUGH JUNE 9, 2003**

[This instrument pertains to Docket No. _____]

Upon consideration of the application (the "Application") of FMI Corporation as financial advisors for Debtors, for an order approving the final application of FMI Corporation for allowance of compensation for professional services rendered and for reimbursement of actual and necessary expenses incurred from November 19, 2002 through June 9, 2003 and the Court being satisfied that the relief requested in the Application is in the best interests of the Debtors and their estates; and it appearing that due notice of this Application has been given and that no other or further notice be given and sufficient cause appearing therefore, it is

ORDERED that the Application is granted; and it is further

ORDERED that FMI Corporation ("FMI") is entitled to a final allowance of \$2,901,627.02 for the period from November 19, 2002 through June 9, 2003 (the "Compensation Period"), representing \$2,879,474.00 as compensation for professional services rendered during the Compensation Period and \$22,153.02 as reimbursement for actual and necessary expenses FMI incurred during the Compensation Period; and it is further

ORDERED that the Debtors are authorized to pay FMI such sums, to the extent that such amounts have not previously been paid. In the case of the fees contingent on the deferred payment collection by Encompass from San Diego (Pacific Rim, Northern Arizona, Seattle (MMI Tax Entity), Seattle (Sequoia) and Gulf States, the Debtors are authorized to pay the \$240,000.00 if all deferred payments are collected, or 2.5% of the total amount of deferred payments received by the Debtors.

DATED: _____, 2003
Houston, Texas

HONORABLE WILLIAM R. GREENDYKE
UNITED STATES BANKRUPTCY JUDGE