

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:	)	CHAPTER 11
	)	
FF HOLDINGS CORPORATION, and	)	Case No. 98-37 (JF)
FARM FRESH, INC.,	)	Case No. 98-38 (JF)
	)	
Debtors.	)	Jointly Administered

**APPLICATION FOR COMPENSATION AND  
FOR REIMBURSEMENT OF EXPENSES**

Name of Applicant: Dechert Price & Rhoads

Authorized to Provide Professional Services to: FF Holdings Corporation and Farm Fresh, Inc.

Date of Retention: January 7, 1998

Period for which compensation and reimbursement is sought: January 7, 1998, through and including February 20, 1998

Amount of compensation sought as actual, reasonable, and necessary: \$234,468.75

Amount of Expense Reimbursement sought as actual, reasonable, and necessary: \$13,741.45

This is an: \_\_\_\_\_ interim XXX final application.

The total time expended for the preparation of this application is approximately N/A and the corresponding compensation requested is approximately \$ 0.00.

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

<u>Date Filed</u>	<u>Period Covered</u>	<u>Requested Fees, Expenses</u>	<u>Approved Fees, Expenses</u>
None			

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Debtors. )	Jointly Administered
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**FIRST AND FINAL APPLICATION OF DECHERT PRICE & RHOADS FOR  
ALLOWANCE OF COMPENSATION FOR PROFESSIONAL SERVICES RENDERED  
AND REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD FROM  
JANUARY 7, 1998 THROUGH AND INCLUDING FEBRUARY 20, 1998**

Pursuant to 11 U.S.C. §§ 330 and 331 and Federal Rule of Bankruptcy Procedure 2016, the law firm of Dechert Price & Rhoads (“DP&R”), co-counsel for the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), hereby makes this first and final application (the “Application”) for an Order awarding it reasonable compensation for actual and necessary services rendered to the Debtors (736.10 professional hours and 89.95 paraprofessional hours) during the period from January 7, 1998, through and including February 20, 1998 (the “Application Period”), in the amount of \$234,468.75 and for reimbursement of actual and necessary expenses incurred in connection therewith, in the amount of \$13,741.45.

In support thereof, DP&R respectfully represents as follows:

## BACKGROUND

### Jurisdiction and Venue

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. Throughout the Application Period, the Debtors continued to operate their business and manage their properties as debtors-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108. No trustee or examiner was appointed in these cases.

### Background of Debtors

3. FF Holdings Corporation ("Holdings"), a Delaware corporation, was a holding company that owned all of the issued and outstanding common stock of Farm Fresh, Inc. ("Farm Fresh"), a Virginia operating company.

4. Farm Fresh was based in Norfolk, Virginia, and operated a supermarket chain, consisting of forty-seven supermarkets in the Hampton Roads, metropolitan Richmond, and Shenandoah Valley areas of Virginia. The different supermarkets were divided into three separate formats, as follows: combination supermarkets (35), super warehouse stores (9), and facilities combining an expanded perishable presentation, a super warehouse, and an expanded discount drugstore/pharmacy (3).

5. Farm Fresh employed approximately 5,200 people, 80% of whom worked part-time.

6. In 1996, the Debtors' business generated sales in excess of \$761.5 million.

### Consideration of Alternatives

7. In anticipation of the potential inability to pay interest on certain obligations, and in consideration of various other financial issues, as well as Farm Fresh's competitive position, in November, 1996, Farm Fresh hired Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") as a financial advisor to assist in exploring available strategic alternatives, including a possible sale of the assets of Farm Fresh.

8. After months of negotiations with several potential purchasers, Farm Fresh, DLJ, and an informal steering committee (the "Informal Committee") of holders of Farm Fresh's 12.25% Senior Notes (including Series A) due in 2000, concluded that a sale to FF Acquisition, L.L.C. ("FF Acquisition"), a wholly-owned subsidiary of Richfood Holdings, Inc. ("Holdings"), was the alternative most likely to maximize the value of Farm Fresh's assets.

### The Richfood Purchase Agreement

9. On November 26, 1997, Farm Fresh, Richfood, and FF Acquisition finalized and entered into an asset purchase agreement (the "Purchase Agreement") under which FF Acquisition agreed to buy, and Farm Fresh agreed to sell, substantially all of Farm Fresh's operating assets (the "Asset Sale"), in return for a cash payment in an amount in excess of \$250 million (less the value of certain assumed capital leases and subject to certain adjustments), certain warrants to purchase 1.5 million shares of common stock of Richfood at a fixed price, and the assumption by FF Acquisition of certain liabilities of Farm Fresh, all as more fully described in the Purchase Agreement. It was agreed that the Asset Sale would be effectuated as part of a bankruptcy plan of reorganization.

10. Shortly thereafter, the Debtors by means of a disclosure statement (the "Disclosure Statement") began soliciting votes on a proposed plan of reorganization (the "Plan"), which was supported by the Informal Committee. The lynch pin of the Plan was the Asset Sale and the administration and distribution of the proceeds thereof.

11. The solicitation ended on December 30, 1997, and the Debtors received a sufficient number of votes on the Plan to qualify for confirmation pursuant to 11 U.S.C. § 1129.

12. On January 7, 1998 (the "Petition Date"), Holdings and Farm Fresh filed separate voluntary petitions under Chapter 11 of the United States Bankruptcy Code. On the Petition Date, the Debtors filed the Disclosure Statement and the Plan and requested the approval and confirmation thereof.

13. On February 20, 1998 (the "Confirmation Date"), this Court entered an Order approving the Disclosure Statement, confirming the Plan, approving the Asset Sale, and setting March 31, 1998, as the deadline for filing applications for final allowance of compensation and reimbursement of expenses.

14. The Plan became effective, and the Asset Sale was consummated, on March 4, 1998.

#### **BACKGROUND OF THE APPLICATION**

15. DP&R, with offices in Philadelphia, New York, Washington, D.C., Boston, Princeton, Harrisburg, Hartford, London, Brussels, and Paris, is a full-service law firm with broad experience and expertise in the fields of bankruptcy, corporate reorganization, and debtors' and creditors' rights, as well as in many other areas of practice.

16. DP&R has regularly represented the Debtors since 1988, including in particular with respect to the negotiation and documentation of the Purchase Agreement and the Plan, as well as the solicitation of votes thereon. As a result, DP&R is intimately familiar with the Debtors' business as well as their corporate backgrounds and structures.

17. On January 7, 1998, pursuant to 11 U.S.C. § 327, this Court entered an Order authorizing the Debtors to retain and employ DP&R as their co-counsel, effective immediately. A true and correct copy of the Order is attached hereto as Exhibit A and is incorporated herein by reference.

18. As discussed more fully below, during the Application Period, the Debtors, DP&R, and other of the Debtors' professionals have been confronted with a multitude of issues vital to the maintenance of the Debtors as debtors-in-possession and vital to the ultimate success of the Asset Sale and the distribution of proceeds contemplated by the Plan. Such issues have involved not only bankruptcy law, but also (without limitation) corporate, securities, finance, real estate, labor, environmental, and litigation issues.

19. Although numerous issues have been required to be addressed on an expedited basis, DP&R has endeavored to effectively manage its attorney, paralegal, clerk, and support staff time and those of its Delaware co-counsel so as not to duplicate services.

20. All services for which compensation is sought herein were rendered by DP&R to the Debtors solely in connection with their business operations and Chapter 11 cases and not on behalf of any committee, individual creditor, or other person.

21. During the period covered by this Application, DP&R has received no payment or promises for payment from any source for services rendered or to be rendered in any

capacity whatsoever in connection with these cases, and there is no agreement or understanding between DP&R and any other person, other than members of DP&R, for the sharing of compensation to be received for services rendered in these cases.

22. The Debtors did not give DP&R a retainer in connection with the commencement and prosecution of these cases.

**SUMMARY OF SERVICES RENDERED BY DP&R  
DURING THE APPLICATION PERIOD**

23. DP&R has assumed responsibility for the coordination of all activities relating to these cases, including, among other things, consulting with management on a daily basis with respect to all aspects of the Debtors' business affairs and these proceedings, and interfacing regularly with the Informal Committee, its counsel, and other professionals; the Debtors' secured lenders and their counsel; the Debtors' co-counsel, special counsel, and financial advisors; and Richfood and its counsel; as well as numerous of the Debtors' creditors, suppliers, landlords, lessors, and other business contacts and their respective professionals.

24. DP&R submits that it has performed an essential role in advancing the Debtors' reorganization efforts by assisting the Debtors in charting their course; keeping all constituencies and parties-in-interest apprised of the Debtors' progress; attempting to address the concerns of the various parties throughout these proceedings; and endeavoring to promote (to the maximum extent possible) a cooperative effort at confirmation of the Plan and consummation of the Asset Sale.

25. During the Application Period, DP&R was called upon to represent the Debtors with respect to numerous issues vital to the Debtors and these cases in meetings,

conferences, and hearings before this Court. DP&R has worked closely with the Debtors' management to stabilize and prepare the Debtors' business for the Asset Sale, to arrange for post-petition financing, to address environmental law issues, to review potential rejection claims, and to negotiate and prepare various motions, memorandums, and other pleadings with respect to various issues that arose in these cases.

26. This Application does not detail each and every correspondence, drafting session, meeting, discussion, and conference held, all research conducted, and every pleading prepared, for each of the numerous tasks performed by DP&R during the Application Period. Those matters are set forth in detail on the Exhibits attached hereto.

27. During the Application Period, DP&R spent a total 736.10 hours for professional services and 89.95 hours for paraprofessional services rendered on behalf of the Debtors. Although included on Exhibit L, 16 hours have been identified as travel time and, since they are not reimbursable under Order #27 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, they are not included in the request for compensation in this Application.

28. A schedule showing the number of hours devoted to the representation of the Debtors by each DP&R attorney and paraprofessional, the hourly rates applicable thereto,<sup>1</sup> and the total for each such professional for the period of January 7, 1998, through and including February 20, 1998, is attached hereto as Exhibit B and incorporated by reference herein.

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<sup>1</sup> The applicable hourly rates are in accordance with DP&R's ordinary and customary rates in similar matters for similar clients in effect on the date services were rendered.



29. The following are narrative descriptions, by type of work or area of law, highlighting the major areas to which DP&R has devoted substantial attention.

**DESCRIPTIONS OF SERVICES RENDERED**

**CASE ADMINISTRATION**

**Case Commencement; First Day Pleadings**

30 DP&R filed these cases and sixteen "first-day" pleadings, and coordinated service on all necessary parties-in-interest, including the Debtors' secured lenders, the Debtors' 20 largest unsecured creditors, the Informal Committee, and the United States Trustee's Office. DP&R conferred with counsel to these parties-in-interest regarding first day motions and applications. DP&R was successful in obtaining the entry of, among others, Orders for: joint administration and procedural consolidation; the retention of DP&R and several other necessary professionals; payment of pre-petition wages, salaries, and commissions, the reimbursement of pre-petition business expenses, and the payment and honoring of other pre-petition employee benefits; maintenance of bank accounts, cash management system, and continued use of existing business forms; payment of pre-petition trade claims and honoring of customer returns of pre-petition merchandise under certain terms and conditions; debtor-in-possession financing on a secured and super-priority basis, and the payment in full of all obligations outstanding under their pre-petition loan agreement; the payment of pre-petition sales and use taxes; and the method of furnishing adequate assurance to utility companies, and prohibiting utility companies from altering, refusing, or discontinuing utility services. DP&R was successful in defending and negotiating resolutions of several objections to certain of these first-day motions.

### Case Management and Monitoring/Docket Updates

31. DP&R regularly reviewed the bankruptcy dockets, analyzed and worked with the Debtors to satisfy the United States Trustee chapter 11 reporting requirements, and provided to officers of the Debtors and to other DP&R professionals on a regular basis information on all upcoming deadlines and scheduled matters. In addition, DP&R continually updated various service lists and provided such items to other professionals involved in these cases on a regular basis.

32. DP&R also researched, drafted, and submitted various motions throughout the pendency of these cases, and organized the drafting and distributing of various personal and public notices.

### Schedules and Statements of Financial Affairs

33. DP&R provided guidance to members of the Debtors' finance department in the investigation of financial information and the review of the Debtors' general ledgers and other corporate records to insure that all of the Debtors' assets and liabilities were accurately reported. In addition, DP&R drafted numerous schedules and formatted various of the Debtors' in-house financial and other reports to comply with the requirements of the Bankruptcy Code. DP&R prepared and submitted a motion extending the time to file the schedules and statements of financial affairs. With the assistance of DP&R, the Debtors' schedules and statements of financial affairs were timely prepared, filed, and distributed.

### Litigation Related Matters

34. DP&R represented the Debtors with respect to various adversarial actions during the Application Period, including negotiations and settlements of potential and filed

motions for relief from the automatic stay, reclamation claims letters, and claims pursuant to the Perishable Agricultural Commodities Act. DP&R coordinated service of all required filings to all parties-in-interest.

#### Communications with the United States Trustee

35. DP&R communicated with the Office of the United States Trustee in connection with the requirement to file operating reports, including obtaining a waiver of such reports. In addition, DP&R had discussions with the Trustee's Office in connection with insurance matters, the retention of certain professionals, and financial and operating issues.

36. Attached hereto as Exhibit C are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

#### BUSINESS OPERATIONS

37. DP&R was in daily contact with the Debtors in connection with a myriad of operating issues that arose during the course of these cases, such as (i) the scope of the first-day and subsequent orders entered by the Court; (ii) the types of transactions that were in the ordinary course of the Debtors' business; and (iii) compliance with the requirements of the Bankruptcy Code and this Court's orders.

38. In addition, DP&R provided advice and guidance to the Debtors on several corporate and securities matters, including a response to the auditors' letter, officer and director indemnification, by-laws matters, and the transfer of securities under the Securities Act of 1933. Finally, DP&R provided guidance to the Debtors in connection with press inquiries, releases,

notices, and in connection with employees regarding the filing of the Chapter 11 petitions and subsequent events in these cases.

39. DP&R attended several meetings of the Debtors' Boards of Directors and provided guidance to the Boards in connection with all Chapter 11 matters, including the obligations of the Debtors under the Bankruptcy Code and under the Plan. In addition, DP&R provided regular status reports to the Debtors' officers and directors and drafted corporate resolutions, as appropriate.

40. DP&R received numerous telephone calls from trade creditors, landlords, and other parties and has provided extensive information to such parties.

41. Attached hereto as Exhibit D are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

#### ASSET DISPOSITION

42. DP&R assisted the Debtors in every aspect concerning preparation for consummation of the Purchase Agreement and the Asset Sale. This assistance included finalizing schedules to the Purchase Agreement, coordination with counsel for Richfood, drafting a legal opinion, negotiation and finalization of remaining open issues, and preparation, drafting, and coordination of closing documents, including various corporate certificates and resolutions.

43. Attached hereto as Exhibit E are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

### EMPLOYEE BENEFITS/PENSIONS

44. DP&R counseled the Debtors regarding COBRA obligations, and extension of health coverage care by Richfood to terminated employees.

45. Attached hereto as Exhibit F are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

### FINANCING

46. DP&R had extensive meetings and conversations with the secured lenders' counsel and counsel to other interested parties and successfully received court approval of and implemented a debtor-in-possession financing facility. In addition, DP&R prepared for and attended a final hearing on DIP financing.

47. Attached hereto as Exhibit G are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

### EXECUTORY CONTRACTS AND UNEXPIRED LEASES

48. DP&R advised the Debtors regarding their obligations and strategy with respect to the assumption and rejection of executory contracts and unexpired leases to which Farm Fresh was a party. DP&R worked with the Debtors and counsel to various landlords regarding potential settlements, termination agreements, and assumption and assignment agreements. The Debtors successfully negotiated and executed several such agreements, and DP&R assisted the Debtors in avoiding potentially substantial claims for damages.

49. In addition, DP&R assisted the Debtors in distributing notices of such assumption and assignment, assumption, and rejection of executory contracts to potential parties-in-interest thereto, and assisted the Debtors in correspondence with various landlords and their counsel.

50. Attached hereto as Exhibit H are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

#### ENVIRONMENTAL

51. DP&R assisted the Debtors with environmental issues at certain stores and locations. Such representation included advice regarding any remediation obligations, consultations regarding off-site clean-up, oversight of on-going environmental investigations and risk assessment, and cooperation and consultation with various environmental consultants and state and federal agencies.

52. Attached hereto as Exhibit I are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

#### MEETINGS OF CREDITORS

53. DP&R prepared and provided guidance to the Debtors in connection with, as well as attended, the meeting of creditors, pursuant to 11 U.S.C. § 341.

54. Attached hereto as Exhibit J are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

## PLAN AND DISCLOSURE STATEMENT

55. DP&R prepared for and attended the hearing before this Court to consider approval of the Disclosure Statement, confirmation of the Plan, and approval of the Asset Sale. DP&R drafted and submitted a proposed Order, a Memorandum and an affidavit in support of confirmation, and an amended Order in accordance with this Court's subsequent findings. DP&R consistently sought, received, and coordinated input from counsel to the Informal Committee, counsel to Richfood, counsel to the secured lenders, various objectors, and other interested parties. In addition, DP&R successfully addressed the objections of several parties-in-interest.

56. Further, in consultation with various parties-in-interest, DP&R prepared a Notice of Confirmation for mass circulation, and for publication in the Wall Street Journal and in several local newspapers.

57. Attached hereto as Exhibit K are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

## TRAVEL

58. Various DP&R professionals travelled to and from various hearings before this Court. In accordance with Attachment C to Order #27 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, DP&R has not requested compensation for the portions of those travel hours which were not spent working on these cases.

59. Attached hereto as Exhibit L are detailed daily time logs describing chronologically the services in this category of work by each DP&R professional during the Application Period.

### MISCELLANEOUS

60. In addition to all of the foregoing specific and principal activities and services performed and rendered by DP&R, an examination of the record in these cases will disclose numerous additional actions taken and services performed by DP&R in aid of the administration and prosecution of these cases. DP&R's input, as required by the Debtors and the exigencies of these cases, has been constant. In sum, DP&R has been required to react to and resolve, either alone or in tandem with the Debtors and other professionals, countless issues resulting in the smooth, efficient, economical, and effective administration of these cases.

61. The Debtors have not yet had the opportunity to review the Application, and have therefore not yet approved the requested amounts.

62. DP&R believes that all the time entries itemized in the foregoing time logs attached hereto as Exhibits C-L generally comply with the requirement set forth in Attachment C to Order #27 of the Local Rules for the United States Bankruptcy Court for the District of Delaware.

### EXPENSES

63. DP&R maintains contemporaneous records of expenses and has incurred actual and necessary out-of-pocket expenses for the Application Period in the amount of \$13,741.45. The hourly rates charged by DP&R do not include the expenses of travel, telephone, and telegram services, extraordinary postage, Lexis and Westlaw legal research, duplicating, court fees, or copying of court documents at the Clerk's office. Attached hereto as Exhibit M and incorporated by reference herein are detailed descriptions of those expenses.

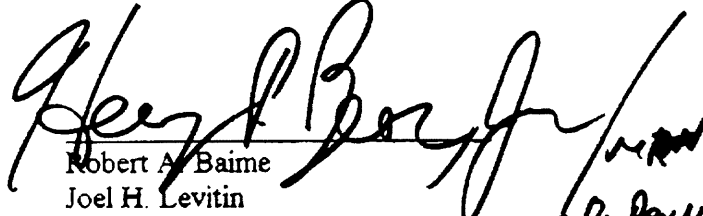


CONCLUSION

64. In accordance with the factors enumerated in 11 U.S.C. § 330(a), the amounts requested herein by DP&R are fair and reasonable given (a) the complexity of these cases; (b) the actual time expended; (c) the nature and extent of the services rendered; (d) the value of such services; and (e) the cost of comparable services other than in cases under the Bankruptcy Code.

WHEREFORE, DP&R respectfully requests (i) that it be awarded \$234,468.75 as the fair and reasonable value of its actual and necessary professional services rendered to the Debtors during the Application Period; (ii) that it be awarded \$13,741.45 as reimbursement for its actual and necessary expenses incurred during the Application Period; and (iii) that it be awarded such other and further relief as is just and proper.

Respectfully submitted,

  
Robert A. Baime  
Joel H. Levitin  
Henry P. Baer, Jr. *By Permission*

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March 31, 1998