

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
)
FIRST MERCHANTS ACCEPTANCE) Case No. 97-1500 (JJF)
CORPORATION)
)
) Jointly Administered
Debtors.)

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

Name of Applicant: KPMG Peat Marwick, LLP

Authorized to Provide
Professional Services to: First Merchants Acceptance Corporation

Period for Which
Compensation is Sought: July 11, 1997 to March 16, 1998

Amount of Fees Sought: \$ 131,284

Amount of Expense
Reimbursement Sought: \$ 1,053.19

This is an: Interim Application Final Application

A portion of the time in late March and April, 1998 expended for the preparation of this final application is not contained in the period covered by this final application. Attached are the schedules summarizes the principal services performed by professionals who have rendered more than ten hours of service. The core group of six tax professionals working on these cases constitute approximately 80% of the total fees sought.

193

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FIRST MERCHANTS ACCEPTANCE)	Case No. 97-1500 (JJF)
CORPORATION)	
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**FINAL VERIFIED APPLICATION OF KPMG PEAT
MARWICK, LLP FOR ALLOWANCE OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES**

KPMG Peat Marwick, LLP ("KPMG") hereby moves this Court for an Order awarding reasonable compensation for professional tax services rendered as Accountants to First Merchants Acceptance Corporation ("FMAC" and collectively, the "Debtors") in the amount of \$131,284 together with reimbursement for actual and necessary expenses incurred in the amount of \$1,053.19 for the period commencing July 11, 1997 through and including March 16, 1998. In support of this Application, KPMG states as follows:

Summary

KPMG served as FMAC's accountants, performing the following services:

- a) Prepared the Company's federal, various state and city income tax, income based franchise tax and intangibles tax returns for the year ended December 31, 1996;
- b) Conduct a review of securitization transactions that have taken place to date, and to assess options which may be available to the Company with regard to federal income tax reporting relative to the appropriate tax treatment for these transactions;
- c) Review all Company securitizations for 1996 and year to date 1997, and discuss transaction structures and the appropriate tax reporting requirements with management;
- d) Prepare requested supporting workpapers, research and consultation regarding tax filing procedures;
- e) Discuss or meet with creditors and shareholders or their representatives regarding tax matters beyond the normal course of tax service required for the preparation of tax returns and securitization planning as described above in a non-bankruptcy situation;
- f) Prepare billing requests to the extent they exceed the scope of a non-bankruptcy billing arrangement;

g) Consult regarding other tax planning or filing requirements outside the scope noted above.

Background

FMAC filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") on July 11, 1997 and September 9, 1997, respectively. Pursuant to §§ 1107 and 1108 of the Bankruptcy Code, the Debtors continued to operate and manage their properties, affairs and assets as debtors in possession. No trustee or examiner was sought or appointed in these cases. An official committee of unsecured creditors (the "Creditors' Committee") was appointed in the FMAC case.

Jurisdiction and Notice

This Court has jurisdiction over these cases under 28 U.S.C. § 1334 and this matter is a core proceeding under 28 U.S.C. § 157(b)(2)(A), (M) and (O). The relief requested hereunder is authorized under §§ 330 and 331 of the Bankruptcy Code, Federal Rule of Bankruptcy Procedure 2016 and this Court's Order Under §§ 105(a) and 331 of the Bankruptcy Code Establishing Procedures For Interim Compensation And Reimbursement Of Expenses For Main Professionals And Official Committee Members dated July 14, 1997 (the "Compensation Procedures Order"). Notice of this Application is being given to parties in accordance with the Compensation Procedures Order.

Interim Compensation And Disbursements Received To Date

1. During the course of these cases, KPMG has submitted invoices to the Debtors.
2. KPMG has submitted invoices for the period of July through December, 1997 and January through March 16, 1998 (the date that the confirmation order was entered). Each of the invoices contains a detailed description of the time and expenses incurred by KPMG on a particular project. True and correct copies of the invoices are attached.
3. In accordance with the Compensation Procedures Order, KPMG has already received, on an interim basis, 80% of the fees requested in the July through December, 1997 and January, 1998 invoices as well as the full payment of expenses in those invoices. KPMG expects to receive 80% of the fees requested in the February and March 1 to 16, 1998 invoices as well as 100% of the expenses reflected in such invoices.

Final Fee Application

1. By this Application, KPMG seeks an Order allowing the compensation and reimbursement of expenses detailed in the attached invoices and incurred during the period July 11, 1997 through and including March 16, 1998 (the "Period"). As noted above, the total compensation and reimbursement of expenses sought for the Period is \$131,284 and \$1,053.19, respectively.

Valuation of Services

1. KPMG accountants have expended 900 hours in connection with these cases during the Period. KPMG utilized the various tax professionals listed in the attached schedule based upon their areas of tax expertise, their prior knowledge of the Debtor's business and/or the need for additional help to meet time deadlines imposed on KPMG by the client and other parties. KPMG's efforts contributed to the Debtor's emergence from Chapter 11. This was achieved within eight months despite FMAC's complex tax and financial situation. Given the large monthly loss, which needed to be financed with DIP financing advances (and was largely eliminated upon transition of servicing expenses to UDC) and the other costs of staying in Chapter 11, there was tremendous pressure to complete each step of the emergence from Chapter 11 as quickly as possible.

2. The hourly rates and amount of time spent by each person is set forth on the schedules attached to the front of this application. No time is billed for the amount of travel time in connection with this case. In addition, certain other voluntary reductions of time and expenses were omitted from the invoices attached hereto and the schedules generated therefrom. The hours set forth on the opening chart are KPMG's normal hourly rates of compensation that it regularly charges other clients, including standard rate changes effective January 1, 1998. KPMG thus seeks an Order allowing it \$131,284 for services rendered during the period July 11, 1997 through and including March 16, 1998.

2. In accordance with the factors enumerated in 11 U.S.C. § 330, the amount of compensation requested herein is fair and reasonable given (a) the complexity of these cases; (b)

the time expended; (c) the nature and extent of the services rendered; (d) the value and sophistication of such services; and (e) the costs of comparable services in other comparable cases and matters. In accordance with the applicable local rules, no further discussion of applicable legal standards for compensation is included because it has not been specifically requested.

Disbursements

1. KPMG also incurred actual and necessary expenses in the amount of \$1,053.19 during the Period. Also, attached hereto is a schedule that itemizes such expenses by date.

Conclusion

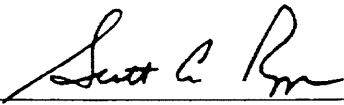
WHEREFORE, KPMG respectfully requests that this Court enter an Order granting this Application and with respect thereto:

- A. Award KPMG interim compensation of \$131,284 for necessary services rendered to the Debtors during the Period;
- B. Direct the Debtors to promptly pay the 20% fee holdback amount to KPMG in accordance with the Compensation Procedures Order;
- C. Award KPMG \$1,053.19 for reimbursement of actual necessary costs and expenses during that Period; and
- D. Grant such other relief as this Court may deem just and proper.

D. Grant such other relief as this Court may deem just and proper.

Respectfully submitted.

KPMG PEAT MARWICK, LLP

By: 

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303 East Wacker Drive
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Dated: April 29, 1998