

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

|                            |   |                       |
|----------------------------|---|-----------------------|
| IN RE:                     | ) | Chapter 11            |
|                            | ) |                       |
| FIRST MERCHANTS ACCEPTANCE | ) | Case No. 97-1500(JJF) |
| CORPORATION                | ) |                       |
|                            | ) |                       |
| Debtor                     | ) |                       |

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

Name of Applicant: Price Waterhouse LLP

Authorized to Provide Professional Services to: Official Committee of Unsecured Creditors; First Merchants Acceptance Corporation

Date of Order Authorizing Employment: September 23, 1997 nunc pro tunc August 7, 1997

Period for Which Compensation is sought: November 1, 1997 through January 31, 1998

Amount of Fees sought: \$ 20,793

Amount of Expense \$ 527

This is an: Interim Application        Final Application   X  

The total time expended for the preparation of all fee applications was approximately 31.7 hours and the corresponding compensation requested is approximately \$3,865.

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</u> |                 | <u>Approved</u> |                 |
|-------------------|-----------------------------------|------------------|-----------------|-----------------|-----------------|
|                   |                                   | <u>Fees</u>      | <u>Expenses</u> | <u>Fees</u>     | <u>Expenses</u> |
| 11/25/97          | August 7 through October 31, 1997 | \$207,734        | \$10,447        |                 |                 |

*total \$ 228,527 \$ 10,974*

*782*

**INDEX**

**First Merchants Acceptance Corporation  
November 1, 1997 through January 31, 1998**

| <b><u>Name of Professional Person</u></b> | <b><u>Position with the Applicant and Number of Years in that Position</u></b> | <b><u>Hourly Billing Rate (Including Changes)</u></b> | <b><u>Total Billed Hours</u></b> | <b><u>Total Compensation</u></b> |
|---|--|---|----------------------------------|----------------------------------|
| Roy, S.                                   | Director (3 years)   | \$340.00  | 20.0                             | 6,800                            |
| Turnbull, A.                              | Manager (1 year)   | \$240.00  | 44.5                             | 10,680                           |
| MacDonald, M.                             | Senior Consultant (3 years)  | \$200.00  | 8.2                              | 1,640                            |
| Mackin, M.                                | Paraprofessional   | \$70.00   | <u>23.9</u>                      | <u>1,673</u>                     |
|   | <b>TOTAL</b>   |   | <b><u>96.6</u></b>               | <b><u>\$20,793</u></b>           |

**TOTAL HOURS:** 96.6

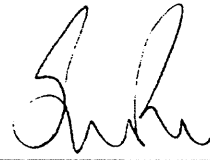
**TOTAL FEES:** \$20,793

**BLENDED RATE:** \$215

Dated: March 17, 1998

Price Waterhouse LLP

By:



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Sudhin N. Roy  
200 East Randolph Drive  
Suite 7600  
Chicago, Illinois 60601

FINANCIAL ADVISORS FOR  
THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

|   |   |                              |
|---|---|------------------------------|
| <b>IN RE:</b>                                     | ) | <b>Chapter 11</b>            |
|   | ) |                              |
| <b>FIRST MERCHANTS ACCEPTANCE<br/>CORPORATION</b> | ) | <b>Case No. 97-1500(JJF)</b> |
|   | ) |                              |
| <b>Debtor</b>                                     | ) |                              |
|   | ) |                              |

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**SECOND APPLICATION OF FINANCIAL ADVISORS FOR  
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF  
EXPENSES**

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**TO THE HONORABLE JOSEPH J. FARNAN, JR.  
UNITED STATES DISTRICT JUDGE**

PRICE WATERHOUSE LLP (the "Applicant"), Financial Advisors for the Official Committee of Unsecured Creditors of First Merchants Acceptance Corporation (the "Committee"), files this Application for Allowance of Compensation and Reimbursement of Expenses (the "Application") for the period November 1, 1997 through January 31, 1998, and respectfully represents as follows:

**A. BACKGROUND**

1. The Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on July 11, 1997 (the "Petition Date").
2. The Debtor is a Delaware corporation that maintains its corporate headquarters at 570 Lake Cook Road, Suite 126, Deerfield, Illinois.
3. The Debtor's common stock is publicly held. Approximately 6,436,519 shares of common stock are outstanding and held by approximately 90 shareholders of record.
4. Pursuant to Bankruptcy Code §§ 1107 and 1108, the Debtor is continuing to

operate and manage its properties, affairs and assets as a debtor in possession.

5. No trustee or examiner has been sought or appointed in the case. A creditors committee was appointed by the United States Trustee's office on July 28, 1997 and has retained counsel.

#### **B. FEE APPLICATION**

6. On September 23, 1997, this Court entered its Order approving the Committee's application to retain the Applicant (the "Employment Order"). A copy of said Order is attached hereto as Exhibit 1 and is incorporated herein by reference.

7. The Applicant requests approval of and compensation for professional services rendered by the Applicant on behalf of the Committee in the Debtor's case listed above and for reimbursement of expenses incurred and paid for the account of the Debtor during the period of November 1, 1997 through January 31, 1998 (the "Application Period"). During the Application Period, the Applicant expended a total of 96.6 hours of time in the discharge of the duties of this firm as financial advisors for the Committee.

8. The Applicant will show that the services rendered to the Committee during the above-described period of time have a value of \$ 20,793 said amount based upon the usual and customary charges by the Applicant for services of a similar nature performed for other clients of this firm.

9. The Applicant believes that the fees applied for herein for professional services rendered in performing work for the Committee in this proceeding are fair and reasonable in view of the time spent, the extent of the work performed, the novelty of the question and the results obtained. Applicant has attached to this Application, a complete accounting of the time expended by all professionals who worked on this matter during the Application Period.

a. THE TIME AND LABOR REQUIRED - The Applicant has expended

approximately 96.6 total hours in the rendition of professional services on behalf of the Committee during the Application period resulting in total fees incurred in the amount of \$ 20,793. The Applicant has also incurred actual and necessary expenses for this Application Period in the amount of \$ 527. The time and hourly billing rate of each professional performing services on behalf of the Committee is included in this Application as Exhibit 2 and incorporated herein by reference.

The Applicant has carefully reviewed all of its time records and has elected to make certain voluntary reductions to the fees and expenses it is requesting for what is considered de minimis amounts. The time summarized in Exhibit 2 reflects all time incurred which is being sought for compensation in performing professional services on behalf of the Committee. The reductions noted above are not included in the detailed time summary and represent the Applicant's best effort to ensure that the Applicant's fee represents appropriate value to the estate for services rendered on behalf of the Committee.

These voluntary reductions are in addition to adjustments that result from application of the Applicant's firm-wide policy, which requires professional personnel to exercise reasonable billing judgment on a daily basis. Chargeable hours are recorded on a daily basis, at which time professional staff members make informed judgments as to the quality and productivity of time spent on the engagement. In this regard, non-productive time has not been billed to the Debtor's estate. The exercise of reasonable billing judgment, at the professional staff level, effectively considers the quality of time charged to the estate and generally negates the necessity for further adjustments at the time of the billings.

As a result of the Applicant's billing system and the procedures described above,

the amount of services not billed to the estate, with the exception of the voluntary reductions detailed previously, cannot be quantified; however, the Applicant believes that such time could be significant.

b. THE NOVELTY AND DIFFICULTY OF QUESTIONS PRESENTED -

The case involved complexities and difficulties in assisting the Committee in the fulfillment of its duties and obligations to all unsecured creditors of the estate. In order to assist the Committee in ensuring that the highest return will ultimately be realized, the Applicant was called upon (i) to assist in evaluating the preliminary bids for the Debtor's estate, (ii) to evaluate the proposed Debtor-in-Possession financing, (iii) to analyze the Debtor's operations, (iv) to offer expert advice to the Committee.

c. THE SKILL REQUISITE TO PERFORM THE ACCOUNTING AND FINANCIAL ADVISORY SERVICES PROPERLY -

The services provided by the Applicant are extremely specialized and would be difficult for most other professionals to provide within the economies of this case. The professionals who have worked on this case have demonstrated the skill, in their respective fields, required to provide the services necessary to assist the Committee in its duties.

d. THE CUSTOMARY FEES -

The fees applied for herein are based on hourly rates that reflect the usual and customary fees charged to clients of the Applicant. The hourly fees charged to clients are dependent upon the experience of the individuals assigned to the engagement. The fees requested herein are the Applicant's standard rates and are not in excess of those charged to the Applicant's non-bankruptcy clients. Upon the Applicant's knowledge and belief, the rates sought for approval herein are commensurate with the usual and customary rates charged for services performed by accountants and financial advisors in bankruptcy cases of this nature.

e. WHETHER FEE IS FIXED OR CONTINGENT - The Applicant's fees for performing services on behalf of the Committee in this case are fixed at the Applicant's standard hourly rates and are not contingent upon results achieved. However, the Applicant's fees are subject to this Court's approval.

f. TIME LIMITATIONS - During the time period covered herein, the Applicant was under extreme time constraints, having to quickly evaluate offers to purchase/reorganize the Debtor, provide analysis to the Committee on the quality of the Debtor's operation, review settlement offers made by the Debtor and calculate recoveries under various scenarios.

g. THE AMOUNT INVOLVED AND RESULTS OBTAINED - The Applicant believes that its services have provided substantial value to the estate at a cost commensurate with other professionals. As a result of the Applicant's efforts, the Committee has been able to maximize the recovery to unsecured creditors through analysis and negotiations with investors and buyers. This work has resulted in better and higher bids being obtained thus yielding higher recoveries to unsecured creditors.

h. SERVICES PROVIDED -

- The Applicant spent considerable time responding to inquiries by committee members and counsel relating to the Debtor's liquidity, operations and reorganization/sale strategies.
- The Applicant conducted updated valuation analysis and projected recoveries to creditors.

i. THE EXPERIENCE, REPUTATION AND ABILITY OF PROFESSIONALS - The Committee selected the Price Waterhouse Corporate Recovery Practice Central Region Group due to the experience and expertise of its professionals in



rendering services in Chapter 11 cases.

j. THE NATURE AND LENGTH OF THE PROFESSIONAL RELATIONSHIP WITH THE CLIENT - Prior to commencement of the case, the Applicant to the best of its knowledge has rendered no prior services to the unsecured creditors of the Debtor's estate.

k. THE AWARDS IN SIMILAR CASES - As noted above, the fees applied for herein are based on hourly rates that reflect the usual and customary fees charged to clients of the Applicant. Upon the Applicant's knowledge and belief, the rates sought for approval herein are commensurate with the usual and customary rates charged for services performed by financial advisors in bankruptcy cases of this size and nature.

l. THE POLICY OF THE BANKRUPTCY CODE THAT ESTATES BE ADMINISTERED AS EFFICIENTLY AS POSSIBLE - Certain services in this case were rendered by associates and other personnel, in accordance with the policy of the Applicant to assign work, whenever possible, to those persons who have the degree of experience and specialization to perform efficiently and properly the services required.

### **C. EXPENSES**

10. The Applicant has incurred and paid reasonable and necessary expenses for the account of the estate on behalf of the Committee during the Application Period in the total amount of \$ 527. Applicant has made every effort to minimize its disbursements in these cases. The expenses incurred in the rendering of professional services were necessary, reasonable and justified under the circumstances to serve the needs of the Committee.

A summary of expenditures incurred by professional staff is included as Exhibit 3, attached hereto and incorporated herein by reference. A summary of other out-of-pocket

expenditures is also included as a part of Exhibit 3.

11. No agreement or understanding exists between the Applicant and any other person for the sharing or division of compensation to be received by the Applicant for services rendered in or in connection with this case. The Applicant has not shared in the compensation of any other person in connection with this case.

12. The total request for fees in the Application, covering the time period from November 1, 1997 through January 31, 1998 in the amount of \$ 20,793 plus expenses in a total amount of \$ 527.

13. Taking into consideration the skill and experience of the Applicant, benefits to the estate, complexity of the assignment, time expended and voluntary reductions, the Applicant believes that a fair and reasonable compensation for the services rendered and expenses incurred to be \$ 21,320, comprising professional fees of \$ 20,793 and reasonable and necessary expenses of \$ 527.

WHEREFORE, the Applicant respectfully requests that this Court enter the proposed Order annexed as Exhibit 7 allowing its reasonable compensation for professional services rendered herein as financial advisors for the Committee for the amounts requested and that the Applicant be allowed such other relief as this Court deems just and proper.

DATED: March 17, 1998

Respectfully submitted,  
PRICE WATERHOUSE LLP

By: 

\_\_\_\_\_  
SUDHIN N. ROY  
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(312) 540 -1500

FINANCIAL ADVISORS FOR THE OFFICIAL  
COMMITTEE OF UNSECURED CREDITORS