

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

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

Name of Applicant: Sonnenschein Nath & Rosenthal

Authorized to Provide Professional Services to: First Merchants Acceptance Corporation and First Merchants Residential Credit Corporation

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

Amount of Fees Sought: \$822,059.00

Amount of Expense Reimbursement Sought: \$ 72,239.57

This is an: Interim Application ___ Final Application x

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. Time spent with respect to monthly invoices which are exhibits to and the basis of this final fee application is contained in matter 0040, described further in the text which follows. Since the commencement of these cases, Sonnenschein has submitted monthly invoices to the Debtors and been paid 80% of fees and 100% of expenses in accordance with 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.

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Below are two charts. In accordance with local rules, the first chart identifies all professionals who have rendered services to the estates, their practice group, position and years with the firm¹, their billing rates² and the number of hours each such professional has worked during the application period. The core group of eight lawyers working on these cases constitute approximately 81% of the total fees sought. The second chart briefly summarizes the principal services performed by professionals who have rendered more than ten hours of service. Both charts are sorted by total hours billed.

Name	Department	Position & Years with Applicant	Hourly Rate	Total Hours	Total Fees
Robert Richards	Bankruptcy	Partner/9 yrs.	\$250/ \$275	854.8	\$220,837.50
David Goldstein	Corporate/ Securitized	Associate/ 2 yrs.	\$193/ \$225	338.3	\$69,679.10
Timothy Metzger	Corporate/ Securities	Associate/ 4 yrs.	\$206/ \$231	320.7	\$71,376.70
Ruth Rosen	Bankruptcy	Paralegal/ 1 1/2 yrs.	\$111/ \$114	304.3	\$34,215.00
Marc Teitelbaum	Tax	Partner/1 yr.	\$355/ \$370	204.5	\$73,404.50
Mitchell Hollins	Corporate/ Securities	Partner/26 yrs.	\$340/ \$375	204.4	\$72,383.50
Michael Bamberger	Corporate/ Securitized	Partner/10 yrs.	\$410/ \$420	190.4	\$78,617.00
Paul Housey	Tax	Associate/ 6 mos.	\$240/ \$268	189.5	\$47,372.80
Thomas Labuda	Bankruptcy	Associate/ 4 yrs.	\$188/ \$212	87.9	\$16,940.40
Lucinda Lohman-Oota	Corporate	Associate/ 1 yr.	\$193/ \$225	81.6	\$15,892.80
Kenneth Hoch	Litigation	Partner/26 yrs.	\$295/ \$305	67.5	\$20,006.50
Jonathan Taft	Bankruptcy	Associate/ 5 yrs.	\$224/ \$242	57.7	\$13,212.80
David Staker	Corporate/ Securities	Associate/ 3 yrs.	\$134	44.9	\$6,016.60

¹ Some of the professionals have experience with other firms prior to joining Sonnenschein. This chart only reflects the numbers of years they have been with Sonnenschein.

² Billing rates were increased as of January 1, 1998. Two rates are given only for those professionals who worked on FMAC matters in both years.

Thomas Stephens	Tax	Partner/10 yrs.	\$310/ \$330	40.7	\$12,625.00
Kevin Mruk	Bankruptcy	Associate/ 2 yr.	\$170/ \$194	30.8	\$5,341.60
Gary Papilsky	Corporate/ Securities	Associate/ 2 yr.	\$147/ \$199	29.3	\$5,623.70
John Collen	Bankruptcy	Partner/9 yrs.	\$320	28.0	\$8,960.00
Fruman Jacobson	Bankruptcy	Partner/24 yrs.	\$380/ \$390	26.8	\$10,211.00
Goran Rajsic	Corporate	Associate/ 2 yrs.	\$175	23.8	\$4,165.00
Kathryn Ingraham	Corporate	Associate/ 1 yr.	\$175	20.5	\$3,587.50
Amy Fisher	Corporate	Partner/8 yrs.	\$350	17.1	\$5,985.00
Elizabeth Hocking	Tax	Associate/ 6 mos.	\$124	16.5	\$2,046.00
Maria DeLoughry	Corporate	Associate/ 4 yrs.	\$240	15.4	\$3,696.00
William Lee	Employee Benefits	Associate/ 6 mos.	\$231	13.2	\$3,049.20
Louis Keiler	Hart-Scott-Rodino Act	Partner/23 yrs.	\$250	11.1	\$2,775.00
Christine Morong	Library	Research/3 1/2 yrs.	\$95	8.8	\$836.00
Dennis Newman	Corporate/ Securities	Partner/25 yrs.	\$315	5.8	\$1,827.00
Roger Brice	Labor	Partner/9 yrs.	\$310	5.8	\$1,798.00
Harold Hirshman	Litigation	Partner/29 yrs.	\$370	5.7	\$2,109.00
Mark Hanover	Litigation	Associate/ 4 yrs.	\$206	5.3	\$1,091.80
Dean Newton	Corporate	Associate/ 9 mos.	\$117	5.3	\$620.10
Leon Hirth	Corporate	Associate/ 1 yr.	\$147	5.0	\$735.00
Pamela Baker	Employee Benefits	Partner/17 yrs.	\$320/ \$355	4.2	\$1,484.00
Michael Gould	Bankruptcy	Associate/ 1 yr.	\$153	3.7	\$566.10
Suzanne Smith	Litigation	Paralegal/ 2 yrs.	\$88	2.7	\$237.60

Demetra Nicozisin	Corporate	Paralegal/ 3 yrs.	\$111	2.2	\$244.20
Jonathan Griffiths	Corporate	Associate/ 3 yrs.	\$284/ \$293	2.1	\$600.90
Victoria Gilbert	Corporate/ Lending	Partner/6 yrs.	\$250	1.3	\$325.00
Geoffrey Bent	Library	Research/1 6 yrs.	\$70	1.3	\$91.00
Mark Dosier	Corporate	Associate/ 7 yrs.	\$235	1.2	\$282.00
Alan Posner	Litigation	Partner/10 yrs.	\$295	0.9	\$265.50
Phyllis Ewer	Employee Benefits	Partner/16 yrs.	\$270	0.9	\$243.00
Andrew Weil	Corporate	Partner/10 yrs.	\$275	0.8	\$220.00
Sheldon Fink	Tax	Partner/38 yrs.	\$390	0.5	\$195.00
Connie Wilson	Corporate/ Securities	Paralegal/ 1 yr.	\$80	0.5	\$40.00
Colin Harvey	Litigation	Associate/ 5 mos.	\$293	0.5	\$146.50
Susan Benton-Powers	Employment/ Labor	Partner/9 yrs.	\$255	0.2	\$51.00
Jacques Meguire	Corporate/ Securities	Partner/10 yrs.	\$300	0.1	\$30.00

Grand Total Compensation \$822,059.00
Blended Rate \$250.28

Name	Services Rendered
Robert Richards	Work on asset sales, exit structuring issues; participate in board meetings; prepare disclosure statement; work on lease and contract issues; address numerous inquiries from client, Committee, creditors, stockholders and other parties; obtain \$7.5 million of tax refunds; general client contact at Sonnenschein.
David Goldstein	Analyze securitization, servicing and other FSA related issues; corporate review of draft sale, servicing amendment and other documents; draft certain related documents and opinions.
Timothy Metzger	Research SEC issues; prepare SEC filings and respond to SEC information request; lead attorney on new indenture related filings.
Ruth Rosen	Paraprofessional work with respect to the cases, including creditor inquiries, information requests, billing and pleadings files.
Marc Teitelbaum	Primary analysis re: all tax issues, including sale and plan structuring issues; work on tax section of disclosure statement; work on obtaining tax refunds from IRS.
Mitchell Hollins	Main client contact on SEC and corporate governance issues.
Michael Bamberger	Advice on securitization and FSA related matters; partner negotiating and reviewing implementing documents for owned loan sale and securitization amendments; review securitization related portions of plan and disclosure statement.
Paul Housey	Research re: tax issues; assist M. Teitelbaum on drafting tax section of disclosure statement.
Thomas Labuda	Research, including state lien law topics; work on various pleadings including Sonnenschein retention application and employee retention; work on employee release form.
Lucinda Lohman-Oota	Review of securitization documents/service fee provisions.
Kenneth Hoch	Work on response to FBI investigation.
Jonathan Taft	Class Proof of Claim research; bond indenture/Section 1145 research.
David Staker	Qualification of trust indenture and registration of notes; prepare Form T-3 to qualify indenture.
Thomas Stephens	Research and analysis re: tax issues, including preferred stock option; assist with review of term sheet/proposed transaction structure.
Kevin Mruk	Work on employee retention program; research.

Gary Papilsky	SEC no-action research and draft letter; review securitization documents; review Greenwich working capital facility re: open issues.
John Collen	Preparation for early case hearing.
Fruman Jacobson	Advice on strategic aspects of sale process and other issues.
Goran Rajsic	Research securities issues, SEC no-action letters, releases and related requirements.
Kathryn Ingraham	Research document retention requirements of consumer loan applications under state and federal laws.
Amy Fisher	Review and comment on DIP financing terms, documents, credit agreements and FSA documents, in light of extensive pre-bankruptcy work on all aspects of credit and financing documents and issues.
Elizabeth Hocking	Tax research.
Maria DeLoughry	Review dealership agreements; research rescission of contracts for abandonment motion.
William Lee	COBRA research.
Louis Keiler	Hart-Scott-Rodino issues in connection with owned loan sale.

Dated: April 29, 1998

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FIRST MERCHANTS ACCEPTANCE) Case No. 97-1500 (JJF)
CORPORATION and FIRST)
MERCHANTS RESIDENTIAL CREDIT)
CORPORATION,)
) Jointly Administered
Debtors.)

**FINAL VERIFIED APPLICATION OF SONNENSCHN
NATH & ROSENTHAL FOR INTERIM ALLOWANCE
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Sonnenschein Nath & Rosenthal ("Sonnenschein") hereby moves this Court for an Order awarding reasonable compensation for professional legal services rendered as special counsel to First Merchants Acceptance Corporation ("FMAC") and First Merchants Residential Credit Corporation ("FMRCC" and collectively with FMAC, the "Debtors")³ in the amount of \$822,059.00 together with reimbursement for actual and necessary expenses incurred in the amount of \$72,239.57 for the period commencing July 11, 1997 through and including March 16, 1998. In support of this Application, Sonnenschein states as follows:

³ Sonnenschein's Section 327(e) retention application in the FMAC case was filed on August 29, 1997 and an order granting nunc pro tunc retention to the filing of FMAC's petition on July 11, 1997 was entered. Sonnenschein's Section 327(e) retention application in the FMRCC case was filed on October 6, 1997 and an order granting nunc pro tunc retention to the filing of FMRCC's petition on September 9, 1997 was also entered.

Summary

Sonnenschein served as FMAC's counsel pre-petition, including in connection with eight securitizations of its loan portfolios, which constitute FMAC's largest asset; all of its SEC filings; its various secured loan facilities and DIP loan facility; and responding to the financial irregularities discovered in April, 1997. The restructuring of these relationships in addition to structuring and documenting a business deal with complex securitization, SEC, tax and corporate issues was at the heart of the exit from these cases. Sonnenschein played a key role in FMAC's multiparty negotiations with the Creditors' Committee; Ugly Duckling Corporation ("UDC") as holder of the largest secured debt position, proposed successor servicer as well as DIP and exit financier; Financial Security Assurance, Inc. ("FSA") as the party providing credit support for the securitizations; the trustees in the securitizations; Greenwich Capital as secured creditor; class counsel in the pending class action; and other parties who were involved in the negotiation of the complex sale of the owned loans on December 15, 1997 and/or the debt restructuring and servicing transition reflected in the confirmed plan and the exhibits thereto. Sonnenschein's background and expertise also were important in responding to the information needs of the Creditors' Committee, various potential purchasers of the business and in folding the correct legal assumptions into the creditor recovery model attached as Exhibit III to the disclosure statement.

Sonnenschein coordinated carefully with Young Conaway Stargatt & Taylor ("Young Conaway") to promptly and efficiently deliver the

services requested and needed by the estate with minimal overlap. Sonnenschein concentrated on areas where its background regarding the Debtors and/or special securities, securitization and tax expertise were necessary as well as Chicago area meetings. Young Conaway concentrated on the general administration of the case and conducted courtroom hearings. A number of matters, such as DIP financing, the class action litigation and board matters, were ones in which Sonnenschein was heavily involved at the time of FMAC's filing.

Sonnenschein assisted FMAC with SEC filings and press releases under the 1934 Act and with analysis of SEC issues arising from various sale/plan proposals. Sonnenschein also advised FMAC on various ERISA, labor, document retention, Hart-Scott-Rodino and corporate governance issues arising during the Chapter 11 cases.

Background

1. FMAC and FMRCC 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.

2. 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

3. 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).

4. 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").

5. Notice of this Application is being given to parties in accordance with the Compensation Procedures Order.

Interim Compensation And Disbursements Received To Date

6. During the course of these cases, Sonnenschein has submitted invoices to the Debtors on a monthly basis with copies to the other parties set forth in the Compensation Procedures Order (the "Billing Statements").

7. Sonnenschein has submitted Billing Statements for July through December, 1997 and January through March 16, 1998 (the date that the confirmation order was entered). Each of the Billing Statements contains a detailed description of the time and expenses incurred by Sonnenschein during that particular month. True and correct copies of the Billing Statements are attached hereto as Exhibit A.

8. In accordance with the Compensation Procedures Order, Sonnenschein has already received, on an interim basis, 80% of the

fees requested in the July through December, 1997 and January, 1998 Billing Statements as well as the full payment of expenses in those Billing Statements. Sonnenschein expects to receive 80% of the fees requested in the February and March 1 to 16, 1998 Billing Statements as well as 100% of the expenses in such Billing Statements shortly.

Final Fee Application

9. By this Application, Sonnenschein seeks an Order allowing the compensation and reimbursement of expenses detailed in the attached Billing Statements 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 \$822,059.00 and \$72,239.57, respectively. Credit will be given for payments received under the Interim Compensation Procedures Order.

Summary of Services

10. Sonnenschein has advised the Debtors with respect to legal matters in connection with transactional and other aspects of these proceedings. A detailed description of Sonnenschein's services is included in the attached Billing Statements. As noted therein, Sonnenschein categorizes its time into 16 matters and a summary of time by matter is summarized below. The following is a summary of the major tasks and accomplishments relating to each of the matters to which time was billed during the Period:

DIP Financing/Cash Collateral: After the FMAC filing, Sonnenschein continued to negotiate the terms and documentation for the Debtor-in-Possession Financing Facility from UDC and amendments thereto, including the critical increases in loan availability from \$10 million to \$21.5

million. Sonnenschein also responded to alternative DIP financing proposals offered by the pre-petition Bank Group and Cerebrus Partners. These financing orders also involved cash collateral arrangements for FMAC's three pre-petition secured lenders. The UDC DIP facility was critical to the Debtors' ability to market themselves as going concerns and avoid an immediate liquidation which would have severely harmed creditors, employees and other stakeholders. The DIP facility ripened into FMAC's post-confirmation exit financing facility, allowing the FMAC estate the immediate liquidity necessary to be able to make administrative expense, priority claim and convenience class payments prior to its receiving the B Piece cash flows which begin in late 1999 or 2000.

Sonnenschein seeks compensation of \$55,024.30 for this matter.

Asset Sales: Sonnenschein played a critical role in the sale of FMRCC's assets to Coast Financial Partners, L.L.C., for a cash price of \$200,000 plus assumption of certain contracts and liabilities. Sonnenschein assisted in the legal review of the marketing materials for FMRCC and FMAC and negotiation of the confidentiality agreements with various potential bidders.

Sonnenschein played a critical role in negotiating the terms and documentation for UDC's credit bid for approximately \$90 million of owned loans and related transition of servicing of those loans. This matter also includes time spent on the sale of the servicing platform to UDC as part of the overall plan and related amendments to myriads of servicing related documents to effectuate the transition of servicing on the securitized loans (over \$350 million in principal amount) to UDC. The documentation for each of the eight securitized deals was different, thus requiring additional work to assure that all issues for each set of documents were properly identified and the amendments properly addressed such issues in the context of that particular securitization.

Sonnenschein seeks compensation of \$161,544.70 for this matter.

Plan and Disclosure Statement: Sonnenschein assisted in the formulation and evaluation of at least four possible exit proposals and variations thereon, in which corporate, securities, securitization and tax issues played a major role and where detailed knowledge of the Debtors and their assets and liabilities has been of critical importance. Sonnenschein worked closely with the Debtors, UDC, the Committee, FSA and other parties in interest regarding the negotiation and preparation of definitive implementing documents, as well as assisted in the preparation, negotiation and confirmation of a consensual plan and disclosure statement supported by all major constituencies in these cases and resolving the objections filed thereto.

Sonnenschein seeks compensation of \$140,219.20 for this matter. No compensation is sought for drafting time on the plan.

Tax Matters: Sonnenschein worked with the Debtors on an analysis of their current and going forward tax situations, which were complex due to the creation of two new subsidiaries in 1996 and adjustments to FMAC's 1996 financial statements arising from the financial irregularities reported in April, 1997. The various plan structures had millions of dollars of tax implications for FMAC and its creditors. In particular, serious tax counselling was needed to structure the preservation of the over \$50 million of net operating loss carryforwards to maximize creditor recoveries. Sonnenschein also helped obtain and administer pre-confirmation claims and equity trading procedures to avoid pre-confirmation actions which could have severely reduced net operating loss availability.

Sonnenschein seeks compensation of \$156,164.00 for this matter.

Committee Formation, Meetings and Teleconferences: Sonnenschein had extensive communications and negotiations with the Creditors' Committee in the FMAC case, including a face to face meeting. Sonnenschein shared its analyses of various issues in the cases with the Creditors' Committee to maintain a cooperative atmosphere and minimize duplication of work by the Committee professionals.

Sonnenschein seeks compensation of \$5,954.00 for this matter.

Corporate Matters: Sonnenschein participated in numerous in-person and telephonic board meetings throughout these cases (often on a weekly basis during periods of significant developments) and advised the board on various aspects of these cases and other corporate issues including, but not limited to the following: sale and exit proposals, DIP financing, SEC issues, tax issues, management issues, operations and corporate governance. The six person pre-confirmation board of directors took an active role in these cases and requested to be fully advised in connection therewith.

This matter also includes work on SEC matters, including SEC filings during the bankruptcy and an analysis of post-confirmation SEC reporting requirements and no-action letters on the same. The SEC also raised issues regarding a need to re-register the post-confirmation debt obligations under the Trust Indenture Act of 1939. Sonnenschein took the lead in analyzing and then drafting appropriate indenture related documents to implement, thus resolving the SEC's concerns on that issue.

Sonnenschein seeks compensation of \$148,917.10 for this matter.

Leases and Contracts: Sonnenschein worked closely with the Debtors in analyzing their unexpired leases and contracts and negotiating with landlords regarding the same. In connection therewith, the Debtors promptly rejected or Sonnenschein negotiated favorable consensual terminations of real property leases which were no longer needed and thereby saved the estates significant administrative expense carrying costs and, in the case of consensual terminations, rejection damage claims and related litigation costs.

Sonnenschein seeks compensation of \$27,722.20 for this matter.

Claims and Creditor Communications: This matter includes time for services rendered in connection with creditor inquiries, procedures for the analysis and processing of certain large claims, including certain purported secured claims and abandonment of dealer contracts, including a release of \$8 million of dealer related claims against FMAC. As in most large cases, Sonnenschein received numerous creditor inquiries each day, including several calls referred from Young Conaway.

This matter also includes significant time spent in objecting to a large class proof of claim filed in the bankruptcy case by class counsel in the pending consolidated class action relating to alleged damages from certain pre-petition financial irregularities and responding to a pending FBI investigation of certain terminated officers regarding the same.

Sonnenschein seeks compensation of \$54,879.50 for this matter.

Court Appearances: Time in this matter relates to preparation for and attendance at certain hearings which Sonnenschein attended at the specific request of Debtors' management and/or Young Conaway. At these hearings Sonnenschein was available for its background regarding the Debtors or its expertise in areas such as taxes. Young Conaway has generally taken the lead on court hearings and preparation of Court pleadings relating to general administration of the cases.

Sonnenschein seeks compensation of \$10,392.30 for this matter.

Petition and Schedules: Sonnenschein, based on its detailed knowledge of the assets and liabilities and pre-petition affairs of the Debtors, reviewed and commented on the FMAC and FMRCC schedules and statements of financial affairs, which Young Conaway finalized and filed.

Sonnenschein seeks compensation of \$2,302.80 for this matter.

Professional Retention: This matter involves time spent in connection with the retention of Sonnenschein, Ernst & Young, KPMG Peat Marwick and McGladrey & Pullen, as well as reviewing retention requests for the Committee's professionals and disputes regarding renewal of the same for the Committee's financial advisors. The U.S. Trustee sought further information on the proposed accountant retentions and raised certain issues in connection therewith.

Sonnenschein seeks compensation of \$16,600.10 for this matter.

Fee Applications -- Sonnenschein: The time in this matter relates to the preparation of the attached July 1997 through March 1998 Billing Statements for fees and expenses which form a part of this final fee application. There were a large number of time and expense entries to review and process in accordance with bankruptcy standards and local rules.

Sonnenschein seeks compensation of \$21,318.60 for this matter, which is less than 2.59% of the total compensation sought in this Application.

Fee Applications -- Others: The time in this matter relates to the review of billing statements of other parties. Most of the review to date has been performed by officers of FMAC pending receipt of final fee applications.

Sonnenschein seeks compensation of \$25.00 for this matter.

Lift Stay Matters: Time in this matter generally relates to responses to the requests of various parties for relief from the automatic stay. In particular, Sonnenschein's assistance was requested in response to a motion filed by an excess director and officer insurer that sought to lift the stay and file a declaratory judgment action to void \$5 million of coverage in litigation Sonnenschein had been handling pre-petition. This motion was denied.

Sonnenschein seeks compensation of \$1,301.40 for this matter.

Administration and Miscellaneous Pleadings: The time in this matter relates to the general responses to inquiries from the Debtors and others and review of and/or commenting on certain pleadings as requested. This matter also includes filing suggestions of bankruptcy in the pending class action suits and related matters.

Sonnenschein seeks compensation of \$19,693.80 for this matter.

Valuation of Services

11. Sonnenschein attorneys and paraprofessionals have expended a total of 3,284.50 hours in connection with these cases during the Period. Sonnenschein utilized the various professionals listed in the opening chart based upon their areas of expertise, their prior knowledge of the Debtors and/or the need for additional help to meet time deadlines imposed on Sonnenschein by the client and other parties. Sonnenschein's efforts contributed to the Debtors' swift emergence from Chapter 11. This was achieved within eight months despite FMAC's complex financial situation, the troubled nature of the subprime lending industry in general, the need to reach agreement with the numerous parties necessary to confirm and implement a consensual Chapter 11 plan and transition loan servicing for both the owned and securitized loan portfolios. 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.

12. The hourly rates and amount of time spent by each person is set forth on the chart attached to the front of this application. No time is billed for the significant amount of non-working travel time in connection with these cases. In addition, certain other voluntary reductions of time and expenses were omitted from the invoices attached hereto and the charts generated therefrom. The hours set forth on the opening chart are Sonnenschein's normal hourly rates of compensation that it

regularly charges other clients, including standard rate changes effective January 1, 1998. Sonnenschein thus seeks an Order allowing it \$822,059.00 for services rendered during the period July 11, 1997 through and including March 16, 1998.

13. 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

14. Sonnenschein also incurred actual and necessary expenses in the amount of \$72,239.57 during the Period. Attached hereto as Exhibit B is a chart that itemizes such expenses by category.

15. Sonnenschein's rate for duplication is \$.15 per page. In addition, costs incurred for secretarial overtime and computer assisted research (which were only incurred when required by the Debtors) are not included in Sonnenschein's normal hourly billing rates and, therefore, are itemized and included in Sonnenschein's disbursements.

16. As noted in the Retention Application, Sonnenschein does not charge \$1.00 per each fax page in accordance with local practice. For local out-going telecopy expenses, Sonnenschein charges \$3.25 for the first page, \$.50 per page for the next 19

pages and \$.10 per page thereafter (Sonnenschein does not charge for any in-coming faxes). Long-distance telecopy expenses are charged at the same rate except that the charge for the first page is \$3.75. The above rates are the rates Sonnenschein charges all clients and to alter this practice would be unduly burdensome and costly. In addition, Sonnenschein believes that its billing practice saves the estates money, since the undersigned counsel is aware that most of the facsimiles Sonnenschein has sent in these cases were quite lengthy. Accordingly, Sonnenschein requests that this Court authorize reimbursement of facsimile charges under its current billing practice.⁴

Conclusion

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

A. Award Sonnenschein interim compensation of \$822,059.00 for necessary services rendered to the Debtors during the Period;

B. Direct the Debtors to promptly pay the 20% fee holdback amount to Sonnenschein in accordance with the Compensation Procedures Order;

C. Award Sonnenschein \$72,239.57 for reimbursement of actual necessary costs and expenses during that Period; and

⁴ Sonnenschein has not recalculated what the facsimile charges would have been on the standard Delaware basis but could perform that exercise if requested.

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

Respectfully submitted,

SONNENSCHN NATH & ROSENTHAL

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Chicago, Illinois 60606
(312) 876-8000

Special Counsel for the Debtors

Dated: April 29, 1998

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