

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)
) Chapter 11
Focal Communications Corp., et al.,)
) Case Nos. 02-13709 (KJC)
)
Debtors.) (Jointly Administered)

**AMENDED FINAL APPLICATION OF ERNST & YOUNG LLP FOR INTERIM
2002 AUDIT AND TAX COMPENSATION AND REIMBURSEMENT OF
EXPENSES**

Name of applicant: Ernst & Young LLP

Authorized to Provide
Professional Services to: Focal Communications Corp., et al.

Date of Retention: 12/19/02 (Order Entered : 02/26/03)

Period for which compensation
and reimbursement is sought: December 19, 2003 through June 27, 2003

Amount of Compensation requested: \$940,371.00¹

Amount of Expense Reimbursement
requested: \$3,100.00

This is a(n): monthly interim final application

¹ Ernst & Young LLP continues to hold approximately \$325,000 of such retainer toward postpetition services

<u>Dated Filed</u>	<u>Period Covered</u>	<u>Requested Fees</u>	<u>Requested Expenses</u>	<u>Approved Fees</u>	<u>Approved Expenses</u>
3.26.2003	12/19/02 thru 12/31/02	\$14,353	\$208	\$11,482.40	\$208
3.26.2003	1/1/03 thru 1/31/03	\$179,788	\$1,093	\$143,830.40	\$1,093
4.11.2003	2/1/03 thru 2/28/03	\$201,503	\$768	\$161,202.40	\$768
5.28.2003	3/1/03 thru 3/28/03	\$252,617	\$756	\$202,093.60	\$756
6.17.2003	3/29/03 thru 5/2/03	\$123,407	\$33	Pending	Pending
7.31.2003	5/3/03 thru 5/30/03	\$63,245	\$93	Pending	Pending
7.31.2003	5/31/03 thru 6/27/2003	\$105,458	\$149	Pending	Pending

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2002 AUDIT AND TAX COMPENSATION AND REIMBURSEMENT OF EXPENSES**

This application (“Application”) of the accountants for Focal Communications Corporation, et al., (the “Debtors”), is made by the professional service firm of Ernst & Young LLP (the “Applicant”). In support hereof, the Applicant respectfully represents as follows:

PRELIMINARY STATEMENT

1. By this Application, Ernst & Young LLP (the “EY”) seeks final allowance of fees and expenses in the aggregate amount of \$943,471.00 for the period of December 19, 2002 through June 27, 2003; (i) allowing on final basis compensation in on a amount of \$940,371.00 in fess and expenses in the amount of \$3,100.00 approved by the Court on an interim basis pursuant to the Interim Fee Order; (ii) allowing on a final basis compensation in the amount of \$129,652.20 related to the 20% holdback; (iii) allowing on a final basis compensation in the amount of \$292,110.00 and expenses in the amount of \$275.00 not yet approved by the Court; (iv) authorizing and directing EY to collect and the Debtor to pay the Applicant the sum of \$422,037.20 herein for services rendered to the Debtor during the Application Period, in the following manner (a) authorizing EY to

apply a retainer in the approximate amount of \$325,000 to such unpaid fees and expenses and (b) authorizing and directing to Debtor to pay the remaining \$97,037.20 to the application.

BACKGROUND

2. The Company commenced this case on December 17, 2002 (the "Petition Date") by filing petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). By Order dated February 26, 2003 (the "Retention Order"), the Court authorized the Company to retain the Applicant nunc pro tunc as of December 19, 2002, as its accountants in this case. A copy of the Retention Order is attached hereto and incorporated herein for all purposes as Exhibit A. The Retention Order conditioned the Applicant's compensation on approval by this Court.

3. Pursuant to the Court's Order and pursuant to Sections 105(a) and 331 of the Bankruptcy Code, Debtors have paid EY to date \$521,433.80 as interim compensation for professional services rendered and as reimbursement for expenses. Compensation for professional services and expenses, which were previously approved without objection with regard to the 20% holdbacks in the aggregate, amount to \$292,385.00 and has not been approved by the Court and is unpaid. In addition, Interim fee application have been filed with the court and have not been approved for compensation in the amount of \$292,110.00 and expenses of \$275.00, which remain unpaid.

GUIDELINES

4. Accordingly, the Applicant submits the Application pursuant to sections 328, 330, 331, and 503(b) of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure (“the “Bankruptcy Rules”) and in accordance with the U.S. Department of Justice, Executive Office for United States Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses filed under 11 U.S.C. §330 (“the Guidelines”).

THE APPLICATION

5. EY seeks final allowance of fees and expenses in the aggregate amount of \$943,471.00 for the period of December 19, 2002 through June 27, 2003; (i) allowing on final basis compensation in on a amount of \$940,371.00 in fess and expenses in the amount of \$3,100.00 approved by the Court on an interim basis pursuant to the Interim Fee Order; (ii) allowing on a final basis compensation in the amount of \$129,652.20 related to the 20% holdback; (iii) allowing on a final basis compensation in the amount of \$292,110.00 and expenses in the amount of \$275.00 not yet approved by the Court; (iv) authorizing and directing EY to collect and the Debtor to pay the Applicant the sum of \$422,037.20 herein for services rendered to the Debtor during the Application Period, in the following manner (a) authorizing EY to apply a retainer in the approximate amount of \$325,000 to such unpaid fees and expenses and (b) authorizing and directing to Debtor to pay the remaining \$97,037.20 to the application.

6. Applicant provided audit services, which were performed by the Audit division of Ernst & Young LLP, pursuant to the engagement letter dated December 19, 2002, approved by the court. The engagement letter provides for audit services compensation at an hourly rate structure as follows:

Partner and Principals	\$475 - \$575
Senior Manager	\$350 - \$397
Manager	\$305 - \$345
Senior	\$154 - \$220
Staff	\$110 - \$152

7. Applicant provided tax services, which were performed by the Tax division of Ernst & Young LLP, pursuant to the engagement letter dated December 19, 2002, approved by the court. The engagement letter provides for tax services compensation at an hourly rate structure as follows:

Partner and Principals	\$550 - \$650
Senior Manager	\$475 - \$585
Manager	\$350 - \$475
Senior	\$215 - \$340
Staff	\$150 - \$190

The engagement letter provides that such billing rate would be adjusted annually effective July 1st.

8. Ernst & Young LLP received a pre - petition retainer in the amount of \$350,000, and approximately \$25,000 of such retainer was utilized prior to the Petition Date. Ernst & Young LLP continues to hold approximately \$325,000 of such retainer toward post - petition services. EY is authorized to hold the Retainer, and here by seeks to apply the retainer against its charges for post – petition Audit and Tax Consulting Services.

9. The following pervious filed fee applications are annexed to this Application:

<u>Dated Filed</u>	<u>Period Covered</u>	<u>Requested Fees</u>	<u>Requested Expenses</u>	<u>Approved Fees</u>	<u>Approved Expenses</u>
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10. EY requests a final award of audit and tax service fees and expenses incurred by EY as audit and tax service provider to the Debtors for the period of December 19, 2002 through June 27, 2003 (the "Application Period") as an administrative expense and request immediate payment thereof as follows: (i) allowing on final basis compensation in on a amount of \$940,371.00 in fess and expenses in the amount of \$3,100.00 approved by the Court on an interim basis pursuant to the Interim Fee Order; (ii) allowing on a final basis compensation in the amount of \$129,652.20 related to the 20% holdback; (iii) allowing on a final basis compensation in the amount of \$292,110.00 and expenses in the amount of \$275.00 not yet approved by the Court; (iv) authorizing and directing EY to collect and the Debtor to pay the Applicant the sum of \$422,037.20 herein for services rendered to the Debtor during the Application Period, in the following manner (a) authorizing EY to apply a retainer in the approximate amount of \$325,000 to such unpaid fees and expenses and (b) authorizing and directing to Debtor to pay the remaining \$97,037.20 to the application.

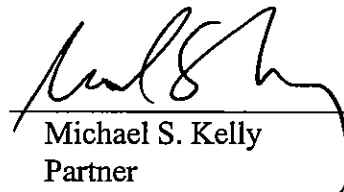
11. This request is EY's final application to the Court for compensation for services provided to the Debtors in this case. All of the audit and tax services have been performed at the request of the Debtors. No understanding exists between the EY and any other person for a sharing of the compensation sought by the Application.

WHEREFORE, EY respectfully requests the Court to enter an order (i) finally approving, allowing, and awarding EY on a final basis the sum of \$943,471.00 for Audit and Tax Consulting Services rendered during the course of EY's provision of Audit and Tax Services to the Debtors during the Application Period; (ii) authorizing EY to apply the \$325,000 Retainer against the \$943,471.00 of fees sought here in, (iii) authorizing and directing the Debtors to pay the EY the sum of \$97,037.20 representing the remaining fees and costs sought by EY herein for Audit and Tax Consulting Services rendered to the Debtors during the Application Period which remain unpaid after the application of the retainer and (iv) granting such other and further relief as the Court deems appropriate.

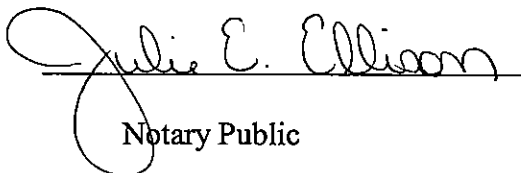
Dated: August 1, 2003

I HEREBY CERTIFY that the foregoing is true and Correct

Ernst & Young LLP
Accountants for
Focal Communications Corp., et al.,
233 South Wacker Drive
17th Floor Sears Tower
Chicago, Illinois 60606
Telephone: (312) 879-6912

BY: 
Michael S. Kelly
Partner

Subscribed and sworn before me
This 1st day of August 2003


Notary Public

