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Special Counsel for Genuity Inc., et al.,
Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:
GENUITY INC., et al.,
Debtors.

Chapter 11
Case No. 02-43558
(Jointly Administered)

**SUMMARY OF CERTIFIED APPLICATION OF KIRKLAND & ELLIS LLP
FOR ALLOWANCE AND AWARD OF ADMINISTRATIVE CLAIM FOR
COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE
FINAL PERIOD NOVEMBER 27, 2002 THROUGH DECEMBER 2, 2003**

Name of Applicant: **Kirkland & Ellis LLP**

Authorized to Provide Professional Services to: **Debtors and Debtors-in-Possession**

Date of Retention: **Retention Orders entered on June 12, 2003, *Nunc Pro Tunc* to November 27, 2002 and October 22, 2003, *Nunc Pro Tunc* to June 7, 2003.**

Period for which compensation and reimbursement is sought: **November 27, 2002 through December 2, 2003**

Amount of Compensation sought as actual, reasonable, and necessary: **\$918,685.00**

Amount of Expense Reimbursement sought as actual, reasonable, and necessary: **\$120,215.77**

This is an: ___ interim X final application.

This is the second and final fee application for interim compensation that K&E has filed with the Bankruptcy Court in these Chapter 11 Cases (as defined below).

The total fees incurred from November 27, 2002 through December 2, 2003 (the “Final Fee Period”) were **\$918,685.00**. The total expenses incurred during the Final Fee Period were **\$120,215.77**. K&E requests allowance and payment for these amounts. K&E has been paid \$604,340.50 in fees and \$29,995.93 in expenses for services in the Final Fee Period. K&E additionally requests payment for any remaining fees and expenses incurred during the Final Fee Period.

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FINAL PERIOD NOVEMBER 27, 2002 THROUGH DECEMBER 2, 2003**

Pursuant to sections 327(e) and 329 of Chapter 11 of Title 11 of the United States Code (as amended, the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and the Administrative Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code, Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals (the “Interim Compensation Order”) dated January 7, 2003, the law firm of Kirkland & Ellis LLP (“K&E”), special counsel to the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), hereby applies (the “Application”) for an order allowing K&E (a) compensation in the amount of **\$918,685.00** for the reasonable and necessary legal services K&E has rendered to the Debtors and (b) reimbursement for the actual

and necessary expenses that K&E incurred in the amount of **\$120,215.77**, in each case for the period from November 27, 2002 through December 2, 2003 (the “Final Fee Period”). The following table summarizes the fees and expenses of K&E during the Final Fee Period:

Fee Period	Fees Incurred	Expenses Incurred	Payment Made	Balance Due
11/22/02-12/31/02	\$94,925.00	\$10,736.44	\$105,661.44	\$0.00
1/1/03-1/31/03	\$3,049.50	\$5,648.94	\$8,698.44	\$0.00
2/1/03-2/28/03	\$2,953.50	\$334.74	\$3,288.24	\$0.00
3/1/03-3/31/03	\$30,766.00	\$499.10	\$31,265.10	\$0.00
4/1/03-4/30/03	\$108,556.50	\$2,839.01	\$111,395.51	\$0.00
5/1/03-5/31/03	\$176,502.50	\$7,313.20	\$183,815.70	\$0.00
6/1/03-6/30/03	\$187,587.50	\$2,624.50	\$190,212.00	\$0.00
7/1/03-7/31/03	\$72,680.00	\$16,039.21	\$0.00	\$88,719.21
8/1/03-8/31/03	\$25,051.50	\$7,146.26	\$0.00	\$32,197.76
9/1/03-9/30/03	\$60,444.50	\$9,352.28	\$0.00	\$69,796.78
10/1/03-10/31/03	\$151,062.00	\$10,180.05	\$0.00	\$161,242.05
11/1/03-12/2/03	\$5,106.50	\$47,502.04 ¹	\$0.00	\$52,608.54
Totals	\$918,685.00	\$120,215.77	\$634,336.43	\$404,564.34

In support of this Application, K&E respectfully states as follows:

Retention of and Continuing Disinterestedness of Kirkland & Ellis LLP

1. On November 27, 2002 (the “Petition Date”), the Debtors each filed a voluntary petition in this Court for reorganization relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1130, as amended (the “Bankruptcy Code”).² The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

2. By this Court’s orders dated June 12, 2003 and October 22, 2003, the Debtors were authorized to retain K&E as their counsel, effective as of November 27, 2002 and

¹ Amount includes invoices for arbitrator/witness fees incurred during the Final Fee Period that have not yet posted to K&E’s accounting system. These invoices are attached as Exhibit F.

² Pursuant to a Court Order entered on December 2, 2002, the Debtors’ Chapter 11 cases (the “Chapter 11 Cases”) were consolidated for administrative purposes only.

June 7, 2003, respectively, with regard to certain legal services (the “Retention Orders”). The Retention Orders authorize the Debtors to compensate K&E at the hourly rates that K&E charges for services of this type and to be reimbursed for actual and necessary out-of-pocket expenses that it incurred, subject to application to this Court in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, all applicable Local Rules and orders of this Court. Copies of the Retention Orders are attached hereto as Exhibit A

3. As disclosed in the Certification of Peter D. Doyle in Support of Application to Retain Kirkland & Ellis as Special Counsel for the Debtors, K&E does not hold or represent any interest adverse to the Debtors or the estates with respect to the matters on which K&E has been retained.

4. K&E in the past has represented, currently represents, and in the future likely will represent certain creditors of the Debtors and other parties-in-interest in matters unrelated to the Debtors, the Debtors’ reorganization cases, or such entities’ claims against or interests in the Debtors.

5. On December 5, 2002, the United States Trustee for the Southern District of New York (the “U.S. Trustee”) appointed an official committee of the Debtors’ unsecured creditors (the “Creditors’ Committee”) in these Chapter 11 Cases.

6. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue 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).

7. The Joint Consolidated Plan of Liquidation of the Debtors (the “Plan”) was confirmed by order of this Court on November 21, 2003. The effective date of the Plan was December 2, 2003.

**Compliance with Guidelines and Orders Governing
Applications for Compensation and Reimbursement of Expenses**

8. K&E has prepared this Application in accordance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, adopted by the Court on April 19, 1995, Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, adopted by the Court on June 10, 1991 (collectively, the “Local Guidelines”), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 adopted on January 30, 1996 (the “UST Guidelines” and, collectively with the Local Guidelines, the “Guidelines”), and the Interim Compensation Order. Pursuant to the Guidelines, a certification regarding compliance with same is attached hereto as Exhibit B.

9. Under the terms of the Interim Compensation Order, professionals must serve monthly fee statements on the persons identified in the Interim Compensation Order. If no objections to a monthly fee statement are made by the thirty-fifth (35th) day following the month for which compensation is sought, the Debtors are authorized to pay the professional 80% of requested fees and 100% of requested expenses. Professionals are also required to file approximately every 120 days but no more than every 150 days an application (“Fee Application”) with this Court for interim or final Court approval and allowance of the compensation and reimbursement of expenses requested. If the Court approves a Fee Application, the Debtors are authorized to pay the professional 100% of requested compensation and expenses less any amounts previously paid under the monthly fee statements.

Previous Quarterly Fee Applications

10. On July 31, 2003, K&E filed and served the Certified Application of Kirkland & Ellis LLP for Allowance and Award of Administrative Claim for Compensation and

Reimbursement of Expenses for the Interim Period November 27, 2002 Through June 30, 2003 (the “First Quarterly Fee Application”), requesting \$604,340.50 in fees and \$29,995.93 in expenses. On September 17, 2003, an order was entered by this Court granting the First Quarterly Fee Application. K&E has been paid \$604,340.50 of its fees and \$29,995.93 of its expenses for the First Quarterly Fee Application.

Reasonable and Necessary Services
Rendered by Kirkland & Ellis LLP – Generally

11. A schedule setting forth the number of hours expended by each of the partners, associates, and paraprofessionals of K&E who rendered services to the Debtors, their respective hourly rates, and the year of bar admission for each K&E attorney is attached hereto as Exhibit C. A schedule specifying the categories of expenses for which K&E is seeking reimbursement and the total amount for each such expense category is attached hereto as Exhibit D. Pursuant to the UST Guidelines, a schedule setting forth a description of the project categories utilized in this case and the aggregate fees and hours associated with each project category is shown hereto in paragraphs 16-22. A schedule summarizing the fees and hours associated with each project category is attached hereto as Exhibit E.

12. K&E maintains detailed records of all K&E attorneys and paraprofessionals in connection with the prosecution of the Debtors’ Chapter 11 Cases, and copies of these records, including the number of hours expended by the partners, associates, and paraprofessionals of K&E by project category and by month, are attached hereto as Exhibit F.

13. The rates approved by the Court, as described in Exhibit C, are K&E’s hourly rates for services of this type. Based on these rates and the services performed by each individual, the reasonable value of such services for the Final Fee Period is **\$918,685.00**. The K&E professionals and paraprofessionals expended a total of 2,942.90 hours in their respective

representation of the Debtors during the Final Fee Period. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, the amount of fees requested 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 of such services and (e) the costs of comparable services other than in a case under the Bankruptcy Code.

14. Further, Exhibit F (i) identifies the individuals that rendered services in each Subject Matter (as defined below) (ii) describes each activity or service that each individual performed; and (iii) states the number of hours (in increments of one-tenth of an hour) spent by each individual providing the services. Each invoice in Exhibit F corresponds to a matter number that K&E assigned to a particular Subject Matter.

**Reasonable and Necessary Services Rendered
by Kirkland & Ellis LLP -Categorized by Matter**

15. The professional services that K&E rendered during the Final Fee Period are grouped into the numbered and titled categories of the subject matters (the “Subject Matter(s)”) described in Paragraphs 16-22 herein.

16. Matter 7 – Netnico Service Agreement

(Fees: \$6,077.50; Hours: 16.50)

K&E represented the Debtors in the enforcement of a service agreement with Netnitco through negotiation and, if necessary, litigation.

17. Matter 11 – Global Crossing

(Fees: \$3,311.50; Hours: 22.40)

K&E represented the Debtors as creditors in the Global Crossing Ltd. bankruptcy proceedings pending in the United States Bankruptcy Court for the Southern District of New York.

18. Matter 13 – Capital Printing

(Fees: \$334.50; Hours: 1.70)

K&E defended the Debtors against claims brought against it by Capital Printing and is asserting counterclaims for payment of termination fees. K&E also represented Genuity in objecting to any proof of claim filed by Capital Printing.

19. Matter 18 – Nortel Networks Litigation

(Fees: \$209,857.00; Hours: 725.20)

K&E represented the Debtors regarding a breach of contract suit against Nortel Networks Inc. and Nortel Networks Corporation seeking \$14 million owed by Nortel to Genuity under a “take or pay” contract that Nortel breached.

20. Matter 19 – Qtera Corporation Arbitration

(Fees: \$392,867.50; Hours: 1,305.90)

K&E advised the Debtors regarding various commercial disputes between Genuity, Nortel, and Nortel’s subsidiary, Qtera.

21. Matter 20 – Level 3 Communications Dispute

(Fees: \$248,203.50; Hours: 673.20)

K&E represented the Debtors in arbitration and litigation proceedings regarding the purchase price adjustment of the assets of Genuity Inc. acquired by Level 3 Communications, Inc. and Level 3 Communications, LLC, and any challenges to, or appeals from, such proceedings. K&E also assisted the Debtors in seeking bankruptcy-court approval of any compromises of the purchase-price-adjustment disputes.

22. Matter 21 – Nortel Proofs of Claim

(Fees: \$58,033.50; Hours: 198.00)

K&E defended the Debtors against claims made by Nortel in its proofs of claim filed against the Debtors. Nortel's claims have as their basis six alleged contracts entered into between Genuity and Nortel. The proofs of claim (and potential counterclaim) involved the same contracts as in the Take-or-Pay and other litigation, as well as some related contracts. K&E prepared objections to those claims and asserted counterclaims against Nortel on Genuity's behalf and represented Genuity in the litigation of those claims.

Actual and Necessary Expenses

23. It is K&E's policy to charge its clients in all areas of practice for identifiable, non-overhead expenses incurred in connection with the client's case that would not have been incurred except for representation of that particular client. It is K&E's policy to charge its clients only the amount actually incurred by K&E in connection with such items. Examples of such expenses are postage, overnight mail, courier delivery, transportation, overtime expenses, computer assisted legal research, photocopying, out-going facsimile transmissions, airfare, meals, and lodging. With respect to airfare expenses, all travel, by all individuals, is billed at the coach class rate.

24. K&E charges: (a) \$0.10 - \$0.15 per page for duplication and (b) \$0.75 per page for outgoing telecopier transmissions (plus related toll charges). K&E does not charge its clients for incoming telecopier transmissions. K&E has negotiated a discounted rate for Westlaw computer assisted legal research, which is approximately \$125/hour of online use of the standard Westlaw databases. Computer assisted legal research is used whenever the researcher

determines that using Westlaw is more cost effective than using traditional (non-computer assisted legal research) techniques.

25. A summary of expenses by type, as well as a detailed itemization and description of the disbursements made by K&E on the Debtors' behalf during the Final Fee Period, is attached hereto as Exhibit D. All of these disbursements comprise the requested sum for K&E's out-of-pocket expenses, totaling **\$120,215.77**.

K&E's Representations

26. This Application is K&E's second and final interim fee application pursuant to the Interim Compensation Order, covering the period from November 27, 2002 through December 2, 2003. Although every effort has been made to include all fees and expenses from the Final Fee Period in this Application, some fees and expenses from the Final Fee Period might not be included in this Application due to delays caused by accounting and processing procedures. K&E reserves the right to make further application to the Court for allowance of fees and expenses not included herein. As to fees and expenses incurred in the Final Fee Period, but posted after December 2, 2003, K&E will file (if necessary) a supplemental fee application at a later date in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the procedures established by this Court, and the Interim Compensation Order.

27. As set forth in the certification of Peter D. Doyle, annexed hereto as Exhibit B, the compensation requested by K&E is based on the customary compensation charged by comparably skilled practitioners.

Notice

28. In accordance with the Interim Compensation Order, notice of this Application has been given to (i) the Office of the United States Trustee; (ii) counsel for the Creditors'

Committee; and (iii) all parties having filed a notice of appearance and request for notices under Rule 2002 of the Federal Rules of Bankruptcy Procedure. The Debtors submit that no further notice is necessary.

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WHEREFORE, K&E requests (i) allowance of the amount of **\$1,038,900.77**, consisting of (a) **\$918,685.00** for reasonable and necessary professional services rendered during the Final Fee Period and (b) **\$120,215.77** for actual and necessary costs and expenses incurred in the Final Fee Period; (ii) payment of **\$404,564.34** for all unpaid fees rendered during the Final Fee Period; and (iii) such other and further relief as deemed appropriate.

New York, New York
Dated: December 22, 2003

Respectfully submitted,

KIRKLAND & ELLIS LLP

/s/ Peter D. Doyle

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