

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11
HAYES LEMMERZ INTERNATIONAL, : Case No. 01-11490 (MFW)
INC., et al., :
Debtors. : Jointly Administered
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: Obj. Due: 9/8/03 at 4:00 p.m.
: Hrg. Date: 9/15/03 at 9:30 a.m.
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NOTICE OF APPLICATION BY AP SERVICES, LLC FOR ALLOWANCE
OF INCENTIVE COMPENSATION

TO: ALL PARTIES ON THE ATTACHED SERVICE LIST

PLEASE TAKE NOTICE that on August 20, 2003, AP Services, LLC ("AP Services") filed the annexed **Application by AP Services, LLC for Allowance of Incentive Compensation (the "Application")**.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Application must be made in writing, filed with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), 824 Market Street, Wilmington, Delaware 19801, and served so as to be received by the following parties no later than **September 8, 2003 at 4:00 p.m. (Eastern time)**: (i) Hayes Lemmerz

International, Inc., 15300 Centennial Drive, Northville, MI 48167, (Attn: Patrick C. Cauley, Esq.); (ii) Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, P.O. Box 636, Wilmington, Delaware 19899-0636 (Attn: Anthony W. Clark, Esq.), and Skadden, Arps, Slate, Meagher & Flom (Illinois), 333 West Wacker Drive, Chicago, Illinois 60606-1285 (Attn: J. Eric Ivester, Esq.), counsel to the Debtors; (iii) the United States Trustee, 844 King Street, Wilmington, DE 19801 (Attn: Joseph J. McMahon, Jr., Esq.); (iv) counsel for the Agent for the Debtors' prepetition Lenders and the Agent for the Debtors' postpetition debtor-in-possession Lenders, Clifford Chance Rogers & Wells LLP, 200 Park Avenue, New York, NY 10166-0153 (Attn: Margot B. Schonholtz) and Potter Anderson & Corroon LLP, Hercules Plaza, 1313 N. Market Street, P.O. Box 951, Wilmington, DE 19899-0951 (Attn: Laurie Selber Silverstein, Esq.); (v) counsel for the Official Committee of Unsecured Creditors, Akin, Gump, Strauss, Hauer & Feld, LLP, 590 Madison Avenue, New York, NY 10022 (Attn: Daniel H. Golden, Esq.); counsel for AP Services LLC, 2000 Town Center, Suite 2550, Southfield, MI 4807 (Attn: Sheldon S. Toll, Esq.), (collectively, the "Notice Parties").

PLEASE TAKE FURTHER NOTICE that, a hearing to consider the Application will be held on September 15, 2003 at 9:30 a.m. before the Honorable Mary F. Walrath, United States Bankruptcy Court Judge for the District of Delaware, in the United States Bankruptcy Court, 824 North Market Street, Sixth Floor, Wilmington, Delaware 19801. Only those objections made in writing and timely filed with the Bankruptcy Court and received by the Notice Parties will be considered by the Bankruptcy Court at such hearing.

Dated: Wilmington, Delaware
August 20, 2003

J. Eric Ivester
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM (ILLINOIS)
333 West Wacker Drive
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- and -

/s/ Michael W. Yurkewicz
Anthony W. Clark (No. 2051)
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Attorneys for Reorganized Debtors

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

In re:

**HAYES LEMMERZ INTERNATIONAL,
INC., et al.,**

Debtors.

Chapter 11 – (Jointly Administered)
Case No. 01-11490 (MFW)

**Objections due by: September 8, 2003
at 4:00 PM Eastern Time**

Hearing Date: September 15, 2003

**APPLICATION BY AP SERVICES, LLC
FOR ALLOWANCE OF INCENTIVE COMPENSATION**

AP Services, LLC (“APS”), crisis managers to the debtors and debtors-in-possession in the above referenced chapter 11 cases (collectively, the “Debtors”), makes this application for allowance of incentive compensation for professional services rendered and states:

Summary of Incentive Compensation Request

1. APS has served as crisis managers to the Debtors pursuant to an Order entered by this Court on March 20, 2002 (the “Retention Order”), a copy of which is attached hereto as Exhibit A. The Retention Order authorizes the Debtors to a) compensate APS on an hourly basis for services rendered, b) reimburse APS for actual and necessary expenses incurred, and c) provide to APS certain incentive compensation (the “Performance Fee”) to be approved by the Court at the conclusion of these cases. The terms for the payment of the Performance Fee are further described in the employment agreement (the “Employment Agreement”) entered into by APS and the Debtors on October 12, 2001. Throughout the cases, APS has been paid hourly fees and reimbursed for expenses for each monthly period as outlined in Exhibit B and has filed all quarterly fee statements

relating to these fees and expenses as outlined in the Retention Order. Under the Retention Order, APS is required to file an application with the Court in order to receive the Performance Fee from the Debtors. APS respectfully submits that it has earned the Performance Fee, based upon the criteria reflected below.

2. Under the terms of the Employment Agreement, the Debtors agreed to pay APS a Performance Fee equal to the sum of (i) 0.10% of the first \$1.0 billion of total enterprise value, and (ii) 0.20% of total enterprise value in excess of \$1.0 billion upon either (i) confirmation of a plan of reorganization, or (ii) the closing of a sale or sales of the majority of the assets of the Debtors.

3. On May 12, 2003, the Court entered an order confirming the Debtors' Modified First Amended Plan of Reorganization reflecting a total enterprise value of \$1.25 billion. Therefore, based upon the formula outlined above, APS has earned and hereby requests approval of, a Performance Fee of \$1,500,000.00.

4. Since being retained in its capacity as crisis managers, which capacity included service in interim management positions¹, on October 12, 2001, APS provided critical leadership and stability to the Debtors as a whole, and specifically to the financial organization, under difficult and uncertain business and economic conditions. Under APS' leadership, the Debtors implemented important programs and initiatives that reduced post-petition administrative expenses, reduced certain prepetition claims of the Debtors, and positioned the bankruptcy cases for a timely resolution. These initiatives

¹ Kenneth A. Hiltz, a principal with APS, served as the Debtors' Chief Financial Officer from October, 2001 until July, 2002 and served as Chief Restructuring Officer to the Debtors from October, 2001 until June, 2003. Herbert S. Cohen, a senior associate with APS, served as the Debtors' Chief Accounting Officer from October, 2001 until July, 2003. Joseph Szmazdzinski served as the Debtors' Chief Information Officer from March, 2002 through July, 2002.

include, without limitation, (i) finance and accounting controls and initiatives (including the restatement), (ii) cash management initiatives, (iii) business plan development and related reporting initiatives, (iv) case management initiatives, and (v) information technology initiatives.

5. APS professionals led a comprehensive project to strengthen the finance and accounting function of the Debtors, working closely with management to identify, prioritize and implement accounting organizational and process changes designed to improve and strengthen its internal processes and controls. As part of this initiative, APS assumed leadership of the Debtors' ongoing project to complete the restatement and related audit or review of the Debtors' consolidated financial statements for the fiscal years ending January 31, 2000 and 2001 and for the three months ended April 30, 2001, and provided leadership to the Debtors in its cooperation with investigations by both the Audit Committee of the Board of Directors, as well as the Securities and Exchange Commission ("SEC"). In connection with this project, APS also launched an initiative to bring the Debtors timely in its required financial reporting with the SEC, and to ensure that the Debtors remained compliant with required SEC reporting going forward. Under the leadership of APS professionals, the Debtors completed and filed the last of its restated financial statements with the SEC on February 19, 2002 and the last of its past due reports on April 17, 2002. All quarterly and annual reporting required by the SEC beginning with the form 10-K annual report for the fiscal year ended January 31, 2002 have been filed on time.

6. APS worked with the Debtors to develop a 13-week rolling cash forecast, used to communicate current and future cash positions to senior management, lenders, and other

professionals, as well as to demonstrate the impact of management decisions on receipts and disbursements. In the weeks prior to December 5, 2001 and immediately after the chapter 11 filing, APS worked with management to implement cash disbursement controls to preserve operating cash which enabled the Debtors to continue operating the business while the Debtors sought additional financing alternatives. As a result of these measures, the Debtors were able to prolong their need to draw on its new credit facility approximately 6 weeks longer than originally forecasted.

7. APS led the development of a comprehensive business planning process and developed the Debtors' five-year business plan. The plan was ultimately used by management and the professionals to (i) manage the business and monitor the progress of the restructuring, (ii) set expectations with outside constituents such as lenders, creditors and customers, (iii) serve as the basis for valuing the Debtors for purposes of proposing its Plan of Reorganization, and (iv) provide important information to potential lenders to support their decision to extend exit financing to the Debtors. The expected performance improvements outlined in the business plan and subsequently achieved by the Debtors enabled the Debtors to successfully obtain \$800 million of debt financing to implement its Plan of Reorganization and allowed the Debtors to emerge from chapter 11 on June 3, 2003.

8. APS worked closely with other Debtor professionals and with management of the Debtors to structure, negotiate and finalize its Plan of Reorganization. The Plan of Reorganization ultimately confirmed by the Court on May 12, 2003 was a fully consensual plan and was supported by each of the Debtors' key constituents. APS worked closely with other Debtor professionals and with the key constituents in these

cases to effectively communicate important plan provisions and to gain the support of the key plan issues from all constituents, which support was integral to the timely confirmation and subsequent emergence of the Debtors from chapter 11.

9. APS led a comprehensive case management project at the Debtors, which eased the administrative burden on the Debtors significantly and resulted in the direct reduction of both prepetition claims of the Debtors, as well as administrative expenses of the Debtors. Specifically, the work completed by APS enabled the Debtors to reduce reclamation claims by an estimated 90%, reduce administrative expenses associated with the assumption of executory contracts from a potential \$140 million to an estimated \$10 million, and reduced prepetition claims from the \$131 billion originally filed on the Debtors to an estimated \$2.13 billion.

Description of the Debtors' Business

10. On December 5, 2001, (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. §§ 101-1330 ("Bankruptcy Code"). The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors' chapter 11 cases were procedurally consolidated for administrative purposes only. The United States Trustee appointed an official committee of unsecured creditors (the "Committee") on December 17, 2001. No trustee or examiner has been appointed in these chapter 11 cases. All definitions not specifically defined herein shall have the meaning ascribed to them in the Debtors' Disclosure Statement dated December 16, 2002 and First Amended Modified Plan of Reorganization dated April 9, 2003.

11. With approximately \$2.0 billion in annual revenue, the Debtors are a leading supplier of wheels, brakes and suspension components to the global automotive and commercial highway markets with a presence in 17 countries. The Debtors' operations are conducted through their world headquarters located in Northville, Michigan, and approximately 25 facilities in North America, 20 manufacturing facilities in Europe and five manufacturing facilities in South America, Asia and South Africa.² Principal customers are leading global original equipment manufacturers ("OEMs") of vehicles including General Motors, Ford, DaimlerChrysler, BMW, Volkswagen, Nissan and Honda.

Circumstances Leading to the Engagement of APS

12. The Debtors experienced a liquidity crisis in the fall of 2001 resulting from a series of events including but not limited to (i) the consummation of a series of acquisitions made by the Debtors (the last of which was the acquisition of CMI International ("CMI") in February 1999 for approximately \$600 million), (ii) a sharp reduction in light vehicle production and heavy truck builds throughout 2001, (iii) operational difficulties at certain of its North American plants, (iv) the termination of the Debtors' accounts receivable securitization facility in May 2001, and (v) the announcement in September 2001 that the Debtors would restate certain of its previously reported financial results for the fiscal year ended January 31, 2001 and related quarterly periods, as well as for the quarterly period ended April 30, 2001. On December 13, 2001, the Debtors announced that they would also restate their previously reported financial

² With the exception of Industrias Fronterizas HLI, S.A. de C.V., none of the foreign affiliates or subsidiaries of Hayes are Debtors in these chapter 11 cases, and for the most part, such foreign entities operate on a stand alone basis.

results for the fiscal year ended January 31, 2000 and related quarterly periods (the “Restatement”).

13. After the announcement in September 2001 of the Restatement and the Debtors’ subsequent failure to timely file its form 10-Q for the fiscal quarter ended July 31, 2001, the Debtors was unable to access additional availability under the Prepetition Credit Facility. Without access to additional sources of financing, the Debtors could not generate cash sufficient to meet their debt service obligations and fund their operating needs.

14. Beginning in the fall of 2001, the Debtors began a comprehensive review of their business operations. The Debtors subsequently engaged APS to assist them in their restructuring efforts, to provide general crisis management services and to fill certain management positions in the financial organization in order to provide leadership and stability to the financial function throughout the Restatement and the restructuring process. On October 12, 2001, in connection therewith, the Debtors hired Kenneth A. Hiltz of APS as their Chief Financial Officer and Chief Restructuring Officer. The Debtors also hired Herbert S. Cohen as their Chief Accounting Officer on the same date. The Debtors later hired Joseph Szmazinski as their Chief Information Officer to provide leadership to the technology function. Mr. Szmazinski served in that capacity until a permanent successor was recruited.

Summary of APS Services Rendered in this Case

15. Throughout the restructuring process, and during the administration of the Debtors’ chapter 11 cases, APS provided numerous and valuable services to and on behalf of the Debtors. A summary of these services is described below:

Leadership

A. Kenneth A. Hiltz served as Chief Financial Officer and as Chief Restructuring Officer of Hayes Lemmerz International, Inc. and its subsidiaries, reporting to the Chairman of the Board and Chief Executive Officer. In this position, Mr. Hiltz provided leadership and guidance to the executive management team and to the Board of Directors in matters relating chapter 11 strategic planning, negotiation of plan related issues and related financial and procedural matters.

B. Herbert S. Cohen served as the Chief Accounting Officer of Hayes Lemmerz International, Inc. and its subsidiaries, reporting to the Chief Financial Officer. In this regard, Mr. Cohen provided effective daily advice and leadership to the incumbent Corporate Controller and to the entire accounting organization regarding bankruptcy and non-bankruptcy- related accounting policy and procedural issues.

C. Joseph Szmazinski served as the Chief Information Officer for the Debtors from March 2002 to June 2002 and APS professionals served in additional capacities directing technology initiatives for the Debtors throughout the pendency of the cases. Responsibilities included the day-to-day direct management of the corporate IT staff, plant technicians, data center staff and engineering support technicians.

D. APS professionals developed and implemented a comprehensive communication program for internal and external constituents. The program provided all of the constituents and their respective professionals with timely, accurate and credible information regarding the Debtors' financial condition, progress of the restructuring, and bankruptcy issues, as well as of the progress of plan negotiations. The successful communication with key constituents was a critical element to developing the consensual

plan of reorganization confirmed by the Court on May 12, 2003. Specific activities included;

- i. preparing and delivering presentations to customers and employees regarding financial, operational and restructuring initiatives, as well as the progress of the restructuring effort,
- ii. coordinating the flow of information to the Unsecured Creditors Committee and the Prepetition Lenders and to their respective professionals regarding the Debtors, the progress of restructuring initiatives and critical case issues,
- iii. assisting and advising management regarding vendor communications and relationship management issues,
- iv. meeting with lenders to the non-Debtor subsidiaries regarding chapter 11 issues,
- v. assisting in the development of a timeline for the bankruptcy reorganization activities contemplated by the Debtors and communicated with management and third party constituencies regarding critical path activities, and
- vi. providing information to the Board of Directors on a regular basis relating to the Debtors' financial results compared to plan, updates on liquidity, and the progress of the chapter 11 cases including providing an ongoing review of material issues and strategies.

E. APS professionals participated in the development, analysis and negotiation of a Critical Employee Retention Plan for the Debtors and provided testimony regarding such plan to the Bankruptcy Court.

F. APS professionals provided oversight to the critical vendor payment decision process. Specifically, APS established standards and procedures for the application of the critical vendor treatment and authority and worked with management of the Debtors to evaluate specific requests and to communicate appropriate treatment to vendors.

G. APS professionals worked with other Debtor professionals to actively manage the negotiation of the Debtors' DIP credit facility including, participating in the negotiation of final terms, reviewing the credit agreement and related documents, developing analysis to aid in the evaluation of alternative proposals and identifying issues related to the facility.

H. APS professionals assisted the Debtors in planning for the divestiture of certain non-core assets, including the fixed assets associated with the Debtors' Petersburg, Bowling Green and Somerset locations. In conjunction with this project, APS professionals;

- i. participated in the development, negotiation and review of procedures regarding the sale and inter-company transfers of owned assets,
- ii. provided guidance to the Debtors with regard to compliance with these procedures,
- iii. assisted in preparing the reporting to document compliance with such procedures, and

- iv. advised the Debtors with regard to alternative methodologies for disposing of non-core assets and the economics and timing associated with each alternative.

I. APS professionals worked closely with management of the Debtors and the Debtors' professionals to structure, develop and negotiate the Debtors' original and first amended Disclosure Statement and Plan of Reorganization, culminating in the First Amended and Modified Plan of Reorganization dated April 9, 2003 confirmed by the Bankruptcy Court on May 12, 2003. In conjunction with this project, APS professionals;

- i. identified and resolved numerous plan issues,
- ii. drafted certain Disclosure Statement sections related to the Debtors' operations,
- iii. researched and compiled information in support of the Disclosure Statement and Plan,
- iv. reviewed and edited the documents for accuracy and completeness,
- v. coordinated the preparation and update of certain exhibits to the Disclosure Statement and Plan including the pro forma financial projections, the liquidation analysis and the contributed and retained actions for the HLI Creditor Trust,
- vi. worked with the professionals for the certain constituents to negotiate and resolve critical plan issues, and
- vii. provided written and oral testimony to support the confirmation of the Plan.

J. APS professionals worked closely with management of the Debtors and other outside professionals to obtain \$800.0 million of exit financing to facilitate the Debtors' emergence from chapter 11 by funding the Plan and providing working capital to support the ongoing operations post-emergence. Specific projects included;

- i. preparation of solicitation materials including the compilation and validation of specific information regarding the operations of the Debtors, the financial performance of business units and collateral values,
- ii. preparing the financial information necessary to support the solicitation of the exit financing package. In connection with this activity, APS professionals led the project that resulted in the filing of the Debtors' form 10-K for the fiscal year ended January 31, 2003 on April 2, 2003 (approximately 30 days prior to its due date under SEC regulations) to support this process and enable the exit financing process to proceed on its timetable,
- iii. working with the Debtors' investment bankers to review and analyze proposals and identify issues for further negotiation,
- iv. working with management to organize and facilitate the due diligence process for the exit lending finalists,
- v. developed and maintained a data room in support of the process,
- vi. working with management and the Debtors' investment bankers to review final proposals and negotiate commitment documents with the institution selected,

- vii. worked with management and the Debtors' investment bankers and attorneys to negotiate key structural elements of the exit financing with the exit lenders including financial and non-financial covenants, and
- viii. worked with management and other professionals to prepare, review and negotiate elements of the documentation necessary to consummate the transactions.

16. As a result of these efforts, on June 3, 2003, the Debtors closed on its \$800 million exit financing package, thereby enabling the Debtors to effectuate its confirmed Plan and emerge from chapter 11.

Finance and Accounting Controls & Initiatives

- A. APS professionals assumed leadership of the Debtors' ongoing project to;
 - i. complete the restatement and related audit or review of Hayes' consolidated financial statements for the fiscal years ending January 31, 2000 and 2001 and for the three months ending April 30, 2001,
 - ii. prepare and obtain approval from the Debtors' Audit Committee and Board of Directors the related filings required by the SEC,
 - iii. provide ongoing coordination with the Debtors' independent auditors, Audit Committee of the Board of Directors of the Debtors, and applicable executive, corporate, business unit and plant management and staff, and
 - iv. provide the Chief Financial Officer, investment bankers, attorneys and creditor advisors with progress updates, analysis of issues and anticipated timelines for delivery.

B. As a direct result of these efforts, the form 10-K/A for the fiscal year ended January 31, 2001 and the form 10-Q/A for the fiscal quarter ended April 30, 2001 were filed with the SEC on February 19, 2002. In addition, the form 10-Q for the fiscal quarter ended July 31, 2001 was filed with the SEC on March 25, 2002. The form 10-Q for the fiscal quarter ended October 31, 2001 was filed with the SEC on April 17, 2001. The form 10-K annual report for the fiscal year ended January 31, 2002 was filed on time with the SEC on May 1, 2002. The form 10-Q for the fiscal quarter ended April 30, 2002 was filed on time with the SEC on June 14, 2002.

C. APS professionals led and completed a comprehensive initiative to coordinate the completion of timely, accurate and compliant financial statements as required by both internal and external constituents. In connection with this project, APS professionals worked with management of the Debtors to;

- i. complete the accounting close and subsequent preparation of the Debtors' consolidated financial statements for those quarterly and annual periods ending during the fiscal years ended January 31, 2002 through January 31, 2003 inclusive;
- ii. prepare and obtain approval from the Debtors' Audit Committee and Board of Directors of the related filings required by the SEC including achieving the filing of the Debtors' form 10-K for the fiscal year ended January 31, 2003 on April 2, 2003 (approximately 30 days prior to its due date under SEC regulations),

- iii. provide the Debtors and management with an introduction to the impacts of the Sarbanes-Oxley Act to the Debtors' financial and accounting management and staff,
- iv. provide ongoing coordination with the Debtors' independent auditors, Audit Committee, and applicable executive, corporate, business unit and plant management and staff, and
- v. ensure the Debtors remained compliant with required SEC reporting requirements (since the inception of this project, reporting required by the SEC since and including the form 10-K annual report for the fiscal year ended January 31, 2002 have been filed on time with the SEC).

D. APS professionals initiated and led a project to prepare the Debtors for the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets." In connection with this project, APS professionals;

- i. worked with management of the Debtors and outside appraisers to perform an assessment of the impairment of goodwill and other indefinite-lived intangible assets as of February 1, 2002,
- ii. worked with financial management of the Debtors to accurately reflect the results of the impairment analysis in the books and records of the Debtors, and
- iii. worked with management of the Debtors to make certain reclassifications to conform with the new classification criteria in SFAS No. 141 regarding certain intangible assets.

E. APS professionals directed the Debtors' efforts to determine the fresh start accounting required for its global business upon emergence from chapter 11. Specific activities included but were not limited to;

- i. preparing information on the fundamentals of fresh start accounting upon emergence from chapter 11 and presenting such information to senior financial management of the Debtors,
- ii. overseeing the selection and supervision of the project team involving numerous corporate, plant and business unit staff, as well as contract-based support,
- iii. identifying and recommending specific accounting implications,
- iv. selecting and managing valuation experts for fair value appraisals,
- v. creating a process for the preparation, quality control, Debtors approval and Debtors posting of journal entries to reflect all emergence transactions and implement fair value accounting in the Debtors' general ledgers, and
- vi. performing valuation analyses with respect to the Debtors' Series A Warrants, Series B Warrants and Preferred Stock to use for fresh start accounting purposes.

F. APS professionals initiated and led a project to identify, prioritize and implement accounting organization and process changes including, but not limited to, improved cash reconciliation procedures, improved inter-company reconciliation procedures, validation of financial reporting consolidation process for consistency, accuracy and legal entity reporting, compilation of liabilities subject to compromise for

financial reporting purposes and more effective monthly accounting close procedures. APS professionals worked closely with management to design and implement formal process improvement teams within the financial and accounting organization to address specific issues as a result of these efforts. In this capacity, certain APS professionals served as team members, team leaders and members of the oversight steering committee for this team-based process.

G. APS professionals assisted management with various accounting and finance related projects including;

- i. the reconciliation of the general ledger cash accounts,
- ii. development of an inter-company reconciliation,
- iii. auditing legal entity reporting and Hyperion consolidation mapping from trial balance to top level financial reports,
- iv. initiating the development of standardized, monthly accounting close processes and developed and implemented a schedule regarding closings, and
- v. continuing efforts to identify, prioritize and implement accounting organization and process changes including, but not limited to, improved cash reconciliation procedures, improved inter-company reconciliation procedures, validation of financial reporting consolidation process for consistency, accuracy and legal entity reporting, compilation of liabilities subject to compromise for financial reporting purposes and more effective monthly accounting close procedures.

H. APS professionals provided full time support to the Brakes/Powertrain business unit to assist with certain accounting and finance related activities during on an interim basis during search for permanent solution. Activities associated with this role included;

- i. transitioning the financial analyst role from the outgoing analyst to the APS staff,
- ii. developing and compiling weekly cash forecasts for the business unit,
- iii. assisting with the closing and consolidation of the business unit financial results on a monthly basis,
- iv. preparing monthly and year-to-date sales and EBITDA variance analyses with detailed explanations for monthly periods,
- v. assisting management with preparing quarterly reports and analyses to support the preparation of the form 10-Q for the nine months ended October 31, 2002,
- vi. responding to inquiries from the Debtors' auditors,
- vii. assisting the business unit controller with the preparation of the 2003 AOP with supporting analyses, and
- viii. assisting with the transition of these duties to permanent Debtors personnel.

I. APS professionals worked with management to develop, compile and analyze reporting as required under the Debtors' DIP credit facility including weekly cash flow forecast summaries and variance analyses, weekly and monthly borrowing base reporting,

monthly financial statements, a comparison of actual results to plan and compliance with certain financial covenants.

J. APS professionals worked with management to develop, compile and analyze reporting as required by the Court. Such reporting includes the Monthly Operating Report (“MOR”), periodic updates of disbursements to Ordinary Course Professionals, reporting of asset sales and reporting inter-company lease transactions as required by the respective orders. In connection with its MOR, APS professionals developed a post-petition accounts payable aging to demonstrate ongoing viability and completed the accounts payable aging in connection with this reporting requirement.

Cash Management Initiatives

K. APS professionals worked with the Debtors to develop important cash forecasting and tracking tools, including a 13-week rolling cash forecast. This forecast was used to communicate current and future cash positions to senior management, lenders, and other professionals, as well as to demonstrate the impact of management decisions on receipts and disbursements. Specific projects included;

- i. formulated recommendations to management designed to improve the accuracy of the forecast and made suggestions as to effective use of cash resources,
- ii. worked directly with plant management to develop a consistent methodology for weekly receipts and disbursements forecasting to increase accuracy and enhance efficiency of process, and

- iii. developed weekly tracking schedules for electronic funds transfers and accounts payable, payroll and disability checks to monitor cash disbursements.

L. APS professionals worked with management to implement cash disbursement controls to preserve operating cash which enabled the Debtors to continue operating while management finalized the terms and gained Bankruptcy Court approval of the Debtors' DIP credit facility. As a result of these measures, the Debtors was able to prolong its need to draw on its new credit facility approximately 6 weeks longer than originally forecasted.

Business Plan Development and Initiatives

M. APS professionals worked with the Debtors to develop a comprehensive five-year business planning process to support the restructuring. The business plan was used both to drive the restructuring process, and to provide a systematic, quantifiable way to set expectations with lenders, creditors, and potential investors. Specific business planning related activities included;

- i. developing a five-year plan for the five fiscal years beginning February 1, 2002,
- ii. initiating and managing the development of an annual operating plan ("AOP") for the Debtors,
- iii. providing communication regarding the five-year and AOP planning processes and the due diligence related to the plan with the creditor constituents and their respective professionals,

- iv. providing hands-on guidance to the business units in the development and validation of five-year business plans and AOPs,
- v. designing and building a sales & EBITDA flex analysis to assist the Debtors in analyzing the effects of changes in volume and build on the proposed AOP and five-year plans,
- vi. providing a variety of analytical support to the Wheels business unit in developing and executing its five-year business plan including,
 - (a) assisting the NAAW management team in analyzing the impact of certain alternatives to reduce capacity,
 - (b) identifying the costs and benefits associated with scenarios in this regard,
 - (c) evaluating production costs at various offshore aluminum wheel production facilities, and
 - (d) preparing presentation materials for executive management to support conclusions.
- vii. creating a three-year sales forecast model for the North American Wheels business unit, and
- viii. developing strategic plan and AOP calendars and detailed review of financial planning and analysis projects to facilitate the transition all aspects of the financial planning and analysis responsibilities to Debtors personnel.

Case Management Initiatives

N. APS professionals worked with the Debtors' counsel to develop the strategy and the first day motions for the filing of the chapter 11 cases to minimize disruptions and ensure the continued uninterrupted operation of the Debtors' business. APS professionals provided testimony at the first day hearings to support such motions and orders.

O. APS professionals worked with management to develop, compile and analyze the information needed to prepare the Statement of Financial Affairs and Schedules of the Debtors. APS professionals coordinated the data collection and preparation of Statement of Financial Affairs and related Schedules for all 32 Debtor entities.

P. APS professionals initiated and led a comprehensive claims management project for the Debtors. In connection with this project, APS professionals;

- i. prepared a database for use in providing notices of scheduled claims,
- ii. coordinated the mailing of scheduled claims notices in connection with the Bar Date,
- iii. developed a unique multiple entity creditor matrix for use in notice to each creditor showing each legal entity at which the debts are owed,
- iv. established a creditor hotline to answer questions regarding the Bar Date notices,
- v. coordinated the generation of proofs of claim and bar date notice and related mailings and publications,
- vi. categorized, analyzed, reviewed and reconciled all filed proofs of claim,
- vii. monitored and tracked all claims transfers from court docket,

- viii. initiated and coordinated multiple levels of quality review with management of the Debtors,
- ix. actively participated in coordinating discussions with individual claimants regarding settlement of reconciling issues,
- x. worked with management of the Debtors and Debtors' counsel to prepare twenty (20) omnibus non-substantive and substantive objections to claims,
- xi. led efforts to resolve responses to these objections, and
- xii. prepared analyses to support the objections to claims including a detailed review of priority and administrative claims.

Q. As a result of such efforts, APS professionals and management of the Debtors were successful in reducing over \$131 billion in proofs of claim filed on the 32 Debtors to an estimated \$2.13 billion.

R. APS professionals led a project to develop and compile a database of all executory contracts of the Debtors, coordinate the review of all executory contracts, and estimate the calculation of potential cure costs for each. APS worked with legal counsel to the Debtors to prepare motions to assume and reject certain executory contracts and leases and assisted management with negotiations with major vendors for terms of contract assumptions. As a result of this project, the Debtors were able to reject over 100 executory contracts and unexpired leases, resulting in annualized savings of over \$4.9 million. APS led a process to develop an estimation of undisputed cure amounts for assumed contracts and worked with creditor constituents to develop a process for

providing both notice and payment of such undisputed cures which resulted in estimated cure payments of \$10 million of a potential \$140 million.

S. APS professionals worked with other outside professionals to coordinate and manage the solicitation of votes in connection with the Debtors' Plan of Reorganization and to analyze the voting. APS professionals prepared an updated daily report on the solicitation progress for use by the working group.

T. APS professionals designed a database for the corporate purchasing group to use in the analysis of critical vendor payments.

U. APS professionals developed an analysis and reconciliation of all reclamation claims. In connection with this project, APS conducted site visits to the plants to determine the best consumption methodology for each type of plant. The resulting reclamation statement reduced the overall reclamation exposure by 90%.

V. APS professionals gathered the data needed for the calculation of possible preferences and prepared a detailed analysis for management of potential preference claims.

Information Technology Initiatives

W. APS professionals served as the Chief Information Officer for the Debtors from March 2002 to July 2002 and in additional capacities directing technology initiatives for the Debtors throughout the pendency of the cases. Responsibilities included the day-to-day direct management of the corporate IT staff, plant technicians, data center staff and engineering support technicians.

X. APS professionals prepared an IT assessment and near-term strategic plan to executive management. In connection with this plan, the team initiated and led various

projects with the support of executive management, which projects and achievements included;

- i. centralized the IT project management reporting function,
- ii. implemented a centralized IT purchasing standards and approval process,
- iii. developed the fiscal 2003 expense and capital plans for the corporate IT departments and for the plants thereby restructuring the corporate-wide IT budget by separating plant IT budgets and consolidating budget management to the central corporate IT group,
- iv. conducted a technology asset inventory for all North American locations and provided analysis to executive management with recommendations for improvements,
- v. developed and distributed business and manufacturing process systems inventories for the major functional processes in the corporate and plant locations, and
- vi. developed and executed an IT best practices assessment for development of tactical work plan.

Jurisdiction

17. This Court has jurisdiction over this Motion under 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A), (M) and (O). The statutory bases for the relief requested herein are sections 105(a) and 365 of title 11 of the United States Code (the “Bankruptcy Code”).

Relief Requested

18. By this motion, APS seeks approval of the Court for the allowance of \$1,500,000 in incentive compensation, which is applied for under the terms of the Employment Agreement, and the Retention Order.

No Prior Request

19. No prior Motion for the relief requested herein has been made to this or any other Court.

Notice

20. Notice of this Motion has been given to (i) the Office of the United States Trustee, (ii) counsel to the Prepetition Lenders, (iii) counsel to the Official Committee of Unsecured Creditors and (iv) those parties that requested papers under Bankruptcy Rule 2002.

WHEREFORE, APS respectfully requests that the Court enter an order granting the relief requested herein.

Dated: August 20, 2003

SHELDON S. TOLL PLLC
Attorneys for AP Services, LLC

By: /s/ Sheldon S. Toll
Sheldon S. Toll (P-21490)
2000 Town Center, Suite 2550
Southfield, MI 48075
(248)358-2460

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

-----	X	
	:	
In re:	:	Chapter 11
	:	
HAYES LEMMERZ INTERNATIONAL,	:	Case No. 01-11490 (MFW)
INC., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors.	:	
	:	Related to Docket No. 51
-----	X	

**ORDER AUTHORIZING THE CONTINUED EMPLOYMENT OF
JA&A SERVICES LLC AS CRISIS MANAGERS TO THE DEBTORS
PURSUANT TO SECTIONS 363 AND 105 OF THE BANKRUPTCY CODE**

Upon the motion (the "Motion")¹ of Hayes Lemmerz International, Inc. ("Hayes") and certain of its subsidiaries and affiliates, debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), seeking entry of an order, pursuant to §§ 363(c) and 105(a) of the Bankruptcy Code, authorizing the continued employment of JA&A Services LLC ("JAS") as crisis managers to the Debtors filed by the Debtors; and the Court having reviewed the Motion and the Hiltz Declaration, and the Court having determined that the relief requested in the Motion is in the best inter-

¹ Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Motion.

ests of the Debtors, their estates, their creditors and other parties-in-interest; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other or further notice need be given; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is Granted.

2. Pursuant to sections 363 and 105 of the Bankruptcy Code, the Debtors are hereby authorized to retain JAS pursuant to the Employment Agreement and continue to employ JAS under the Employment Agreement; provided that:

(a) The third paragraph on page five of the Employment Agreement is hereby revised to provide that JAS employees serving as officers of the Company shall be entitled to receive only whatever indemnities are made available, during the term of JAS' engagement, to other (non-JAS affiliated) officers of the Company, whether under the Company's by-laws, certificates of incorporation, applicable corporation laws, or contractual agreements of general applicability to officers of the Company;

(b) to the extent that the "Break-up Fee" described in the Employment Agreement did not expire upon its own terms as of January 12, 2002, JAS is hereby deemed to have waived its rights to receive any such Break-up Fee;

(c) JAS shall not be entitled to receive a Performance Fee to the extent it is terminated for actions constituting gross negligence or willful misconduct;

(d) JAS shall not be entitled to receive a Performance Fee in the event the Debtors' cases are converted from cases under chapter 11 of the Bankruptcy Code to chapter 7 of the Bankruptcy Code, unless the chapter 7 trustee appointed after such conversion ratifies and/or continues the Employment Agreement; and

(e) The third paragraph on page six of the Employment Agreement is hereby revised to provide that the Debtors shall not owe any payment to JAS in the event the Debtors hire an employee of JAS, provided that the Debtors shall not affirmatively recruit or solicit JAS employees.

3. The payments contemplated in the Employment Agreement are hereby approved and may be made by the Debtors without any further order this Court, provided

that JAS complies with any orders of the Court with respect to interim compensation of professionals retained by the Debtors; and provided further that the Performance Fee shall be applied for by JAS and be subject to approval by the Court at the conclusion of the cases on a "reasonableness" standard, and is not pre-approved by this Order under section 328(a) or otherwise. No Performance Fee shall be sought upon conversion of the Debtors' cases, dismissal of the cases for cause or appointment of a trustee. Parties in interest shall have the right to object to fees paid when quarterly reports of compensation are filed with the Court.

Dated: Wilmington, Delaware
~~February~~, 2002

March 20



Honorable Mary F. Walrath
United States Bankruptcy Judge

EXHIBIT B

AP Services, LLC
Summary of Compensation Earned and Expenses Incurred
Hayes Lemmerz International, Inc.
December 5, 2001 through June 3, 2003

<u>Period Covered</u>	<u>Fees</u>	<u>Expenses</u>
12/5/01 – 12/31/01	\$407,359.75	\$36,720.84
1/1/02 – 1/31/02	\$916,599.50	\$55,594.35
2/1/02 – 2/28/02	\$663,597.00	\$62,808.27
3/1/02 – 3/31/02	\$751,231.00	\$34,228.32
4/1/02 – 4/30/02	\$978,080.50	\$63,833.92
5/1/02 – 5/31/02	\$819,923.50	\$33,527.03
6/1/02 – 6/30/02	\$886,044.50	\$57,888.56
7/1/02 – 7/31/02	\$901,845.50	\$55,142.02
8/1/02 – 8/31/02	\$803,043.50	\$56,414.28
9/1/02 – 9/30/02	\$716,276.50	\$37,953.71
10/1/02 – 10/31/02	\$833,367.50	\$64,130.42
11/1/02 – 11/30/02	\$745,418.50	\$59,929.39
12/1/02 – 12/31/02	\$686,991.50	\$47,495.24
1/1/03 – 1/31/03	\$1,077,079.50	\$37,320.58
2/1/03 – 2/28/03	\$1,027,237.50	\$70,002.88
3/1/03 – 3/31/03	\$858,964.50	\$24,508.96
4/1/03 – 4/30/03	\$705,970.00	\$41,611.49
5/1/03 – 6/3/03	\$1,087,803.00	\$86,985.74
Subtotal	\$14,866,833.25	\$926,096.00
Less: Deductions ¹⁾	(\$597,829.50)	(\$897.37)
Total	\$14,269,003.75	\$925,198.63

¹⁾ Deductions include \$594,057.00 representing 50% of travel fees invoiced and rate corrections from June and July of 2002.

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

In re:	Chapter 11 – ()
HAYES LEMMERZ INTERNATIONAL, INC., et al.,	Case No. 01-11490 (MFW)
Debtors.	Jointly Administered

_____ /

**ORDER GRANTING APPLICATION BY AP SERVICES, LLC
FOR ALLOWANCE OF INCENTIVE COMPENSATION**

This matter came on to be heard on the application of AP Services, LLC for allowance of incentive compensation (the “Application”). The Court has jurisdiction to consider the Application and the relief sought. Due and adequate notice of the Application has been provided and no other or further notice need be provided. The Court finds that proper reasons have been asserted to grant the Application. Therefore, it is hereby;

ORDERED that the Application is granted; and it is further

ORDERED that the Debtors are hereby authorized to pay to AP Services, LLC, incentive compensation, as an expense of administration, in the amount of \$1,500,000.00.

Dated: _____

United States Bankruptcy Court

CERTIFICATE OF SERVICE

I, Michael W. Yurkewicz, hereby certify that on August 20, 2003, I caused the foregoing **Application by AP Services, LLC for Allowance of Incentive Compensation** to be served on the parties set forth on the attached Exhibit A, by first class mail, postage paid, or in the manner indicated.

/s/ Michael W. Yurkewicz
Michael W. Yurkewicz

EXHIBIT A

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