

Objection Deadline August 4, 2003 at 4:00 p.m.
Hearing Date: Sept. 19, 2003 at 9:30 a.m.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

INACOM, CORP., et. al.,¹

Debtor

Jointly Administered
Case No. 00-2426 (PJW)

Chapter 11

FINAL FEE APPLICATION OF BRIDGE ASSOCIATES LLC FOR APPROVAL AND ALLOWANCE OF COMPENSATION OF FEES, APPROVAL AND ALLOWANCE OF REIMBURSEMENT OF EXPENSES AND APPROVAL, ALLOWANCE AND COMPENSATION OF A CONTINGENT FEE FOR THE PERIOD OF JUNE 22, 2000 THROUGH JUNE 8, 2003

Name of Applicant: Bridge Associates, LLC, previously known as Restoration Management Company, LLC ("BRIDGE").

Authorized to Provide Professional Services to: The above-captioned debtors and debtors-in-possession.

Date of Retention: June 22, 2000.

Period for which approval and allowance for compensation and reimbursement of expenses is sought: June 22, 2000 through June 8, 2003 (the "Engagement Period").

BRIDGE seeks for the period June 22, 2000 through June 8, 2003 final approval of and compensation for: (i) reasonable and necessary fees in the amount of \$4,333,720.00 (ii) actual, reasonable and necessary expenses incurred of \$565,652.14 and (iii) reasonable and necessary fees in respect of a contingent fee in the amount of \$4,463,520.00 earned per the terms of BRIDGE's Engagement Letter attached as Exhibit "A".

¹ The Debtors are the following entities: Inacom Corp.; Inacom Latin America; Inacom Solutions, Inc.; Inacom Communications, Inc.; Inacom Financial Services, Inc.; Perigee Communications, Inc.; Networks, Inc.; Gorham Clark, Inc.; Inacom International, Inc.; Inacom Tennessee, Inc.; Inacom Professional Services, Inc.; Kure Associates, Inc.; Office Products of Minnesota, Inc.; Boston Computer Exchange Corporation; PC Technical Services, Inc.; Vanstar Corporation; Computerland International Development, Inc.; Computerport World Trade, Inc.; Vanstar International Corporation; VST West, Inc.; VST Illinois, Inc.; VSTNC, Inc.; Cland Tex, Inc.; Inacom Government Systems, Inc.; Contract Data, Inc.; Computer Professionals, Inc.; Vanstar Professional Technical Services, Inc.

The amount already paid or to be paid pursuant to an Order of this Court “Approving Debtors’ Motion For Modification of Prior Administrative Order Establishing Procedures For Interim Compensation And Reimbursement of Expenses of Professionals” dated December 12, 2000 (the “Modified Fee Order”) is \$4,277,271.00 for actual, reasonable and necessary fees and \$565,652.14 for actual, reasonable and necessary expenses from June 22, 2000 through June 8, 2003

This is a: ___ monthly ___ interim xx final application.

Prior Applications Filed:

Date Filed	Period Covered	Fees Billed	Requested Fees	Holdback	Approved Fees	Requested Expenses	Approved Expenses
08/25/00	06/22/00 - 06/30/00	\$ 67,595.00	\$ 67,595.00		Paid	\$ 9,112.30	Paid
08/25/00	07/01/00 - 07/31/00	\$ 199,795.00	\$ 199,795.00		Paid	\$ 32,078.68	Paid
09/06/00	08/01/00 - 08/31/00	\$ 260,092.50	\$ 260,092.50		Paid	\$ 53,156.51	Paid
11/09/00	09/01/00 - 09/30/00	\$ 192,330.00	\$ 192,330.00		Paid	\$ 26,541.88	Paid
12/08/00	10/01/00 - 10/31/00	\$ 212,552.50	\$ 212,552.50		Paid	\$ 25,405.00	Paid
01/09/01	11/01/00 - 11/30/00	\$ 173,317.50	\$ 173,317.50		Paid	\$ 17,878.10	Paid
02/09/01	12/01/00 - 12/31/00	\$ 91,112.50	\$ 91,112.50		Paid	\$ 10,820.88	Paid
03/09/01	01/01/01 - 01/31/01	\$ 156,045.00	\$ 156,045.00		Paid	\$ 10,910.43	Paid
04/06/01	02/01/01 - 02/28/01	\$ 142,582.50	\$ 142,582.50		Paid	\$ 13,000.75	Paid
06/01/01	03/01/01 - 03/31/01	\$ 142,347.50	\$ 142,347.50		Paid	\$ 19,948.63	Paid
06/01/01	04/01/01 - 04/30/01	\$ 126,175.00	\$ 126,175.00		Paid	\$ 18,691.09	Paid
06/13/01	05/01/01 - 05/31/01	\$ 150,440.00	\$ 150,440.00		Paid	\$ 20,327.54	Paid
08/13/01	06/01/01 - 06/30/01	\$ 145,080.00	\$ 145,080.00		Paid	\$ 22,686.00	Paid
09/14/01	07/01/01 - 07/31/01	\$ 120,575.00	\$ 120,575.00		Paid	\$ 15,144.65	Paid
10/17/01	08/01/01 - 08/31/01	\$ 155,565.00	\$ 155,565.00		Paid	\$ 21,498.79	Paid
10/18/01	09/01/01 - 09/30/01	\$ 126,925.00	\$ 126,925.00		Paid	\$ 14,234.72	Paid
11/30/01	10/01/01 - 10/31/01	\$ 158,400.00	\$ 158,400.00		Paid	\$ 16,444.11	Paid
01/03/02	11/01/01 - 11/30/01	\$ 95,705.00	\$ 95,705.00		Paid	\$ 12,955.71	Paid
02/01/02	12/01/01 - 12/31/01	\$ 53,840.00	\$ 53,840.00		Paid	\$ 6,389.04	Paid
04/02/02	01/01/02 - 01/31/02	\$ 97,115.00	\$ 97,115.00		Paid	\$ 11,077.42	Paid
04/02/02	02/01/02 - 02/28/02	\$ 132,615.00	\$ 132,615.00		Paid	\$ 17,265.95	Paid
06/21/02	03/01/02 - 03/31/02	\$ 127,767.50	\$ 127,767.50		Paid	\$ 19,179.32	Paid
06/21/02	04/01/01 - 04/30/02	\$ 94,695.00	\$ 94,695.00		Paid	\$ 12,570.52	Paid
7/17/02	05/01/02 - 05/31/02	\$ 108,692.50	\$ 108,692.50		Paid	\$ 16,273.31	Paid
7/19/02	06/01/02 - 06/30/02	\$ 101,015.00	\$ 101,015.00		Paid	\$ 10,160.82	Paid
10/08/02	07/01/02 - 07/30/02	\$ 133,557.50	\$ 133,557.50		Paid	\$ 18,488.27	Paid
10/08/02	08/01/02 - 08/31/02	\$ 132,587.50	\$ 132,587.50		Paid	\$ 17,963.58	Paid
11/01/02	09/01/02 - 09/30/02	\$ 107,377.50	\$ 107,377.50		Paid	\$ 11,004.24	Paid
12/16/02	10/01/02 - 10/31/02	\$ 112,965.00	\$ 112,965.00		Paid	\$ 11,357.94	Paid
01/28/03	11/01/02 - 11/30/02	\$ 87,765.00	\$ 87,765.00		Paid	\$ 8,110.86	Paid
02/21/03	12/01/02 - 12/31/02	\$ 44,847.50	\$ 44,847.50		Paid	\$ 5,574.26	Paid
04/07/03	01/01/03 - 01/31/03	\$ 72,885.00	\$ 72,885.00	\$ 14,577.00	Paid	\$ 10,278.04	Paid
04/10/03	02/01/03 - 02/28/03	\$ 59,185.00	\$ 59,185.00	\$ 11,837.00	Paid	\$ 8,790.44	Paid
05/08/03	03/01/03 - 03/31/03	\$ 59,090.00	\$ 59,090.00	\$ 11,818.00	Paid	\$ 8,289.65	Paid
06/13/03	04/01/03 - 04/30/03	\$ 40,672.50	\$ 32,538.00	\$ 8,134.50	Pending	\$ 6,004.98	Pending
07/09/03	05/01/03 - 06/08/03	\$ 50,412.50	\$ 40,330.00	\$ 10,082.50	Pending	\$ 6,037.73	Pending

INACOM FEES AND HOURS JUNE 22, 2000 THROUGH JUNE 8, 2003

MATTER	HOURS	AMOUNT
ADMINISTRATIVE	1,897.2	\$504,152.50
ASSET SALES	679.4	\$186,680.00
AVOIDANCE ANALYSIS	3,066.9	\$798,172.50
BANKRUPTCY	93.7	\$26,885.00
BUSINESS PLAN	13.2	\$3,905.00
CASH MANAGEMENT	173.8	\$44,052.50
CLAIMS RECONCILIATION	2,128.9	\$565,557.50
COLLECTIONS WORK	2,088.0	\$507,557.50
CONTRACT REVIEW	35.5	\$9,245.00
COURT	48.4	\$13,055.00
CREDITOR'S COMMITTEE	409.3	\$107,600.00
EXPENSES	14.4	\$3,725.00
FEE APPLICATION	224.8	\$62,282.50
HUMAN RESOURCES	204.0	\$52,662.50
INFORMATION TECHNOLOGY	213.5	\$53,027.50
LENDING GROUP	90.7	\$25,210.00
LIQUIDATION	302.3	\$76,055.00
LITIGATION	989.2	\$256,740.00
PROJECTIONS	135.4	\$34,450.00
REAL ESTATE	454.9	\$115,035.00
REORGANIZATION PLAN	419.0	\$113,617.50
REPORTING/MONITORING	1,090.4	\$278,905.00
STRATEGIC PLANNING ISSUES	1,047.6	\$292,382.50
SUPPLIERS/VENDORS	0.2	\$50.00
TRAVEL	104.2	\$27,415.00
WINDDOWN PLANNING	304.6	\$76,437.50
WORK WITH ATTORNEYS	374.6	\$98,862.50
	16,604.1	\$4,333,720.00

InaCom Expenses JUNE 22, 2000 through JUNE 8, 2003	
Expense Type	Amount
Entertainment	\$ 6,616.18
Mileage	\$ 893.45
Misc. Expenses (supplies, postage, legal fees, etc.)	\$ 35,762.27
Telephone/Fax	\$ 9,954.20
Travel - Airfare (1)	\$ 242,657.34
Travel - Hotels (2)	\$ 146,184.36
Travel - Meals	\$ 28,124.32
Travel - Parking/Tolls/Taxis	\$ 18,919.76
Travel - Rental Car	\$ 76,540.26
TOTAL	\$565,652.14

(1) This includes airfare from American Airlines, Continental, Delta, Southwest, etc.

(2) This includes hotel stays at Marriott, Wyndam and other major chains.

Name of Professional Individual	Position, year assumed, prior relevant experience	Average Hourly Rate	Total Hours Billed	Total Compensation
James R. Malone	Member from April 2000 to May 2003. President and CEO – Anchor Glass 1991-1996, Chairman – HMI Industries, Inc. 1996-present;	\$300.00	1,305.1	\$391,569.80
Anthony H.N. Schnelling	Member since 1997. Currently Chapter 11 Trustee for Epic resorts, LLC; Bankruptcy Administrative Officer for Brill Media Group – Southern District of Indiana; Bankruptcy Advisor to Conseco Finance Corporation	\$300.00	886.8	\$54,200.00
Dean Vomero	Member since January 1, 2002. Seconded to Epic Resorts, LLC (Chapter 11 Debtor District of Delaware) as Chief Administrative Officer from March 2002 – present. CPA – Ohio 1990. Ernst & Young – July 1989 to Sept. 1996. Price Waterhouse Coopers – Oct. 1996-June 1999	\$252.50	3,493.8	\$882,430.00
Carl Young	Member since April 2000; President Anchor Glass 1991-1996; Member of Brill Media Group team; Solvency Advisor to Board of Directors of Crown Central Petroleum – 2003.	\$300.00	7.4	\$ 2,220.00
Anthony Gerbino	Member since April 2000	\$250.00	216.8	\$54,200.00
Jeff Williams	Independent sub-contractor from 2000-2002; Principal since 1/1/2003	\$254.50	3,968.6	\$1,010,142.50
Arun Vedhanayagan	Independent sub-contractor	\$245.50	41.0	\$10,062.50
Bruce Blagg	Independent sub-contractor	\$247.50	41.0	\$10,062.50
Bruce Bannon –	Independent sub-contractor	\$250.00	5.9	\$ 1,275.00
Peter Christiano	Independent sub-contractor	\$250.00	1,640.1	\$410,025.00
John Pidcock	Senior Associate	\$251.00	260.7	\$65,435.70
Jeff Juszcak	Associate	\$250.00	151.3	\$37,825.00
Alpesh Amin	Independent sub-contractor	\$225.90	365.6	\$82,592.50
Mark Stickel	Independent sub-contractor from 2000-2002; Principal since 1/1/2003	\$256.50	1,044.5	\$267,919.5
Mike Newsom	Independent sub-contractor from 2000-2002; Principal since 1/1/2003	\$265.00	3,172.4	\$840,855.00

Grand Total \$4,333,720.00

Total Hours 16,604.1
Blended Rate \$261.00

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Debtor

Jointly Administered
Case No. 00-2426 (PJW)

Chapter 11

**FINAL FEE APPLICATION OF BRIDGE ASSOCIATES LLC FOR APPROVAL AND
ALLOWANCE OF COMPENSATION OF FEES, APPROVAL AND ALLOWANCE
OF REIMBURSEMENT OF EXPENSES AND APPROVAL, ALLOWANCE AND
COMPENSATION OF A CONTINGENT FEE FOR THE PERIOD OF JUNE 22, 2000
THROUGH JUNE 8, 2003**

Pursuant to sections 330 and 331 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and the Delaware Bankruptcy Court's Standing Order no. 32, the Court's Order approving Debtors' Motion For Modification of Prior Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals, entered on December 12, 2000 (the "Modified Fee Order"), and pursuant to the Confirmation Order entered by this Court on May 27, 2003, professionals in these cases are required to file their final fee applications by July 15, 2003. Bridge Associates, LLC, previously known as Restoration Management Company, LLC ("BRIDGE") hereby files this Final Fee Application of Bridge Associates LLC For Approval And Allowance of Compensation For Fees, Approval And Allowance of Reimbursement of Expenses And Approval, Allowance and Payment Of A Contingent Fee For The Period of June 22, 2000 Through June 8, 2003.

By this Application, BRIDGE seeks final approval and allowance for compensation to BRIDGE in respect of its actual, reasonable and necessary fees in the amount of \$4,333,720.00 and its actual, reasonable and necessary expenses incurred of \$565,652.14 from June 22, 2000

² The Debtors are the following entities: InaCom Corp.; InaCom Latin America; InaCom Solutions, Inc.; InaCom Communications, Inc.; InaCom Financial Services, Inc.; Perigee Communications, Inc.; Networks, Inc.; Gorham Clark, Inc.; InaCom International, Inc.; InaCom Tennessee, Inc.; InaCom Professional Services, Inc.; Kure Associates, Inc.; Office Products of Minnesota, Inc.; Boston Computer Exchange Corporation; PC Technical Services, Inc.; Vanstar Corporation; Computerland International Development, Inc.; Computerport World Trade, Inc.; Vanstar International Corporation; VST West, Inc.; VST Illinois, Inc.; VSTNC, Inc.; Cland Tex, Inc.; InaCom Government Systems, Inc.; Contract Data, Inc.; Computer Professionals, Inc.; Vanstar Professional Technical Services, Inc.

through June 8, 2003. The amount already paid or to be paid pursuant to Modified Fee Order is \$4,277,271.00 for reasonable and necessary fees and \$565,652.14 for actual, reasonable and necessary expenses from June 22, 2000 through June 8, 2003.

BRIDGE also seeks final approval and compensation in respect of a contingent fee in the amount of \$4,463,520.00 earned pursuant to the terms of BRIDGE's Engagement Letter attached as Exhibit "A".

Introduction

1. From the initial filing of these Chapter 11 cases, the general view of the status of the Debtors was that they could well be "administratively insolvent". Indeed, during the hearing on First Day Motions this Court commented that "this company is as close to arriving at Chapter 11 DOA as any that I've seen". These sentiments were widely asserted at the time, based on the following factors, which were all that was really known about this case in the days immediately following the Petition Date;
 - a. no external financing to support operations or liquidation post-petition;
 - b. almost 5,000 employees laid off with no notice and no time to transition critical information to management and/or a liquidating group;
 - c. in excess of 125 locations closed with no advance notice, causing critical documents to be lost or destroyed;
 - d. confusion as to the actual state of the Debtors' available cash because large amounts of cash were being misdirected to the accounts of Compaq and its subsidiary Custom Edge and concurrently cash belonging to Compaq and its subsidiary were misdirected to the Debtor.
2. Despite this "dead on arrival" perception, BRIDGE was engaged by the Board of Directors to assist the Board of Directors and the Debtors' officers to dissolve the company in Chapter 11. They believed it was possible to obtain a better return for creditors in an orderly Chapter 11 dissolution than creditors could hope to achieve in Chapter 7 fire-sale liquidation. Three years later the results of BRIDGE's efforts have yielded:
 - a. **\$16 million** in payment of pre-petition employee wages, expenses and health care claims.
 - b. **\$4.1 million** awarded to former employees in satisfaction of the WARN Act litigation

- c. **\$64.2 million** paid in satisfaction of all secured obligations.
- d. **\$6.9 million** paid in satisfaction of priority claims
- e. **\$7.2 million** additional estimated to be paid in satisfaction of priority claims
- f. **\$55 to \$60 million** estimated to be available to unsecured creditors
(\$0.20 to \$0.40 per \$1 claim)

Background

- 3. On June 16, 2000 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court. The Debtors have been operating their businesses and managing their properties as debtors in possession pursuant to Sections 1107 (a) and 1108 of the Bankruptcy Code.
- 4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).
- 5. On June 21, 2000, the Court entered its order that the Debtors' chapter 11 cases be consolidated for procedural purposes only and administered jointly.
- 6. On May 27, 2003, the Court entered its Order confirming the Plan of Reorganization.
- 7. On June 28, 2000 BRIDGE filed its application for retention by the Debtors with this Court (Docket number 62). This application was filed pursuant to section 327a and 328 of the Bankruptcy Code and included an affidavit of MR. Anthony H. Schnelling, a Managing Director of BRIDGE, attesting to BRIDGE's disinterestedness and setting forth, pursuant to rule 2014 of the Bankruptcy code, BRIDGE's contacts or lack thereof with parties of interest related to these Debtors. A copy of this Application is attached as Exhibit "B".
- 8. The Debtors' retention of BRIDGE as crisis consultant to InaCom Corporation ("InaCom") and to each of InaCom's twenty seven (27) debtor subsidiaries was approved nunc pro tunc to June 22, 2000 by this Court's Order entered August 2, 2000 ("Retention Order"). A copy of the Retention Order is attached as Exhibit "C". The Retention Order authorized BRIDGE to be compensated in part on an hourly basis and in part with a contingent fee to be based on specified criteria set forth in BRIDGE's application for retention and to be reimbursed for actual and necessary out-of-pocket expenses. This Application seeks approval for all

compensation allowed during the Engagement Period including BRIDGE's hourly fees, reimbursement for actual and necessary out of pocket expenses, and the contingent fee.

9. On July 18, 2000, the Court entered its Order establishing procedures for interim compensation and reimbursement of expenses of professionals. Pursuant to the procedures set forth in that Order, professionals were allowed to request monthly compensation of ninety percent of fees and reimbursement of one hundred percent of expenses, and interested parties could object to such requests. If no interested party objected to a professional's request within twenty (20) days, the applicable professional could submit to the Court a certification of "no objection" and a proposed order authorizing the interim compensation and reimbursement subject to the filing and approval of a final fee application of the professional.
10. On December 12, 2000 the Court signed its Modified Fee Order providing, inter alia, that upon the passage of twenty (20) days from a professional's request for interim compensation and reimbursement of expenses and upon the filing thereafter with the Court of a Certificate of No Objection, the professional could request the Debtors to pay eighty percent of the fees requested and one hundred percent of the expenses requested by the professional without the requirement of a signed order of the Court approving such payment. In addition, the Modified Fee Order provided that for the Interim Period and thereafter at three-month intervals or at the convenience of the Court, professionals must file a request for interim court approval and allowance of the compensation and reimbursement of expenses sought in the Fee Applications filed during such period.
11. Pursuant to the Plan, Neil Gilmour of Executive Sounding Board and Associates was appointed as Plan Administrator. The Plan Administrator has retained BRIDGE to perform services relating to the continued wind down of the Debtors' estates and implementation of the Plan. BRIDGE was engaged on terms substantially similar to those in our original engagement but without further ability to earn a contingent fee.

Factual Background and Justification for Compensation

Compensation Paid and Source

12. All Services for which BRIDGE requests compensation were performed for or on behalf of the Debtors.
13. Except as set forth in BRIDGE's retention application with regards the initial funding by Deutsche Bank of its retainer in these cases, BRIDGE has received no payment and no promises for payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application. There is no agreement or understanding between BRIDGE and any other person other than the associates of BRIDGE and the independent contractors employed by BRIDGE in these cases for the sharing of compensation to be received for services rendered in these cases. BRIDGE received a \$150,000 retainer for the services rendered in these cases.

Fee Statements

14. The fee statements for the period of June 22, 2000 through June 8, 2003 have previously been filed with the court and copies of each of these statements have been provided to the court in preparation for consideration of this Final Fee Application. A summary of the fee statements for the Engagement Period is attached as Exhibit "D". The original fee statements contain daily time logs describing the time spent by each Member and Associate of BRIDGE and professionals contracted to work on these cases by BRIDGE during the Engagement Period and have previously been provided to this Court in connection with Interim Applications filed pursuant to the Modified Fee Order. Counsel for the Debtors' is providing a compendium of these fee statements to the Court so they are not again attached as exhibits here. To the best of BRIDGE's knowledge and belief, this Application complies with sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules, this Court's Order No. 32 and the Modified Fee Order. BRIDGE's time reports are initially handwritten or electronically recorded by the professional performing the described services. The time reports are organized on an hourly basis. BRIDGE is particularly sensitive to issues of "lumping," and unless time was spent in one time frame on a variety of different matters for a particular client, separate time entries are set forth in the time reports. BRIDGE's charges

for its professional services are based upon the time, nature, extent and value of such services and the cost of comparable services other than in a case under the Bankruptcy Code. In addition to the monthly fee statements, copies of each of each applicable Certificate of No Objection have also been provided by the Debtors' counsel to this Court in advance of consideration for the approval of this Final Fee Application.

Actual and Necessary Expenses

15. A summary of actual and necessary expenses incurred by BRIDGE for the Engagement Period were filed with the original monthly fee applications. A summary of actual and necessary expenses for the Engagement Period is attached as Exhibit "E". BRIDGE does not customarily charge for photocopying expenses or for out-going facsimile transmissions related to cases, such as this one, arising in Delaware.
16. Throughout the cases the Debtors and their professionals have worked cooperatively and effectively with the Bank Group, the Unsecured Creditors' Committee appointed in these cases (the "Creditors' Committee") and the Office of the United States Trustee and their respective professionals. There have been no significant disputes which have required court intervention to resolve. Such cooperation has extended to (i) developing creative solutions to ensure that all former employees were paid their pre-petition priority claims and health care claims and, (ii) working together to address the most significant issues facing the Debtors' estates (a) litigation of disputes with Compaq Computer Co., successor in interest to Custom Edge, Inc. (b) litigation of potential WARN Act claims brought against the Debtors (c) evaluating potential avoidance actions and (d) reconciling significant claims against the estate.
17. The Members of BRIDGE who have rendered professional services in these cases for which BRIDGE seeks approval of and allowance for compensation are as follows: James R. Malone, Anthony H.N. Schnelling, Dean Vomero, Anthony Gerbino and Carl Young. Principals of BRIDGE who have rendered professional services in these cases for which BRIDGE seeks compensation include Jeff Williams, Mark Stickel and Mike Newsom. Associates of BRIDGE who have rendered professional services in these cases for which BRIDGE seeks compensation include John Pidcock and Jeff Juszczak. Independent sub-contractors to BRIDGE who have rendered professional services in these cases for which

BRIDGE seeks compensation include: Alpesh Amin, Peter Christiano, Arun Vedhanayagan, Bruce Blagg and Bruce Bannon.

18. BRIDGE has worked closely with the Debtor's bankruptcy counsel, Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C. ("PSZYJW") and Willkie Farr & Gallagher ("Willkie") and the Debtors' corporate counsel, McGrath, North, Mullin & Kratz, P.C. ("McGrath").

BRIDGE's efforts have been particularly extensive due to the size and complexity of the Debtors' cases, which involve twenty-eight (28) debtor corporations and in excess of 100,000 interested parties and the fact that the number of employees available to work on these cases was so severely reduced on the Petition Date.

Summary of Services Provided During the Engagement Period

19. During these cases, \$148.7 million of accounts receivable, including approximately \$14 million recovered from the sale of leases with Lockheed Martin, were collected with assistance of and management by BRIDGE. This accounted for 12.6% of hours billed during the engagement. BRIDGE assumed responsibility for the day-to-day management of the Debtor's collection team in mid July 2000. A recovery percentage of 65% was achieved in spite of the significant barriers to collection included:

- a. The lack of supporting documentation. At the time of the filing in excess of 125 remote locates were closed with no advance notice. The majority of the documents that supported the actual billing process were lost during these closings. The type of information lost included time records signed by customers; consolidating invoices required by customers before payment was released; electronic and other records that supported warranty and time and material work performed at customer locations and various other documents one would expect to have available when dealing with multiple hundreds of thousand dollar invoices.
- b. The fact that a substantial percentage of the customer base had purchased extended warranties on hardware that was to be serviced by the Debtor. At the closing of the Debtors operations the customers who had purchased extended warranty contracts (1-3 years) had no place to obtain warranty service and were burdened with additional costs associated with obtaining service on a time and material basis from other providers. Many customers asserted setoffs for not only the warranty service they

paid for and never received but also for the additional costs associated with obtaining service for their hardware from other providers.

- c. The fact that many customers were dependent upon the Debtor's employees assigned to customer locations for direct support of systems. Many of the customers had entered into long term contracts with the Debtor to provide on-site support of both hardware systems and software applications. Upon closing of the Debtor's operations the employees of the Debtor who provided this on-site support were terminated with no advance notice to the customer base. Many customers were left with no support for massive and complex systems and struggled to obtain temporary solutions over the weekend immediately following the Debtors discontinuance of business. Customers asserted damages ranging from several thousand dollars to several million dollars associated with replacing services provided by the Debtor under the terms of the contracts.

20. During these cases 8.7% of total hours were expended on Asset Sales, Liquidation and Real Estate categories. BRIDGE negotiated and prepared recommendations to the Operating Subcommittee of the Board of Directors concerning terms of all asset sales. In addition to developing disposition procedures and assisting in developing motions to the court, the following activities, tasks and results included:

- a. Closing the sale of the Debtors Communication Division yielding \$20 million to the estate. BRIDGE professionals monitored the closing process and working capital to ensure maximum value was obtained.
- b. Winding down International operations which included operations in South America, Europe, Canada and Asia-Pacific. Operations continued at these locations after the Petition Date. BRIDGE professionals assisted in the negotiating the sale of operations in Mexico, Venezuela, Columbia and Canada. Operations in Asia-Pacific, Brazil and Argentina were liquidated. BRIDGE professionals assisted in closing the sale of the Debtors' European operations to Computacenter and in negotiating closing adjustments. Proceeds from the disposition of international operations were in excess of \$5 million.

- c. Selling various publicly traded equity investments for approximately \$15 million.
The Debtors largest holding was 125,000 restricted shares of TMP International. BRIDGE professionals assisted in retaining a broker, resolved issues around marketability of the restricted shares and worked with Solomon Smith Barney's large block trading desk to ensure this investment yielded the maximum return. BRIDGE also assisted the Debtor in negotiating the sale of an approximately 8% interest in Computerland Poland whose shares are publicly traded on the Warsaw Stock Exchange. Due to thin trading volume, BRIDGE negotiated and closed a private transfer of these shares for around \$6 million. In addition, the Debtor held a special class of shares in Computerland Poland ("J Shares"). BRIDGE worked closely with Debtor and counsel in negotiating to resolve the issue of ownership of the shares and worked in conjunction with PSZYJ to identify responsible parties. Responsibility to pursue this matter further was transferred to the counsel for the Creditor's Committee and they continue to work to bring this to conclusion. BRIDGE also worked with Solomon Smith Barney in liquidating the Debtors' holdings in other publicly traded securities.
- d. Realizing value in various non-public debt and equity securities in closely held interests. BRIDGE performed valuation and assisted in negotiating the sale of these non-marketable securities which yielded approximately \$3.5.
- e. Liquidating the debtors FFE for the approximately 125 locations all of which were leased. This process involved negotiating terms with a liquidator and brokers, locating FFE and scheduling auctions. The liquidation of the FFE realized approximately \$4 million.
- f. Assessing the approximate 125 real property leases to determine whether below market leases existed. This assessment identified two below market leases which were sold for over \$2 million.
- g. Selling smaller ticket items under omnibus procedures. BRIDGE professionals assisted in developing and implementing procedures to efficiently sell smaller value equipment and inventory under de minimis sale guidelines approved by the court.

- h. Identifying and selling obsolete inventory. This work was performed by the Debtors' personnel assisted by BRIDGE professionals and involved extensive negotiation to develop and implement an effective auction and sale process. This process yielded \$800,000.
- i. Selling the Wharton, New Jersey laptop repair facility. BRIDGE professionals assisted in negotiating this transaction, which realized \$150,000 for the Debtors' Estates.
- j. Evaluating long term contracts entered into between the Debtor and their customer base. These contracts provided for the Debtor to provide various levels of service, maintenance and other functions to their customer base with terms ranging for several months to as long as several years. The contracts were reviewed in an effort to identify if any of them could effectively be assigned to third parties for value. After an extensive review it was determined that due to the far reaching coverage the Debtor offered to their customer base (effectively 45 of the 50 United States) there was no single third party that could provide the same coverage. It was determined the contracts had no residual value and no further attempts were made to market them.

21. Approximately \$15.7 million of value to the estate has been realized through settlement of avoidance actions. In addition, approximately \$62.7 million in benefit was gained by offsetting claims payments. There are still many avoidance actions in negotiation or being litigated. Working to resolve issues related to Avoidance Analysis accounted for 18.5% of total hours. Specific tasks and activities included:

- a. BRIDGE assisted the Debtors in completing preference analysis in order to capture as much of the \$85 million potential avoidable preference. This result was achieved by obtaining and scrubbing the accounts payable data for the 18 months prior to bankruptcy.
 - i. Managing the data by combining information from two large systems: Oracle and JD Edwards. The data from each system was extracted from each system in a text file and was reassembled into one relational data base with more than 1 million records to enable efficient and effective analysis.

- ii. Developing logical parameters to ensure integrity of data including the elimination of various credits, credit memos, rebates, and discounts. However, even with this logic in place all files eventually had to be reviewed for other irregularities and typographical errors. After the data was cleansed and repaired, a new file was extracted as the master data file. A comprehensive sort was run to identify all entities that received payments during the preference period. That number was approximately 6,000. The file was then examined line by line to ensure consistency of the data to allow the appropriate queries to capture the information for the respective potential preference defendant companies.
 - iii. Developing algorithms to analyze ordinary course and new value defenses. Processes and procedures were developed to ensure high dollar potential preferences were properly analyzed. Also, a procedure was developed to efficiently yield value from small dollar potential preference payments.
- b. Maintaining a data base for use as a tracking mechanism for potential preference actions. BRIDGE professionals worked closely with bankruptcy and special counsel to pursue and resolve both trade vendor and professional preference claims. In that connection BRIDGE professionals performed or assisted in the performance of the following tasks:
- i. Researching supporting documentation and providing additional analysis of data from the Debtors accounting records as requested by counsel, as well as numerous discussions with counsel.
 - ii. Reviewing data presented by defendants in the various actions, analysis of this data with specific emphasis into specific issues raised by the defendants as required to address the validity of the various defenses asserted.
 - iii. Analyzing, at the request of PSZYJ, the solvency position of the Debtor during the 90 day period immediately preceding the bankruptcy filing. This effort was required because of defenses raised by several trade

vendors regarding the actual solvency position of the Debtor at the time the preferential payments were made.

22. Claims Reconciliation accounted for 12.8% of total hours. Activities and tasks included:

- a. Reducing the gross amount of claims filed of \$1.7 billion to less than \$200 million, a reduction of 88%.
- b. Managing the resolution of more than 8,000 claims filed by various parties in this case. Including in these claims were 5,192 claims filed by former employees, 550 claims filed by various taxing authorities and 2,313 claims filed by trade vendors and other parties of interest.
- c. Assisting the Debtors in processing, analyzing and monitoring claims filed against the Debtors' Estates. BRIDGE monitored the progress of the overall claims process to ensure claims were being reconciled in an efficient manner. BRIDGE was responsible for assisting the Debtor in negotiating with taxing authorities over \$107 million of filed claims.
- d. Working closely with the Debtors' management to bring final resolution to an IRS examination report related to a \$41,000,000 protective claim filed by the IRS. The examination report was ultimately accepted by the IRS Joint Committee and the \$41,000,000 claim was withdrawn. BRIDGE was also instrumental in working with the IRS to resolve a \$17,100,000 notice of penalty filed against the Debtors' Estates. Through BRIDGE's efforts and after an extensive analysis of all federal employment tax reporting for the calendar year 1999, BRIDGE was successful in having the IRS acknowledge the penalty notice was in error. Through investigation by BRIDGE, further documentation was identified and developed to amend several tax returns for the year that identified a \$384,000 overpayment that is still due to be refunded.

23. Case Administration and Strategic Planning accounted for 2,944.8 hours or 17.7% of total hours. Case Administration is a slight misnomer for the functions performed under this code. Time incurred under this category relates to work done by BRIDGE professionals assisting officers and managers of the Debtors in connection with the actual daily management and administration of the Debtors' estates' business. Time charged to Strategic Planning relates

to BRIDGE's interaction with the Board of Directors and deals with issues associated with the overall strategy of the case. Specific activities and tasks included:

- a. Participation with management, officers, and where applicable, staff of the Debtors and attorneys for the Debtors', PSZYJ and McGrath, in periodic status calls with the operating sub-committee of the Debtors' Board of Directors charged with managing the Debtors' Estate. BRIDGE prepared significant materials for and participated in Board of Director and Operating Sub Committee of the Board meetings.
- b. Facilitated various meetings with the Debtors' management to develop and review financial and transition plans.
- c. Monitoring and forecasting staffing requirements of the Debtors and managing the workload, activities and tasks required to efficiently wind-down the remaining estate.
- d. Downsizing the Information Technology (IT) requirements of the Debtor and, in conjunction with the Debtors management, bringing all "mission critical" data storage into the offices of the Debtors.
- e. Certain time incurred developing various strategies relating to the format of the Plan of Reorganization, major litigation and complex negotiations was also charged to this category.

24. Reporting and Monitoring, Projections, Cash Management and Work with Lending Group categories had 1,490.3 or 9.0% of total hours. Activities and tasks included:

- a. Monitoring of the Debtors' financial position on a monthly basis and completing, compiling and reporting budget to actual variances to monitor and control compliance with the various aspects of the cash collateral agreements including the approval of all budgeted expenditures.
- b. Reviewing Monthly Operating Reports "MOR" throughout the Engagement Period and reviewing the posting of accounts receivable and other payments to the proper accounts as required to accurately reflect the financial position of the Debtors.
- c. Ensuring control of accounting records, information and cash disbursements and receipts. BRIDGE professionals assisted the Debtor in consolidating cash accounts, ensuring appropriate authorization over cash disbursements and implementing reporting to detect abnormalities in cash transactions.

- d. Working with the lending group beginning immediately following BRIDGE's retention to prepare projections, report variances against projections and report status of major issues and progress of the wind down of operations. BRIDGE professionals participated in conference calls with the lending group on a regular basis throughout the case. BRIDGE professionals also assisted the Debtors in negotiating various cash collateral agreements and extensions.

25. Litigation Court and Work with Attorneys represented 1,363.8 hours or 8.2% of total hours.

Specific tasks and activities included:

- a. Analyzing the enormous volume of transactions which underlay an approximately \$300 million dispute with Compaq Computer. The analysis included evaluating over \$200 million in accounts receivable transactions which included the integration of two disparate data bases with over 360 million records of combined data, \$30 million in payments during the preference period and numerous contracts and agreements. A successful resolution to the Compaq litigation was achieved with an overall reduction in claims of \$178 million and a cash recovery to the Debtors' Estates of \$8.5 million.
- b. Assisting in providing the documentary and negotiating support to prosecute an \$8.5 million dispute with TMP Worldwide, which was ultimately resolved prior to Confirmation with a payment for approximately \$1.2 million.
- c. Performing analysis in support of WARN act claims, assisting the Debtors in providing information associated with an investigation by the SEC, participating in bi-weekly conference calls with the Debtors' counsel and reviewing documents associated with a \$2.9 million claim against ATT Solutions (through consultation with the Debtor and bankruptcy counsel it was recommended that an appeal to the judgment be filed with the court).

26. Reorganization Plan, Wind-down Planning and Bankruptcy categories accounted for 4.9% of Bridge's time Activities, tasks and results included:

- a. Analyzing existing operations and recommending reductions in staff, office space and overhead costs enabling smooth transition to the disbursing agent.
- b. Reviewing multiple versions of the disclosure statement and liquidating plan including analysis required to update documents with current financial position.

- c. Participating in numerous conference calls with Debtor officers, operating committee and full board in conjunction with PSZYJ as required to finalize the disclosure statement and preparing final document for filing with the Court.
- d. Reviewing IT requirements and formulation of processes to insure accurate and efficient production of the distribution of payments under the Plan.
- e. Projecting financial results to determine a reasonable range of recovery for the unsecured creditors.
- f. Facilitation of PricewaterhouseCoopers (PWC) retention as replacement tax advisors. BRIDGE worked with PWC and PSZYJ to finalize their retention agreement, engagement letter and successfully negotiated a reduction in hourly rates billed by PWC. In preparation for the final draft of the Plan of Liquidation, BRIDGE directed the review of potential value of the Federal Tax Net Operating Losses (NOL) accumulated over the past four years. After extensive review of the applicable tax laws and bankruptcy law the Debtors concluded that the NOL could not be effectively transferred to another entity and no further effort was made to market this asset.

27. Human Resources, Information Technology, Creditor Committee, Travel and Fee

Application Preparation rounded out the balance of hours of 1,267.5 or 7.6% of total hours.

Activities and tasks included:

- a. Assisting the Debtor in developing retention plans for key employees, assisting in the wind down of benefit plans and developing staffing models.
- b. Coordinated efforts to ensure that the employee health care claims processor, Great West, expeditiously processed employee pre-petition health care claims. Nearly 41,000 claims totaling \$4.5 million were processed. BRIDGE professionals worked closely with Great West after Great West's initial failure to properly manage payment of these claims. BRIDGE personnel made a number of site visits, worked out procedures for Great West and tested the process until it was determined the system was functioning properly and former employees claims were being paid timely.
- c. BRIDGE professionals assisted the Debtors in winding down its information technology systems including the payroll, email, accounting and human resource systems. Information was transferred and secured at minimal cost within the first

- seven months of the case. As a result, the Debtors were able to reject very expensive computer and software leases.
- d. BRIDGE professionals prepared numerous presentations to the Creditors' Committee on the status of the case, status of pending litigation and expected recoveries. In addition, BRIDGE professionals worked closely with the Creditors' Committee professionals to ensure input into major case decisions and plans. BRIDGE professionals incurred time in assisting the transition of the case to a Plan Administrator selected from among the Creditors' Committee's professionals.
 - e. BRIDGE professionals charged travel time only in special situations such as all day travel to unique locations or for excessive delays. When this did occur, professionals only charged 50% of their actual excessive travel time. Time charged to this category was carefully reviewed by BRIDGE management. As such, only approximately 100 hours over nearly a three year period was charged to this category. This is less than 1% of total hours charged.

28. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, it is respectfully submitted that the amount requested by BRIDGE 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 this title. Moreover, BRIDGE has reviewed the requirements of Order No. 32 and believes that this Application complies with that Order.

Contingent Fee

29. From the initial filing of these Chapter 11 cases, the general view of the status of the Debtors was that they could well be "administratively insolvent". Indeed, during the hearing on First Day Motions this Court commented that "this company is as close to arriving at Chapter 11 DOA as any that I've seen". These sentiments were widely asserted at the time, based on the following factors, which were all that was really known about this case in the days immediately following the Petition Date;
- a. no external financing to support operations or liquidation post-petition;
 - b. almost 5,000 employees laid off with no notice and no time to transition critical information to management and/or a liquidating group;

- c. in excess of 125 locations closed with no advance notice, causing critical documents to be lost or destroyed;
- d. confusion as to the actual state of the Debtors' available cash because large amounts of cash were being misdirected to the accounts of Compaq and its subsidiary Custom Edge and concurrently cash belonging to Compaq and its subsidiary were misdirected to the Debtor.

30. Despite this "dead on arrival" perception, BRIDGE was engaged by the Board of Directors to assist the Board of Directors and the Debtors' officers to dissolve the company in Chapter 11. They believed it was possible to obtain a better return for creditors in an orderly Chapter 11 dissolution than creditors could hope to achieve in Chapter 7 fire-sale liquidation. Three years later the results of BRIDGE's efforts have yielded:

- a. **\$16 million** in payment of pre-petition employee wages, expenses and health care claims.
- b. **\$4.1 million** awarded to former employees in satisfaction of the WARN Act litigation
- c. **\$64.2 million** paid in satisfaction of all secured obligations.
- d. **\$6.9 million** paid in satisfaction of priority claims
- e. **\$7.2 million** additional estimated to be paid in satisfaction of priority claims
- f. **\$55 to \$60 million** estimated to be available to unsecured creditors
(\$0.20 to \$0.40 per \$1 claim)

31. The hourly fees charged by BRIDGE during the Engagement Period were lower than might be expected for the level of expertise provided in a case which began as inauspiciously as this one and which turned out to be fraught with a myriad of complex issues. The highest hourly fee charged by any BRIDGE Member during the course of this engagement was \$300.00 with a blended hourly rate for all BRIDGE professionals over the entire engagement of \$261. BRIDGE did not materially increase the rates charged to the debtor during the nearly three years of involvement. This is evidenced by a blended rate of \$256 per the first fee application compared to a blended rate of \$261 per hour over a nearly three year period. This represents an upward variation of less than 1%. The contingent fee was negotiated as part of the terms of the original agreement as a counterpoint to the relatively modest hourly rates requested by the Debtors and was bargained for by BRIDGE to provide an incentive to

reward BRIDGE for superior results during the course of an engagement which all parties recognized was going to be unusually difficult to resolve favorably for creditors.

32. In exchange for keeping its billing rates low, BRIDGE elected to put at risk a significant amount of compensation based on return to stakeholders. Furthermore, BRIDGE agreed to forgo any contingent compensation on the first \$20 million of net assets generated. The attached Engagement Letter, see Exhibit "A: provides for BRIDGE to receive a contingent fee (the "Contingent Fee") payable according to the following calculation:

- a. "A contingent success fee equal to 1.25% of the *net asset value recovered by the Company and made available to stakeholders* which exceeds \$20 million and is less than or equal to \$40 million, a contingent success fee equal to 3% of the net asset value recovered by the Company and made available to stakeholders which exceeds \$40 million and is less than or equal to \$50 million and a contingent success fee equal to 5% of the net asset value recovered by the Company and made available to stakeholders which exceeds \$50 million.
- b. For purposes of this Agreement net asset value shall be calculated as follows: the value of gross assets recovered on behalf of the Company's estate less all expenses incurred by the Company in connection with the wind down and liquidation of the Company during its Chapter 11 case, calculated from the date of execution of this Agreement; provided, however, that neither the value of any gross assets recovered by the Company arising out of avoidance actions, provided for in the Bankruptcy Code or applicable state law, nor any expenses associated with such recoveries shall be included in this calculation for the purposes of establishing the amount of the success fee due to *BRIDGE*; provided, further, that no expenses incurred by any creditors' or equity committee appointed in the Company's Chapter 11 case or professionals employed on behalf of any such creditors' or equity committee shall be included in this calculation for the purpose of establishing the amount of the success fee due to *BRIDGE*; and, provided, further, that the calculation establishing the amount of the success fee due to *BRIDGE* shall include only, and without duplication, (i) ordinary course expenses incurred by the Company, expenses contemplated in an approved budget and expenses incurred at the direction of *BRIDGE* and its

professionals and, (ii) in the event of a Termination, as defined below, of the Engagement, reasonable and necessary expenses incurred by the Company or any successor in interest to the Company at the direction of a successor in interest to *BRIDGE*.”

33. Accordingly, pursuant to the above language, the critical component for calculating Bridge’s Contingent Fee is the Net Asset Value, which consists of the following components (a) gross assets recovered after June 22, 2000; less (b) all expenses incurred after June 22, 2000. Receipts and expenses relating to the prosecution of avoidance actions are also specifically excluded from the calculation of Net Asset Value, as are the Creditors’ Committee’s professional fees and costs. For purposes of this calculation, the cut-off date for earning of the Contingent Fee is June 8, 2003. However, BRIDGE is entitled, pursuant to its Engagement Letter and the Retention Order, to receive contingent fees after June 8, 2003 based upon additional recoveries after such date. BRIDGE reserves the right to supplement this Application with a calculation of additional contingent fees prior to the hearing on this Application. Based upon the foregoing, the following is the calculation for the Contingent fee.

<u>Item</u>	<u>6/22/00 through 6/8/03 (000's)</u>
Gross Recovery to Stakeholders	\$210,376
Payment of administrative claims and expenses	(72,631)
Preference recoveries	(15,774)
Expense associated in recovering preferences	3,246
Creditors’ Committee professional expenses	3,053
<i>Net Assets Recovered (per agreement)</i>	<i>\$128,270</i>

- i. Gross Recovery to Stakeholders of \$210 million includes the following:
 - (i) \$124.7 million in accounts receivable collections; (ii) \$14 million through the sale of InaCom’s interests in the Lockheed Leases (iii) \$10 million in vendor accounts receivable (iv) \$20 million from the sale of the Debtors’ Communications Division BRIDGE was instrumental in

managing the closing of this transaction. As the transaction was well along in process prior to Bridge's retention, BRIDGE did not receive a success fee for the first \$20 million in net assets recovered; (v) \$8.5 million representing the proceeds of the sale of the TMP World Wide stock (vi) approximately \$6 million representing the sale of the Debtors' eight percent (8%) interest in Computerland Poland; (vii) approximately \$6.3 million generated from the disposition of the Debtors' FF&E and leasehold interests; (viii) approximately \$11.2 resulting from various other asset sales including obsolete inventory, other lease interests, sell of non-domestic operations, interest rate swap contract, liquidation of various marketable securities and liquidation of franchise interests, \$2.2 million of accounts receivable, with a face amount of \$5.3 million, which were used to offset pre-petition claims and \$2.7 million in interest earned from cash accounts and \$2.4 million in tax refunds; and, (ix) \$15.7 in preference recoveries which are deducted in the calculation of net assets recovered.

- ii. Payment of Administrative Claims and Expenses: These amounts consist of (a) professional fees and expenses of \$30.0 million; (b) payroll of \$11.4 million, (c) purchases of inventory for resale of \$8.7 million, (d) post petition rent and lease expense of \$8.7 million; and (e) miscellaneous expenses of \$13.8 million.
- iii. Preference Recoveries: Approximately \$15.7 million of preference recoveries have been deducted from gross assets recovered in determining the baseline Contingent Fee.
- iv. Professional fees of \$3.2 million relating to prosecution of avoidance actions are not operating expenses which serve to reduce the Net Asset Value. In other words, since the avoidance action recoveries do not increase the Net Asset Value, expenses relating thereto do not decrease the Net Asset Value. Fees relating to prosecution of avoidance actions include (a) \$798,000 paid to BRIDGE Associates; (b) \$1.5 million paid to PSZYJ; (c) \$593,000 paid to Hahn, Loeser and Parks LLC and McDonald,

Hopkins, Burke and Haber Co.; and (d) \$350,000 for outside computer programming.

- v. Creditors' Committee expenses of \$3.05 million consist of \$1.8 million paid to Blank Rome and \$1.2 million to Executive Sounding Board and Associates.

34. Based on the above calculation, Net Assets Recovered is \$128,270,406. Based on this the contingent fee is calculated as follows:

1.25% of net assets recovered of \$20 to \$40 million (\$20 million).....	\$ 250,000
3% of net assets recovered of \$40 to \$50 million (\$10 million).....	300,000
5% of net assets recovered in excess of \$50 million (\$78.2 million).....	3,913,520
Total Contingent Fee	<u>\$4,463,520</u>

35. Although the contingent fee has been accruing since BRIDGE's retention over three years ago, BRIDGE has not previously made application for nor received any consideration with respect to a contingent fee.

36. An estimate of the contingent fee obligation was disclosed in the Plan and Disclosure statement.

STANDARDS RELEVANT TO AWARDING REASONABLE COMPENSATION

37. Section 330 of the Bankruptcy Code authorizes the Court to award Bridge reasonable compensation for its actual and necessary services rendered and reimbursement of its actual and necessary expenses incurred in the rendering of services as Crisis Management and Bankruptcy Consultant to the Debtors. Section 330 provides:

- (a) After notice to any parties in interest and to the United States Trustee and a hearing, and subject to Sections 326, 328, and 329 of this title, the court may award to a trustee, to an examiner, to a professional person employed under section 327 or 1103 of this title, or to the debtor's attorney:
 - (1) reasonable compensation for actual, necessary services rendered by such trustee, examiner, professional person or attorney, as the case may be, and by any paraprofessional persons employed by such trustee, professional person, or attorney, as the case may be, based on the nature, the extent and the value of such services, the time spent on such services, and the cost of comparable services other than in a case under this title; and
 - (2) reimbursement for actual, necessary expenses.

11 U.S.C. § 330(a).

38. This Application substantiates the total amount that BRIDGE seeks for fees and expenses in accordance with Bankruptcy Rule 2016. These standards are set forth in Federal Bankruptcy Rule 2016 and *In re First Colonial Corp. of America*, 544 F.2d 1291 (5th Cir. 1977), *cert. denied*, 431 U.S. 904 (1977), and are discussed below.

39. In *First Colonial*, the Fifth Circuit adopted twelve factors to apply to the determinations of awards of professionals' fees in bankruptcy cases: (i) time and labor required; (ii) the novelty and difficulty of the questions; (iii) the skill requisite to perform the service properly; (iv) the preclusion of other employment by the professional due to acceptance of the case; (v) the customary fee; (vi) whether the fee is contingent or fixed; (vii) time limitations imposed by the client or the circumstances; (viii) the amount involved and the results obtained; (ix) the experience, reputation and ability of the [professionals]; (x) the "undesirability" of the case; (xi) the nature and length of the professional relationship with the client; and (xii) awards in similar cases. *First Colonial*, 544 F.2d 1291, 1298-99. These factors were taken from *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974), a non-bankruptcy case, and are commonly referred to as the "*Johnson factors*." The original *Johnson*, as embraced by *First Colonial*, remains applicable to the determination of reasonableness of fees awarded under the Bankruptcy Code. 3 King, *Collier on Bankruptcy*, ¶ 330.04[3][b] at 330-38 to 330-39. A majority of the *Johnson factors* are now codified under Bankruptcy Code Section 330(a)(3). *Id.*

40. Federal Bankruptcy Rule 2016 sets forth explicit requirements for the disclosure of the compensation arrangement for a debtor's professionals. These requirements are:

- a. disclose all compensation paid or promised;
- b. list services rendered or to be rendered in contemplation of or in connection with the case;
- c. indicate if the payment or the agreement to pay was made within a year before the filing of the petition;

- d. disclose the source of the payment; and,
- e. disclose any agreement or understanding concerning the sharing of compensation with an entity outside of the firm receiving compensation.

41. BRIDGE has complied with the disclosure requirements of Rule 2016(b) in its Affidavit, attached as part of Exhibit "B". Because the disclosures made in the Affidavit are still accurate and complete, no supplemental disclosure has been required.

ADDITIONAL STANDARDS FOR AWARDING OF PROFESSIONAL FEES

42. When considering awards for compensation, courts have looked at a series of factors, commonly referred to as the "*Johnson* factors," in reviewing the appropriate standards for awarding compensation. *In re First Colonial Corp. of America*, 544 F.2d 1291 (5th Cir. 1977), *cert. denied*, 431 U.S. 904 (1977) at 1298, citing *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974), (*a non-bankruptcy case*). In pertinent part these factors are as follows.

43. Novelty and Difficulty of Issues Involved

- a. The first *Johnson* factor examines the degree of novelty and difficulty of the issues encountered by BRIDGE. With respect to the matters described herein, numerous difficult and complex operations, compliance and legal problems have been addressed and considered by BRIDGE, all of which have required an understanding of how complex businesses function which involve the operation of multiple locations including significant international operations, dealing with a situation where shortly before engagement thousands of employees were terminated, dealing with complex collection and asset sale issues. Additionally, resolution of the problems present in this case required a significant understanding of the application of the Bankruptcy Code.

44. Customary Fee

- a. The next relevant factor to be considered is the reasonable hourly rate by which the reasonable number of hours expended by BRIDGE is to be multiplied. Subsumed in this analysis are the following guidelines, as noted in *Johnson*: the customary fee charged by BRIDGE, awards in similar cases, the level of skill necessary, the amount

- involved, the results obtained, the reputation of the professional and the undesirability of the case.
- b. BRIDGE's hourly billing rates, are comparable or below rates regularly charged to its hourly clients. Moreover, BRIDGE's hourly billing rates are equal to or lower than the prevailing rates in the community and the rates charged regionally and nationally for similar services by professionals of comparable skill, experience and reputation.
 - c. The hourly rates charged by BRIDGE are also lower than or commensurate with the customary fees charged by professionals of similar experience, reputation and abilities. Additionally, the results obtained by Bridge, and the level of skill necessary to perform the work justify the hourly rate charged the Debtor. Accordingly, the hourly billing rate charged by BRIDGE is reasonable.

45. Skill Required for Performance

- a. The number of complex and difficult issues and matters addressed in this case required a high degree of skill and expertise. BRIDGE's professionals, with varying levels of experience and seniority, have been used effectively and efficiently to perform the tasks assigned to them and have provided valuable and effective assistance to the Debtors. A thorough understanding of the Bankruptcy Code and Rules was blended with business expertise to obtain financing for the Debtors' business operations, stabilize the Debtors' estates, assist the Debtors in the administration of their assets, and maximize the recovery for the estates' creditors. The compensation requested by BRIDGE is consistent with the compensation awarded in other cases of similar size and complexity.

46. Results Obtained

- a. BRIDGE diligently and expeditiously worked to maximize the return. This was evidenced by the fact the secured lenders and priority claimants were paid in full including a payout of over \$16 million to former employees terminated the day of the filing. In addition, BRIDGE was able to guild the Debtor through asset sales and recovers to a point where the return to unsecured creditors is high give the nature of the case. In addition, BRIDGE was able to develop creative technical solutions involved in preference analysis and claims.

47. Experience, Reputation and Ability of Applicant

- a. BRIDGE's professionals, over many years, have been active in cases throughout the United States providing advice and crisis management services to trustees, debtors, secured creditors, unsecured creditors, and creditors' committees in proceedings under the Bankruptcy Code. Further, Members and associates of BRIDGE including those who have provided consulting services in the instant case, have for many years actively participated in leadership positions in local, state and national industry professional associations, and have spoken at local, state and national institutes providing continuing professional education in the creditors' rights and bankruptcy areas. BRIDGE's professionals are experienced in all aspects related to turnaround and crisis management and bankruptcy matters, possess a high level of expertise, and have an excellent reputation in the business and legal communities. Furthermore, BRIDGE has particular experience in the areas of insolvency, workout and corporate reorganization.

48. Contingent Nature of Fees and Undesirability of Case

- a. Pursuant to BRIDGE's Engagement Letter (attached as Exhibit "A" hereto) BRIDGE is requesting approval of contingent fees based on its efforts on the Debtors' behalf. These fees are based on a percentage of net recovery to creditors which has been accumulated in BRIDGE's three years of involvement with the Debtor.

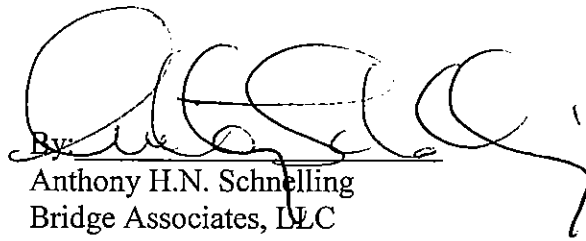
49. Time Limitations Imposed by the Case

- a. The time demands of this representation have not resulted in a dislocation of resources by BRIDGE.

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WHEREFORE, BRIDGE respectfully requests that the Court enter an order, in the form attached hereto, for the period June 22, 2000 through June 8, 2003 granting final approval of and compensation for: (i) reasonable and necessary fees in the amount of \$4,333,720 (ii) actual, reasonable and necessary expenses incurred of \$565,652.14 and (iii) reasonable and necessary fees in respect of a contingent fee in the amount of \$4,463,520 earned per the terms of BRIDGE's Engagement Letter attached as Exhibit A. Additionally, BRIDGE respectfully requests authority from the Court for the Debtors to pay the amounts approved less amounts previously paid.

Dated: July 14, 2003

By: 

Anthony H.N. Schnell
Bridge Associates, LLC
747 Third Avenue - 32A
New York, NY 10017