

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re)	Chapter 11
)	
INACOM CORP., et al., ¹)	Case No. 00-2426 (PJW)
)	Jointly Administered
Debtors.)	

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

**FINAL FEE APPLICATION
OF PACHULSKI, STANG, ZIEHL, YOUNG, JONES & WEINTRAUB P.C.
FOR COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT
OF EXPENSES AS COUNSEL TO DEBTORS AND DEBTORS-IN-POSSESSION
FOR THE PERIOD FROM JUNE 26, 2000 THROUGH JUNE 9, 2003**

Name of Applicant:	Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C.
Authorized to Provide Professional Services to:	Debtors and Debtors-in-Possession
Date of Retention:	August 8, 2000 (retroactive to June 26, 2000)
Period for which Compensation and Reimbursement is Sought:	June 26, 2000 – June 9, 2003
Amount of Compensation Sought as Actual, Reasonable and Necessary (net of a \$89,536.50 voluntary reduction)	\$9,160,035.69
Amount of Expense Reimbursement Sought as Actual, Reasonable and Necessary:	\$2,428,569.20 ²

¹ The Debtors are the following entities: InaCom Corp.; InaCom Latin America; InaCom Solutions, Inc.; InaCom Communications, Inc.; InaComp 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 Resources, Inc.

² This amount includes \$891,376.38 in fees and expenses for litigation support professionals retained and directly paid by PSZYJ&W during the course of these cases pursuant to a procedure authorized by this Court's Order Amending Order Pursuant to Section 327(a) of the Bankruptcy Code Authorizing the Employment and Retention of Pachulski, Stang, Ziehl, Young & Jones P.C. as Co-Counsel for the Debtors and Debtors-in-Possession and to Seal Confidential Portions of Time Records Supporting Pachulski, Stang, Ziehl, Young, Jones & Weintraubs' Interim Fee Applications [Docket No. 733].

This is an: interim final application quarterly

THE FEES AND REIMBURSABLE EXPENSES REQUESTED IN THIS APPLICATION COMPLY WITH THE DELAWARE BANKRUPTCY LOCAL RULES APPLYING TO TRAVEL TIME, FACSIMILES, AND COPYING

PRIOR APPLICATIONS FILED:

The following chart of Quarterly applications, and the relevant periods covered, summarizes PSZYJ&W's prior applications for compensation and reimbursement of expenses filed in these cases.

DATE FILED	PERIOD COVERED	REQUESTED FEES	REQUESTED EXPENSES	APPROVED FEES	APPROVED EXPENSES
1/12/01	6/26/00 – 11/30/00	\$1,627,815.73	\$312,154.47	\$1,627,815.73	\$312,154.47
6/20/01	12/1/00 – 4/30/01	\$1,036,898.50	\$256,556.56	\$1,036,898.50	\$256,556.56
10/18/01	5/1/02 – 9/30/01	\$ 730,430.28	\$199,028.46	\$ 730,430.28	\$199,028.46
2/1/02	10/1/01 – 12/31/01	\$ 461,362.50	\$113,964.36	\$ 461,362.50	\$113,964.36
7/10/02	1/1/02 – 6/30/02	\$2,215,232.20	\$898,253.71	\$2,215,232.20	\$898,253.71
11/1/02	7/1/02 – 9/30/02	\$ 782,112.00	\$146,714.58	\$ 782,112.00	\$146,714.58
2/14/03	10/1/02- 1/31/03	\$1,272,947.75	\$279,735.95	\$1,272,947.75	\$279,735.95

The following chart of PSZYJ&W's monthly applications for compensation and reimbursement of expenses for periods subsequent to those covered by the Quarterly applications identified above:

DATE FILED	PERIOD COVERED	REQUESTED FEES (80%)	REQUESTED EXPENSES	APPROVED FEES ³	APPROVED EXPENSES ⁴
4/22/03	2/1/03 – 2/28/03	\$220,808.40	\$61,049.03	\$220,808.46	\$61,049.03
6/03/03	3/1/03 – 3/31/03	\$235,571.20	\$52,039.66	\$0.00	\$0.00
7/10/03	4/1/03 – 6/9/03	\$371,521.40	\$109,615.40	\$0.00	\$0.00

³ As of the date of filing this Application.

⁴ As of the date of filing this Application.

COMPENSATION BY PROJECT CATEGORY
(JUNE 26, 2000 – JUNE 9, 2003)

Project Category	Total Hours	Total Fees Requested
Analysis and Recovery	594.35	\$ 169,737.50
Asset Disposition	1,275.10	\$ 390,876.00
Bankruptcy Litigation	8,101.75	\$2,455,613.25
Case Administration	3,281.50	\$ 489,204.50
Claims Administration/Objections	7,327.55	\$1,772,933.75
Compaq	59.95	\$ 18,473.75
Compensation of Professionals	1,203.15	\$ 307,297.25
Compensation of Professionals/Others	85.10	\$ 16,872.00
Employee Benefits	318.90	\$ 84,117.50
Executory Contracts	1,169.95	\$ 299,582.10
Financial Filings	212.30	\$ 50,402.00
Financing	127.85	\$ 40,975.50
General Business Advice	475.65	\$ 179,239.75
Litigation (Non-Bankruptcy)	6,444.70	\$1,923,732.50
Meeting of Creditors	210.35	\$ 71,742.50
Non-Working Travel	359.20	\$ 84,276.00
Operations	40.40	\$ 10,926.50
Plan and Disclosure Statement	1,162.85	\$ 410,713.00
Retention of Professionals	451.60	\$ 119,845.25
Stay Litigation	314.40	\$ 86,698.50
Tax Issues	91.30	\$ 30,018.50
Travel	558.80	\$ 138,839.89

EXPENSE SUMMARY
(JUNE 26, 2000 – JUNE 9, 2003)

Expense Category	Service Provider (if Applicable)	Total Expenses
Air Fare/Travel		\$233,696.76
Attorney Service		\$ 82,303.56
Computer Assisted Legal Research	Lexis/Westlaw	\$ 97,337.85
Conference Calls	Genesys	\$ 34,389.51
Court Imaging		\$ 355.50
Delivery/Courier Services	Parcels	\$102,808.37
Depositions		\$ 6,865.52
Express Mail	DHL/Federal Express	\$ 66,800.62
Facsimile (\$1.00/page outgoing faxes only)		\$157,731.46
Filing Fee		\$ 19,451.00
Guest Parking		\$ 1,047.80
Hotel Expense	Hotel DuPont	\$ 53,493.80
In House Attorney Service		\$ 44,406.34
In House Messenger Service		\$ 7,960.09
Miscellaneous		\$ 100.06
Overtime		\$ 23,153.89
Outside Services		\$626,521.73
Postage		\$109,601.61
Reproduction		\$609,738.66
Telephone Expenses		\$ 6,740.63
Transcript	Wilcox & Fetzer	\$ 26,045.92
Travel Expense	Eagle	\$ 75,270.04
Working Meals	Greenery	\$ 16,293.94

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**FINAL FEE APPLICATION
OF PACHULSKI, STANG, ZIEHL, YOUNG, JONES & WEINTRAUB P.C. FOR
COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT
OF EXPENSES AS COUNSEL TO DEBTORS AND DEBTORS-IN-POSSESSION
FOR THE PERIOD FROM JUNE 26, 2000 – JUNE 9, 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”), Del.Bankr.L.R. 2016-2, this Court’s “Order Approving Debtors’ Motion for Modification of Prior Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Professionals” (the “Administrative Order”) [Docket No. 1027] and “Order Confirming Debtors’ Joint Plan of Liquidation as amended Pursuant to Chapter 11 of the United States Bankruptcy Code” (the “Confirmation Order”) [Docket No. 5164], Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C. (“PSZYJ&W” or the “Firm”) hereby files this

¹ The Debtors are the following entities: InaCom Corp.; InaCom Latin America; InaCom Solutions, Inc.; InaCom Communications, Inc.; InaComp 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 Resources, Inc.

Final Fee Application for Allowance of Compensation and Reimbursement of Expenses for June 26, 2000 through June 9, 2003 (the "Application"). By this Application PSZYJ&W seeks a final allowance of compensation in the amount of \$9,160,035.69, net of \$89,536.50 in voluntary reductions taken by PSZY&JW in connection with prior Quarterly and monthly Applications² and \$2,428,569.20 in expenses³, for a total of \$11,588,604.89. By the time of the hearing on this Application, PSZYJ&W expects it will have received all fees and expenses requested except for \$205,928.35 representing 20% of the fees incurred during the period February 1, 2003 through June 9, 2003, the period subsequent to the filing of the last Quarterly Application. In support of this Application, PSZYJ&W respectfully represents as follows:

Introduction

On May 22, 2003, the Court confirmed the Debtors' Plan of Liquidation (the "Plan"). The Effective Date of the Plan was June 9, 2003. While confirmation of a liquidating plan is generally not all that remarkable, the results in this case are quite an achievement based upon the facts and circumstances facing the Debtors' Estates upon commencement of these cases. These cases were commenced on June 16, 2000 (the "Petition Date") when a potential buyer of the Debtors' service business abruptly terminated discussions with the Debtors only days before the expected consummation of a sale. The sudden failure of the sale, coupled with the Debtors' secured lenders' refusal to fund the Debtors as a going concern, left the Debtors

² During the course of these cases, PSZYJ&W reduced its fee requests to the extent attorneys and paraprofessionals billed less than a threshold amount during the applicable Quarterly period.

³ This amount includes \$891,376.38 in fees and expenses for litigation support professionals retained and directly paid by PSZYJ&W during the course of these cases pursuant to a procedure authorized in this Court's Order Amending Order Pursuant to Section 327(a) of the Bankruptcy Code Authorizing the Employment and Retention of Pachulski, Stang, Ziehl, Young & Jones P.C. as Co-Counsel for the Debtors and Debtors-in-Possession and to Seal Confidential Portions of Time Records Supporting Pachulski, Stang, Ziehl, Young, Jones & Weintraubs' Interim Fee Applications [Docket No. 733].

with no alternative except to terminate virtually all operations and immediately commence these cases.

This Court approved the Debtors' retention of the Firm as of June 26, 2000 (the "Retention Order") [Docket No. 279]. The retention was effective approximately ten (10) days after these cases commenced, after the withdrawal of the Debtors' co-counsel based upon a conflict of interest. While the Firm did not participate in any of the first day hearings in these cases, it understands that representations were made to the Court at such hearings that these cases were "dead on arrival" and potentially administratively insolvent. Now, a little more than three (3) years after these cases commenced, the Court has confirmed the Plan which provides for full payment of all administrative, secured, and priority claims and contemplates a distribution of approximately 20% – 40% to general unsecured creditors.

The ultimate success of these cases, which can only be described as a massive liquidation under often times difficult circumstances, is attributable to the dedicated efforts of the Debtors, the Official Committee of Creditors Holding General Unsecured Claims (the "Committee") and their respective professionals (the "Case Constituents"). The Case Constituents mobilized rapidly to address the pressing issues facing these Estates and maximize value from the going concern sale of the Debtors' communications business and liquidation of the Debtors' tangible personal property, interests in non-residential real property leases, foreign subsidiaries, accounts receivable, and other related causes of action. Through these efforts, the Debtors generated approximately \$135.3 million in net recoveries as of November 30, 2002. The Firm, together with Bridge Associates, LLC ("Bridge") spearheaded the Debtors' liquidation

efforts, recommending the retention of other professionals where appropriate and coordinating and monitoring efforts among all of the Debtors' professionals to insure the smooth, effective and economic administration of the Debtors' cases. The Case Constituents worked in harmony throughout the cases, and virtually all issues were resolved in this case by consensus.

After the liquidation was essentially complete, the Firm focused efforts on resolving two significant pieces of litigation which threatened to eliminate recoveries to general unsecured creditors. The most significant litigation involved claims between the Debtors and Compaq Computer Corporation, as successor in interest to Custom Edge, Inc. ("Compaq"), the purchaser of the Debtors' product distribution business in February 2000. As more fully described in Section K(2), *infra*, Compaq sought the recovery of over \$99 million that it claimed the Debtors had received from collection of new receivables that were owed to Compaq pursuant to the terms of the sale transaction, including the imposition of a constructive trust and equitable subrogation. Significantly, Compaq also asserted claims against the Bank Group which, if successful, could have resulted in the Bank Group asserting a secured claim against the Debtors for any amounts required to be repaid. Without the necessity of a trial, the Case Constituents negotiated a global resolution of all litigation with Compaq, pursuant to which Compaq received, *inter alia*, a single general unsecured claim of \$107 million, withdrew its filed claims (Compaq filed two claims each seeking \$284,955,919.00), and the Debtors' dismissed its preference claims (\$8,533,847.00) against Compaq. The resolution of the litigation not only saved the Debtors substantial fees and costs which would have been required to try the disputes and

avoided the risk of an adverse ruling, but also eliminated a cloud over the cases which prevented the confirmation of any plan.

The second litigation involved approximately \$60 million in claims asserted by former employees against the Debtors on the grounds that the Debtors allegedly violated the WARN Act by failing to give appropriate notice to employees before they were terminated. As with the Compaq litigation, an adverse ruling in the WARN Act litigation had the potential of wiping out any recovery for general unsecured creditors. Again, without the necessity of a trial, the WARN Act dispute was resolved for administrative claims payments having a value of approximately \$3.8 million.

While the Compaq and WARN Act lawsuits were pending, confirmation of a plan was not possible. Rather than putting the cases on hold during the litigation, the Firm, together with Bridge and the Debtors, addressed matters typically reserved for the post-confirmation period to expedite the ultimate distribution to creditors after the lawsuits were resolved. Accordingly, the Firm embarked on coordinating the process of reviewing the more than 13,000 claims in these cases and implementing an efficient process to object to and resolve these claims. At this time, fewer than 400 claims remain unresolved. At the same time, the Firm, working closely with Bridge, reviewed and analyzed potential preference payments made to creditors. Such efforts resulted in the commencement of 133 avoidance actions, and has resulted in generating \$15.2 million in gross proceeds and \$62.65 million in claims waivers, as of March 24, 2003.

Lastly, upon settlement of the Compaq and WARN Act litigation, the Firm moved quickly towards confirmation of the Plan. The Plan was overwhelmingly approved by all voting classes, with virtually no objection and confirmed by the Court approximately 120 days after it was initially filed.

Through this Final Application, the Firm requests a final award of \$9,160,035.69 in fees and \$2,428,569.20 in expenses for total compensation of \$11,588,604.89. While the Firm recognizes that the fees and expenses in these cases are quite substantial, the Firm believes it has played a vital role in the successful conclusion of these cases and that its services were reasonable and necessary and benefited the Debtors' Estates.

Compensation Paid and Its Source

All services for which PSZYJ&W requests compensation were performed for or on behalf of the Debtors pursuant to the Retention Order.

PSZYJ&W 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 PSZYJ&W and any other person other than the shareholders of PSZYJ&W for the sharing of compensation to be received for services rendered in these cases. PSZYJ&W received no prepetition retainer for the services rendered in these cases.

PSZYJ&W received a post-petition retainer in the amount of \$100,000 from the Debtors.

The following chart of Quarterly applications, and the relevant periods covered, summarizes PSZYJ&W's prior applications for compensation and reimbursement of expenses filed in these cases:

DATE FILED	PERIOD COVERED	REQUESTED FEES	REQUESTED EXPENSES	APPROVED FEES	APPROVED EXPENSES	VOLUNTARY FEE REDUCTION	ENTRY DATE COURT ORDER APPROVING APPLICATION
1/12/01	6/26/00 – 11/30/00	\$1,627,815.73	\$312,154.47	\$1,627,815.73	\$312,154.47	N/A	05/09/01
6/20/01	12/1/00 – 4/30/01	\$1,036,898.50	\$256,556.56	\$1,036,898.50	\$256,556.56	N/A	07/13/01
10/18/01	5/1/02 – 9/30/01	\$730,438.28	\$199,028.46	\$730,438.28	\$199,028.46	N/A	11/15/01
2/1/02	10/1/01 – 12/31/01	\$461,362.50	\$113,964.36	\$461,362.50	\$113,964.36	\$11,198.50	02/25/02
7/10/02	1/1/02 – 6/30/02	\$2,215,232.20	\$898,253.71	\$2,215,232.20	\$898,253.71	\$21,071.00	08/09/02
11/1/02	7/1/02 – 9/30/02	\$782,112.00	\$146,714.58	\$782,112.00	\$146,714.58	\$9,840.00	12/03/02
2/14/03	10/1/02-1/31/03	\$1,272,947.75	\$279,735.95	\$1,272,947.75	\$279,735.95	\$18,525.00	03/26/03

The following chart of PSZYJ&W's monthly applications for compensation and reimbursement of expenses for periods subsequent to those covered by the Quarterly applications identified above:

DATE FILED	PERIOD COVERED	REQUESTED FEES (80%)	REQUESTED EXPENSES	APPROVED FEES ⁴	APPROVED EXPENSES ⁵
4/22/03	02/01/03 02/28/03	\$220,808.40	\$ 61,049.03	\$220,808.46	\$61,049.03
6/03/03	03/01/03 03/31/03	\$235,571.20	\$ 52,039.66	\$0	\$0
7/10/03	04/01/03 06/09/03	\$371,521.40	\$109,615.40	\$0	\$0

⁴ As of the date of filing this Application.

⁵ As of the date of filing this Application.

Fee Statements

Fee statements for the Retention Period are attached to the monthly interim applications submitted throughout the Retention Period. Each statement contains daily time logs describing the time spent by each attorney and paraprofessional during the Retention Period. All monthly and Quarterly applications have been, or will be, delivered to the Chambers of the Honorable Peter J. Walsh three weeks before the hearing on this Application, September 19, 2003 at 9:30 a.m. E.T.

To the best of PSZYJ&W's knowledge, this Application complies with Sections 330 and 331 of the Bankruptcy Code, Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware. PSZYJ&W's time reports are initially handwritten or typed by the attorney or paralegal performing the described services. The time reports are organized on a daily basis. PSZYJ&W is 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. PSZYJ&W'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. PSZYJ&W has reduced its charges related to any non-working "travel time" to 50% of PSZYJ&W's standard hourly rate. To the extent it is feasible, PSZYJ&W attempts to work during travel for the Retention Period.

Exhibits "A" to the prior monthly Applications, as well as the prior Applications themselves, list the attorneys and para professionals performed services for the Debtors during

the Retention Period. However, many of those attorneys and para professionals performed limited services during the Retention Period and, with respect to some of the attorneys, were utilized for specific expertise they possessed or because of the unavailability of other attorneys or para professionals. Commencing with the Fourth Quarterly Application, PSZYJ&W began to voluntarily reduce its fee requests to eliminate the fees for any attorneys or paraprofessionals who billed less than a certain threshold number of hours during the applicable period. As a result, PSZYJ&W voluntarily reduced its fee requests by a total of \$89,356.50.

Actual and Necessary Expenses

Summaries of actual and necessary expenses incurred by PSZYJ&W for the Retention Period are attached to the monthly fee applications. PSZYJ&W customarily charges \$0.15 per page for photocopying expenses related to cases, such as this one, arising in Delaware. PSZYJ&W's photocopying machines automatically record the number of copies made when the person that is doing the copying enters the client's account number into a device attached to the photocopier. PSZYJ&W summarizes each client's photocopying charges on a daily basis. Whenever feasible, PSZYJ&W sends large copying projects to an outside copy service that charges a reduced rate for photocopying.

PSZYJ&W charges \$1.00 per page for outgoing facsimile transmissions. There is no additional charge for long distance telephone calls on faxes. The charge for outgoing facsimile reflects PSZYJ&W's calculation of the actual costs incurred by PSZYJ&W for the machines, supplies and extra labor expenses associated with sending telecopies and is reasonable

in relation to the amount charged by outside vendors who provide similar services. PSZYJ&W does not charge fax receipts to the Debtors in these cases.

Regarding providers of on-line legal research (*e.g.*, LEXIS and WESTLAW), PSZYJ&W charges the standard usage rates these providers charge for computerized legal research. PSZYJ&W bills its clients the actual cash charged by such services, with no premium. Any volume discount received by PSZYJ&W is passed on to the client.

PSZYJ&W believes the foregoing rates are the market rates that the majority of law firms charge clients for such services. In addition, PSZYJ&W believes that (a) such charges are in accordance with the American Bar Association's ("ABA") guidelines, as set forth in the ABA's Statement of Principles dated January 12, 1995, regarding billing for disbursements and other charge and (b) that they comply with Delaware Local Rule of Bankruptcy Practice and Procedure 2016-2(e).

Summary of Services by Project

PSZYJ&W has grouped the services rendered by it to the Debtors during the Retention Period into the categories set forth below. PSZYJ&W attempted to place the services provided in the category that best relates to such services. However, because certain services may relate to one or more categories, services pertaining to one category may, in fact, be included in another category. These services performed are generally described below, by category, with a more detailed identification of the actual services provided set forth in the monthly and Quarterly fee applications. The monthly and Quarterly fee applications identify

professionals who rendered services relating to each category, along with the number of hours for each individual and the total compensation sought for each category.

A. Asset Analysis and Recovery.

At the outset of these cases, the Debtors' most significant assets consisted of accounts receivable related to its product and service businesses. PSZYJ&W played a central role in coordinating efforts to recover the estates' accounts receivables, which were not otherwise assigned to collections agencies for recovery. Initially, PSZYJ&W worked with the Debtors, Bridge and the Committee to develop and obtain approval of a procedure pursuant to which the proposed settlement of accounts receivable could be noticed without requiring court intervention or suffering unnecessary delays associated with the law and motion practice (the "Settlement Order"). Throughout the cases, PSZYJ&W negotiated numerous settlements, drafted appropriate notices, pleadings and orders and otherwise implemented the procedures required by the Settlement Order.

A number of the Debtor's account debtors were themselves debtors in various bankruptcy cases pending throughout the United States. Throughout these cases, the Firm worked with the Debtors to prepare proofs of claim, investigate the status of some of the chapter 11 cases and negotiate with claims traders regarding the potential purchase of the Debtor's claims.

Total Fees: \$169,737.50; Total Hours: 594.35

B. Asset Disposition.

With the assistance of the Firm and McGrath North Mullin and Kratz, the Debtors liquidated their assets. As of the date of filing this Application, the Debtors generated approximately \$66 million from the liquidation of assets. The assets liquidated with the assistance of the Firm and McGrath North Mullin and Kratz generally fall into one of the following categories: (1) the Debtors' communications business; (2) personal property located at more than 100 of the Debtors' offices throughout the United States; (3) unexpired real property leases; (4) accounts receivable; (5) publicly traded securities; (6) interests in personal property in computer leases; (7) equity interests in affiliated companies through which the Debtors conducted international operations; (8) equity interests in promissory notes relating to domestic franchises; and (9) miscellaneous assets.

Total Fees: \$390,876.00; Total Hours: 1,275.10

C. Case Administration.

Because of the size of the Debtors' cases, PSZYJ&W, as the Debtors' general bankruptcy counsel, focused efforts on establishing procedures designed to aid in the efficient and cost-effective administration of the Debtors' estates. Such efforts generally included maintaining efficient document control, calendaring and filing systems, organizing periodic status meetings with the Debtors and their professionals and timely complying with the Court's rules regarding the preparation and dissemination of Agenda Letters. Specifically, during the Retention Period, PSZYJ&W: (1) maintained a current document system and ensured that all parties received copies of relevant documents in the cases through circulating copies of all

documents to the Debtors and their professionals, (2) monitored the critical dates arising in the cases and used such information to provide the Debtors and the court with agendas for hearings, and to ensure the Debtors and counsel met all obligations in a timely manner, (3) maintained proper service lists and communicated with creditors and interested parties and calendars, (4) organized and participated in periodic conference calls with the Debtors and other professionals to discuss the status of current and future matters, (5) prepared for and attended omnibus hearings before the Court, and prepared Agenda Letters and various orders in connection therewith, (6) communicated with the Court regarding future hearing dates, (7) prepared hearing notebooks in connection with omnibus hearings, and (8) prepared *pro hac vice* applications for certain attorneys for PSZYJ&W's Los Angeles office.

Total Fees: \$489,204.50; Total Hours: 3,281.50

D. Claims Administration and Objections.

The claims administration and objection process was a more than two-year process, involving review of approximately 9,000 scheduled claims and approximately 8,000 filed claims. Thus, after adjustment for scheduled claims that were superceded by filed claims, the total claims to be reviewed and resolved through the claims administration and objection process was approximately 13,000. The amount asserted as owed by the Debtors in filed claims, net of obvious duplicates, was approximately \$1.3 billion. The amount of scheduled claims not superceded by a filed claim was approximately \$330.5 million. Thus, the Debtors initially anticipated that the worst-case scenario for a distribution, assuming all the scheduled and filed

claims initially filed in all categories were entitled to a distribution in the asserted amount, was approximately \$1.63 billion.

To resolve these claims, PSZYJ&W attorneys and paralegals worked closely with the Debtors, Bridge, and Bankruptcy Services, Inc. (“BSI”) to coordinate and supervise the claims review process. This involved first, establishing guidelines and systems to ensure timely, accurate and efficient review of the claims, as well as reporting that information to PSZYJ&W attorneys and paralegals to prepare objections, and conduct negotiations or preparation for hearings as required. PSZYJ attorneys then conducted numerous telephone calls with the Debtors, Bridge, and BSI to resolve issues or provide guidance regarding all aspects of the claims administration process, as well as substantive advice regarding the validity of the claims, the procedure for resolving scheduled and filed claims, and the legal standards applicable to various asserted status issues. To keep track of the many claims, and the legal documents which would be created by PSZYJ&W and received by it in response, it created, maintained and updated a comprehensive list of all claims to which an objection was filed and response from the creditor received and claims to which no objection has yet been filed and as to which the Debtors have not yet concluded that the claim should be allowed as filed.

As the Court is well aware, significant animosity arose among the former employees, and anxiety was common among all creditors over the process for resolving their claims. To deal with these issues, PSZYJ&W fielded numerous calls from creditors, including businesses, vendors, and former employees, and counsel representing creditors responding to objections filed to claims, pending hearings, and requesting information on various objections to

claims, amendments to scheduled claims, and the claims objection process generally. In most cases claims could be resolved with little or no interaction with the creditors. However, in many cases significant time was spent resolving claims objections, or preparing to litigate in the event the claim could not be settled.

PSZYJ&W also spent significant time over the past two years reviewing and analyzing numerous written responses to the numerous pending Omnibus objections to claims. Many of the claims objections raised serious legal issues, and creditors responded, many times through attorneys. PSZYJ&W reviewed the materials submitted, responded appropriately, and in virtually all cases was able to reach a negotiated settlement of their claim.

Many unique issues were raised related to claims administration from various parties interested in the case, including the Office of the US Trustee, various governmental agencies, and individual creditors. PSZYJ&W drafted responses to these inquiries and, where necessary, negotiated resolutions of these objections and responses.

PSZYJ&W prepared more than 65 omnibus objections to claims filed by various individual creditors asserting claims against the various Debtors, as well as declarations and affidavits in support of those omnibus objections to claims, and the declarations of the Debtors' officers, in support of claims to be heard at hearings. PSZYJ&W reviewed each objection to try and create a document, which was accessible to creditors, and yet conveyed the factual and legal issues raised by the objections.

PSZYJ&W attorneys then negotiated resolutions of numerous pending objections carried over from earlier hearings, including preparing stipulations for numerous former

employees. PSZYJ&W attorneys also prepared and conducted hearings monthly on claims administration, including preparation of notice of agenda, and arranging for the appearance by conference call of numerous creditors.

PSZYJ&W attorneys also prepared and filed more than three dozen omnibus notices amending many scheduled claims. Pursuant to local Delaware bankruptcy court rules, the notices were served on the affected creditors with exhibits showing how the claims were to be amended and giving the creditor 20 days to file a proof of claim if they disagreed with the new scheduled amount. Very few of the creditors whose scheduled claims were amended have filed proofs of claim. Of the approximately 5,700 scheduled claims not superceded by a filed claim, very few remain unresolved. These unresolved scheduled claims will be reviewed and resolved.

This comprehensive claims administration policy resulted in a reduction of the claims base from more than a billion dollars, to less than \$500 million, and while not inexpensive, resulted in a fair and meaningful distribution to general unsecured creditors.

Total Fees: \$1,772,933.75; Total Hours: 7,327.55

E. Compensation of Professionals.

Throughout these cases, the Court entered various administrative orders designed to provide for the payment of interim fees and costs to professionals retained by the Debtors and the Committee. During the course of these cases, the Firm prepared thirty-six monthly applications for compensation and seven Quarterly applications. The Firm also assisted other professionals employed by the Debtors in the preparation, filing and monitoring of their monthly

and Quarterly fee applications and took the lead role in coordinating the Quarterly fee application process. The Firm's time spent in connection with professional compensation was billed in the two categories "Compensation of Professionals" and "Compensation of Professionals – Others."

Total Fees: \$324,169.25; Total Hours: 1,288.25

F. Financial Filings

As the Debtors' general bankruptcy counsel, the Firm assisted in the preparation, filing and service of the Debtors' Schedules of Assets and Liabilities and Statements of Financial Affairs, the filing and service of the Debtors' monthly operating reports, as well as compliance with the Guidelines of the United States Trustee as to bank accounts and the Debtors' cash management system and compliance with reporting requirements of the Securities Exchange Commission.

Total Fees: \$50,402.00; Total Hours: 212.30

G. Executory Contracts

The Debtors' cases involved hundreds of executory contracts. The Firm recognized early on in these cases that quick analysis, evaluation and rejection of real and personal property leases not necessary to the reorganization would minimize administrative expenses. In addition, the Debtors' had in excess of a quarter of a billion dollars in forward revenues conditional upon their performance of technology service contracts for major corporations throughout the United States and Internationally. At the Debtors' direction, the Firm invested substantial time in negotiating various arrangements with these corporations and

analyzing the businesses upon which the contracts were based to determine if the Debtors could preserve some of the value in those contracts or minimize the estates' exposure to third parties of those contracts. As a result of the Firm's efforts, the Debtors' potential exposure for administrative liability was reduced and the Debtors were able to negotiate sales or other arrangements to raise proceeds for the Estates.

Total Fees: \$299,582.10; Total Hours: 1,169.95

H. Employee Benefits

One of the particularly unfortunate aspects of the emergency circumstances under which the Debtors commenced these Chapter 11 cases was the impact that the filing (and concurrent cessation of most operations) had on its employees. A critical challenge presented to the Debtors and their counsel was finding a means of addressing prepetition employee health claims, which were ultimately paid after extended negotiations with numerous parties in interest, including the Bank Group and Great West, the Debtors' health insurance claims administrator. In addition, the Firm assisted the Debtors in seeking Court approval for the Debtors' accounts receivable collection team and an incentive program for certain key employees who were critical to the conduct of the Debtors' wind down of its efforts.

Total Fees: \$84,117.50; Total Hours: 318.90

I. Financing

Obtaining continued use of cash collateral throughout these cases was essential to enable the Debtors to continue operating. Throughout the cases the Firm enjoyed a constructive relationship with counsel to the Bank Group and successfully negotiated a series of cash

collateral stipulations, which provided the Debtors access to cash to wind down the Debtors' operations and complete the liquidation.

Total Fees: \$40,975.50; Total Hours: 127.85

J. General Business Advice

Throughout these cases, the Firm provided services relating to the Debtors' corporate governance and related matters. As a result of an agreement reached early on in these cases with the Office of the United States Trustee, the Debtors appointed an Operating Subcommittee of the Board to oversee the day to day operations of the Debtors' cases. The Firm participated in numerous meetings held by the Operating Committee throughout these cases, preparing agendas and minutes as appropriate. In addition, the Firm played a significant role in connection with numerous meetings of the Board of Directors throughout these cases. After the withdrawal of the Debtor's security counsel, the Firm advised the Debtors with respect to their rights and obligations as reporting entities under Federal Securities laws. Lastly, the Firm designed and has begun to implement a plan to dissolve and/or merge the numerous debtor entities as required under applicable law.

Total Fees: \$179,239.75; Total Hours: 475.65

K. Litigation & Bankruptcy-Related Litigation

Along with the "Claims Administration" category, the most significant services rendered by the Firm to the Debtors were in the "Litigation" and "Bankruptcy Related Litigation" categories. Time billed in this category relates to the general litigation services rendered to the Debtors by PSZYJ&W, in connection with various pending or threatened

litigation matters. As set forth in the Introduction, *supra*, early in the Debtors' bankruptcy cases, the Debtors were involved in several large heavily-litigated cases, the outcome of which would determine the distributions to be made to creditor constituencies (the Second through Seventh Interim Quarterly Fee Applications and the monthly Fee Applications contain specific descriptions of the significant litigation matters).

At this time, all of the significant litigation matters (exclusive of preference actions) have been resolved favorably. During the Fifth Quarterly Period, PSZYJ&W successfully negotiated settlements of the Compaq Litigation and MC Leasing Litigation (discussed below). Settlements also were reached in the Securities Class Action Litigation and Stark Litigation, both pending in the Delaware District Court. In January of 2002, the Securities Exchange Commission determined that no civil or criminal charges would be brought against the Debtors. Finally, in June of 2002, the Committee determined that it would not assert any claims against the Debtors' current officers or directors.

During the Retention Period, PSZYJ&W rendered legal services to the Debtors in the following areas: (1) litigating specific cases brought by or against the Debtors; (2) assisting the Debtors' in their ongoing efforts to resolve accounts receivables matters, by providing legal advice for resolving disputed issues, negotiating disputes with opposing counsel, reaching settlements on disputed matters, and preparing motions for the approval of such settlements by the Bankruptcy Court; (3) negotiating the settlement of tax related claims, including amnesty-related settlements, obtaining court approval for proposed tax settlements, and monitoring the status of pending tax-related settlements; (4) monitoring pending state court actions;

(5) monitoring the status of the settlement of (a) the securities class action lawsuits pending in the Alameda, California Superior Court, and obtaining Bankruptcy Court approval thereof, and (b) the securities class action lawsuit and the Stark litigation pending in the Delaware District Court.

More specifically, PSZYJ&W spent a significant amount of time during the prior Quarterly Periods on the following litigation matters:

1) Avoidable Transfers

As described in the Introduction, *supra*, PSZYJ&W spent a considerable amount of time seeking the recovery of preferential transfers - from the early stages of analyzing data and evaluating potential cases, negotiating resolutions of preference cases, and finally by actively litigating the remaining cases.

2) Compaq Litigation

As previously discussed, the Compaq Litigation consumed a significant amount of PSZYJ&W's time and effort throughout the pendency of the Debtors' bankruptcy cases. This litigation involved multiple parties, complex legal issues, heavily contested factual matters, and a well-financed adversary. At stake was \$99 million that Compaq asserted was used by InaCom to pay down its bank debt. The claims asserted by Compaq against InaCom and the Bank Group, as well as those asserted by InaCom against Compaq, arose from the sale of InaCom's assets to Compaq in February of 2000 (as set forth in the Asset Purchase Agreement, dated as of January 4, 2000, as amended and supplemented by various other agreements), and subsequent events whereby (a) InaCom allegedly received approximately \$99 million of Compaq's funds, and

(b) Compaq retained approximately \$43.6 million that InaCom contended was owed to it under the terms of the agreements. At the beginning of the Fifth Interim Quarterly Period, the parties had just completed the production of the first round of requested documents, which resulted in the production in January and February of thousands of documents from the Bank Group and Compaq. In addition to the documents produced by Compaq, Compaq also produced five CDs containing extensive electronic data relating to the \$99 million in disputed payments, all of which needed to be reviewed, analyzed, and categorized. Depositions were noticed for the entire month of February. After an initial unsuccessful Mediation on January 28, 2002, discovery commenced in earnest in light of the discovery cut-off date of March 29, 2002. A second Mediation was scheduled for late April of 2002 (later rescheduled for May 9, 2002). Thus, during February and March of 2002, depositions were taken in Delaware, Texas, New York, and Nebraska, often double-tracked. Additional written discovery was propounded that required the production of thousands of pages of new documents, and the continued production of previously requested documents, responses to requests for admission, and further interrogatories responses. In late April, InaCom also filed a preference action against Compaq seeking to avoidance and recovery of preferential transfers in the amount of approximately \$22.5 million. Not until after the completion of all factual discovery and the beginning of expert discovery, did the parties reach a settlement of the disputes among them at the May 9th Mediation. The settlement reached encompasses the Compaq Litigation, the newly-filed preference action, the \$285 million in claims filed by Compaq, as well as resolving all remaining disputes with Compaq and the Bank Group. The Settlement Agreement, negotiated at length by counsel for Compaq, the Bank

Group, the Committee, and the Debtors, was approved by the Bankruptcy Court during the Sixth Interim Quarterly period, and all significant settlement obligations have been completed.

3) WARN Act Litigation

This litigation involved 1510 individual claims and a class proof of claim on behalf of all former InaCom employees based on the alleged failure of the Debtors to give 60-days notice to employees of their termination pursuant to the requirements of the Worker Adjustment and Retraining Act (“WARN Act”). The WARN Act claims assert a priority claim of \$4300.00 per employee. The class representatives commenced an adversary action to accelerate consideration of their claim. The litigation was factually complex and heavily contested, requiring the analysis each of the employees differing employment situations, job site applicability, and prior post-petition payments. During the Seventh Interim Quarterly period, PSZYJ&W negotiated a settlement of the litigation, which paved the way for the confirmation of a plan of liquidation. This settlement, approved by the Bankruptcy Court, required payment to plaintiffs of approximately \$3.8 million.

4) MC Leasing Litigation

This litigation involved a claim by MC Leasing that InaCom owed it \$2 million for (b) post-petition unpaid rent, and (b) damages for equipment inadvertently sold by InaCom pursuant to the personal property liquidations. In June of 2002, the Debtors and MC Leasing reached a settlement of this litigation, which has been approved by the Bankruptcy Court.

5) TMP Litigation

This matter involved a claim asserted against the Debtors by TMP arising from the purchase of certain assets of the Debtors' information technology and information systems, contract personnel, and staffing business, and a separate claim by InaCom against TMP for the recovery of \$1,261,487.00 in preference payments. In April of 2003, the Bankruptcy Court granted the Debtors' motion to approve the settlement between TMP and InaCom of the adversary proceeding filed by TMP, the preference action filed by InaCom, and the various claims filed by TMP in the bankruptcy cases. The settlement provided that TMP withdraw all claims against the estates and dismiss the adversary action with prejudice. It also provided that InaCom pay TMP \$1.2 million of the segregated funds, and dismiss the preference action with prejudice.

6) SEC Litigation

Time billed in this category relates to the action filed by the SEC on January 8, 2002, against David C. Guenther, the Debtors' former chief financial officer, and Jay Samuelson, former assistant to Mr. Guenther, seeking civil penalties for alleged violations of the securities laws. During the course of the SEC's investigation (commenced in March of 2000) and continuing well into the Third Interim Quarterly period, InaCom produced thousands of pages of documents and provided full cooperation to the SEC. While no charges were brought against the Debtors, PSZYJ&W has been involved in the review and production of documents and other discovery pursuant to discovery requests served in the above-described civil action.

Non-Compaq Litigation Fees: \$2,904,671.75 Total hours: 9,468.20

Compaq Litigation Fees: \$1,490,980.25; Total hours: 5,133.10

L. Meeting of Creditors

Throughout these cases, PSZYJ&W, together with the Debtors and their other professionals, have worked closely with the Committee and other creditors to provide information regarding all aspects of the Debtors' bankruptcy cases. At the outset of the cases, PSZYJ&W prepared for the 341(a) meeting and worked with the Debtors to respond to additional requests for information by the United States Trustee's office relating to the creditors' examination of the Debtors. In addition, throughout the Retention Period, PSZYJ&W meet with the Committee's professionals to address issues relating to the status of the bankruptcy cases. In connection therewith, PSZYJ&W: (a) prepared Agendas for the meetings and communicated with the Committee's counsel regarding issues to be addressed at the meetings; (b) prepared extensive materials regarding the status of the claims objection process, collection of accounts receivable and other related matters; (c) reviewed materials for the meetings prepared by other of the Debtors' professionals; and (d) coordinated a presentation to the Committee by special regulatory counsel, Schulte Roth & Zabel.

Total Fees: \$71,742.50; Total Hours: 210.35

M. Operations

PSZYJ&W, as general bankruptcy counsel, assisted the Debtors with their business operations. PSZYJ&W's work relating to the Debtors' operations included: (a) resolving insurance issues; (b) resolving issues with utility providers; (c) advising the Debtors on

a new lease for the corporate headquarters; and (d) analyzing issues relating to the Debtors' obligations to remain in good standing in states for which they were qualified to do business.

Total Fees: \$10,289.00; Total Hours: 40.40

N. Plan and Disclosure Statement

On May 23, 2003 the Court confirmed the Debtors' Plan of Liquidation, which was filed, along with an accompanying Disclosure Statement, on January 31, 2003. The Plan, which became effective on June 9, 2003, was the product of extensive discussion and negotiation with the Committee. PSZYJ&W coordinated all aspects of the Plan process including assembling and gathering information from the Debtors and their other professionals, preparing and circulating numerous drafts of the Plan and Disclosure Statement both internally and among the Committee, participating in numerous conference calls and meetings with Case Constituents regarding all aspects of the Plan and Disclosure Statement, drafting a series of motions to extend the Debtors' exclusivity periods and coordinating, monitoring and assisting in the solicitation of votes and the plan confirmation process generally.

Total Fees: \$410,713.00; Total Hours: 1,162.85

O. Retention of Professionals

During the course of these bankruptcy cases, PSZYJ&W assisted in the preparation and filing of employment application of Debtors' professionals including, -- for example: PriceWaterhouseCoopers LLP, Martin Wolf and Associates, NAI Progress West, Hahn Loeser & Parks LLP, McDonald Hopkins Co., LPA, and Schulte Roth and Zabel, LLP. In

addition, the Firm helped resolve any issues raised, both formally and informally, in connection with certain of these employment applications.

Total Fees: \$119,845.25; Total Hours: 451.60

P. Stay Litigation

During the Retention Period PSZYJ&W monitored various motions for relief from stay filed by third parties.

Total Fees: \$86,698.50; Total Hours: 314.40

Q. Tax Issues

As general bankruptcy counsel, PSZYJ&W addressed tax issues arising in connection with the Debtors' cases –including, among others, tax issues arising in connection with claims analysis and the tax implications of the Plan.

Total Fees: \$30,018.50; Total Hours: 91.30

R. Valuation of Services

Attorneys and paraprofessionals of PSZYJ&W expended a total of 28,421.00 hours (prior to the write off) in connection with these cases during the Retention Period, as reflected above.

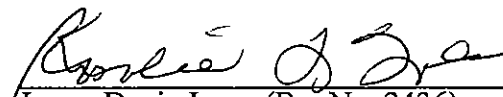
The nature of work performed by these persons is fully set forth in the monthly fee applications. These are PSZYJ&W's normal hourly rates for work of this character. The reasonable value of the services rendered by PSZYJ&W to the Debtors during the Retention Period is \$11,588,604.89, net of a voluntary reduction of \$89,356.50.

In accordance with the factors enumerated in section 330 of the Bankruptcy Code, it is respectfully submitted that the amount requested by PSZYJ&W 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, PSZYJ&W has reviewed the Delaware Bankruptcy Local Rule 2016-2, and believes that this Application complies with that Rule.

WHEREFORE, PSZYJ&W respectfully requests that the Court enter an order, in the form attached hereto, providing that, for the period of June 26, 2000 through June 9, 2003, an allowance be made to PSZYJ&W in the sum of \$11,588,604.89 consisting of \$9,160,035.69 in fees (net of a \$89,356.50 voluntary reduction) and reimbursement of actual and necessary expenses in the amount of \$2,428,569.20 that the outstanding amount of such sums be authorized for payment, and for such other and further relief as this Court may deem just and proper.

Dated: July 15, 2003

PACHULSKI, STANG, ZIEHL, YOUNG, JONES
& WEINTRAUB P.C.



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