

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
AMERICAN TISSUE INC., et al.,<sup>1</sup> ) Case No. 01-10370 (JWV)  
) (Jointly Administered)  
Debtors. ) **Related Docket Item 2625**

**RESPONSE OF AMERICAN PAPER CORPORATION TO COMPENSATION AND REIMBURSEMENT OF EXPENSES SOUGHT BY BAKER & MCKENZIE**

American Paper Corporation (“APC”) by its counsel, Cohen Tauber Spievack & Wagner LLP and Potter Anderson & Corroon LLP as and for its response (the “Response”) to the compensation and reimbursement of expenses sought by Baker & McKenzie (“Baker & McKenzie”), respectfully states as follows.

1. By application dated November 6, 2002, the Debtors requested that Baker & McKenzie be retained by the Debtors to serve as special counsel for Markwood LLC (“Markwood”), one of the Debtors, for, among other reasons, corporate matters involving Fabricaciones Metalicas Mexicanas, S.A.’s ("FAMSA"). The Debtors represented that to the best of their knowledge, Baker & McKenzie had no interest adverse to the estates or the Debtors. Application dated November 6, 2002 at ¶ 12 (Docket Item 1916).

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<sup>1</sup> The following entities are Debtors: American Tissue Inc., 100 Realty Management LLC, American Cellulose Mill Corp., American Tissue Corporation, American Tissue Mills of Greenwich LLC, American Tissue Mills of Neenah LLC, American Tissue Mills of New Hampshire, Inc., American Tissue Mills of New York, Inc., American Tissue Mills of Oregon, Inc., American Tissue Mills of Tennessee LLC, American Tissue Mills of Wisconsin, Inc., American Tissue – New Hampshire Electric Inc., Berlin Mills Railway, Inc., Calexico Tissue Company LLC, Coram Realty LLC, Engineers Road, LLC, Gilpin Realty Corp., Grand LLC, Hydro of America LLC, Landfill of America LLC, Markwood LLC, Paper of America LLC, Pulp of America LLC, Pulp & Paper of America LLC, Railway of America LLC, Saratoga Realty LLC, Tagsons Papers, Inc., Unique Financing LLC.

2. By affidavit sworn to November 6, 2002, which affidavit was issued in support of Baker & McKenzie's request to the Court for authority to be employed by the Debtors, Jose M. Larroque stated, among other things, that Baker & McKenzie had investigated the firm's relationships, if any, with the Debtors, their top 20 creditors, and their secured creditors, and had determined that Baker & McKenzie (a) had not represented a creditor of the estate in matters involving the Debtors and (b) held or represented no interest adverse to the creditors of the estates, and was therefore "disinterested" within the meaning of Section 101(14) of the Bankruptcy Code. Mr. Larroque also stated that to the best of his knowledge, information and belief, "Baker & McKenzie [does] not hold or represent any interest adverse to the creditors of the Debtors' estate . . . ." Affidavit of Jose M. Larroque, sworn to November 6, 2002, at ¶ 6.

3. By letter dated November 21, 2002, Cassondra Joseph, Esq., the in-house counsel to APC, among others, wrote to Arthur Spector, Esq., an attorney at Berger Singerman, the Debtors' special litigation counsel, and, among other things, provided the Debtors with notice of Baker & McKenzie's potential conflict of interest in any representation surrounding FAMSA or against APC or American Tissue de Mexico, S.A. de C.V. ("ATdM"). There was substantial further communication on this subject between Ms. Joseph and Baker & McKenzie.

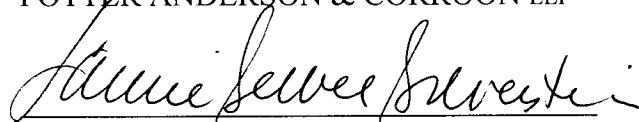
4. By First and Final Application dated May 7, 2003 (the "Fee Application"), Baker & McKenzie seeks compensation and reimbursement of expenses for the period from September 18, 2002 through December 31, 2002. Baker & McKenzie noted in that application that it had provided legal services and advice to Markwood (a) with respect to taking control of FAMSA, (b) with respect to Mexican corporate actions that were required to be taken in order for Markwood to take control of FAMSA's administration and to revoke all prior appointments of officers and legal representatives of FAMSA and (c) by assisting in the defense of FAMSA's

interests in a lawsuit filed by ATdM in Mexico for the payment of \$6,000,000 (the “Mexican Lawsuit”).

5. By supplemental affidavit sworn to May 27, 2003, Jose M. Larroque, Esq. noted, among other things, that Baker & McKenzie had received Ms. Joseph’s correspondence, and, as a result, further reviewed Baker & McKenzie’s records. Mr. Larroque discusses his review in conclusory fashion. Supplemental Affidavit of Jose M. Larroque, sworn to May 27, 2003, at ¶ 2 (Docket Item 2683).

6. APC disagrees with Baker & McKenzie’s assessment of the conflict of interest issue. APC and ATdM have commenced an action in the Mexican Lawsuit to disqualify Baker & McKenzie from the action in Mexico. The disqualification motion has not yet been ruled on by the Mexican Court. APC does not waive any rights it or ATdM have in the Mexican Lawsuit or otherwise as it relates to the conflict of interest of Baker & McKenzie. In the event that this Bankruptcy Court awards Baker & McKenzie any compensation, APC and ATdM reserve the right to seek disgorgement of any fees paid to Baker & McKenzie if the Mexican Court rules in favor of APC and ATdM.

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