

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

	)	
	)	CHAPTER 11
	)	
	)	
INTEGRATED HEALTH SERVICES, INC., et. al.	)	Case No. 00-389 (MFW)
	)	
	)	Jointly Administered
	)	
		<b>Objection Date: Feb. 5, 2003 @ 4:00 p.m.</b> <b>Hearing date: Feb. 10, 2003 at 10:30 a.m.</b> <b>Relates to Docket No. 2659</b>

**MOTION FOR AN ORDER TO DETERMINE AND APPORTION PROFESSIONAL FEES, MOTION FOR DISORGEMENT OF INTERIM PROFESSIONAL FEES, MOTION FOR AN ORDER COMPENSATING THE WOLFE ENTITIES FOR CONFERRING A VALUABLE BENEFIT ON THE DEBTORS' ESTATES AND MOTION FOR ORDER REQUIRING DISCLOSURE OF AGREEMENTS FOR PAYMENT OF PROFESSIONAL FEES BY THIRD PARTIES**

Buchanan/SCC, Inc., Galaxy Pest and Richard W. Wolfe (“Buchanan” or “Wolfe” or “Galaxy” or together the “Wolfe entities”) move this Honorable Court for an Order to Determine and Apportion Interim Professional Fees, and move this Honorable Court for an Order Disgorging certain Interim Professional Fees and for an Order compensating the Wolfe entities for conferring a valuable benefit on the Debtors’ estates and, and for grounds states as follows:

1. On February 2, 2000 (the “Petition Date”), Integrated and 437 of its affiliates filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (“the Code”).
2. By order of this Court, the Debtors’ cases have been procedurally, but not substantively, consolidated.
3. Pursuant to sections 1107 and 1108 of the Code, the various Debtors have continued to operate their businesses and manage their properties as debtor-in possession. No trustee or examiner has been appointed in the Debtors chapter 11 cases.

4. As part of first day orders, on February 2, 2000 this Honorable Court entered an administrative Order authorizing the Debtors to maintain their existing centralized cash management system, which allowed the Debtors to follow their prepetition practice of sweeping funds from each of the Debtors accounts. The Debtors have advised the Court that they can electronically track each Debtor's receipts and disbursement through the system. The effect of the aforesaid order has been to permit, inter alia, the Debtor's professionals to be paid on a monthly basis from the concentration account.

5. On February 2, 2000 this Honorable Court entered an Order permitting the filing of fee applications on a month basis by all professionals retained under section 327 of the Code ("the Fee Procedures Order").

6. On October 10, 2000 this Court heard the Wolfe entities' objection to the payment of interim professional fees for services rendered on behalf of allegedly insolvent estates out of the centralized cash management account. After hearing, this Court entered its order (attached hereto as Exhibit A) wherein the Court found that the Fee Procedures Order was an administrative order which merely specified procedures for the filing and allowance of fee applications in the jointly administered cases. This Court also found that administrative orders are always subject to modification by the Court, either sua sponte or on motion of any party-in-interest. In accordance with this Order, the Wolfe entities move this Court to determine whether the Fee Procedures Order is now appropriate as a result of the Debtors judicial admission that the Debtors will not be reorganized, are insolvent and will be liquidated, and that such admission constitutes a change in facts so as to justify a change in this Court's Fee Procedures Order and the October 10, 2000 order.

7. As a result of the Debtors' admission that the Debtors are administratively insolvent, the Wolfe entities move this Honorable Court to determine and apportion which interim professional fees should be disgorged by requiring that all professionals who have been paid interim professional fees out of the centralized cash management account substantiate to the satisfaction of the Court that said fees were rendered by professionals on behalf of solvent estates, and that said services benefited the solvent estates for which they were rendered.

8. In this Court's October 10, 2000 order the Court stated:

“..... joint administration is procedural only and cannot be allowed to adversely impact creditors' rights. The purpose of joint administration is to make case administration easier and less expensive than in separate cases, without affecting the substantive rights of creditors (including inter-debtor claims). citing *In re Hutter Construction Co, Inc.* 126 B.R. 1005, 1012 (Bankr. E.D. Wisc. 1991) (quoting *In re Parkway Calabasas Ltd.*, 89 B.R. 832, 836 (Bankr. C.D. Cal. 1998)).

9. In December 2002 the Debtors filed a motion for an order permitting the sale of substantially all of the remaining assets of the Debtors to THI, Inc. and further state in a proposed “plan of reorganization” and “disclosure statement” that the Debtors will be liquidated.

10. Apparently, despite numerous representations to this Court that a plan of reorganization (as opposed to a plan of liquidation) would be forthcoming, the Debtors, in furtherance of the development of a plan(s) of reorganization, have expended millions of dollars in professional fees out of the centralized cash management account to countless professionals who have conferred no benefit on the Debtor estates which are now being liquidated, and which were administratively insolvent at the time the interim fees were paid.

11. This Court will recall that the Debtors employed Mr. Joseph Bondi and staff as restructuring consultants from the firm of Alvarez and Marsal at the rate of approximately \$250,000 per month for the primary purpose of assisting the Debtors in the development of a

plan (or plans) of reorganization. No such plan of reorganization has been forthcoming. Rather, these individuals have assisted in stripping the assets from various estates without proper compensation to those estates and have conferred no benefit on those estates which are insolvent. This Court should Order that the fees paid to Mr. Bondi and staff should likewise be disgorged.

12. In accordance with this Court's October 10, 2000 order which stated that, until and unless an order is entered confirming a plan (or plans) of reorganization, or it is determined that an estate has sufficient assets to pay all administrative claimants, the Debtors should not pay any fees for services provided by professionals rendered on behalf of any estate which is administratively insolvent. In keeping with this Courts prior rulings, any interim fees paid to professionals who have provided services on behalf of estates that are (or were) administratively insolvent or that will not otherwise be reorganized, should be disgorged and repaid.

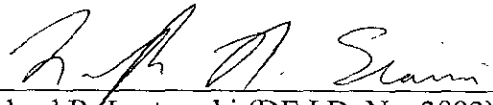
13. The Wolfe entities also move this Honorable Court for a determination and Order that the Wolfe entities have conferred a valuable benefit on the Debtors estates by virtue of the Wolfe entities objection which led to the entry of the October 10, 2000 order and by virtue of this motion by the Wolfe entities, and that he Wolfe entities are therefore entitled to receive reasonable compensation for their efforts pursuant to Sections 105 and 503 et. seq. of the Code in an amount equal to twenty five (25%) of the amount ordered by this Court to be disgorged.

14. The Wolfe entities also move this Honorable Court for an Order requiring any professional of record in any of the IHS Debtors cases to file a disclosure with this Court (within five business days after this Court orders the disclosure) if said professional has entered into any "carve-out" agreement, written or verbal, under the terms of which the professional has agreed to be paid by said third party (meaning some party other than the professional's client) in lieu of, or in addition to, any payment the professional has or might in the future receive from the estates of

the Debtors for services rendered by the professional on behalf of any Debtor. The Wolfe entities request that the disclosure set-out in detail the agreement between the professional and the third party including the identity of each party, any and all conditions associated with the payment to the professional, and that the professional be ordered to attach a copy of any written agreement to their disclosure, all of which shall be filed of record in the Debtors case and served upon all parties on the service list.

Respectfully submitted this 22st day of January 2003.

Dated: January 21, 2003



Michael R. Lastowski (DE I.D. No. 3892)

Ralph N. Sianni (DE I.D. No. 4151)

DUANE MORRIS LLP

1100 North Market Street, Suite 1200

Wilmington, DE 19801

Telephone: (302) 657-4900

Facsimile: (302) 657-4901

E-mail: [mlastowski@duanemorris.com](mailto:mlastowski@duanemorris.com)

[rnsianni@duanemorris.com](mailto:rnsianni@duanemorris.com)

- and -

Richard W. Wolfe, Esquire

3053 Birkdale

Weston, FL 33332

Telephone: (954) 260-2461

Facsimile: (954) 659-1607

E-Mail: [rwwolfe@bellsouth.net](mailto:rwwolfe@bellsouth.net)

Attorneys for Buchanan/SCC, Inc., Galaxy Pest and  
Richard W. Wolfe