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U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
SUSAN PIERSON SONDERBY, CLERK
PS REPLY - KG

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	Chapter 11 – (Jointly Administrated)
)	Case No. 02-02474 (SPS)
KMART COPORATION, et al.,)	
)	Objections due by: April 3, 2003
)	By 4:00 PM Eastern Time
Debtors)	
)	Hearing Date: Negative Notice

**NOTICE OF FILING REPORT BY AP SERVICES, LLC
COMPENSATION EARNED AND EXPENSES INCURRED
FOR THE PERIOD OF JANUARY 1, 2003 THROUGH JANUARY 31, 2003**


Notice is hereby given that AP Services, LLC (“APS”), by and through its attorneys, Honigman Miller Schwartz and Cohn LLP, has filed a report of compensation earned and expenses incurred¹ for the period of January 1, 2003 through January 31, 2003.

You are required to file an objection, if any, on or before 4:00 p.m. on Thursday, April 3, 2003. At the same time, you must also serve a copy of the response on APS’s undersigned counsel.

A HEARING WILL BE HELD, only if an objection is timely filed and served before the Honorable Susan Pierson Sonderby, U.S. Bankruptcy Judge, U.S. Bankruptcy Court, Eastern Division, 219 S. Dearborn, Chicago, IL 60604, at a date and time to be scheduled by the Court.

Dated: March 11, 2003

HONIGMAN MILLER SCHWARTZ AND COHN LLP
Attorneys for AP Services, LLC

By: 
Sheldon S. Toll (P-21490)
2290 First National Building
Detroit, MI 48226
(313) 465-7582

¹ Please e-mail Monica Brewster at mmb@honigman.com if you desire a copy of the detail.

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	Chapter 11
)	
KMART CORPORATION, <u>et al.</u> ,)	(Jointly Administered)
)	
Debtors)	Case No. 02-02474 (SPS)
)	

**REPORT BY AP SERVICES, LLC
COMPENSATION EARNED AND EXPENSES INCURRED
FOR THE PERIOD OF JANUARY 1, 2003 THROUGH JANUARY 31, 2003**


Exhibit A – Summary of Additional Temporary Employees and Functions

Exhibit B – Summary of Expenses

Exhibit C – Summary of Services

Dated: March 11, 2003

HONIGMAN MILLER SCHWARTZ AND COHN LLP
Attorneys for AP Services, LLC

By: 

Sheldon S. Toll (P-21490)
2290 First National Building
Detroit, MI 48226
(313) 465-7582

AP Services, LLC

Summary of Additional Temporary Employees and Functions -- Kmart Corporation, et al.
January 1, 2003 through January 31, 2003

Additional Temporary Employees				
Name	Description of Function	Hourly Rate	Hours Billed	Total Compensation
Thomas A. Morrow	Cash Management, Vendor Management and Advisor Bankruptcy Interface and Financial Planning	\$ 495.00	244.20	\$ 120,879.00
Laurence E. Leonard	Operating Plan Development and Advisor Bankruptcy Interface and Financial Planning	440.00	261.10	114,884.00
Timothy Kreatschman	SG&A Rationalization and Operating Plan Development	430.00	243.00	104,490.00
Richard R. Vanderbeck	Cash Management and Bankruptcy Administration	360.00	231.50	83,340.00
Michael Hojnacki	Advisor Bankruptcy Interface and Planning	250.00	218.80	54,700.00
Deborah C. Rieger-Paganis	ROTO Productivity	440.00	243.50	107,140.00
David M. Ashcraft	ROTO Productivity	360.00	212.70	76,572.00
Meade Monger	Accounts Payable and Claims Processing	540.00	23.10	12,474.00
Erik Post	Accounts Payable and Claims Processing	540.00	224.20	121,068.00
Robert C. Stovall	Accounts Payable and Claims Processing	440.00	14.30	6,292.00
Charles Cipione	Accounts Payable and Claims Processing	440.00	3.10	1,364.00
Cliff Campbell	Accounts Payable and Claims Processing	430.00	240.20	103,286.00
Adam Sanderson	Accounts Payable and Claims Processing	320.00	30.90	9,888.00
Kerri Hook	Accounts Payable and Claims Processing	320.00	65.40	20,928.00
Larry E. Ramackers	Accounts Payable and Claims Processing	320.00	245.50	78,560.00
Gregory Ralko	Accounts Payable and Claims Processing	320.00	223.90	71,648.00
Jason Muskovich	Accounts Payable and Claims Processing	320.00	246.80	78,976.00
Susan Deutsch	Accounts Payable and Claims Processing	320.00	180.10	57,632.00
Michael C. Han	Accounts Payable and Claims Processing	300.00	253.30	75,990.00
Todd Muscato	Accounts Payable and Claims Processing	250.00	220.20	55,050.00
Joshua Damon	Accounts Payable and Claims Processing	250.00	213.00	53,250.00
Mike DeGraf	Accounts Payable and Claims Processing	250.00	79.30	19,825.00
Thomas J. Hofner	Accounts Payable and Claims Processing	250.00	17.80	4,450.00
John M. Salisbury	Accounts Payable and Claims Processing	235.00	26.80	6,298.00
Christopher Anderson	Accounts Payable and Claims Processing	235.00	43.70	10,269.50
Sarah Albus	Accounts Payable and Claims Processing	180.00	213.20	38,376.00
Mysti Newberry	Accounts Payable and Claims Processing	180.00	215.40	38,772.00
Jeremy Wright	Accounts Payable and Claims Processing	180.00	195.60	35,208.00
Peter Colvin	Accounts Payable and Claims Processing	180.00	17.40	3,132.00
Diane Peppers	Accounts Payable and Claims Processing	130.00	196.20	25,506.00
			4,844.20	\$ 1,590,247.50
			(310.05)	(104,558.25)
			Total Fees	4,534.15 \$ 1,485,689.25

AP Services, LLC
Summary of Expenses – Kmart Corporation, et al.
January 1, 2003 through January 31, 2003

Expense Categories	January-03
Airfare	\$ 64,989.58
Cab Fare / Ground Transportation	10,361.28
Computerized Research	118.65
Other	43.14
Lodging	47,423.88
Long Distance Calls	168.03
Meals & Tips	8,407.24
Mileage	276.60
Overnight Mail Charges	373.46
Parking & Tolls	1,071.00
Rental Car	11,083.86
Total	\$ 144,316.72

AP Services, LLC
Summary of Services – Kmart Corporation
January 1, 2003 through January 31, 2003

Cash Management

- Monitored DIP compliance reporting;
- Analyzed new 13 week cash forecast and weekly borrowing base reports;
- Developed daily cash forecast for fiscal 2003;
- Monitored cash forecasting and financial reporting;

Financial Planning

- Prepared “best interest test” and related analyses for the Plan of Reorganization;
- Attended meetings to discuss the preparation of emergence and fresh start adjustments for the Financial Projections for the Disclosure Statement;
- Assisted in preparation of financial projections for the Disclosure Statement;
- Analyzed cash requirements necessary for successful emergence from Chapter 11;

Vendor Management

- Organized vendor management group to facilitate vendor communications and improve vendor terms;
- Developed presentation for and participated in vendor action team meetings;
- Monitored tracking of court approved pre-petition payments;
- Developed agenda and presentation to vendor factors for monthly meeting;
- Presented to credit managers at National Home Centers Credit Group meeting;
- Addressed issues related to factors, reclamation settlement, vendor return and consignment programs;
- Developed metrics on vendor credit limits;
- Led discussions with key vendors and merchants to safeguard merchandise shipments and alleviate potential credit limit issues;

AP Services, LLC
Summary of Services – Kmart Corporation
January 1, 2003 through January 31, 2003

AP and Claim Processing

- Managed tracking system for liens and logistics payments;
- Prepared periodic reporting on PACA and Reclamation Claims and tracking of settlements;
- Analyzed Trumbull Claims register to categorize and prioritize Proof's of Claim;
- Worked with internal management on reviewing all non-real estate executory contracts to determine assume or reject status;
- Analyze claims associated with real estate leases in preparation for future objections and assumed lease cure payment amounts;
- Managed claims objection process;
- Calculated potential preference claims for all vendors that included a defense analysis for new value and ordinary course;
- Researched data, and communicated with vendors, to facilitate collection of all vendor support for Proof of Claims related to the 1st Tier Vendor and Factor related claims;
- Revised and re-structured database and procedures for reconciling pre-petition claims;
- Collected client data and adjusted it for comparative purposes to facilitate claims matching process related to the 1st Tier Vendor and Factor related claims;
- Reconciled data from client to data from vendors to identify anomalies and inconsistencies for claims resolution process related to the 1st Tier Vendor and Factor related claims;
- Researched data anomalies and inconsistencies discovered during the reconciliation process for claims related to the 1st Tier Vendor and Factor related claims;
- Negotiated final settlement amounts and obstacles for claims related to the 1st Tier Vendor and Factor related claims;
- Developed reporting processes and status reports of the claims reconciliation process for communication to interested parties;

AP Services, LLC
Summary of Services – Kmart Corporation
January 1, 2003 through January 31, 2003

Advisor and Bankruptcy Interface

- Analyzed, prepared and distributed documents and data in response to requests from Unsecured Creditors' and Financial Institutions' Committees;
- Monitored and reported on de minimis claims and asset sale activity;
- Responded to information requests by the Statutory Committees, their attorneys and financial advisors regarding reported financial data, Fresh Start valuation adjustments, the Plan of Reorganization and Disclosure Statement, store closure process & review, the 5 Year Business Plan and other matters;
- Participated in meetings with and coordinated meetings for financial advisors to the Equity, Unsecured Creditors' and Financial Institutions' Committees and other interest holders to review information provided and respond to questions and issues raised regarding monthly financial reports, store closure process & review, Fresh Start valuation adjustments, the Plan of Reorganization and Disclosure Statement, the 5 Year Business Plan and other matters;
- Prepared weekly flash and monthly financial reports for the Statutory Committees;
- Participated in the Equity, Unsecured Creditors' and Financial Institutions' Committees meetings;
- Supervised the preparation of reports required by the Bankruptcy Court;
- Implemented procedures and monitored payments to Ordinary Course Professionals and Retained Professionals;
- Implemented and monitored program for paying US Trustee quarterly fees;
- Prepared analysis in connection with billing and budget for Joint Fee Review Committee presentation;

ROTO Productivity

- Developed ad item worksheets to be utilized in weekly ad review meetings;
- Continued refinement of corporate advertising planning and production process;
- Refined methodology for managing change requests throughout ad planning process prior to implementation of automated buyer worksheet;
- Managed project to automate the buyers worksheet for ad item submissions;

AP Services, LLC
Summary of Services - Kmart Corporation
January 1, 2003 through January 31, 2003

- Implemented additional changes in ROTO project including timeline and planning process for 2003 Ad Plan;
- Continued development of planning tools to assist merchants in measuring and forecasting;
- Prepared various ad hoc analyses such as Electronics and Senior citizen discount on planned ROTO events to facilitate item selection and improve financial impact;
- Developed methodology for allocating budgeted pages amongst business units;
- Developed financial model to support 2003 Budget;
- Reviewed Engage software for applicability in Kmart environment;
- Developed automated buyer worksheet reporting requirements.