

EOD DEC 9 - 2002

**FILED**

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS

DEC 06 2002

KENNETH S. GARDNER, CLERK  
TEAM - B

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

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

**REPORT BY AP SERVICES, LLC OF  
COMPENSATION EARNED AND EXPENSES INCURRED  
FOR THE PERIOD OF OCTOBER 1, 2002 THROUGH OCTOBER 31, 2002**


Exhibit A – Summary of Additional Temporary Employees and Functions

Exhibit B – Summary of Expenses

Exhibit C – Summary of Services

Dated: December 5, 2002

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

By:   
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**AP Services, LLC**  
**Summary of Additional Temporary Employees and Functions – Kmart Corporation, et al.**  
**October 1, 2002 through October 31, 2002**

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 Planning	\$ 450.00	261.40	\$ 117,630.00
Laurence E. Leonard	Operating Plan Development and Advisor Bankruptcy Interface and Planning	400.00	235.10	94,040.00
Richard R. Vanderbeek	Vendor Management and Advisor Bankruptcy Interface and Planning	340.00	246.00	83,640.00
Michael Hojnacki	Advisor Bankruptcy Interface and Planning	235.00	241.50	56,752.50
Deborah C. Rieger-Paganis	ROTO Productivity	420.00	255.80	107,436.00
David M. Ashcraft	ROTO Productivity	340.00	251.30	85,442.00
Timothy Kreatschman	SG&A Rationalization, Operating Plan Development and ROTO Productivity	340.00	142.70	48,518.00
Meade Monger	Accounts Payable and Claims Processing	520.00	54.80	28,496.00
Erik Post	Accounts Payable and Claims Processing	520.00	188.20	97,864.00
Charles Cipione	Accounts Payable and Claims Processing	400.00	5.60	2,240.00
Cliff Campbell	Accounts Payable and Claims Processing	300.00	175.30	52,590.00
Kerri Hook	Accounts Payable and Claims Processing	300.00	204.10	61,230.00
Adam Sanderson	Accounts Payable and Claims Processing	300.00	1.60	480.00
Gregory Ralko	Accounts Payable and Claims Processing	300.00	163.00	48,900.00
Jason Muskovich	Accounts Payable and Claims Processing	300.00	206.30	61,890.00
Joshua Damon	Accounts Payable and Claims Processing	235.00	224.10	52,663.50
Michael C. Han	Accounts Payable and Claims Processing	235.00	251.20	59,032.00
Sarah Sanderson	Accounts Payable and Claims Processing	165.00	150.70	24,865.50
Latonya Jones-Callaway	Accounts Payable and Claims Processing	165.00	46.50	7,672.50
Diane Peppers	Accounts Payable and Claims Processing	165.00	107.70	17,770.50
Mysti Newberry	Accounts Payable and Claims Processing	165.00	228.20	37,653.00
			<u>3,641.10</u>	<u>\$ 1,146,805.50</u>
				(\$69,860.50)
				<u><u>\$ 1,076,945.00</u></u>
			<i>Voluntary Fee Accommodation</i>	
			<b>TOTAL FEES</b>	

**AP Services, LLC**  
Summary of Expenses – Kmart Corporation, et al.  
October 1, 2002 through October 31, 2002

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<b>Expense Categories</b>	<b>October-02</b>
Airfare	\$ 32,851.75
Cab Fare / Ground Transportation	7,433.72
Computer Supplies / Support	93.02
Lodging	25,216.76
Long Distance Calls	18.10
Meals & Tips	4,687.58
Mileage	122.64
Overnight Mail Charges	190.93
Parking & Tolls	959.00
Rental Car	7,187.53
<b>Total</b>	<b>\$ 78,761.03</b>

AP Services, LLC  
Summary of Services – Kmart Corporation  
October 1, 2002 through October 31, 2002

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Cash Management

- Monitored DIP compliance reporting;
- Analyzed new 13 week cash forecast and weekly borrowing base reports;
- Created forecast and monitored daily borrowing for October and November 2002;
- Monitored cash forecasting and financial reporting;

SG&A Rationalization

- Modified financial forecast for BlueLight;
- Analyzed possible alternative negotiation strategies for GSI Commerce;
- Drafted proposal for GSI Commerce agreement;

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;
- Developed and presented vendor presentation to credit managers at National Merchandising Credit Group and North America Retail Industry Credit Group meetings;
- 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  
October 1, 2002 through October 31, 2002

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AP and Claim Processing

- Worked with DVP of Accounting Operations to reorganize and downsize AP, AR, and merchandise accounting/inventory reporting departments through automation and process improvement methods;
- Managed tracking system for liens and logistics payments;
- Implemented Utility outsourcing plan;
- Managed allocation of Utility bills being sent to Kmart vs. Outsourcing agent;
- Prepared periodic reporting on PACA and Reclamation Claims and tracking of settlements;
- Developed systemic procedure to reconcile pre-petition claims including coordination with the company and vendors;
- Completed reconciliation for test vendors;
- Analyzed Trumbull Claims register to categorize and prioritize Proof's of Claim;
- Developed database system to track settlements of pre-petition claims;
- Reviewed database of executory contracts and investigated methods for identifying contracts to reject as well as calculation of rejection claims;
- Developed process to calculate potential preference claims;
- Assisted company in evaluating and resolving pre-petition debit balance claims and formulated method for resolution;

Advisor and Bankruptcy Interface

- Analyzed, prepared and distributed documents and data in response to requests from Unsecured Creditors' and Financial Institutions' Committees regarding the guarantor subsidiaries;
- Participated in meetings with Financial Institutions' and Unsecured Creditors' Committees, their attorneys and financial advisors to discuss guarantor subsidiaries document and data requests;
- Developed de minimus claims and asset sales procedures;

AP Services, LLC  
Summary of Services – Kmart Corporation  
October 1, 2002 through October 31, 2002

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- Responded to information requests by the Statutory Committees, their attorneys and financial advisors regarding reported financial data, store-level financial information, the BlueLight.com ISP sale, capital lease issues, the Ames liquidation sales and other matters;
- Participated in meetings with and coordinated meetings for financial advisors to the Equity, Unsecured Creditors' and Financial Institutions' Committees to review information provided and respond to questions and issues raised regarding monthly financial reports, shrink presentation materials and other matters;
- Prepared and distributed various detailed monthly financial reports and data for the financial advisors to the Equity, Unsecured Creditors' and Financial Institutions' Committees;
- Prepared weekly flash reports for Equity, Unsecured Creditors' and Financial Institutions' 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

- Led discussions in cross functional meetings to develop scope and next steps for improving advertising effectiveness;
- Continued refinement of corporate advertising planning and production process;
- Implemented project to review Check-Off Sheet and Electronic Fact Sheet production process;
- Managed project to automate the buyers worksheet for ad item submissions;
- Implemented 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;

AP Services, LLC  
Summary of Services – Kmart Corporation  
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- Facilitated development of metrics to eliminate irrelevant ad items;
- Prepared various ad hoc analyses on planned ROTO events to facilitate item selection and improve financial impact;
- Prepared post mortem analysis of various advertising programs to determine ROI;
- Developed supporting schedules to 2003 Budget;
- Reviewed 2002 forecast and related processes used to prepare forecast.