

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

FILED
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS

JAN 03 2003

KENNETH S. GARDNER, CLERK
PS REP. - LB

In re:)
)
K MART CORPORATION, et al.,)
)
Debtors)
_____)

Chapter 11

(Jointly Administered)

Case No. 02-02474 (SPS)

FOR

JAN 7 - 2003

**REPORT BY AP SERVICES, LLC OF
COMPENSATION EARNED AND EXPENSES INCURRED
FOR THE PERIOD OF NOVEMBER 1, 2002 THROUGH NOVEMBER 30, 2002**

Exhibit A – Summary of Additional Temporary Employees and Functions


Exhibit B – Summary of Expenses

Exhibit C – Summary of Services

Dated: January 2, 2003

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.
November 1, 2002 through November 30, 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	179.3	\$ 80,685.00
Laurence E. Leonard	Operating Plan Development and Advisor Bankruptcy Interface and Planning	400.00	193.3	77,320.00
Richard R. Vanderbeck	Vendor Management and Advisor Bankruptcy Interface and Planning	340.00	175.5	59,670.00
Michael Hojnacki	Advisor Bankruptcy Interface and	235.00	166.9	39,221.50
Deborah C. Rieger-Paganis	ROTO Productivity	420.00	208.4	87,528.00
David M. Ashcraft	ROTO Productivity	340.00	195.4	66,436.00
Timothy Kreatschman	SG&A Rationalization, Operating Plan Development and ROTO Productivity	340.00	211.9	72,046.00
Meade Monger	Accounts Payable and Claims Processing	520.00	45.2	23,504.00
Erik Post	Accounts Payable and Claims Processing	520.00	148.0	76,960.00
Charles Cipione	Accounts Payable and Claims Processing	400.00	14.3	5,720.00
Cliff Campbell	Accounts Payable and Claims Processing	300.00	123.5	37,050.00
Kerri Hook	Accounts Payable and Claims Processing	300.00	80.0	24,000.00
Adam Sanderson	Accounts Payable and Claims Processing	300.00	2.5	750.00
Gregory Ralko	Accounts Payable and Claims Processing	300.00	191.0	57,300.00
Jason Muskovich	Accounts Payable and Claims Processing	300.00	184.0	55,200.00
Susan Deutsch	Accounts Payable and Claims Processing	300.00	131.3	39,390.00
Joshua Damon	Accounts Payable and Claims Processing	235.00	187.3	44,015.50
Michael C. Han	Accounts Payable and Claims Processing	235.00	221.1	51,958.50
Todd Muscato	Accounts Payable and Claims Processing	235.00	159.2	37,412.00
Sarah Albus	Accounts Payable and Claims Processing	165.00	178.4	29,436.00
Latonya Jones-Callaway	Accounts Payable and Claims Processing	165.00	56.8	9,372.00
Diane Peppers	Accounts Payable and Claims Processing	165.00	61.1	10,081.50
Mysti Newberry	Accounts Payable and Claims Processing	165.00	188.6	31,119.00
Bobbie J. Phillips	Accounts Payable and Claims Processing	130.00	43.0	5,590.00
			3,346.0	\$1,021,765.00
				(\$55,942.25)
			TOTAL FEES	\$ 965,822.75

AP Services, LLC
Summary of Expenses – Kmart Corporation, et al.
November 1, 2002 through November 30, 2002

Expense Categories	November-02
Airfare	\$ 50,106.71
Cab Fare / Ground Transportation	5,025.04
Computer Supplies / Support	67.81
Lodging	44,185.87
Long Distance Calls	25.84
Meals & Tips	8,221.59
Parking & Tolls	1,569.00
Rental Car	13,729.39
Total	\$ 123,368.43

AP Services, LLC
Summary of Services – Kmart Corporation
November 1, 2002 through November 30, 2002

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;

Financial Planning

- Developed “best interest test” analysis for the Plan of Reorganization;
- 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 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;

AP Services, LLC
Summary of Services – Kmart Corporation
November 1, 2002 through November 30, 2002

- Managed allocation of Utility bills being sent to Kmart vs. Outsourcing agent;
- Prepared periodic reporting on PACA and Reclamation Claims and tracking of settlements;
- Implemented systemic procedure to reconcile pre-petition claims including coordination with the company and vendors;
- Commenced reconciliation of 1st Tier Vendor claims;
- 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;
- Managed claims objection process;
- Prepared report on Top 250 Vendor Variances;
- 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;
- Monitored and reported on de minimus claims and asset sale activity;
- Responded to information requests by the Statutory Committees, their attorneys and financial advisors regarding reported financial data, store-level financial information, 2002 and 2003 forecast information, allowance collection rates, the prototype store performance 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;

AP Services, LLC
Summary of Services – Kmart Corporation
November 1, 2002 through November 30, 2002

- 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;
- Developed methodology for managing change requests throughout ad planning 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;
- 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;
- Continued preparation of "Have to Have it Promise" analysis;
- Developed supporting schedules to 2003 Budget;
- Reviewed 5 year plan for advertising and marketing areas.