

FILED  
UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS

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

FEB 10 2003

KENNETH S. GARDNER, CLERK  
TEAM - B

In re: )  
          ) Chapter 11  
K MART CORPORATION, et al., )  
          ) (Jointly Administered)  
          ) )  
Debtors ) Case No. 02-02474 (SPS)

EOD FEB 11 2003

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

Exhibit A – Summary of Additional Temporary Employees and Functions

Exhibit B – Summary of Expenses

Exhibit C – Summary of Services

Dated: February 7, 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.  
December 1, 2002 through December 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	232.40	\$ 104,580.00
Laurence E. Leonard	Operating Plan Development and Advisor Bankruptcy Interface and Planning	400.00	229.90	91,960.00
Richard R. Vanderbeek	Vendor Management and Advisor Bankruptcy Interface and Planning	340.00	175.30	59,602.00
Michael Hojnacki	Advisor Bankruptcy Interface and Planning	235.00	193.70	45,519.50
Deborah C. Rieger-Paganis	ROTO Productivity	420.00	171.40	71,988.00
David M. Ashcraft	ROTO Productivity	340.00	147.00	49,980.00
Timothy Kreatschman	SG&A Rationalization, Operating Plan Development and ROTO Productivity	340.00	212.40	72,216.00
Meade Monger	Accounts Payable and Claims Processing	520.00	65.30	33,956.00
Erik Post	Accounts Payable and Claims Processing	520.00	163.20	84,864.00
Charles Cipione	Accounts Payable and Claims Processing	400.00	4.50	1,800.00
Cliff Campbell	Accounts Payable and Claims Processing	300.00	123.00	36,900.00
Kerri Hook	Accounts Payable and Claims Processing	300.00	155.60	46,680.00
Gregory Ralko	Accounts Payable and Claims Processing	300.00	193.80	58,140.00
Jason Muskovich	Accounts Payable and Claims Processing	300.00	188.00	56,400.00
Susan Deutsch	Accounts Payable and Claims Processing	300.00	166.00	49,800.00
Joshua Damon	Accounts Payable and Claims Processing	235.00	143.80	33,793.00
Michael C. Han	Accounts Payable and Claims Processing	235.00	194.40	45,684.00
Todd Muscato	Accounts Payable and Claims Processing	235.00	189.50	44,532.50
Latonya Jones-Callaway	Accounts Payable and Claims Processing	165.00	10.00	1,650.00
Diane Peppers	Accounts Payable and Claims Processing	165.00	124.60	20,559.00
Sarah Albus	Accounts Payable and Claims Processing	165.00	159.20	26,268.00
Mysti Newberry	Accounts Payable and Claims Processing	165.00	168.40	27,786.00
Bobbie J. Phillips	Accounts Payable and Claims Processing	130.00	48.50	6,305.00
			3,459.90	\$ 1,070,963.00
			<i>Voluntary Fee Accommodation</i>	<i>(\$49,192.25)</i>
			<b>Total Fees</b>	<b>\$ 1,021,770.75</b>

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

Expense Categories	December 2002
Airfare	\$ 41,369.58
Cab Fare / Ground Transportation	9,635.43
Supplies	52.99
Lodging	39,951.91
Long Distance Calls	459.62
Meals & Tips	5,650.12
Mileage	268.66
Overnight Mail Charges	115.16
Parking & Tolls	1,004.96
Rental Car	10,785.50
<b>Total</b>	<b>\$ 109,293.93</b>

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

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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

- 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;

Accounts Payable and Claim Processing

- Managed tracking system for liens and logistics payments;

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

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- 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 1<sup>st</sup> Tier Vendor and Factor-related 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 minimis 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, 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, the 5 Year Business Plan and other matters;
- Prepared weekly flash and monthly financial reports for the Statutory Committees;

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

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- 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;
- 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.