

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

EOB

APR 2 - 2003

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

**REPORT BY AP SERVICES, LLC  
COMPENSATION EARNED AND EXPENSES INCURRED  
FOR THE PERIOD OF FEBRUARY 1, 2003 THROUGH FEBRUARY 28, 2003**

Exhibit A – Summary of Additional Temporary Employees and Functions

Exhibit B – Summary of Expenses


Exhibit C – Summary of Services

**FILED**  
UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
APR 1 - 2003  
KENNETH S. GARDNER, CLERK  
TEAM - B

Dated: March 31, 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

9854

## AP Services, LLC

Summary of Additional Temporary Employees and Functions – Kmart Corporation, et al.  
February 1, 2003 through February 28, 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	161.60	\$ 79,992.00
Laurence E. Leonard	Operating Plan Development and Advisor Bankruptcy Interface and Financial Planning	440.00	158.80	\$ 69,872.00
Timothy Kreatschman	SG&A Rationalization and Operating Plan Development	430.00	199.00	\$ 85,570.00
Richard R. Vanderbeck	Cash Management and Bankruptcy Administration	360.00	188.00	\$ 67,680.00
Michael Hojnacki	Advisor Bankruptcy Interface and Planning	250.00	91.80	\$ 22,950.00
Deborah C. Rieger-Paganis	ROTO Productivity	440.00	175.70	\$ 77,308.00
David M. Ashcraft	ROTO Productivity	360.00	153.50	\$ 55,260.00
Meade Monger	Accounts Payable and Claims Processing	540.00	3.00	\$ 1,620.00
Erik Post	Accounts Payable and Claims Processing	540.00	202.10	\$ 109,134.00
Robert C. Stovall	Accounts Payable and Claims Processing	440.00	110.80	\$ 48,752.00
John Bednarski	Accounts Payable and Claims Processing	440.00	41.40	\$ 18,216.00
Cliff Campbell	Accounts Payable and Claims Processing	430.00	207.70	\$ 89,311.00
Adam Sanderson	Accounts Payable and Claims Processing	320.00	115.00	\$ 36,800.00
Larry E. Ramaekers	Accounts Payable and Claims Processing	320.00	227.80	\$ 72,896.00
Gregory Ralko	Accounts Payable and Claims Processing	320.00	200.60	\$ 64,192.00
Jason Muskovich	Accounts Payable and Claims Processing	320.00	221.40	\$ 70,848.00
Susan Deutsch	Accounts Payable and Claims Processing	320.00	161.40	\$ 51,648.00
Michael C. Han	Accounts Payable and Claims Processing	300.00	243.30	\$ 72,990.00
Todd Muscato	Accounts Payable and Claims Processing	250.00	214.50	\$ 53,625.00
Joshua Damon	Accounts Payable and Claims Processing	250.00	206.70	\$ 51,675.00
Mike DeGraf	Accounts Payable and Claims Processing	250.00	218.80	\$ 54,700.00
Thomas J. Hofner	Accounts Payable and Claims Processing	250.00	22.50	\$ 5,625.00
Andrew Kendall	Accounts Payable and Claims Processing	250.00	11.50	\$ 2,875.00
Christopher Anderson	Accounts Payable and Claims Processing	235.00	24.40	\$ 5,734.00
Sarah Albus	Accounts Payable and Claims Processing	180.00	178.80	\$ 32,184.00
Mysti Newberry	Accounts Payable and Claims Processing	180.00	195.50	\$ 35,190.00
Jeremy Wright	Accounts Payable and Claims Processing	180.00	213.30	\$ 38,394.00
Peter Colvin	Accounts Payable and Claims Processing	180.00	29.70	\$ 5,346.00
Diane Peppers	Accounts Payable and Claims Processing	130.00	74.30	\$ 9,659.00
			4,252.90	\$ 1,390,046.00
			(287.15)	(\$91,088.00)
<b>Voluntary Fee Accommodation</b>			3,965.75	\$ 1,298,958.00
<b>Total Fees</b>				

**AP Services, LLC**  
Summary of Expenses – Kmart Corporation, et al.  
February 1, 2003 through February 28, 2003

---

Expense Categories	February-03
Airfare	\$ 68,253.08
Cab Fare / Ground Transportation	7,693.37
Lodging	44,871.71
Long Distance Calls	346.42
Meals & Tips	7,309.96
Mileage	158.60
Other	61.98
Overnight Mail Charges	226.22
Parking & Tolls	1,326.80
Rental Car	10,041.79
<b>Total</b>	<b>\$ 140,289.93</b>

AP Services, LLC  
Summary of Services – Kmart Corporation  
February 1, 2003 through February 28, 2003

---

Cash Management

- Monitored DIP compliance reporting;
- Analyzed new 13 week cash forecast and weekly borrowing base reports;
- Monitored cash forecasting and financial reporting;

Financial Planning

- Prepared “best interest test” and related analyses for the Plan of Reorganization;
- 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  
February 1, 2003 through February 28, 2003

---

AP and Claim Processing

- Analyzed and reviewed Fleming contracts and claims to assess value of pre-petition claim;
- Reviewed claim documentation for inconsistencies in claim categorization and proper assignment of voting rights;
- Continued developing preference reporting package to support individual vendor preference calculations;
- Managed tracking system for liens and logistics payments;
- Prepared periodic reporting on PACA and Reclamation Claims and tracking of settlements;
- 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;
- Worked with Trumbull and Skadden to prepare list for 3<sup>rd</sup> Omnibus Objections;
- Managed claims objection process;
- Researched data, and communicated with vendors, to facilitate collection of all vendor support for Proof of Claims related to the 1<sup>st</sup> Tier Vendor and Factor related claims;
- Continued to revise and re-structure 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 1<sup>st</sup> 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 1<sup>st</sup> Tier Vendor and Factor related claims;
- Researched data anomalies and inconsistencies discovered during the reconciliation process for claims related to the 1<sup>st</sup> Tier Vendor and Factor related claims;
- Negotiated final settlement amounts and obstacles for claims related to the 1<sup>st</sup> 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  
February 1, 2003 through February 28, 2003

---

Advisor and Bankruptcy Interface

- 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;
- Monitored and reported on de minimis claims and asset sale activity;
- 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 monthly 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 page summary ROI report to be utilized in weekly ad review meetings;
- Continued refinement of corporate advertising planning and production process;
- Managed project to automate the buyers worksheet for ad item submissions;
- 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;

AP Services, LLC  
Summary of Services – Kmart Corporation  
February 1, 2003 through February 28, 2003

---

- Utilized methodology for allocating budgeted pages amongst business units for remainder of 2003;
- Continued development enhancements to financial model in support of 2003 Budget;
- Refined automated buyer worksheet reporting requirements;
- Performed knowledge transfer to advertising and marketing financial analysis team;
- Prepared transition plan.