

E O D JUL 06 2003

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

In re:	)	Chapter 11 – (Jointly Administered)
	)	Case No. 02-02474 (SPS)
<b>KMART COPORATION, <u>et al.</u>,</b>	)	
	)	<b>Objections due by: July 21, 2003</b>
	)	<b>By 4:00 PM Eastern Time</b>
Debtors	)	
	)	<b>Hearing Date: Negative Notice</b>

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


Notice is hereby given that AP Services, LLC (“APS”), by and through its attorneys, Sheldon S. Toll PLLC, has filed a report of compensation earned and expenses incurred<sup>1</sup> for the period of April 1, 2003 through May 7, 2003, the date of Confirmation of the Plan of Reorganization.

You are required to file an objection, if any, on or before 4:00 p.m. on Monday, July 21, 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: June 27, 2003

**SHIELDON S. TOLL PLLC**  
Attorneys for AP Services, LLC

By:   
Sheldon S. Toll (P-21490)  
2000 Town Center, Suite 2550  
Southfield, MI 48075  
(248) 358-2460

**FILED**  
UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
JUL 01 2003  
KENNETH S. GARDNER, CLERK  
PS REP. - AJ

<sup>1</sup> Please e-mail Kevin L. Larin at [klarin@alixpartners.com](mailto:klarin@alixpartners.com) if you desire a copy of the detail.

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

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

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


Exhibit A – Summary of Additional Temporary Employees and Functions

Exhibit B – Summary of Expenses

Exhibit C – Summary of Services

Dated: June 27, 2003

**SHELDON S. TOLL PLLC**  
Attorneys for AP Services, LLC

By:   
Sheldon S. Toll (P-21490)  
2000 Town Center, Suite 2550  
Southfield, MI 48075  
(248) 358-2460

AP Services, LLC  
 Summary of Additional Temporary Employees and Functions -- Kmart Corporation  
 April 1, 2003 through Confirmation

Additional Temporary Employees				
Name	Description of Function	Hourly Rate	Hours Billed	Total Compensation
Thomas A. Morrow	Vendor Management and Advisor Bankruptcy Interface and Financial Planning	\$ 495.00	196.50	\$ 97,267.50
Laurence E. Leonard	Advisor Bankruptcy Interface and Financial Planning	440.00	39.50	\$ 17,380.00
Timothy Kreatschman	Executory Contracts Review	430.00	7.10	\$ 3,053.00
Richard R. Vanderbeek	Executory Contracts Review and Bankruptcy Administration	360.00	169.00	\$ 60,840.00
Meade Monger	Accounts Payable and Claims Processing	540.00	42.00	\$ 22,680.00
Erik Post	Accounts Payable and Claims Processing	540.00	49.60	\$ 26,784.00
Robert C. Stovall	Accounts Payable and Claims Processing	440.00	3.20	\$ 1,408.00
Cliff Campbell	Accounts Payable and Claims Processing	430.00	337.60	\$ 145,168.00
Adam Sanderson	Accounts Payable and Claims Processing	320.00	6.90	\$ 2,208.00
Larry E. Ramaekers	Accounts Payable and Claims Processing	320.00	265.30	\$ 84,896.00
Gregory Ralko	Accounts Payable and Claims Processing	320.00	256.60	\$ 82,112.00
Susan Budd	Accounts Payable and Claims Processing	320.00	13.00	\$ 4,160.00
Jason Muskovich	Accounts Payable and Claims Processing	320.00	19.50	\$ 6,240.00
Michael C. Han	Accounts Payable and Claims Processing	300.00	294.90	\$ 88,470.00
Todd Muscato	Accounts Payable and Claims Processing	250.00	293.80	\$ 73,450.00
Joshua Damon	Accounts Payable and Claims Processing	250.00	127.30	\$ 31,825.00
Mike DeGraf	Accounts Payable and Claims Processing	250.00	254.00	\$ 63,500.00
Kevin Larin	Bankruptcy reporting	250.00	5.50	\$ 1,375.00
Sarah Albus	Executory Contracts Review	180.00	155.40	\$ 27,972.00
Mysti Newberry	Accounts Payable and Claims Processing	180.00	258.90	\$ 46,602.00
Jeremy Wright	Accounts Payable and Claims Processing	180.00	295.80	\$ 53,244.00
Peter Colvin	Accounts Payable and Claims Processing	180.00	2.00	\$ 360.00
Bobbie J. Phillips	Accounts Payable and Claims Processing	130.00	0.30	\$ 39.00
Diane Peppers	Accounts Payable and Claims Processing	130.00	81.50	\$ 10,595.00
			<u>3,175.20</u>	<u>\$ 951,628.50</u>
	<i>Voluntary Fee Accommodation</i>		<u>(447.61)</u>	<u>(\$124,053.80)</u>
	<b>TOTAL FEES</b>		<u><b>2,727.59</b></u>	<u><b>\$ 827,574.70</b></u>

AP Services, LLC  
Summary of Expenses – Kmart Corporation  
April 1, 2003 through Confirmation

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<b>Expense Categories</b>	<b>Apr 1 - May 7, 2003</b>
Airfare	\$ 56,651.41
Cab Fare / Ground Transportation	8,523.84
Lodging	36,144.41
Long Distance Calls	428.73
Meals & Tips	5,250.95
Mileage	45.36
Overnight Mail Charges	361.02
Parking & Tolls	1,416.25
Rental Car	19,610.02
<b>Total</b>	<b>\$ 128,431.99</b>

AP Services, LLC  
Summary of Services Kmart Corporation  
April 1, 2003 through Confirmation

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Vendor Management

- Developed presentation for and participated in vendor action team meetings;
- Worked with Kmart managers on development of vendor lien program
- Developed agenda and presentation to vendor factors for monthly meeting;
- Addressed issues related to factors, reclamation settlement, vendor return and consignment programs;
- Led discussions with key vendors and merchants to safeguard merchandise shipments and alleviate potential credit limit issues;

AP and Claim Processing

- Created employee claims database with functionality for Kmart human resources to edit entries. Used employee database to analyze wage claims, severance claims, and retiree benefits;
- Collaborated with Kmart accounts payable, accounts receivable and information systems team to develop calculation methodology to adjust vendor pre-petition balances (calculation will be used to adjust unresolved claims and allow Kmart to reduce and object to bulk claims);
- Reviewed unsecured legal claims and worked with Kmart legal to formulate resolution plan;
- Analyzed debit balance vendors to determine proper resolution plan for debit balance vendors who filed claims and for debit balance vendors who did not file pre-petition claims;
- Worked with Trumbull and Skadden to prepare list for 5<sup>th</sup> Omnibus Objections;
- Continued developing preference reporting package to support individual vendor preference calculations;
- Managed tracking system for liens and logistics payments;
- Prepared periodic reporting on PACA, Reclamation Claims and tracking of settlements;
- Managed claims objection process;
- 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;

AP Services, LLC  
Summary of Services – Kmart Corporation  
April 1, 2003 through Confirmation

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- 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;
- Continued to 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;

Executory Contracts

- Worked with internal management on reviewing all non-real estate executory contracts to determine assume or reject status;
- Analyzed claims associated with real estate leases in preparation for future objections and assumed lease cure payment amounts;
- Compared Kmart booked liabilities to pre-petition claims and coordinated vendor level support for negotiations of cure amount;
- Prepared exhibits to file with court for executory contract assumptions;

Bankruptcy Reporting/Advisor and Bankruptcy Interface

- Responded to information requests by the Statutory Committees, their attorneys and financial advisors regarding reported financial data, 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;
- Prepared weekly flash and monthly financial reports for the Statutory Committees;
- 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;

AP Services, LLC  
Summary of Services – Kmart Corporation  
April 1, 2003 through Confirmation

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Plan of Reorganization

- Worked with Skadden to analyze and address plan objections;
- Recalculated preference amounts and prepared summary reports for presentation to court;
- Prepared testimony for plan confirmation hearings;
- Analyzed critical vendor payments for testimony to court;