

177. The result was a plan that provided benefits to almost 10,000 of the Debtors' employees under various arrangements designed to motivate them to maximize the Debtors' prospects for a successful reorganization. The plan was one of the largest ever approved in a Chapter 11 case. Shortly after formation of each of the Statutory Committees, the Debtors, with the assistance of Skadden, worked closely with the Statutory Committees and their advisors to educate them about the plan, including how and why it was constructed and its estimated costs. The Statutory Committees raised a number of issues with portions of the plan. These issues became the focus of a number of intense negotiating sessions between the Statutory Committees' professionals and the Debtors, some of which pertained to the Investigations discussed above. These negotiations spanned several weeks. In addition, Skadden assisted the Debtors with numerous issues regarding emergence bonuses to be paid to employees upon the Debtors' emergence from Chapter 11.

178. These issues clearly were important, yet sensitive. Skadden therefore worked with the Statutory Committees on modifying various provisions of the plan, at the Debtors' direction, to address the Statutory Committees' concerns. The result was a consensual resolution of all matters as between the Debtors and the Statutory Committees. The only objection to the key employee retention plan was raised by a union, but this Court overruled the union's objections and entered a series of orders approving the modified plan. Thus, an important program for these estates was approved through entry of orders that were essentially uncontested, thereby saving the estates considerable sums that otherwise would have been incurred had the matters been litigated.

179. During the Reorganization Cases, Skadden professionals also assisted the Debtors in connection with their new senior management team. As this Court is aware, Kmart appointed a new Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, and Treasurer in the weeks after the Petition Date. In addition, in January 2003, the Debtors again appointed a new Chief Executive Officer. Skadden advised the Debtors in connection with such persons' executive contracts and compensation arrangements. Skadden also advised the Debtors in connection with the Debtors' rights and duties with respect to those persons who previously served in certain of these positions.

180. As with the key employee retention plan, the Statutory Committees raised a number of issues and concerns over these matters, and the Debtors, with the substantial input and assistance of Skadden, worked closely with the Statutory Committees and their professionals such that agreed orders were presented to the Court on all these matters. As would be expected with a company as large as Kmart, the turnover of its senior management team during the very early stages of Chapter 11 had the potential to be exceedingly disruptive. Although some disruption was unavoidable, much of it was avoided by the consensual resolution of these matters through the significant efforts of not only Skadden, but the Statutory Committees' professionals as well.

181. During the Reorganization Cases, another primary employee-related issue that required a great deal of time and attention concerned a motion filed by the Financial Institutions' Committee to modify this Court's order, entered on the first day of the case, which gave the Debtors' discretion to continue making supplemental retirement payments to thousands

of the Debtors' retired employees. This motion raised very sensitive issues and became the subject of prolonged and intense negotiations between the Debtors and the Financial Institutions' Committee. Through these negotiations, the parties reached an agreement regarding the payments resulting in the Financial Institutions' Committee's withdrawal of the motion, thereby avoiding litigation that would have been exceptionally disruptive to the Debtors' workforce.

182. Skadden professionals also assisted the Debtors in connection with matters concerning the Debtors' 2002 Closing Stores and 2003 Closing Stores and the consequent layoff of employees. Other matters requiring Skadden's attention concerned numerous formal and informal demands of former employees requesting assumption of employment agreements and severance payments and pension plan inquiries. Skadden in particular advised the Debtors on issues raised in a motion filed by former executives seeking to compel the Debtors to assume or reject their contracts. During the Reorganization Cases, Skadden also worked closely with the Debtors with respect to the negotiation of a settlement agreement with the Union of Needletrades, Industrial and Textile Employees, AFL-CIO, CLC. Skadden attorneys assisted the Debtors in seeking and obtaining Court approval of this settlement agreement.

183. Finally, on January 17, 2003, the Debtors announced that they had severed employment relationships with remaining executives who received special retention loans in 2001. This action was taken by the Debtors as they began to implement a reorganized management structure and establish an emergence management team in anticipation of

emergence from Chapter 11. Skadden professionals were involved in advising the Debtors regarding these matters.

184. In connection with the foregoing services, Skadden professionals expended 2,159.3 hours during the Reorganization Cases for which Skadden, Arps seeks compensation of \$1,091,764. Detailed time entries of each Skadden, Arps professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-14. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Laura A. Heiman	\$467	225.9	\$107,303	540.7	\$252,389
Charles F. Smith	\$622	54.9	\$35,960	337.6	\$210,005
Stuart N. Alperin	\$711	112.4	\$81,491	257.9	\$183,378
John Wm. Butler, Jr.	\$700	14.7	\$10,658	101.3	\$70,883
J. Eric Ivester	\$616	1.7	\$1,114	82.7	\$50,938
Mark A. McDermott	\$420	1.2	\$546	116.5	\$48,910
N. Lynn Hiestand	\$686	26.0	\$18,072	48.0	\$32,923
John P. Furfaro	\$610	0.0	\$0	50.5	\$30,805
Daniel S. Liberman	\$311	1.2	\$402	87.3	\$27,143
Kurt Ramlo	\$430	13.9	\$6,325	49.2	\$21,135
Erin C. Perkins	\$365	0.0	\$0	55.0	\$20,076
Christopher P. Connors	\$336	4.8	\$1,800	59.0	\$19,816
Brian M. Fern	\$298	5.0	\$1,675	65.1	\$19,405
David J. Friedman	\$702	1.6	\$1,160	27.5	\$19,312
Janet Byrne Thabit	\$403	0.0	\$0	33.2	\$13,366
Shea D. Welch	\$297	0.0	\$0	42.8	\$12,719
Brian J. Thompson	\$306	7.5	\$2,513	27.2	\$8,325
Victoria A. Birov	\$380	0.0	\$0	19.8	\$7,524
Michael W. Jones	\$295	0.0	\$0	24.8	\$7,317
Van C. Durrer, II	\$460	0.0	\$0	13.8	\$6,348
Lanelle K. Meidan	\$330	0.0	\$0	18.2	\$6,006

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Joseph N. Wharton	\$297	1.1	\$369	19.4	\$5,768
Laura Pieper Schroeder	\$265	0.0	\$0	13.2	\$3,499
T. Anthony Jaye	\$284	0.0	\$0	11.7	\$3,325
Louis D. Wilson	\$330	0.0	\$0	9.7	\$3,201
Kristin E. Rooney	\$330	0.0	\$0	6.5	\$2,145
Legal Assistants @ \$150	\$150	0.0	\$0	17.7	\$2,655
Legal Assistants @ \$80	\$80	0.0	\$0	15.4	\$1,232
Legal Assistants @ \$160	\$160	0.0	\$0	7.6	\$1,216
<b>Grand Total</b>		<b>471.9</b>	<b>\$269,388</b>	<b>2,159.3</b>	<b>\$1,091,764</b>

O. Automatic Stay (Relief Actions)

185. As the Debtors previously have advised this Court, as of the Petition Date, the Debtors were parties to approximately 3,500 pending personal injury actions. In addition, the Debtors had received roughly 16,500 claims as of the Petition Date asserting damages for alleged personal injuries. The Debtors also were parties to various other litigation as of the Petition Date. Although the automatic stay of Section 362 of the Bankruptcy Code prohibited parties from pursuing these claims during these Reorganization Cases, a total of over 450 motions were filed during these Cases requesting modification of the stay so that the claimants could proceed against the Debtors in non-bankruptcy fora, an average of one per day, every day, for the duration of the Chapter 11.

186. Skadden's efforts in defending the integrity of the automatic stay consumed a considerable amount of time and resources. Indeed, these lift stay filings became so voluminous that on more than one occasion, this Court established separate hearing dates that were devoted almost entirely to adjudication of lift stay motions. Moreover, at the direction of

this Court, Kmart's public liability personnel and third party claims administrator, developed, with Skadden's assistance, a global personal injury claims resolution procedure (the "Tort Resolution Procedure") whereby the personal injury claims against Kmart could be evaluated and liquidated in an orderly manner without the need for addressing individual lift stay motions.

187. A motion to approve the Tort Resolution Procedures was originally filed on May 8, 2002. Of the thousands of personal injury claimants in these Reorganization Cases, only seven objections were filed to the Procedures. At the omnibus hearing to consider the Procedures, this Court provided guidance regarding certain proposed revisions to the Tort Resolution Procedures, and directed the Debtors to meet with the objectors in an effort to resolve their concerns. The Debtors, with the assistance of Skadden, did so, and later drafted and filed an amended motion to approve amended procedures. The amended Tort Resolution Procedures were approved by this Court on July 28, 2002.

188. Since approval of the Tort Resolution Procedures, Skadden has assisted the Debtors in their implementation, including assisting the Debtors in obtaining approval of the retention of Irwin R. Katz as a mediator for judgment claimants. Skadden attorneys also have devoted considerable effort in working with the Debtors, mediators, insurers, and surety bonding companies in implementing the Procedures in a smooth and efficient manner. This has required responding to numerous calls on a daily basis from Kmart public liability personnel. Where the Tort Resolution Procedures failed to yield a settlement satisfactory to both parties, Skadden assisted the Debtors by preparing agreed orders to modify the automatic stay pursuant

to the Tort Resolution Procedures so that the litigation could proceed. Of the 8,419 personal injury proofs of claim filed, 3,668 have been settled pursuant to the Tort Resolution Procedures.

189. In connection with the foregoing services, Skadden professionals expended 3,330.5 hours during the Reorganization Cases for which Skadden seeks compensation of \$1,060,339. This amount is equal to approximately \$2,360 for each of the approximately 450 lift stay motions filed during the Reorganization Cases, and \$126 for each of the 8,419 personal injury proofs of claim filed in these Cases. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-15. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
T. Anthony Jaye	\$267	272.1	\$80,270	1,465.0	\$390,767
Mark A. McDermott	\$423	11.2	\$5,097	226.2	\$95,765
Victoria A. Birov	\$391	6.9	\$2,864	224.9	\$87,885
Charles F. Smith	\$618	2.3	\$1,507	137.8	\$85,188
Rebecca M. Girsch	\$316	0.0	\$0	171.6	\$54,200
Christopher P. Connors	\$357	0.0	\$0	148.2	\$52,835
Brian J. Thompson	\$320	7.2	\$2,412	155.9	\$49,956
Joseph N. Wharton	\$301	0.0	\$0	98.0	\$29,541
Brian M. Fern	\$298	1.8	\$603	88.1	\$26,226
Samuel S. Ory	\$380	0.0	\$0	66.6	\$25,308
Laura Pieper Schroeder	\$273	20.2	\$5,960	91.3	\$24,902
Kurt Ramlo	\$422	2.7	\$1,229	41.4	\$17,486
John Wm. Butler, Jr.	\$699	1.5	\$1,088	24.7	\$17,272
Shea D. Welch	\$297	2.0	\$670	52.6	\$15,598
David F. Kolin	\$470	0.0	\$0	29.6	\$13,912

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Van C. Durrer, II	\$470	8.2	\$3,977	27.0	\$12,703
Michael W. Jones	\$295	0.0	\$0	37.9	\$11,181
Daniel S. Liberman	\$295	0.0	\$0	24.4	\$7,198
Catherine E. Danz	\$295	20.4	\$6,018	20.4	\$6,018
Ryan J. Rohlfen	\$240	0.0	\$0	19.3	\$4,632
Christina M. Tchen	\$610	0.0	\$0	7.5	\$4,575
Kristin E. Rooney	\$330	0.0	\$0	11.6	\$3,828
Legal Assistants @ \$150	\$150	0.0	\$0	79.7	\$11,955
Legal Assistants @ \$160	\$160	0.0	\$0	42.1	\$6,736
Legal Assistants @ \$195	\$195	11.7	\$2,282	13.7	\$2,672
Legal Assistants @ \$80	\$80	0.0	\$0	25.0	\$2,000
<b>Grand Total</b>		<b>368.2</b>	<b>\$113,977</b>	<b>3,330.5</b>	<b>\$1,060,339</b>

MATTERS LESS THAN \$1,000,000

P. Claims Administration (Consignment/Reclamation)

190. Given the exceptionally large number of vendors and merchandise shipments that the Debtors receive, it was inevitable that the Debtors would receive a substantial number of reclamation demands in this case. The Debtors and their business advisors developed a global procedure, with Skadden's assistance, for receiving, reviewing, responding to, and resolving reclamation demands. Skadden successfully obtained final approval of these procedures on February 13, 2002.

191. During the initial stages of these Reorganization Cases, the Debtors received roughly 2,500 reclamation demands asserting aggregate reclamation claims of approximately \$1.1 billion. Skadden professionals worked closely with the Debtors and their business advisors in reviewing many of these demands and eliminating scores of duplicate claims. As a result, the Debtors, with the assistance of Skadden, identified 693 entities filing



non-duplicate reclamation demands in the face amount of approximately \$208 million. There were over 300,000 separate invoices represented by these claims.

192. To facilitate the reclamation review process, which required that the Debtors respond to all reclamation demands within 60 days, the Debtors' financial advisors, with assistance from Skadden, developed a comprehensive process for responding to all reclamation demands, evaluating any disagreements, and reaching agreed reclamation claim amounts. In implementing this process, the Debtors drafted voluminous correspondence, including reclamation response and settlement letters. Reclamation response statements were sent to all 693 claimants; these statements, representing the results of many hours of review of invoices and billing records, identified total reclamation claims of roughly \$94 million. As a result of extensive negotiations with reclamation claimants, 691 of the original 693 non-duplicate claims are now resolved, subject in certain cases to reservations of further defenses.

193. These efforts required substantial assistance from Skadden professionals in advising the Debtors regarding their legal obligations under the reclamation procedures, including, for instance, how to dispose of mixed goods and services claims; how to resolve overlapping reclamation and factor claims; and how to distinguish among consignment (prepetition and postpetition), reclamation, and normal trade vendor claims. In addition, Skadden worked closely with the Debtors' financial advisors in maintaining a call center for reclamation claim calls. This included development of detailed training materials and protocols for the call center personnel.

194. On September 11, 2002, Skadden filed a motion for an order authorizing payment of compromised reclamation claims. In this motion, the Debtors requested authority to pay claimants with an executed reclamation settlement agreement an amount equal to 75% of their allowed reclamation claims in full satisfaction of their claims (the "Payment Plan"). The development of this procedure required the Debtors, with Skadden's assistance, to negotiate with the Statutory Committees. Skadden attorneys also responded to numerous inquiries from reclamation claimants regarding the Payment Plan, and drafted a reply to the single objection filed to the motion. As a result of these efforts, the Debtors' motion to approve the Payment Plan was approved on September 25, 2002. Ultimately, 193 reclamation claimants opted for the Payment Plan, saving the Debtors approximately \$6.6 million.

195. In addition to reclamation matters, Skadden personnel assisted the Debtors in connection with their numerous consignment vendors. As of the Petition Date, the Debtors had consignment arrangements with roughly 50 major suppliers of products, including the supplier of its pharmacy and pharmacy-related products, suppliers of jewelry and related items, suppliers of videos and CD's, and suppliers of other critical products. Consigned goods accounted for significant sales during the fiscal year ended January 30, 2002. Given the magnitude of consignment sales, the Debtors, with the assistance of Skadden, obtained Court approval at the inception of these Reorganization Cases regarding payment of consignment vendors.

196. The order authorizing such payment provided a limited opportunity for the Creditors' Committee and the Financial Institutions' Committee to object to the Debtors'

payment of prepetition consignment claims. The Debtors engaged in an exceptionally prolonged series of negotiations with these Committees concerning the need for the Debtors to retain the flexibility afforded by this Court's first day order to pay the claims of consignment vendors. However, these Committees nonetheless filed objections to such payments, necessitating a comprehensive written reply prepared by Skadden. These objections were ultimately resolved as part of the Debtors' Plan.

197. In a related matter, Skadden assisted the Debtors and their business advisors in the Debtors' evaluation of the Debtors' consignment relationship with Cardinal Health, the provider of 99% of the Debtors' consigned pharmaceutical products that generated sales in 2001 of roughly \$3 billion. Based upon this evaluation, Skadden, with the assistance of the Debtors' financial advisors, worked with the Debtors in negotiating and drafting modifications to the consignment agreement between Kmart and Cardinal Health. As a result of these negotiations, substantial savings will be realized by Kmart under the parties' new, go-forward contract.

198. Finally, Skadden assisted the Debtors in filing a motion to approve a settlement agreement between Universal Music and Video Distribution Company related to payments made under the consignment order, and Skadden advised the Debtors in negotiating consignment agreements with M. Fabrikant & Sons, Inc. and Samuel Aaron, International, Inc. and in seeking and obtaining Court approval for these agreements. Each of these matters drew objections that required substantial time by Skadden professionals in responding.

199. In connection with the foregoing services, Skadden professionals expended 2,308.3 hours during the Reorganization Cases for which Skadden seeks compensation of \$894,769. This amount is 13% of the \$6.6 million in savings realized by the Debtors in connection with those reclamation vendors who elected the partial payment plan. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-16. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Daniel S. Liberman	\$312	128.5	\$43,048	940.9	\$293,681
N. Lynn Hiestand	\$679	2.7	\$1,877	366.3	\$248,816
Kurt Ramlo	\$417	0.0	\$0	126.7	\$52,794
Carl A. Roth	\$485	18.7	\$9,070	98.9	\$47,967
Mark A. McDermott	\$426	0.0	\$0	82.7	\$35,235
Hillary A. Hamilton	\$295	29.6	\$8,733	99.0	\$29,162
Van C. Durrer, II	\$470	5.7	\$2,766	54.5	\$25,623
Robert F. Lemoine	\$237	0.0	\$0	105.1	\$24,921
J. Eric Ivester	\$620	0.0	\$0	29.0	\$17,987
Charles F. Smith	\$642	0.0	\$0	27.0	\$17,343
John Wm. Butler, Jr.	\$698	0.0	\$0	23.9	\$16,672
Janet Byrne Thabit	\$435	0.0	\$0	28.9	\$12,572
Joseph N. Wharton	\$315	2.2	\$737	20.4	\$6,420
Maren L. Calvert	\$285	4.0	\$1,180	22.1	\$6,303
Stephen Lubben	\$395	0.0	\$0	15.8	\$6,241
Christopher P. Connors	\$375	0.0	\$0	16.3	\$6,113
Thomas R. Fawkes	\$239	0.0	\$0	18.9	\$4,524
Brian J. Thompson	\$335	0.0	\$0	12.2	\$4,087
Laura Pieper Schroeder	\$295	1.8	\$531	11.8	\$3,481
David F. Kolin	\$470	0.0	\$0	7.2	\$3,384
Jeffrey J. Steinle	\$365	0.0	\$0	8.7	\$3,176
Susan H. Martin	\$365	0.0	\$0	5.5	\$2,008

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Legal Assistants @ \$150	\$150	0.0	\$0	75.3	\$11,295
Legal Assistants @ \$110	\$110	0.0	\$0	52.7	\$5,797
Legal Assistants @ \$160	\$160	0.0	\$0	33.8	\$5,408
Legal Assistants @ \$195	\$195	2.5	\$488	15.5	\$3,023
Legal Assistants @ \$80	\$80	0.0	\$0	9.2	\$736
<b>Grand Total</b>		<b>195.7</b>	<b>\$68,430</b>	<b>2,308.3</b>	<b>\$894,769</b>

Q. Disclosure Statement/Voting Issues

200. During the fall of 2002, Skadden began working in earnest on the outlines of a disclosure statement to accompany a plan of reorganization. In connection with these efforts, Skadden professionals reviewed and catalogued significant amounts of information about the Debtors, their operating history, these Reorganization Cases, the Debtors' developing business plan, and possible risk factors in connection with emergence from Chapter 11. Ultimately, as a result of these efforts, the Debtors filed their Disclosure Statement on January 24, 2003. Over 60 objections were filed to the Disclosure Statement, the overwhelming majority of which were resolved prior to the hearing to approve the Disclosure Statement. However, these objections required Skadden professionals to review, summarize and attempt to resolve each such objection and prepare and file a reply to such objections in support of approval of the Disclosure Statement. On February 25, 2003, this Court entered an order approving the Disclosure Statement and solicitation procedures for confirmation.

201. Shortly thereafter, the Debtors, with the assistance of Skadden and other professionals, commenced solicitation of votes on the Plan. This process required Skadden professionals to prepare the solicitation materials, which included various notices such as the

notice of non-voting status, confirmation hearing notice, unimpaired creditor notice, notice of right to elect cash or stock, notice of right to make convenience claim election, notice to equity of non-voting status, notice to other interests of non-voting status, and multiple forms of ballots (including beneficial and master ballots for voting securities) for each class of claimants entitled to vote on the Plan. This process was exceptionally complicated and time-consuming, especially considering that the Debtors were parties to approximately 175 indentures pertaining to 175 different bond issues.

202. Skadden professionals also assisted the voting agents to prepare forms of affidavits of mailing with respect to the solicitation packages, form declarations certifying the tabulation of ballots, and form consolidated ballot reports and ballot reports by Debtor entity. A total of 82 motions were filed by various parties pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedures seeking to temporarily allow claims for purposes of voting on the Plan. Skadden professionals reviewed each of these motions and prepared and submitted agreed orders to this Court to temporarily allow such claims for voting purpose.

203. In connection with the foregoing services, Skadden professionals expended 1,921.9 hours during the Reorganization Cases for which Skadden seeks compensation of \$775,752. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-17. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Brian J. Thompson	\$335	528.8	\$177,149	587.1	\$196,680
Mark A. McDermott	\$455	205.0	\$93,275	266.9	\$121,440
Samuel S. Ory	\$415	150.3	\$62,375	164.8	\$68,393
Shea D. Welch	\$334	98.0	\$32,831	199.5	\$66,623
J. Eric Ivester	\$655	56.6	\$37,073	56.6	\$37,073
John Wm. Butler, Jr.	\$725	42.5	\$30,813	43.7	\$31,683
Joseph N. Wharton	\$335	42.5	\$14,238	87.1	\$29,180
David J. Friedman	\$725	37.8	\$27,406	37.8	\$27,406
Amy R. Sabrin	\$545	30.4	\$16,568	38.1	\$20,765
N. Lynn Hiestand	\$695	25.0	\$17,376	26.6	\$18,488
Samuel C. Dibble	\$395	43.9	\$17,340	43.9	\$17,340
Kurt Ramlo	\$455	37.8	\$17,200	37.8	\$17,200
Daniel S. Liberman	\$335	45.8	\$15,343	48.5	\$16,248
Charles F. Smith	\$655	22.8	\$14,934	24.1	\$15,786
T. Anthony Jaye	\$295	15.9	\$4,691	52.0	\$15,341
Roger E. Stuart	\$455	19.6	\$8,918	24.9	\$11,330
Andrea West Taetle	\$435	0.0	\$0	21.9	\$9,527
Marian P. Wexler	\$680	13.1	\$8,908	13.1	\$8,908
Thomas R. Fawkes	\$240	30.7	\$7,368	30.7	\$7,368
Eric F. Colandrea	\$375	1.7	\$638	16.6	\$6,226
David F. Kolin	\$485	2.0	\$970	11.0	\$5,335
Van C. Durrer, II	\$488	10.4	\$5,080	10.4	\$5,080
Susan H. Martin	\$395	12.7	\$5,017	12.7	\$5,017
Laura Pieper Schroeder	\$295	9.5	\$2,803	9.5	\$2,803
Kristin E. Rooney	\$375	3.8	\$1,425	7.2	\$2,700
Nancy M. Olson	\$435	6.1	\$2,654	6.1	\$2,654
Brian M. Fern	\$335	5.1	\$1,709	5.1	\$1,709
Legal Assistants @ \$195	\$195	38.2	\$7,449	38.2	\$7,449
<b>Grand Total</b>		<b>1,536.0</b>	<b>\$631,551</b>	<b>1,921.9</b>	<b>\$775,752</b>

R. Secured Claims

204. Over 3,000 mechanics liens were filed against the Debtors' owned and leased property in the total face amount of over \$90 million. Over 950 of the Debtors' operating

stores were affected by these mechanics liens, which could arguably have triggered defaults under the Debtors' leases. Pursuant to an order entered by this Court shortly after the Petition Date, the Debtors obtained authority to pay perfectable mechanics lien claims in their sole and absolute discretion. To facilitate the resolution of the mechanics liens claims, Skadden attorneys devoted substantial time to assisting the Debtors in developing procedures to liquidate and settle such liens. A number of parties objected to the procedures, the Debtors, with Skadden's assistance, succeeded in negotiating consensual resolutions of all but one of them. This Court overruled that one objection and approved the procedures. Since approval, Skadden attorneys worked with the Debtors and certain of their other advisors to finally resolve all mechanics lien claims. The Debtors resolved approximately 2,500 of the mechanics lien claims and paid approximately \$63 million to such claim holders. This represented a savings of approximately \$25.5 million from the amounts originally sought by the lien claimants for the Debtors' estates.

205. Also during the Reorganization Cases, several allegedly secured creditors contacted the Debtors and made formal and informal demands for adequate protection. For instance, LaSalle Bank National Association filed a motion seeking adequate protection in connection with a mortgage on a distribution facility located in Ocala, Florida. Likewise, Allied Capital Corporation filed a motion seeking adequate protection in connection with a mortgage on a retail store located in West Springfield, Massachusetts. After a series of fairly protracted negotiations that alternated with trial preparation in connection with the Debtors' objection to the requests, in each case, an agreed adequate protection stipulation was entered by this Court



with the support of all Statutory Committees. Skadden continued to address other outstanding informal adequate protection requests as they arose.

206. A significant amount of time was required in order to respond to, and begin litigation of, a motion filed by SunTrust Bank seeking relief from the automatic stay to effectuate a claimed setoff. SunTrust, a factor and depository institution, was the holder of thousands of invoices that required initial review and analysis by Skadden in order to assess SunTrust's asserted secured position. After Skadden prepared and filed a comprehensive objection to SunTrust's motion, SunTrust unilaterally withdrew its motion. SunTrust subsequently refiled its motion. The matter has been mediated, but the parties have not yet resolved the matter. However, discussions continue.

207. Finally, in preparation for the Plan effective date, 71 mortgages and deeds of trust had to be drafted, executed and recorded in multiple jurisdictions in connection with the trade vendor lien afforded certain go-forward trade vendors under the Plan. This required Skadden attorneys to coordinate simultaneous closings of each these mortgages on the Plan Effective Date. Similarly, the Debtors, with the assistance of Skadden, worked with several mortgagees with respect to reinstatement of their mortgages under the Plan.

208. In connection with the foregoing services, Skadden professionals expended 1,615.3 hours during the Reorganization Cases for which Skadden seeks compensation of \$533,872. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-18. A

summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Catherine E. Danz	\$275	67.4	\$19,884	433.0	\$119,179
Brian J. Thompson	\$305	35.6	\$11,926	329.0	\$100,461
Samuel S. Ory	\$386	11.0	\$4,565	173.3	\$66,922
Rebecca M. Girsch	\$307	44.9	\$15,043	152.1	\$46,668
Van C. Durrer, II	\$478	37.3	\$18,238	94.3	\$45,081
Mark A. McDermott	\$418	1.1	\$501	63.3	\$26,433
Joseph N. Wharton	\$325	27.4	\$9,179	65.6	\$21,313
Victoria A. Birov	\$393	19.2	\$7,968	51.7	\$20,318
Marian P. Wexler	\$666	7.9	\$5,372	18.4	\$12,262
Laura Picper Schroeder	\$295	24.4	\$7,199	30.2	\$8,910
Kurt Ramlo	\$455	0.0	\$0	18.3	\$8,327
Nancy M. Olson	\$400	0.0	\$0	17.2	\$6,874
Charles F. Smith	\$643	7.7	\$5,044	10.4	\$6,691
J. Eric Ivester	\$610	0.0	\$0	9.5	\$5,795
Shea D. Welch	\$323	10.8	\$3,618	15.5	\$5,005
Terra N. Smith	\$330	0.0	\$0	14.5	\$4,785
Kristin E. Rooney	\$330	0.0	\$0	14.0	\$4,620
Maren L. Calvert	\$295	12.5	\$3,688	12.5	\$3,688
Daniel S. Liberman	\$295	0.0	\$0	12.0	\$3,541
Corinne Rcbhun	\$295	0.0	\$0	9.9	\$2,921
Christine M. DeMott	\$295	0.0	\$0	9.1	\$2,685
Sarah K. Lee	\$230	0.0	\$0	9.9	\$2,277
Brian M. Fern	\$312	0.0	\$0	6.2	\$1,933
Legal Assistants @ \$160	\$160	0.0	\$0	15.5	\$2,480
Legal Assistants @ \$195	\$195	0.0	\$0	11.0	\$2,146
Legal Assistants @ \$130	\$130	0.0	\$0	13.9	\$1,807
Legal Assistants @ \$150	\$150	0.0	\$0	5.0	\$750
<b>Grand Total</b>		<b>307.2</b>	<b>\$112,225</b>	<b>1,615.3</b>	<b>\$533,872</b>

S. Utilities

209. As of the Petition Date, the Debtors obtained utility service from approximately 2,100 utilities nationwide. Together, the utilities provided service to the Debtors under roughly 8,000 separate billing accounts. Skadden professionals worked to ensure that the Debtors would have access to uninterrupted utility service at each of the Debtors' locations throughout the country in accordance with Section 366 of the Bankruptcy Code. To this end, the Debtors, with Skadden's assistance, obtained from this Court entry of an order (the "Utilities Order") prohibiting the utilities from disconnecting service and establishing global procedures for addressing adequate assurance demands that, among other things, allowed the Debtors a reasonable period of time to respond to such demands without the threat that service would be terminated prematurely. The Debtors received over 250 requests from various utilities for deposits totaling over \$43 million. All of the 250 utility deposit requests were resolved, with the original demands being reduced from \$43 million to \$19 million. During the Reorganization Cases, Skadden continued to review, calendar, and respond to dozens of additional deposit requests.

210. In addition to the foregoing, Skadden attorneys advised the Debtors as to the proration of bills to reflect prepetition claims as well as the Debtors' postpetition payment obligations. Skadden professionals fielded and responded to hundreds of telephone calls, e-mail messages, notices, and other written correspondence from utilities and landlords in relation to alleged postpetition delinquencies. Skadden opposed and obtained the dismissal of one utility's motion to compel payment of an alleged postpetition delinquency. Skadden attorneys re-

sponded to a myriad of shut-off notices, service discontinuations, notices of lien, and other enforcement mechanisms in contravention of the Utility Order and successfully prevented utility service from being interrupted. Finally, Skadden successfully opposed one utility's motion to compel the Debtors to assume or reject an electric services contract before plan confirmation and one landlord's motion to compel the Debtors to reimburse it for utility services rendered prepetition.

211. In connection with the foregoing services, Skadden professionals expended 1,252.3 hours during the Reorganization Cases for which Skadden seeks compensation of \$474,964. This amount is less than 2% of the \$24 million in savings realized during these Reorganization Cases in negotiated, reduced utility deposits. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-19. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Kurt Ramlo	\$419	39.4	\$17,927	766.7	\$321,308
Susan H. Martin	\$367	7.0	\$2,765	116.2	\$42,624
Stephen Lubben	\$395	0.0	\$0	99.4	\$39,264
Glenn S. Walter	\$380	0.0	\$0	30.7	\$11,666
Corinne Rebhun	\$295	0.0	\$0	34.4	\$10,148
Ryan M. Iwasaka	\$295	0.0	\$0	31.7	\$9,352
Van C. Durrer, II	\$464	0.0	\$0	19.3	\$8,957
Brandi Ehlers	\$265	0.0	\$0	22.1	\$5,857
Joseph N. Wharton	\$295	0.0	\$0	11.6	\$3,423
J. Eric Ivester	\$610	0.0	\$0	5.1	\$3,111
Shea D. Welch	\$295	0.0	\$0	8.0	\$2,360
Mark A. McDermott	\$415	0.0	\$0	5.5	\$2,283

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Legal Assistants @ \$150	\$150	0.0	\$0	72.5	\$10,875
Legal Assistants @ \$160	\$160	0.0	\$0	17.6	\$2,816
Legal Assistants @ \$80	\$80	0.0	\$0	11.5	\$920
<b>Grand Total</b>		<b>46.4</b>	<b>\$20,692</b>	<b>1,252.3</b>	<b>\$474,964</b>

T. Retention/Fee Matters/Objections (Others)

212. A company as large as Kmart in reorganization proceedings as large and complex as these Reorganization Cases required the coordinated efforts of a number of restructuring advisors and professionals. To this end, Skadden advised the Debtors in retaining, pursuant to a streamlined procedures order, ordinary course professionals who provided the Debtors with a host of non-restructuring legal, accounting and other professional services. Skadden professionals also worked with the Debtors and their other professionals in retaining such professionals in these Reorganization Cases, including, among others, Miller, Buckfire, Lewis & Co., LLC, as investment banker; PricewaterhouseCoopers, LLP as financial advisor; Ernst & Young Corporate Finance, LLC, as financial advisor; Rockwood Gemini Advisors as real estate advisors; DJM Asset Management, LLC and ChainLinks Retail Advisors, Inc. as joint real estate brokers and disposition consultants; Abacus Advisory & Consulting Corp., LLC as inventory valuation consultants and rent reduction specialists; Aerodynamics, Inc. as airplane broker; Stuart, Maue, Mitchell & James, as fee consultant; CB Richard Ellis as real estate broker; and Trumbull Services, LLC, as claims and noticing agent. Skadden also devoted time in this category in connection with the Fee Review Committee and its efforts to assist this

Court, the U.S. Trustee, and creditor and other constituencies in properly monitoring the fees incurred by professionals in these Reorganization Cases.

213. The one issue included in this billing category that accounted for the most significant amount of time during the Reorganization Cases related to Skadden's successful efforts assisting the Debtors in retaining Miller, Buckfire, Lewis & Co., LLC ("Miller Buckfire") as investment banker. The Trustee filed an objection to Miller Buckfire's retention on the ground that the proposed, limited indemnification agreement with the Debtors was unreasonable. This objection raised a difficult issue that has vexed many Bankruptcy Courts around the country. After substantial briefing of this issue and an evidentiary hearing, this Court denied the request for approval of the indemnification agreement, but invited a renewed application with a modified indemnification clause. The Debtors and Miller Buckfire crafted, with significant assistance from Skadden, a more narrowly drawn indemnification clause based upon the standards for indemnification of officers and directors under Michigan law. This Court approved the renewed application, and the Third Circuit Court of Appeals ultimately approved a similar indemnification agreement in another case based on similar standards that were utilized in drafting Miller Buckfire's revised indemnity. In re United Artists, 315 F.3d 217 (3d. Cir. 2002).

214. While this Court initially denied an application to retain Dewey Ballantine under Section 327 of the Bankruptcy Code, the Court entered an order, agreed to by the U.S. Trustee and each of the Statutory Committees, authorizing use of limited estate funds under Section 363(b) of the Bankruptcy Code to pay certain fees and expenses of Dewey

Ballantine. This order was very important to these estates in that it ensured Kmart's ability to continue operating pursuant to the normal rules of corporate governance. The order also represented a fair compromise for all constituencies, having been the result of very exhausting and time-consuming negotiations that spanned several weeks among the Debtors, the Independent Directors' Group, the U.S. Trustee, and each of the Statutory Committees.

215. In connection with the foregoing services, Skadden professionals expended 1,365.3 hours during the Reorganization Cases for which Skadden seeks compensation of \$446,111. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-20. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Joseph N. Wharton	\$306	11.4	\$3,820	229.0	\$70,145
Mark A. McDermott	\$421	4.7	\$2,139	142.3	\$59,978
Shea D. Welch	\$317	33.1	\$11,089	118.5	\$37,609
Ryan J. Rohlfson	\$330	0.0	\$0	96.2	\$31,746
John Wm. Butler, Jr.	\$697	0.0	\$0	41.2	\$28,730
Laura Pieper Schroeder	\$263	0.0	\$0	105.7	\$27,778
Christopher P. Connors	\$332	0.0	\$0	77.5	\$25,768
Christina M. Tchen	\$610	0.0	\$0	39.9	\$24,339
J. Eric Ivester	\$617	0.0	\$0	35.1	\$21,668
Daniel S. Liberman	\$300	8.4	\$2,814	68.4	\$20,515
Brian J. Thompson	\$301	5.4	\$1,809	44.9	\$13,513
Kristin E. Rooney	\$330	0.0	\$0	37.4	\$12,342
Van C. Durrer, II	\$460	0.0	\$0	20.5	\$9,425
Michael W. Jones	\$295	0.0	\$0	29.8	\$8,791
N. Lynn Hiestand	\$684	4.5	\$3,128	9.6	\$6,571

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Joseph E. Miller III	\$380	0.0	\$0	13.0	\$4,940
T. Anthony Jaye	\$265	0.0	\$0	13.6	\$3,604
Marian P. Wexler	\$648	0.0	\$0	5.3	\$3,434
Christopher P. Malloy	\$495	0.0	\$0	6.3	\$3,119
Brian M. Fern	\$318	0.0	\$0	6.8	\$2,162
Legal Assistants @ \$150	\$150	0.0	\$0	84.9	\$12,735
Legal Assistants @ \$130	\$130	0.0	\$0	42.0	\$5,460
Legal Assistants @ \$195	\$195	0.0	\$0	25.0	\$4,875
Legal Assistants @ \$80	\$80	1.2	\$96	59.0	\$4,720
Legal Assistants @ \$160	\$160	2.4	\$468	13.4	\$2,144
<b>Grand Total</b>		<b>71.1</b>	<b>\$25,363</b>	<b>1,365.3</b>	<b>\$446,111</b>

U. Asset Dispositions (General)

216. Throughout the Reorganization Cases, the Debtors, with the advice and assistance of Skadden, disposed of assets not deemed necessary for the Debtors' reorganization. For instance, Skadden negotiated and prepared documents related to the sale of certain assets owned by Bluelight.com, one of the Affiliate Debtors in these Reorganization Cases, and drafted documents related to the sale of three corporate jets. The sale of the Bluelight.com assets included the negotiation of asset purchase agreements and related agreements and the evaluation of bids from several qualified bidders. Skadden also assisted the Debtors in conducting an auction to determine the highest and best bid for the assets. As a result, the Debtors sold the assets of Bluelight.com to Netbrands, Inc. for \$8.3 million. Likewise, the sale of the Debtors' corporate jets included the negotiation of asset purchase agreements, the evaluation of bids and conducting auctions. The Debtors sold their three corporate jets for an aggregate amount of approximately \$9.1 million.



217. In order to assist the Debtors in disposing of assets at a minimum of cost and expense to the estates, Skadden worked with the Debtors in developing a form of standing bidding procedures to be utilized in connection with various asset sale opportunities as they arose, thereby obviating the need to obtain advance approval of such procedures in connection with each and every sale opportunity. Similarly, Skadden worked with the Debtors and the Statutory Committees in developing procedures authorizing the sale of de minimis assets of the estates without further Court approval. With respect thereto, Skadden assisted the Debtors with preparing quarterly reports of de minimis asset sales, as required by this Court's order authorizing the sale of de minimis assets without further Court approval.

218. In connection with the foregoing services, Skadden professionals expended 1,137.7 hours during the Reorganization Cases for which Skadden seeks compensation of \$445,483. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-21. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
N. Lynn Hicstand	\$680	0.0	\$0	136.1	\$92,572
Kristin E. Rooney	\$346	1.6	\$600	265.9	\$92,036
T. Anthony Jaye	\$278	0.0	\$0	257.5	\$71,562
Ronald S. Laurie	\$612	0.0	\$0	83.6	\$51,197
Richard W. A. Horton	\$434	0.0	\$0	110.6	\$48,030
Daniel S. Liberman	\$325	16.1	\$5,394	55.4	\$17,980
Thomas R. Fawkes	\$238	4.9	\$1,176	60.5	\$14,373
Brian J. Thompson	\$335	0.0	\$0	37.5	\$12,563

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Mark A. McDermott	\$438	0.0	\$0	26.9	\$11,788
Joseph N. Wharton	\$331	0.0	\$0	19.6	\$6,478
J. Eric Ivester	\$639	0.0	\$0	8.2	\$5,236
Van C. Durrer, II	\$480	0.0	\$0	8.6	\$4,128
Charles F. Smith	\$638	0.0	\$0	5.7	\$3,634
John Wm. Butler, Jr.	\$719	0.0	\$0	4.8	\$3,450
Shea D. Welch	\$295	0.0	\$0	7.1	\$2,095
Laura Pieper Schroeder	\$295	0.0	\$0	6.9	\$2,036
Legal Assistant @ \$195	\$195	0.0	\$0	16.7	\$3,257
Legal Assistant @ \$150	\$150	0.0	\$0	14.0	\$2,100
Legal Assistant @ \$80	\$80	0.0	0	12.1	\$968
<b>Grand Total</b>		<b>22.6</b>	<b>\$7,170</b>	<b>1,137.7</b>	<b>\$445,483</b>

V. Asset Dispositions (Inventory)

219. Early in these Reorganization Cases, the Debtors obtained authority to close 283 stores. The Debtors' decision to do so as part of their restructuring efforts impacted more stores, inventory, and employees than almost any other restructuring Chapter 11 debtor in history - the book value of the merchandise inventory located at these stores was roughly \$1 billion, and roughly 22,000 employees unfortunately lost their jobs following completion of the 2002 Closing Stores program. However, the Debtors realized approximately \$890 million in net sales from sales of closing store inventory as a result of the 2002 Closing Stores.

220. The motion, procedures, and proposed inventory disposition agreement prepared by the Debtors, with Skadden's assistance, in connection with the 2002 Closing Stores required significant drafting and negotiations, and ultimately drew 20 objections from various parties-in-interest. However, the Debtors successfully negotiated resolution of all these matters, with Skadden's assistance, including issues raised informally by a coordinated group of state

attorneys general. Skadden also worked closely with the Debtors' inventory valuation consultants at the auction of the merchandise inventory and in assisting the Debtors in negotiating a final form of agency agreement among a consortium of inventory liquidation specialists.

221. After the 2002 holiday season, the Debtors, Skadden and other professionals further analyzed the financial performance of all of the Debtors' other retail store locations. As a result of this review, the Debtors decided to seek Bankruptcy Court approval to close an additional 316 stores in 44 states. The Debtors sought to close these additional stores due to their diminishing profitability, because the stores were becoming a cash drain on the Debtors, because their performance was substantially undercutting the overall performance of the Kmart stores, and because these stores did not fit into the Debtors' long-term strategic operating plan. These store closures completed the strategic review of the Company's store base and distribution centers, which Kmart had previously said it would undertake prior to emergence from Chapter 11.

222. To assist in the process of closing these stores, the Debtors, with the assistance of Skadden professionals, negotiated and entered into an operating and monitoring agreement, which was substantively different from, and the terms of which were more favorable to the Debtors than, the agency agreement entered into for the 2002 Closing Stores. Skadden professionals prepared a motion seeking approval of the 2003 Closing Stores and the operating and monitoring agreement for the January 2003 omnibus hearing. The motion and the operating and monitoring agreement required significant drafting and negotiations. The Motion ultimately drew 15 objections from various parties-in-interest. The Debtors sought and obtained

approval from this Court on January 28, 2003 to conduct the 2003 Closing Stores, and the Debtors realized approximately \$1.084 billion in net sales from sales of closing store inventory.

223. In connection with the foregoing services, Skadden professionals expended 846.9 hours during the Reorganization Cases for which Skadden seeks compensation of \$336,872. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-22. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Van C. Durrer, II	\$471	76.2	\$37,008	181.0	\$85,321
Marian P. Wexler	\$662	64.8	\$44,064	109.9	\$72,707
Shea D. Welch	\$304	19.7	\$6,600	139.0	\$42,274
Christine M. DeMott	\$331	93.1	\$31,189	107.1	\$35,428
J. Eric Ivester	\$610	0.0	\$0	37.3	\$22,753
John Wm. Butler, Jr.	\$704	8.0	\$5,800	26.5	\$18,658
Joseph N. Wharton	\$308	14.9	\$4,992	45.4	\$13,990
Stephen Lubben	\$395	0.0	\$0	18.2	\$7,189
Amy S. Park	\$395	0.0	\$0	15.9	\$6,281
Susan H. Martin	\$395	12.7	\$5,017	12.7	\$5,017
Laura Pieper Schroeder	\$230	0.0	\$0	16.0	\$3,680
Mark A. McDermott	\$415	0.0	\$0	7.2	\$2,989
Michael W. Jones	\$295	0.0	\$0	10.0	\$2,950
Catherine E. Danz	\$244	2.2	\$649	10.5	\$2,558
Legal Assistants @ \$160	\$160	0.0	\$0	50.7	\$8,112
Legal Assistants @ \$150	\$150	0.0	\$0	21.0	\$3,150
Legal Assistants @ \$110	\$110	0.0	\$0	24.5	\$2,695
Legal Assistants @ \$80	\$80	0.0	\$0	14.0	\$1,120
<b>Grand Total</b>		<b>291.6</b>	<b>\$135,319</b>	<b>846.9</b>	<b>\$336,872</b>

W. Business Operations/Strategic Planning

224. This particular billing category is comprised of time incurred by Skadden professionals in working with the Debtors' senior management, investment bankers, real estate advisors, inventory valuation consultants, and other business and legal advisors in considering global restructuring strategies and initiatives. Skadden professionals participated in numerous strategy sessions, meetings, and calls to consider such major case issues as Kmart's development of a comprehensive, go-forward restructuring business plan and various scenarios, considerations, and ramifications regarding the Reorganization Cases.

225. In connection with the foregoing services, Skadden professionals expended 701.9 hours during the Reorganization Cases for which Skadden seeks compensation of \$335,840. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-23. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
N. Lynn Hiestand	\$677	16.2	\$11,260	204.2	\$138,163
John Wm. Butler, Jr.	\$702	5.5	\$3,988	77.4	\$54,303
J. Eric Ivester	\$615	0.0	\$0	47.9	\$29,471
Laura Pieper Schroeder	\$230	0.0	\$0	94.1	\$21,643
Kristin E. Rooney	\$331	1.5	\$563	49.7	\$16,469
David J. Friedman	\$714	0.0	\$0	20.9	\$14,922
Mark A. McDermott	\$415	0.0	\$0	32.3	\$13,406
Brian J. Thompson	\$295	0.0	\$0	32.6	\$9,618
Van C. Durrer, II	\$463	0.0	\$0	18.1	\$8,389
Marian P. Wexler	\$645	0.0	\$0	9.7	\$6,261

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Keith D. Krakaur	\$580	0.0	\$0	7.2	\$4,176
Daniel S. Liberman	\$295	0.0	\$0	13.8	\$4,072
Shea D. Welch	\$295	0.0	\$0	8.4	\$2,478
Legal Assistant @ \$150	\$150	0.0	\$0	80.3	\$12,045
Legal Assistant @ \$80	\$80	0.0	\$0	5.3	\$424
<b>Grand Total</b>		<b>23.2</b>	<b>\$15,811</b>	<b>701.9</b>	<b>\$335,840</b>

X. Executory Contracts (Licenses)

226. Kmart distinguishes itself in the general merchandise retail market through sales of a number of products pursuant to exclusive licensing arrangements with key licensor parties. These parties and products include Martha Stewart, Disney, Sesame Street, Jaclyn Smith, Kathy Ireland, Joe Boxer, Route 66, Thalia, Manhattan Associates, and Curtis Mathes, among others. The products sold under these licenses collectively account for billions of dollars of annual sales, and are among the most profitable in Kmart's massive inventory of products. The licensing arrangements with these parties therefore have been the subject of very close analysis and attention by the Debtors, Skadden, the Debtors' business advisors, and each of the Statutory Committees.

227. During the Reorganization Cases, Skadden professionals carefully reviewed and summarized these and other agreements in order to advise the Debtors of their ability to assume or reject such agreements and their rights and obligations thereunder. Skadden also worked closely with the Debtors' business personnel and other professionals to analyze the financial impact of assuming the license agreements, including the ability to honor minimum royalty guarantees and marketing support for product categories. To this end, the Debtors, with

Skadden's assistance, negotiated terms of assumptions with the licensors, including payment of cure and reduction of minimum royalty rates. Skadden also assisted Kmart's business advisors in drafting detailed presentation materials for Statutory Committee meetings regarding the determination to assume these license agreements and the benefits to the estates of doing so. As a result of these efforts, Skadden drafted motions to assume license agreements with each of the above-referenced parties, and uncontested orders were entered with respect to each one.

228. In addition, Skadden assisted the Debtors by seeking and obtaining Court approval to enter into a new postpetition licensing agreement with T Enterprises, LLC, which provides the Debtors with exclusive rights to market ladies and girls apparel and accessories bearing the Thalia name. Skadden, on behalf of the Debtors, addressed other matters pertaining to other licensors that gave rise to protracted litigation. For instance, Skadden filed an objection to a motion filed by CIT Financial USA seeking to compel the Debtors to assume or reject a licensing agreement. This matter raised a host of complicated but important issues, including whether the agreement authorized financing of licensing fees. Skadden professionals also conducted discovery with regard to issues raised in the motion, and prosecuted the objection at a contested hearing on this matter held at the August 29, 2002 omnibus hearing. On January 23, 2003, the Court denied CIT Financial USA, Inc.'s motion.

229. In addition, Skadden assisted the Debtors in resolving issues raised in a motion filed by Salton, Inc. to lift the automatic stay in order to send a notice of termination of the White Westinghouse licensing agreement. The Debtors and Skadden prepared and responded to discovery requests and participated in mediation. As a result, the Debtors and Salton

were able to reach a consensual agreement. The Debtors, assisted by Skadden, sought and obtained Court approval for the settlement agreement at the January 2003 omnibus hearing.

230. In connection with the foregoing services, Skadden professionals expended 792.8 hours during the Reorganization Cases for which Skadden seeks compensation of \$297,909. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-24. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Kristin E. Rooney	\$343	24.0	\$9,001	351.7	\$120,765
Christopher P. Connors	\$370	18.3	\$6,863	133.2	\$49,325
Victoria A. Birov	\$412	17.1	\$7,097	78.4	\$32,313
Rena M. Samole	\$335	0.0	\$0	74.6	\$24,991
Charles F. Smith	\$655	3.9	\$2,555	29.7	\$19,455
John Wm. Butler, Jr.	\$711	8.2	\$5,945	15.8	\$11,228
Richard W. A. Horton	\$475	16.2	\$7,695	19.1	\$9,073
Mark A. McDermott	\$422	1.1	\$501	15.6	\$6,580
Laura Pieper Schroeder	\$265	0.0	\$0	24.8	\$6,572
Van C. Durrer, II	\$470	0.0	\$0	11.7	\$5,504
N. Lynn Hiestand	\$695	3.0	\$2,086	5.3	\$3,684
Daniel S. Liberman	\$295	0.0	\$0	12.3	\$3,629
Joseph N. Wharton	\$309	1.2	\$402	10.7	\$3,305
Legal Assistants @ \$150	\$150	0.0	\$0	9.9	\$1,485
<b>Grand Total</b>		<b>93.0</b>	<b>\$42,145</b>	<b>792.8</b>	<b>\$297,909</b>



Y. Retention/Fee Matters (SASM&F)

231. Skadden is one of the largest law firms in the world, with approximately 1,750 attorneys located in 23 offices in 11 nations. Given the number of the Debtors' business relationships and the number of Skadden's business clients, Skadden has been required to devote significant amounts of time to retention and fee issues. In particular, Skadden conducted an extensive relationship and disclosure search before being retained as Debtors' counsel. After such retention and during the Reorganization Cases, Skadden supplemented its search results through distribution of a questionnaire to the firm's professionals worldwide. In addition, pursuant to the requirements of the Administrative Order entered shortly after the Petition Date, Skadden prepared detailed monthly compensation packages for distribution in accordance with the procedures established by that Order. Skadden also prepared and submitted its First Interim Fee Application, Second Interim Fee Application and Third Interim Fee Application, and worked with the U.S. Trustee in addressing certain questions related to a handful of the expenses for which reimbursement was sought in those applications.

232. As this Court is aware, a Fee Review Committee has been established to monitor fees and expenses in these Reorganization Cases and advise the Court with regard thereto. As a part of the fee review process, professionals were required to prepare budgets for upcoming compensation periods and submit them to the Fee Review Committee. Preparing these budgets required a certain amount of time and effort directed toward forecasting the issues that were likely to arise in the budget period and making determinations about the staffing and time necessary to appropriately address such issues. The time spent by Skadden professionals

preparing such budgets and otherwise participating in meetings of the Fee Review Committee is reflected in this category.

233. In connection with the foregoing services, Skadden professionals expended 685.9 hours during the Reorganization Cases for which Skadden seeks compensation of \$253,338. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-25. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Laura Pieper Schroeder	\$280	69.8	\$20,591	296.0	\$82,765
John Wm. Butler, Jr.	\$712	44.4	\$32,191	110.6	\$78,706
Mark A. McDermott	\$431	1.4	\$637	86.0	\$37,027
Brian M. Fern	\$311	13.9	\$4,657	35.4	\$11,000
Shea D. Welch	\$321	22.4	\$7,504	34.0	\$10,926
J. Eric Ivester	\$622	0.0	\$0	14.4	\$8,951
Samuel S. Ory	\$412	0.0	\$0	13.4	\$5,526
Joseph N. Wharton	\$295	0.0	\$0	17.3	\$5,104
Thomas R. Fawkes	\$233	5.7	\$1,368	18.7	\$4,358
Legal Assistants @ \$130	\$130	2.9	\$377	24.3	\$3,159
Legal Assistants @ \$195	\$195	5.3	\$1,034	14.7	\$2,867
Legal Assistants @ \$150	\$150	0.0	\$0	15.7	\$2,355
Legal Assistants @ \$110	\$110	3.2	\$352	5.4	\$594
<b>Grand Total</b>		<b>169.0</b>	<b>\$68,711</b>	<b>685.9</b>	<b>\$253,338</b>

Z. Insurance

234. Skadden assisted the Debtors during the Reorganization Cases in connection with review of various insurance policies, including those related to certain director and officer liability policies. Skadden also advised the Debtors regarding the renewal of current

directors and officer liability policies. Skadden successfully sought and obtained Court approval for the renewal of such policies on behalf of the Debtors at the November 2002 omnibus hearing. In addition, Skadden advised the Debtors with respect to the impact of the filing of these Reorganization Cases upon worker's compensation self insurance fee assessments from various states with regard to the assessments calculated based on losses for prepetition periods.

235. During the Reorganization Cases, Skadden also advised the Debtors on issues related to an adversary proceeding brought by the State of New Mexico. Skadden assisted the Debtors in preparing a motion to dismiss the adversary proceeding and ultimately in resolving the matter. Skadden also advised the Debtors in connection with public liability insurance policies during the Reorganization Cases. Specifically, Skadden devoted a significant amount of time to advising the Debtors on matters related to the payment of tort judgments out of insurance policies held by the Debtors, including resolution of competing claims to the policy proceeds.

236. Finally, former Chief Executive Officer Charles C. Conaway filed a motion to obtain payment and continued advancement of defense costs under applicable directors' and officers' liability insurance policies and for relief from the automatic stay. Skadden assisted the Debtors in responding to Mr. Conaway's motion and developing a resolution agreeable to both parties. Ultimately, Mr. Conaway's motion was resolved as part of the Debtors' Plan.

237. In connection with the foregoing services, Skadden professionals expended 553.4 hours during the Reorganization Cases for which Skadden seeks compensation of \$249,012. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-26. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Timothy G. Reynolds	\$612	0.0	\$0	75.8	\$46,424
Charles F. Smith	\$645	8.9	\$5,830	70.8	\$45,686
Mark A. McDermott	\$451	44.3	\$20,157	78.6	\$35,460
Samuel S. Ory	\$396	0.0	\$0	52.0	\$20,607
Susan H. Martin	\$395	38.8	\$15,326	38.8	\$15,326
Victoria A. Birov	\$415	26.8	\$11,122	32.3	\$13,405
Christopher P. Connors	\$375	24.0	\$9,000	33.7	\$12,638
David F. Kolin	\$485	24.9	\$12,076	24.9	\$12,076
Rebecca M. Girsch	\$335	31.0	\$10,385	31.0	\$10,385
T. Anthony Jaye	\$295	5.6	\$1,652	31.8	\$9,381
Joseph N. Wharton	\$335	19.1	\$6,399	22.6	\$7,572
Shea D. Welch	\$335	0.0	\$0	22.4	\$7,504
Christina M. Tchen	\$610	0.0	\$0	6.2	\$3,782
Brian M. Fern	\$335	11.2	\$3,752	11.2	\$3,752
Ryan J. Rohlfen	\$240	0.0	\$0	11.5	\$2,760
Laura Pieper Schroeder	\$230	0.0	\$0	9.8	\$2,254
<b>Grand Total</b>		<b>234.6</b>	<b>\$95,699</b>	<b>553.4</b>	<b>\$249,012</b>

AA. Asset Analysis and Recovery

238. During the Case Period, Kmart analyzed certain claims that Kmart may have that could enhance the assets available for distribution to creditors, including possible claims against former executives arising out of findings from the stewardship review. In

addition, Skadden assisted the Debtors with an analysis of the estimated projected recoveries on account of potential preference claims under Section 547 of the Bankruptcy Code. Given the risks and costs involved in preference litigation, the Debtors, with the assistance of Skadden, determined that there was no assurance that they could recover enough in extra preference value to compensate creditors for the cost and delay inherent in such litigation. As a result, and after very extensive and exhaustive discussions among the Statutory Committees, the Plan Investors, and the Debtors, the Debtors agreed with the Creditors' Committee to waive (with limited exception) all such claims as part of their Plan. The negotiation of this waiver was critical in order to maximize recoveries to all creditors, and as part of the global settlement with all constituencies under the Plan which resolved potential litigation with the Debtors' prepetition lenders and the Creditors' Committee.

239. In connection with the foregoing services, Skadden professionals expended 423.5 hours during the Application Period for which Skadden seeks compensation of \$113,551. Detailed time entries of each Skadden professional related to these services are attached hereto as Exhibit E-27. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Charles F. Smith	\$646	42.7	\$27,969	53.4	\$34,496
Rebecca M. Girsch	\$335	78.5	\$26,298	78.5	\$26,298
Christopher P. Connors	\$330	0.0	\$0	30.1	\$9,933
Victoria A. Birov	\$389	5.0	\$2,075	20.0	\$7,775
N. Lynn Hiestand	\$695	8.1	\$5,629	8.1	\$5,629
Marian P. Wexler	\$680	5.1	\$3,468	5.1	\$3,468
Van C. Durrer, II	\$485	6.4	\$3,104	6.4	\$3,104

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Kristin E. Rooney	\$375	7.7	\$2,888	7.7	\$2,888
Legal Assistants @ \$80	\$80	4.5	\$360	178.9	\$14,312
Legal Assistants @ \$160	\$160	35.3	\$5,648	35.3	\$5,648
<b>Grand Total</b>		<b>193.3</b>	<b>\$77,439</b>	<b>423.5</b>	<b>\$113,551</b>

BB. Claims Administration (PACA/PASA)

240. Kmart sells food and other perishables at its stores. Sales of such items generate significant revenue on an annual basis. Moreover, such items generate a major amount of customer traffic that results in the sale of other merchandise. Kmart purchases food and perishables from numerous vendors throughout the United States. On the Petition Date, Kmart, with the assistance of Skadden, therefore obtained entry of an order establishing procedures for the resolution of claims under federal laws governing the rights of food and perishable distributors (the "PACA/PASA Claims").

241. During the Application Period, 25 PACA/PASA claims were filed in the total amount of more than \$71 million. Skadden, with the assistance of Kmart and their business advisors, prepared a report of PACA/PASA Claims outlining the Debtors' view with respect to such Claims, including defenses thereto. More importantly, the Debtors, with the assistance of Skadden and their business advisors, were able to consensually resolve 24 of the PACA/PASA claims for a collective total of less than \$1 million. The remaining claim, asserted by Fleming, was settled at an amount that was significantly reduced from the original claim.

242. In connection with the foregoing services, Skadden professionals expended 274.2 hours during the Application Period for which Skadden seeks compensation of

\$85,804. Detailed time entries of each Skadden Professional related to these services are attached hereto as Exhibit E-28. A summary of the hours incurred and the value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Daniel S. Liberman	\$308	62.4	\$20,905	185.6	\$57,251
N. Lynn Hiestand	\$675	0.0	\$0	10.5	\$7,088
Samuel C. Dibble	\$395	16.5	\$6,517	16.5	\$6,517
Kurt Ramlo	\$421	1.5	\$682	10.9	\$4,584
Amarjeet S. Bhachu	\$435	10.3	\$4,481	10.3	\$4,481
Kristin E. Rooney	\$330	0.0	\$0	7.3	\$2,409
Legal Assistants @ \$150	\$150	0.0	\$0	11.8	\$1,770
Legal Assistants @ \$80	\$80	4.6	\$368	21.3	\$1,704
<b>Grand Total</b>		<b>95.3</b>	<b>\$32,953</b>	<b>274.2</b>	<b>\$85,804</b>

CC. Reports and Schedules

243. There was a total of 38 separate debtors in these proceedings. Although the Bankruptcy Code arguably requires that separate sets of schedules of assets and liabilities and statements of financial affairs (collectively, the "Schedules") be prepared for each debtor, the Debtors historically publicly reported their financial information on a consolidated basis only. Skadden therefore assisted the Debtors in working with the U.S. Trustee in preparing a consolidated set of Schedules for Kmart and all of the Affiliate Debtors. However, given the diverse assets, liabilities, and other obligations of the various Affiliate Debtors, and also given the need to provide precise information concerning these various entities' financial and operating condition, the Debtors worked closely with their financial and tax personnel and the Debtors' financial and other advisors, including Skadden, in preparing separate sets of Schedules for Kmart and each of the 10 most significant Affiliate Debtors.

244. These efforts were time-consuming, detail-oriented, and laborious. The Debtors, with the assistance of Skadden and the Debtors' financial advisors, determined that this undertaking was necessary given the large number of constituencies involved, the large dollar amounts involved, and the intense interest in these proceedings. Once finalized, the consolidated Schedules and Schedules for each of Kmart and the 10 Affiliate Debtors comprised roughly 10,000 pages of information.

245. Finally, during the Reorganization Cases, Skadden assisted the Debtors in complying with U.S. Trustee guidelines, including with respect to preparation and filing of monthly operating reports and proper calculation, payment, and documentation of quarterly fees due the U.S. Trustee's office pursuant to 28 U.S.C. §1930.

246. In connection with the foregoing services, Skadden professionals expended 262.3 hours during the Reorganization Cases for which Skadden seeks compensation of \$82,197. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-29. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Mark A. McDermott	\$415	0.0	\$0	75.9	\$31,499
Catherine E. Danz	\$238	0.0	\$0	81.4	\$19,398
N. Lynn Hicstand	\$675	0.0	\$0	7.6	\$5,130
John Wm. Butler, Jr.	\$695	0.0	\$0	6.1	\$4,240
Kristin E. Rooney	\$330	0.0	\$0	12.4	\$4,092
J. Eric Ivester	\$610	0.0	\$0	5.4	\$3,294
Van C. Durrer, II	\$460	0.0	\$0	6.8	\$3,128



Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Brian M. Fern	\$335	1.8	\$603	8.4	\$2,814
Legal Assistants @ \$160	\$160	0.0	\$0	26.5	\$4,240
Legal Assistants @ \$150	\$150	0.0	\$0	14.8	\$2,220
Legal Assistants @ \$195	\$195	6.8	\$1,326	6.8	\$1,326
Legal Assistants @ \$80	\$80	1.0	\$80	10.2	\$816
<b>Grand Total</b>		<b>9.6</b>	<b>\$2,009</b>	<b>262.3</b>	<b>\$82,197</b>

DD. Environmental Matters

247. During the Reorganization Cases, Skadden assisted the Debtors in responding to various inquiries from landlords, government agencies, and other parties concerning certain environmental matters involving the Debtors. The Environmental Protection Agency (the "EPA") and a series of related agencies also filed a motion seeking modification of the Debtors' schedules and statements of financial affairs in regard to certain environmental issues. However, the Debtors worked with Skadden and the EPA in resolving the motion and providing the EPA with the requested information.

248. Finally, Skadden assisted the Debtors with negotiating a settlement agreement with the EPA, the United States Department of the Interior and the National Oceanic and Atmospheric Administration of the United States Department of Commerce ("NOAA") with respect to certain of the Debtors' waste sites. The settlement agreement significantly reduced the Debtors' potential exposure for clean-up costs at each of these sites by millions of dollars for each site by avoiding joint and several liability permitted under CERCLA and by limiting the Debtors' liability to only their allocable share of clean-up costs.

249. In connection with the foregoing services, Skadden professionals expended 153.8 hours during the Reorganization Cases for which Skadden seeks compensation of \$74,725. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-30. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
John A. Amodeo	\$478	55.6	\$26,966	137.1	\$65,586
Kenneth Berlin	\$630	0.0	\$0	8.8	\$5,544
Kurt Ramlo	\$455	7.9	\$3,595	7.9	\$3,595
<b>Grand Total</b>		<b>63.5</b>	<b>\$30,561</b>	<b>153.8</b>	<b>\$74,725</b>

EE. Litigation (General)

250. During the Reorganization Cases, Skadden professionals were required to devote resources to various other litigation matters not within the purview of other billing categories. Much of the activity in this billing category related to efforts by Skadden professionals to ensure that actions arising out of the every-day operations of the Debtors did not distract the Debtors from their chief goal of successful emergence from Chapter 11. These efforts included, among other things, extension of the Debtors' deadline to remove certain state court actions to this Court, and resolution of actions commenced by others against the Debtors in non-bankruptcy fora.

251. In connection with the foregoing services, Skadden professionals expended 220.2 hours during the Reorganization Cases for which Skadden seeks compensation

of \$49,158. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-31. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Jane Byrne Thabit	\$395	0.0	\$0	15.9	\$6,281
Christopher P. Connors	\$338	0.0	\$0	15.5	\$5,232
Edward Ellis	\$395	0.0	\$0	10.9	\$4,306
Erin C. Perkins	\$365	0.0	\$0	11.6	\$4,234
Judith A. Wise	\$380	0.0	\$0	9.5	\$3,610
Charles F. Smith	\$610	0.0	\$0	5.5	\$3,355
Christine M. DeMott	\$335	0.0	\$0	7.3	\$2,446
Michael W. Jones	\$295	0.0	\$0	7.3	\$2,154
Kristin E. Rooney	\$330	0.0	\$0	5.7	\$1,881
Rebecca Min	\$265	0.0	\$0	6.5	\$1,723
Rebecca M. Girsch	\$295	0.0	\$0	5.6	\$1,652
Legal Assistants @ \$70	\$70	0.0	\$0	62.2	\$4,354
Legal Assistants @ \$150	\$150	0.0	\$0	28.7	\$4,305
Legal Assistants @ \$130	\$130	0.0	\$0	16.2	\$2,106
Legal Assistants @ \$195	\$195	1.3	\$254	5.0	\$975
Legal Assistants @ \$80	\$80	0.0	\$0	6.8	\$544
<b>Grand Total</b>		<b>1.3</b>	<b>\$254</b>	<b>220.2</b>	<b>\$49,158</b>

FF. Litigation (Insurance Recovery)

252. During the Reorganization Cases, Skadden professionals were required to devote resources to address claims by litigants that were covered, in whole or in part, by insurance. In connection with the foregoing services, Skadden professionals expended 84.7 hours during the Reorganization Cases for which Skadden seeks compensation of \$34,124. Detailed time entries of each Skadden professional related to services performed during the

Fourth Application Period are attached hereto as Exhibit E-32. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Edward Flis	\$365	0.0	\$0	33.5	\$12,228
Christopher P. Connors	\$375	0.0	\$0	29.9	\$11,212
Charles F. Smith	\$638	0.0	\$0	15.8	\$10,079
Legal Assistants @ \$110	\$110	0.0	\$0	5.5	\$605
<b>Grand Total</b>		<b>0.0</b>	<b>\$0</b>	<b>84.7</b>	<b>\$34,124</b>

GG. Real Estate (Owned)

253. Skadden devoted time during the Reorganization Cases to advising the Debtors with respect to certain real estate holdings, including matters relating to alleged default and property tax issues. In connection with the foregoing services, Skadden professionals expended 35.0 hours during the Reorganization Cases for which Skadden seeks compensation of \$18,249. Detailed time entries of each Skadden professional related to services performed during the Fourth Application Period are attached hereto as Exhibit E-33. A summary of the hours incurred and value of the services performed by each professional is provided in the following table:

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Marian P. Wexler	\$675	5.6	\$3,808	10.9	\$7,362
N. Lynn Hiestand	\$695	0.0	\$0	8.4	\$5,838
Christine M. DeMott	\$335	4.2	\$1,408	10.4	\$3,485

Name	Rate	Fourth Period Hours	Fourth Period Amount	Case Period Hours	Case Period Amount
Catherine E. Danz	\$295	0.0	\$0	5.3	\$1,564
<b>Grand Total</b>		<b>9.8</b>	<b>\$5,216</b>	<b>35.0</b>	<b>\$18,249</b>

RELIEF REQUESTED

254. In accordance with the Administrative Order, Skadden has submitted Monthly Fee Statements for the period from January 22, 2002 through May 6, 2003, and now submits this Final Application covering the entire Reorganization Cases. Based on the firm's customary billing practices, the Debtors ordinarily would be billed a total of \$61,063,552 for fees and \$5,270,413 for charges and disbursements. In keeping with Skadden's commitment to self-policing its fees, charges and disbursements, and based on various accommodations to the Debtors, however, Skadden voluntarily reduced, as part of its Monthly Fee Statements, its fees by \$6,822,548, or approximately 11%, and its charges and disbursements by \$597,913. As a result, the actual amount billed to the Debtors was \$54,241,004 for fees and \$4,670,500 for charges and disbursements.

255. Moreover, as an additional accommodation, Skadden has voluntarily reduced the amount of fees sought in the Interim Applications by \$302,488 to reflect, among other accommodations, the elimination of fees related to any timekeeper that billed less than \$5,000 during any particular Application Period and matters totaling less than \$5,000 during any particular Application Period. An additional fee accommodation has been provided in connection with this Final Application in the amount of \$193,117. Due primarily to the elimination of matter aggregating less than \$15,000 during the Reorganization Cases as well as the elimination of time keepers billing less than five hours to any matter during the Reorganization

Cases. As a result, the actual amount sought herein is \$53,745,000 for fees and \$4,670,500 in charges and disbursements. This represents a total reduction of \$7,916,066, or approximately 12%, from those amounts that would customarily be charged.

256. The Administrative Order provides that in order to seek interim compensation, professionals must submit Monthly Fee Statements to the Debtors, counsel for the Debtors' postpetition lenders, counsel for the Statutory Committees, and the United States Trustee. If no objection to a Monthly Fee Statement is made within 20 days after service of the Statements, the Debtors are authorized to pay 90% of the fees requested (with the remaining 10% of the fees requested referred to herein as the "Holdback") and 100% of the charges and disbursements requested. In accordance with the Administrative Order, Skadden has submitted Monthly Fee Statements for each of the months covered by the Fourth Application Period. With respect to the Monthly Statements covering the Case Period, Skadden has received \$49,636,609 on account of billed fees, \$4,670,500 on account of billed charges and disbursements, and will have accrued a Holdback in the amount of \$4,301,508. Skadden is requesting \$4,108,391 in full settlement of the Holdback accrued through May 6, 2003.<sup>17</sup>

A. Allowance of Professional Fees

257. During the Reorganization Cases, attorneys and paraprofessionals at Skadden billed an aggregate of 161,437.4 hours reflected in this Final Application working on matters concerning the Debtors' Reorganization Cases. Of such time spent, 25,431.1 hours were

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<sup>17</sup> As a result of a payment made to Skadden by the Company on the Effective Date in the amount of \$962,500, Skadden has held a surplus amount of \$37,234 pending the Court's ruling on this Final Application. See footnote 7.

spent by partners, 12,177.1 hours were spent by counsel, 86,694.2 hours were spent by associates, and 37,135.0 hours were spent by legal assistants. A summary showing the name and position of each such partner, counsel, associate and legal assistant, together with that person's date of admission to the bar (as applicable), net hours during the Reorganization Cases, and hourly billing rate, is provided as Exhibit D to this Final Application.<sup>18</sup>

B. Reimbursement of Charges and Disbursements

258. As disclosed in the Retention Application that was approved by this Court, it is Skadden's standard policy to charge its clients in all areas of practice for certain charges and disbursements incurred in connection with such clients' cases. The charges and disbursements charged to clients include, among others, charges for messenger services, photocopying (at ten cents per page), court fees, travel expenses, postage for large mailings, long distance telephone, computerized legal research, investigative searches, and other charges customarily billed by law firms. Certain charges and disbursements are not separately charged for under the bundled rate structure as described in the Engagement Agreement.

259. Skadden has attempted to minimize the charges and disbursements associated with the Debtors' Reorganization Cases, particularly for items such as reproduction and delivery, which have been lowered as a result of the restricted service list which Skadden proposed and the Court approved. During the Reorganization Cases, Skadden disbursed the

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<sup>18</sup> In addition to the matter list, Exhibit C also sets forth the blended hourly rate and certain other business statistics associated with the Reorganization Cases.

following sums for actual and necessary charges and disbursements in the rendition of professional services in the Reorganization Cases, and requests that it be reimbursed therefor:

CHARGES AND DISBURSEMENTS INCURRED

Travel Expenses .....	\$2,034,898
Reproduction and Document Preparation .....	\$1,121,143
Courier, Express Delivery and Postage .....	\$627,554
Computer Legal Research .....	\$423,614
Court Reporting .....	\$194,827
Telecommunications .....	\$155,541
Outside Research .....	\$80,906
Filing/Court Fees .....	\$18,302
UCC Research/Opinion .....	\$8,771
Professional Fees/Other .....	<u>\$4,944</u>
TOTAL .....	\$4,670,500

260. The above charges and disbursements are reasonable and are consistent with those incurred by other bankruptcy practitioners in other large, complex Chapter 11 reorganization cases in this and other Districts. Moreover, Skadden believes that the unique size and complexity of these Reorganization Cases, including the terms of this Court's case management order which require, among other things, overnight delivery of most pleadings, warrant reimbursement of the foregoing charges and disbursements pursuant to the guidelines established by this Court in In re Convent Guardian Corp., 103 B.R. 937, 940 (Bankr. N.D. Ill. 1989) (authorizing certain charges, such as express mail, messenger service, postage, parking, and local meals, where the circumstances are extraordinary).

REASONABLENESS OF FEES, CHARGES AND DISBURSEMENTS

261. Under Section 330 of the Bankruptcy Code, a Bankruptcy Court may award to a professional employed by the estates "reasonable compensation for actual, necessary



services" rendered by the professional, plus "reimbursement for actual, necessary expenses."

See 11 U.S.C. § 330(a)(1). See generally In re Geraci, 138 F.3d 314 (7<sup>th</sup> Cir. 1998); Matter of Taxman Clothing Company, 49 F.3d 310 (7<sup>th</sup> Cir. 1995).

262. In determining the amount of "reasonable compensation," the Court must consider the nature, extent, and value of the services, taking into account all the relevant factors, including the time spent on such services; the rates charged for such services; whether the services were necessary and beneficial; whether the services were performed in a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code. See 11 U.S.C. § 330(a)(3).

263. Bankruptcy Courts reviewing fee applications use several different approaches to apply these guidelines, including familiar methods such as the approach outlined in Johnson v. Georgia Highway Express, 488 F.2d 714 (5<sup>th</sup> Cir. 1974). See generally In re Geraci, 138 F.3d 314 (7<sup>th</sup> Cir. 1998); In re Spanjer Brothers, Inc., 203 B.R. 85 (Bankr. N.D. Ill. 1996). Similarly, Bankruptcy Courts frequently utilize the lodestar analysis, analyzing the benefit of the services to the estate and considering whether the services rendered were reasonable and necessary. See Matter of Taxman Clothing Company, 49 F.3d 310, 315 (7<sup>th</sup> Cir. 1995); In re UNR Industries, Inc., 986 F.2d 208 (7<sup>th</sup> Cir. 1993).

264. These analyses examine similar factors, including: (i) the novelty or difficulty of the questions, (ii) the experience, reputation and skill of the professional, (iii) time

limitations imposed by the circumstances, (iv) whether the fee is fixed or contingent, (v) the preclusion of other employment by the professional due to acceptance of the case, and (vi) the amount involved and the results obtained or the quality of the services. Matter of Taxman Clothing Company, 49 F.3d 310, 315 (7<sup>th</sup> Cir. 1995); In re Spanjer Brothers, Inc., 203 B.R. 85 (Bankr. N.D. Ill. 1996).

265. In accordance with the factors enumerated in 11 U.S.C. § 330 and applicable case law, the amount requested herein by Skadden is fair and reasonable, given: (i) the nature of the Reorganization Cases, (ii) the novelty and complexity of the Reorganization Cases, (iii) the time and labor required to represent the Debtors effectively, (iv) the time limitations imposed by the Reorganization Cases, (v) the nature and extent of the services rendered, (vi) Skadden's experience, reputation and ability, (vii) the value of Skadden's services, and (viii) the cost of comparable services other than in a case under the Bankruptcy Code.

A. Nature, Complexity, and Duration of Reorganization Cases

266. As should be evident from the summary of Skadden's services as described above in this Final Application, Kmart's Chapter 11 reorganization presented a particularly unique set of circumstances, and unquestionably is one of the largest, most complex, and involved cases ever filed. The nature and complexity of the Reorganization Cases has required Skadden to develop case management and staffing solutions at every stage of the proceedings. These tasks have been particularly daunting in light of the Debtors' widespread operations. Skadden nonetheless has assisted the Debtors by employing a streamlined case management structure that generally consists of relatively small, core teams, and has assigned