

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

In re:)	Case No. 02-B02474
)	(Jointly Administered)
KMART CORPORATION, <u>et al.</u> ,)	Chapter 11
)	Honorable Susan Pierson Sonderby
)	Hearing Date: December 17, 2003
Debtors.)	Hearing Time: 11:00 a.m.
)	Obj. Deadline: December 12, 2003

**ORDER WITH RESPECT TO FOURTH AND FINAL
APPLICATION OF SKADDEN, ARPS, SLATE, MEAGHER &
FLOM (ILLINOIS) AND ITS AFFILIATED LAW PRACTICE ENTITIES,
COUNSEL TO THE DEBTORS-IN-POSSESSION, SEEKING FINAL
ALLOWANCE AND PAYMENT OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES UNDER 11 U.S.C. § 330**

Upon consideration of the Fourth and Final Application (the "Final Application") of Skadden, Arps, Slate, Mcagher & Flom (Illinois) and its affiliated law practice entities ("Skadden"), counsel for Kmart Corporation and certain of its domestic subsidiaries and affiliates, debtors, debtors-in-possession, and reorganized debtors in the above-captioned cases (collectively, "Kmart"), filed in accordance with the Administrative Order Pursuant to 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals (the "Administrative Order") (Docket No. 130), the Findings of Fact, Conclusions of Law, and Order Under 11 U.S.C. §§ 1129(a) and (b) and Fed. R. Bankr. P. 3020 Confirming the First Amended Joint Plan of Reorganization of Kmart Corporation and its Affiliated Debtors and Debtors-in-Possession, as Modified (the "Confirmation Order") (Docket No. 10871) and the First Amended Joint Plan of Reorganization of Kmart Corporation and its Affiliated Debtors and Debtors-in-Possession, as Modified (the "Plan") (Docket No. 8927), seeking final allowance and payment of compensation in the amount of \$53,745,000 and

reimbursement of charges and disbursements in the amount of \$4,583,483 under 11 U.S.C. § 330 for the period from January 22, 2002 through May 6, 2003 (the "Case Period"), which amounts are net of voluntary accommodations extended to Kmart by Skadden during the pendency of the Chapter 11 cases in the amount of \$7,318,153 in fees and \$597,913 in charges and disbursements; and upon further consideration of the Kmart Corporation Joint Fee Review Committee (the "Fee Committee") Report Regarding Certain Fee Applications filed with the Court on December 5, 2003 (the "Fee Report") pursuant to which the Fee Committee recommended final allowance and payment of compensation to Skadden in the amount of \$53,430,258 and reimbursement of charges and disbursements incurred by Skadden in the amount of \$4,583,483; this Court having previously entered an omnibus order on September 19, 2002, granting in full the First Interim Application of Skadden, Arps, Slate, Meagher & Flom (Illinois) and its Affiliated Law Practice Entities, Counsel to the Debtors-in-Possession, Seeking Allowance and Payment of Interim Compensation and Reimbursement of Expenses Under 11 U.S.C. §§ 330 and 331 (Docket No. 4001) for payment of fees and reimbursement of charges and disbursements in the amounts of \$9,476,673 for fees and \$1,170,366 for charges and disbursements incurred during the period January 22, 2002 to April 30, 2002, and another omnibus order on December 19, 2002, granting in full the Second Interim Application of Skadden, Arps, Slate, Meagher & Flom (Illinois) and its Affiliated Law Practice Entities, Counsel to the Debtors-in-Possession, Seeking Allowance and Payment of Interim Compensation and Reimbursement of Expenses Under 11 U.S.C. §§ 330 and 331 (Docket No. 6833) for payment of fees and reimbursement of charges and disbursements in the amounts of \$12,608,228 for fees and \$1,109,854 for charges and disbursements incurred during the period May 1, 2002 to August 31, 2002; and it appearing to the Court

(a) that it has jurisdiction over the matters raised in the Final Application pursuant to 28 U.S.C. §§ 157 and 1334; (b) that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); (c) that due and proper notice of the Final Application has been given pursuant to the Administrative Order, the Confirmation Order and the Plan; (d) that the amount of compensation and reimbursement sought in the Final Application, as reduced pursuant to the recommendation of the Fee Committee as described in the Fee Report and as agreed to by Skadden, is reasonable under the circumstances and the fees and charges and disbursements incurred by Skadden were necessary and appropriate in connection with Skadden's rendition of services to Kmart during the Case Period; (e) no objections to the Final Application having been filed; and (f) upon the record herein after due deliberation thereon, that the relief should be granted as set forth below

IT IS HEREBY ORDER, ADJUDGED, AND DECREED THAT

1. The Final Application is granted and the fees and charges and disbursements of Skadden are approved on a final basis in the amount of \$53,430,258 in fees and \$4,583,483 in charges and disbursements.

2. Kmart and any other entity serving as Disbursing Agent, as defined in the Plan, is authorized and directed to (a) disburse to Skadden from the Professional Fee Holdback Escrow Account established pursuant to Article 10.2(c) of the Plan an amount equal to \$4,021,374 so as to be received by Skadden on or prior to December 29, 2003 and (b) disburse to Kmart from the Professional Fee Holdback Escrow Account established pursuant to Article

10.2(c) of the Plan an amount equal to \$87,017 so as to be received by Kmart on or prior to
December 29, 2003.

Dated: Chicago, Illinois
December 17, 2003



HON. SUSAN PIERSON SONDERBY
UNITED STATES BANKRUPTCY JUDGE