

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
LEVITZ FURNITURE ) Case No. 97-1842 (JJF)  
INCORPORATED, et al., )  
)  
Debtors. ) (Jointly Administered)

**NINTH AND FINAL APPLICATION FOR COMPENSATION AND REIMBURSEMENT  
OF EXPENSES PURSUANT TO SECTIONS 330 AND 331 OF  
THE BANKRUPTCY CODE**

Name of Applicant: The Blackstone Group L.P.

Authorized to Provide  
Professional Services to: Levitz Furniture, Inc., et al.

Date of Retention: September 5, 1997

Dates Included in Ninth  
Compensation Period: May 1, 2000 through February 28, 2001

Amount of Compensation requested  
in Ninth Compensation Period: \$2,125,000.00

Amount of Expense Reimbursement  
requested in Ninth Compensation Period: \$47,147.01

Total Amount of Compensation requested  
and approved in prior Fee Applications: \$3,979,166.75

4940

Total Amount of Expenses requested  
and approved in prior Fee Applications: \$199,327.62

Total Amount of Compensation requested  
in this case, including the Ninth Period: \$6,104,166.75

Total Amount of Expenses requested  
in this case, including the Ninth Period: \$246,474.63

This is a(n): \_\_\_\_\_ interim \_\_\_\_\_ X final application.

The total time expended for the preparation of this application is approximately 18 hours and the corresponding compensation requested is \$0.00.

8. Blackstone has previously filed eight interim fee applications covering the period September 5, 1997 through April 30, 2000 (collectively, the "Interim Applications"). These Interim Applications are hereby incorporated into this application by reference. A summary of fees and expenses included in the Interim Applications (including the ninth and final fee application) is outlined below:

	Fees			Expenses		
	Total	Paid	Held Back/Unpaid	Total	Paid	Held Back/Unpaid
09/05/97 - 09/30/97	\$104,167.00	104,167.00	-	\$ 187.20	\$ 187.00	-
10/01/97 - 10/31/97	125,000.00	125,000.00	-	2,724.43	2,724.00	-
11/01/97 - 11/30/97	125,000.00	125,000.00	-	18,247.92	18,247.92	-
12/01/97 - 12/31/97	125,000.00	125,000.00	-	10,589.54	10,589.54	-
Less: Credit	-	(.35)	-	-	-	-
<b>First Fee Application</b>	<b>\$479,167.00</b>	<b>\$479,166.65</b>	<b>-</b>	<b>\$31,749.09</b>	<b>\$31,748.46</b>	<b>-</b>
01/01/98 - 01/31/98	\$125,000.00	\$125,000.00	-	\$ 6,989.02	\$ 6,989.02	-
02/01/98 - 02/28/98	125,000.00	125,000.00	-	7,220.31	7,220.31	-
03/01/98 - 03/31/98	125,000.00	125,000.00	-	9,853.48	9,853.48	-
04/01/98 - 04/30/98	125,000.00	125,000.00	-	10,294.40	10,294.40	-
<b>Second Fee Application</b>	<b>\$500,000.00</b>	<b>\$500,000.00</b>	<b>-</b>	<b>\$34,357.21</b>	<b>\$34,357.21</b>	<b>-</b>
05/01/98 - 05/31/98	\$125,000.00	\$125,000.00	-	\$ 6,497.94	\$ 6,497.94	-
06/01/98 - 06/30/98	125,000.00	125,000.00	-	2,173.91	2,173.91	-
07/01/98 - 07/31/98	125,000.00	125,000.00	-	9,817.42	9,817.42	-
08/01/98 - 08/31/98	125,000.00	125,000.00	-	4,775.40	4,775.40	-
<b>Third Fee Application</b>	<b>\$500,000.00</b>	<b>\$500,000.00</b>	<b>-</b>	<b>\$23,264.67</b>	<b>\$23,264.67</b>	<b>-</b>
09/01/98 - 09/30/98	\$125,000.00	\$125,000.00	-	\$ 8,850.38	\$ 8,850.38	-
10/01/98 - 10/31/98	125,000.00	125,000.00	-	3,946.80	3,946.80	-
11/01/98 - 11/30/98	125,000.00	125,000.00	-	7,726.00	7,726.00	-
12/01/98 - 12/31/98	125,000.00	125,000.00	-	6,957.27	6,957.27	-
<b>Fourth Fee Application</b>	<b>\$500,000.00</b>	<b>\$500,000.00</b>	<b>-</b>	<b>\$27,480.45</b>	<b>\$27,480.45</b>	<b>-</b>

01/01/99 - 01/31/99	\$125,000.00	\$100,000.00	\$25,000.00	\$ 1,404.98	1,404.98	-
02/01/99 - 02/28/99	125,000.00	100,000.00	25,000.00	4,101.21	4,101.21	-
03/01/99 - 03/31/99	125,000.00	100,000.00	25,000.00	7,153.73	7,153.73	-
04/01/99 - 04/30/99	125,000.00	100,000.00	25,000.00	8,986.50	8,986.50	-
<b>Fifth Fee Application</b>	<b>\$500,000.00</b>	<b>\$400,000.00</b>	<b>\$100,000.00</b>	<b>\$21,646.42</b>	<b>\$21,646.42</b>	<b>-</b>

05/01/99 - 05/31/99	\$125,000.00	\$100,000.00	\$25,000.00	\$ 4,308.60	\$4,308.60	-
06/01/99 - 06/30/99	125,000.00	100,000.00	25,000.00	10,102.14	10,102.14	-
07/01/99 - 07/31/99	125,000.00	100,000.00	25,000.00	9,865.49	9,865.49	-
08/01/99 - 08/31/99	125,000.00	100,000.00	25,000.00	6,714.88	6,714.88	-
<b>Six Fee Application</b>	<b>\$500,000.00</b>	<b>\$400,000.00</b>	<b>\$100,000.00</b>	<b>\$30,991.11</b>	<b>\$30,991.11</b>	<b>-</b>

09/01/99 - 09/30/99	\$125,000.00	\$100,000.00	\$25,000.00	\$ 682.14	\$ 682.14	-
10/01/99 - 10/31/99	125,000.00	100,000.00	25,000.00	5,147.95	5,147.95	-
11/01/99 - 11/30/99	125,000.00	100,000.00	25,000.00	3,039.62	3,039.62	-
12/01/99 - 12/31/99	125,000.00	100,000.00	25,000.00	7,308.47	7,308.47	-
<b>Seventh Application</b>	<b>\$500,000.00</b>	<b>\$400,000.00</b>	<b>\$100,000.00</b>	<b>\$16,178.18</b>	<b>\$16,178.18</b>	<b>-</b>

01/01/00 - 01/31/00	\$125,000.00	\$100,000.00	\$25,000.00	\$ 1,196.77	\$ 1,196.77	-
02/01/00 - 02/29/00	125,000.00	100,000.00	25,000.00	1,588.92	1,588.92	-
03/01/00 - 03/31/00	125,000.00	100,000.00	25,000.00	4,230.05	4,230.05	-
04/01/00 - 04/30/00	125,000.00	100,000.00	25,000.00	6,644.75	6,644.75	-
<b>Eighth Fee Application</b>	<b>\$500,000.00</b>	<b>\$400,000.00</b>	<b>\$100,000.00</b>	<b>\$13,660.49</b>	<b>\$13,660.49</b>	<b>-</b>

05/01/00 - 05/31/00	\$125,000.00	\$100,000.00	\$ 25,000.00	\$ 3,718.11	\$ 3,718.11	-
06/01/00 - 06/30/00	125,000.00	25,000.00	100,000.00	6,041.48	6,041.48	-
07/01/00 - 07/31/00	125,000.00	25,000.00	100,000.00	2,552.01	2,552.01	-
08/01/00 - 08/31/00	125,000.00	25,000.00	100,000.00	5,749.61	5,749.61	-
09/01/00 - 09/30/00	125,000.00	25,000.00	100,000.00	2,764.02	2,764.02	-
10/01/00 - 10/31/00	125,000.00	25,000.00	100,000.00	9,211.13	9,211.13	-
11/01/00 - 11/30/00	125,000.00	25,000.00	100,000.00	4,530.89	4,530.89	-
12/01/00 - 12/31/00	125,000.00	-	125,000.00	3,399.66	-	3,399.66
01/01/01 - 01/31/01	125,000.00	-	125,000.00	4,563.48	-	4,563.48

02/01/01 - 02/28/01	.1	-	-	4,616.62	-	4,616.62
<b>Ninth Application</b>	<b>\$1,125,000.00</b>	<b>\$250,000.00</b>	<b>\$875,000.00</b>	<b>\$47,147.01</b>	<b>\$34,567.25</b>	<b>\$12,579.76</b>
<b>Confirmation Fee</b>	<b>\$1,000,000.00</b>	<b>-</b>	<b>\$1,000,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$6,104,167.00</b>	<b>\$3,829,166.65</b>	<b>\$2,275,000.00</b>	<b>\$246,474.63</b>	<b>\$233,894.24</b>	<b>\$12,579.76</b>
<b>TOTAL FEES AND EXPENSES HELD BACK</b>						<b>\$2,287,579.76</b>

9. Blackstone requests a total of \$1,125,000.00 in advisory fees for the services it rendered in the Ninth Compensation Period. This represents a fee of \$125,000.00 for the period May 1, 2000 through January 31, 2001. While the hours worked by Blackstone professionals during February 2001 were significant, Blackstone has agreed to voluntarily waive any request for advisory fees for this month so that the Debtors' cash requirements necessary to effectuate its Plan of Reorganization will conform to the initial estimates made by the Debtors and Blackstone, when it was anticipated that the Plan would become effective prior to the end of January 2001.
10. In addition to the payment of Blackstone's monthly advisory fees and expenses, Blackstone requests a Confirmation Fee of \$1,000,000.00. In accordance with the engagement letter, upon confirmation of a plan of reorganization, Blackstone shall have the right to apply to the Court for a Confirmation Fee.
11. Blackstone respectfully requests allowance of its out-of-pocket expenses incurred in connection with its performance of services for the Debtors during the Ninth Compensation Period in the aggregate amount of \$47,147.01. To date, Blackstone has received \$34,567.25 as reimbursement for expenses incurred during the Ninth

<sup>1</sup> Fees incurred during this period have been voluntarily waived by Blackstone.

Compensation Period. Details of the expenses incurred during the Ninth Compensation Period are provided in Appendix D.

12. Out-of-pocket expenses incurred by Blackstone are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not factor general overhead expenses into disbursements charged to its clients in connection with Chapter 11 cases. Blackstone has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions specifically explained:

- (a) Blackstone's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such mealtime due to extreme time constraints. Blackstone employees are permitted to order meals in the office if the employee is required to work after 8:00 p.m.
- (b) All airfare charges billed to the Debtors are based on coach rates.
- (c) The Research/Disclosure, Research/Dow Jones and Research/FactSet categories of expenses include charges from outside computer/electronic service companies that supply, for a fee, research and/or financial documents to Blackstone. The services provided by these companies primarily consist of the retrieval of financial documents from regulatory agencies and/or the retrieval of research that would not otherwise be available to Blackstone. The Research/In House category of expenses are the charges for time spent

by Blackstone research staff, billed at a rate of \$100 per hour, in operating the computer/electronic terminals related to these computer/electronic service companies.

- (d) Blackstone bills photocopying charges at the rate of \$.15 per page.
  - (e) With respect to local travel, Blackstone's general policy enables employees to travel by private car service to and from meetings while rendering services to a client on a client related matter, for which the client is charged. Furthermore, Blackstone employees are permitted to charge personal commuting expenses to a client as long as the employee is traveling after 8:00 p.m., primarily due to safety reasons.
  - (f) Blackstone bills its clients for time spent by its support staff providing word processing services. The word processing system automatically allocates time to a client based upon the operator's log-in by a client-matter number. Blackstone clients are charged at the personnel cost of \$32.50 per hour for the actual amount of time spent by the operator while rendering word processing services to the client.
  - (g) Blackstone bills outgoing long-distance facsimile charges at a rate of \$1.00 per page. Blackstone does not bill local or incoming facsimile charges to clients.
13. Blackstone respectfully submits that the expenses for which it seeks allowance during the Ninth Compensation Period are necessary and reasonable both in scope

and amount. In conjunction with the above, Blackstone seeks payment of its remaining earned but unpaid fees and expenses of \$2,287,579.76, as detailed in the table on pages 10 through 12, of which \$1,275,000.00 represents unpaid or held-back monthly fees, a \$1,000,000.00 Confirmation Fee, and \$12,579.76 in unpaid expenses.

In order to facilitate the Debtors' emergence from Chapter 11, Blackstone and certain other parties have agreed to defer a portion of amounts due and owing them upon Plan confirmation. Of this remaining unpaid amount, Blackstone has agreed to defer \$866,393.37, or 37.9%, in the form of a participation in the Project Strauss Trust, which represents a senior secured position in the reorganized Debtor's working capital exit financing, as well as to defer \$630,606.63, or 27.5%, in the form of a secured subordinated loan to the reorganized Debtors. The two deferred amounts taken together represent approximately 65.4% of the remaining unpaid amount due Blackstone. The form of payment for such remaining amounts due Blackstone is summarized below:

<b>Form of Payment</b>	<b>Amount</b>
Total payment due Blackstone	\$2,287,579.76
- Senior secured loan - Project Strauss Trust	(866,393.37)
- Subordinated secured loan	(630,606.63)
<b>Total Current Payment due Blackstone</b>	<b>\$790,579.76</b>

14. Blackstone respectfully submits that the compensation requested in the ninth and final fee application for services rendered by Blackstone during the Ninth Compensation Period to the Debtors is fully justified and reasonable based upon (a) the time and labor required, (b) the complexity of the issues presented, (c) the skill



necessary to perform the financial advisory services, (d) the preclusion of other employment, (e) time constraints required by the exigencies of the case and (f) the experience, reputation, and ability of the professionals rendering services.

15. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interest of the Debtors and the estate and have furthered the goals of all parties in interest. Blackstone respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone in these cases. The amount of the fees and expenses sought in this application and Blackstone's billing processes are consistent with market practices in a bankruptcy context.
16. No prior application for the relief requested herein has been made.
17. All services for which compensation is requested by Blackstone were performed for and on behalf of the Debtors after the filing of this case and were not rendered on behalf of any other person.
18. There is no agreement or understanding between Blackstone and any other person for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

**WHEREFORE**, Blackstone requests the Court to:

- (a) Approve the allowance and payment of Blackstone's fees in the amount of \$2,125,000.00, and the reimbursement of expenses in the amount of \$47,147.01 for the Ninth Compensation Period;

- (b) Authorize and direct the Debtor to pay Blackstone's approved and unpaid fees and expenses, representing \$790,579.76 in the form of a cash payment, \$866,393.37 in the form of a senior secured loan to the Reorganized Debtor through a participation in the Project Strauss trust, and \$630,606.63 in the form of a subordinated secured loan to the Reorganized Debtor;
- (c) Deem all fees and expenses previously approved in connection with the prior Interim Applications as final; and
- (d) Grant such other and further relief as this Court deems just and proper.

Dated: New York, New York  
April ~~27~~, 2001

THE BLACKSTONE GROUP L.P.  
Financial Advisor to the Debtors

By: 

Paul P. Huffard  
Senior Managing Director  
345 Park Avenue  
New York, NY 10154