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HEARING DATE: May 2, 2001  
HEARING TIME: 3:00 PM

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
In re: : Chapter 11  
: :  
MEDICAL RESOURCES, INC., et al. : Case No. 00-11446 (PCB)  
: :  
Debtors. : (Jointly Administered)  
-----X

**SUMMARY OF FINAL APPLICATION OF LAZARD FRÈRES & CO. LLC  
("LAZARD") FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF  
EXPENSES PURSUANT TO SECTIONS 330 AND 331 OF THE BANKRUPTCY CODE**

- |  |  |
|--|--|
| 1. Applicant:                          | Lazard Frères & Co. LLC  |
| 2. Address of Applicant:               | 30 Rockefeller Plaza, 61 <sup>st</sup> Floor<br>New York, New York 10020<br>Tel: (212) 632-6000<br>Fax: (212) 332-1748 |
| 3. Role in Case:                       | Provided investment banking services<br>to the Debtors   |
| 4. Date of Retention:                  | November 22, 2000 (order entered January 11,<br>2001)  |
| 5. Period of Application:              | April 7, 2000 through February 28, 2001  |
| 6. Fees/Expenses Previously Requested: | None   |
| 7. Fees/Expenses Previously Awarded:   | None   |
| 8. Post-Petition Retainer Received:    | None   |
| 9. Monthly Fees Requested:             | <b>\$ 330,000.00</b>   |
| 10. Success Fee Requested:             | <b>\$1,270,000.00</b>  |
| 11. Expenses Requested:                | <b><u>\$ 4,008.24</u></b>  |
| 12. Total Amount Requested:            | <b><u>\$1,604,008.24</u></b>   |

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**FINAL APPLICATION OF LAZARD FRÈRES & CO. LLC (“LAZARD”) FOR  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES  
PURSUANT TO SECTIONS 330 AND 331 OF THE BANKRUPTCY CODE**

TO: THE HONORABLE PRUDENCE C. BEATTY,  
UNITED STATES BANKRUPTCY JUDGE:

Lazard Frères & Co. LLC (“Lazard”), investment banker to Medical Resources, Inc. (the “Company” or the “Debtors”) in the above-referenced Chapter 11 case files its Final Application for Allowance of Compensation and Reimbursement of Expenses (the “Final Application”) for aggregate monthly fees of **\$330,000.00** for the period from November 22, 2000 through February 28, 2001 and a success fee (as defined in the engagement letter between the Company and Lazard dated April 4, 2000 and attached hereto as **Exhibit A**) of **\$1,270,000.00** for financial advisory and investment banking services performed, as well as out-of-pocket expenses totaling **\$4,008.24** incurred, during the 11 month period from April 7, 2000 through February 28, 2001. Lazard respectively represents as follows:

## **JURISDICTION**

1. This Court has jurisdiction over the subject matter of this Final Application pursuant to the provisions of 28 U.S.C. Sections 1334 and 157, 11 U.S.C. Section 330 and Rule 2016 of the Federal Rules of Bankruptcy Procedure.

## **CASE INFORMATION AND STATUS**

2. On April 7, 2000 MRI-Madison Resources, Inc. and Medical Resources, Inc. (jointly administered as the “Debtors” or the “Company”) filed petitions under Chapter 11 of the United States Bankruptcy Code.

3. As of the petition date, the Company was party to a “pre-arranged” plan of reorganization under which the substantive elements of the plan of reorganization had been agreed upon by the Debtors and certain of the Debtors’ largest creditors. Lazard, working with management and counsel, played an integral role in negotiating the terms of this pre-arranged plan during the several months directly preceding the petition date. As of the petition date, the principle remaining issue requiring resolution was the settlement of certain litigation claims against the Company. The Company anticipated that resolution of the outstanding litigation would occur on an expedited basis and the Company would reside in bankruptcy for a relatively short period of time. Ultimately, resolution of the litigation claims proved more difficult than originally projected and the Company remained in bankruptcy for roughly 11 months.

4. Under the terms of the Third Amended Joint Plan of Reorganization filed on November 6, 2000, (as amended and re-filed on January 24, 2001, the “Plan”), the Company

converted 100% of its non-ordinary course unsecured debt into equity. By order dated February 8, 2001, this Court confirmed the Plan.

### **EMPLOYMENT INFORMATION**

5. Lazard was retained by the Company on a pre-petition basis pursuant to an engagement letter dated December 20, 1999. This pre-petition engagement letter included substantially the same financial terms as the post-petition engagement letter attached hereto as **Exhibit A.**

6. The Debtors retained Lazard as their investment banker because of the firm's experience in working with financially troubled companies in financial restructurings in both out-of-court and Chapter 11 reorganizations. Lazard's Restructuring Group consists of an experienced group of professionals dedicated to providing advisory services in the area of debt restructuring, business reorganizations, and mergers and acquisitions. Lazard's Restructuring professionals have been involved in over 100 restructuring assignments since 1990. Lazard or its restructuring professionals have been involved as advisor to debtor, creditor and equity constituencies in many reorganization cases including, among others, Owens Corning, Armstrong Worldwide Holdings, Daewoo Group, Safety-Kleen Corporation, Loews Cineplex, Metrocall Inc., Fruit of the Loom, Inc., Sun Healthcare Group, Inc., Stone & Webster, Inc., and Boston Chicken, Inc.

7. Pursuant to its pre-petition engagement, Lazard performed numerous activities and spent many hours in an effort to put the Company in position to file a pre-packaged or pre-arranged bankruptcy. During the period immediately preceding the Company filing chapter 11, Lazard: conducted significant financial due diligence; evaluated the debt capacity of the

Company; estimated going-concern value for the Company; negotiated with holders of the Company's senior notes; negotiated with DVI, a major source of equipment financing for the Company and holders of other secured and unsecured debt of the Company; negotiated with the Company's preferred stock holders; and provided advice and regular case updates to the Company's Board of Directors. As a result of these efforts, the Company was able to file a pre-arranged plan of reorganization agreed to by all significant creditors. Lazard received \$400,000 in fees for services rendered on a pre-petition basis. The balance of Lazard's success fee (\$1.6 million) was due pursuant to its engagement letter upon implementation of the terms of the pre-arranged plan of reorganization that resulted in the significant de-leveraging of the Company. Lazard worked diligently in support of the Debtors throughout the chapter 11 cases to implement the pre-arranged plan. Unfortunately, the unresolved litigation claims and the legal process surrounding the resolution of these claims delayed the Debtors' exit from bankruptcy. The restructuring fee as defined in Lazard's post-petition engagement letter (attached hereto as **Exhibit A**) was reduced as compared to the restructuring fee described in Lazard's pre-petition agreement, by the \$400,000 in pre-petition payments.

8. Shortly after the filing of these cases, on April 19, 2000, after reviewing a draft application to retain Lazard, the United States Trustee (the "UST") sent a letter to Debtors' counsel asking for clarification of several aspects of the proposed Lazard retention and requesting certain concessions on the part of Lazard, most notably with respect to the indemnification sought by Lazard as part of its retention.

9. Lazard promptly responded to the issues raised by the UST. In a letter dated April 26, 2000, Debtors' counsel informed the UST of Lazard's intention to make the

appropriate clarifying changes, and willingness to agree to each requested concession, with the exception of certain changes requested to its proposed indemnification provisions.

10. The Debtors filed an Application for an Order Authorizing and Approving the Employment of Lazard to Provide Investment Banking Services (the "Retention Application") on April 28, 2000. The Engagement Letter Agreement filed with the Retention Application is attached hereto as **Exhibit A**.

11. On May 5, 2000, the UST filed an objection to Lazard's retention application.

12. Lazard subsequently retained outside counsel to assist in all matters regarding Lazard's retention by the Debtors. Over the next several months Lazard continued to negotiate with the UST in an effort to settle all matters outlined in the UST's objection. Lazard offered suggested compromises and proposed new language only to be met by extended delays in response without counterproposals. Ultimately, language was agreed upon that was very similar to language proposed by Lazard in the early stages of the negotiations. The changes to Lazard's engagement letter relating to indemnification became "acceptable" based on the settlement of the issue by a financial advisor retained in the Southern District of New York on another matter. During this time, Lazard continued to provide services to the Debtors in an effort to move towards confirmation of a consensual plan of reorganization. From the filing of these cases through its retention date, Lazard provided over 600 hours of services to the Debtors. Lazard provided these services in good faith without payment and without certainty as to the resolution of its retention issues.

13. On January 11, 2001, the Court entered its Order Authorizing Retention of Lazard Frères & Co. LLC as Financial Advisor to the Debtors (the "Retention Order" attached hereto as **Exhibit B**) thereby approving the retention of Lazard on the terms set forth in Lazard's final

retention application, as modified at the final application hearing, *nunc pro tunc* to November 22, 2000. Under this Final Application, Lazard respectfully requests the Court to consider all services performed by Lazard on behalf of the Debtors during the period from April 7, 2000 through February 28, 2001. Lazard provided services throughout this period in good faith and its retention was delayed as a result of protracted negotiation relative only to indemnification issues.

14. As described in more detail below, the nature of this case has changed from a “business reorganization” to a “litigation bankruptcy”. Initially this case was expected to be a “fast-track” reorganization with a confirmation hearing during the summer of 2000. Unfortunately, this did not happen. As such, the level of involvement of Lazard was significant during the early months of its retention, and decreased significantly between November 2000 and January 2001. Lazard’s involvement increased again during February 2001 as confirmation of the Debtors’ case approached. In making this fee request, Lazard has taken into account (a) the services outlined in the Engagement Agreement which were actually performed during the period, (b) the time spent in providing these services, (c) the competitive rate charged in the marketplace by investment banks for these services, and (d) the amount of work done, and the assumed level of case completion prior to the petition date. Lazard does not believe the actual hours worked, although relevant, should be the sole or principal determinant of compensation.

#### **SUMMARY OF SERVICES RENDERED**

15. Lazard has devoted substantial resources to perform the services rendered to the Debtors. Lazard’s work as financial advisor and investment banker encompassed many services to the Debtors. As set forth in the Engagement Agreement filed with the Court on April 28, 2000, Lazard has provided the Debtors the following specific services:

<b><u>Services to be provided as per Engagement Agreement</u></b>	<b><u>Services provided</u></b>
A review and analysis of the Company's business, operations and financial projections, with the results communicated to the Company in writing and/or orally	See ¶15(a), (b), (h) & (j)
Evaluating the Company's debt capacity in light of its projected cash flows	See ¶15(b)
Assisting in the determination of an appropriate capital structure for the Company	See ¶15(b)
Determining a range of values for the Company on a going concern basis	See ¶15(b) & (c)
Advising the Company on tactics and strategies for negotiating with the holders of the existing debt obligations (the "Lenders")	See ¶15(c), (d) & (h)
Rendering financial advice to the Company and participating in meetings or negotiations with the Lenders and their representatives or other appropriate parties in connection with any restructuring, modification or refinancing of the Company's existing debt obligations	See ¶15(c), (d), (g), (h), (i), & (k)
Advising the Company on the timing, nature, and terms of new securities, other consideration or other inducements to be offered pursuant to the restructuring	See ¶15(b), (g) & (k)
Evaluating and contacting, if necessary, potential sources of debtor-in-possession financing (a "Financing Transaction") as the Company may designate and assisting the Company in negotiating such a Financing Transaction	See ¶15(l)
Assisting the Company in preparing documentation required in connection with the restructuring of the existing debt obligations	See ¶15(e), (f) & (g)
Advising and attending meetings of the Company's Board of Directors and its committees	See ¶15(d) & (j)
Providing the Company with other appropriate general restructuring advice	See ¶15(l)

While it would be impractical and burdensome for the Court if the following summary set forth an exhaustive and detailed list of services rendered to the Debtors, the following is intended to highlight some of the more significant services performed by Lazard in the period from April 7, 2000 to February 28, 2001:



(a) Due Diligence Process

Lazard performed due diligence of the Debtors' business plan and financial position and monitored the Debtors' financial results on an on-going basis throughout the engagement. Lazard met with members of senior management and the noteholders and other creditors to discuss the Debtors' recent operating history, business plan and future prospects. Lazard also conducted detailed reviews of materials provided by the Debtors and relevant bankruptcy documents and filings.

(b) Preparation of Financial Projection and Restructuring Model

Lazard prepared a five-year financial projection and restructuring model based on assumptions and a one-year budget provided by the Debtors' management that forecasted the Company's operating performance and capital structure both before and after completion of the reorganization process. The model was crucial to Lazard's discounted cash flow valuation work (see *Valuation of the Debtors' Businesses* below), evaluation of the Debtors' debt capacity and post-reorganization capital structure, negotiations with various creditors, and estimating potential trading levels of Debtors' post-reorganization securities. The model was updated regularly based on actual operating performance, revised assumptions, and changes to the assumed date of emergence from bankruptcy. Among other applications, the model was used in the Debtors' disclosure statement demonstrating the projected effects of fresh start accounting on the balance sheet of the Debtors and to evaluate the sensibility of the plan.

(c) Valuation of the Debtors' Business

In order to assess the value of the Debtors' business, negotiate terms of the plan of reorganization (including division among stakeholders of ownership of the Company's

reorganized common equity) and evaluate potential stakeholder recoveries, Lazard performed a valuation analysis of the Debtors' businesses. The valuation was composed of several components, as described below.

- After evaluating implementation risks, intangibles and non-financial aspects of the business plan, Lazard performed the main components of the valuation analysis. Using the financial projection model discussed above, Lazard performed a discounted cash flow analysis based on the projected operating performance of the Debtors. Based on the Debtors' projected free cash flow, and applying a growth rate into perpetuity to the Debtors' exit year free cash flow, Lazard formulated a range of estimated Total Enterprise Values for the Debtors. In doing so, Lazard utilized its research on the industry and analysis of the Debtors' business plan risk factors in order to derive appropriate discount rates and growth rates.
- In addition to its discounted cash flow analysis, Lazard performed a public market analysis. Lazard used public market analysis to estimate the value the public markets (both equity and debt) would attribute to the Debtors upon emergence from chapter 11. By analyzing the trading values of an appropriate universe of comparable public companies, Lazard calculated an implied range of values for the Debtors by applying the multiples of TEV (total enterprise value)/EBITDAR and TEV/EBITDA for the comparable public companies to the Debtors' most recent and projected operating results.

- An analysis of precedent transactions within the diagnostic imaging industry composed another crucial portion of Lazard's valuation analysis. Based on TEV/EBITDA multiples (due to lack of available data on TEV/EBITDAR multiples), Lazard analyzed the value that acquirers have placed on diagnostic imaging targets in recent transactions involving companies with businesses comparable to that of the Debtors.

(d) Preparation of Valuation Report

Lazard prepared a Valuation Report that detailed the methodology used to arrive at Lazard's estimate of the value of the Debtors' estate. Analysis performed in preparing the report included comparable public company analysis, precedent transaction analysis and discounted cash flow analysis (based on the Company's 5-Year Business Plan). The estimate of value for the Debtors' estate contained in the Valuation Report served as the basis for negotiations with various creditor classes and influenced the post-reorganization capital structure of the Debtors. Lazard provided the Valuation Report to the Company's management, stakeholders, and Board of Directors and spent a significant amount of time discussing the report with each of these parties. This valuation was updated throughout the bankruptcy case based on current operating results and changes in public market valuations for comparable companies.

(e) Preparation of Liquidation Analysis

Lazard, with the assistance and input of management, prepared a liquidation analysis in an effort to estimate the proceeds that would be available to creditors of the Company under a liquidation scenario. This analysis was based on Lazard and Company estimates and historical experience and was done on a center-by-center basis, evaluating and

estimating liquidation value for each diagnostic imaging center individually. This analysis was incorporated in the Debtors' Disclosure Statement to support the premise that recovery to creditors under the Debtors' plan of reorganization was materially better than under a liquidation scenario.

(f) Preparation of Exhibits for Use in the Debtors' Disclosure Statement

In addition to preparing a liquidation analysis for the Debtors' Disclosure Statement, Lazard also prepared a detailed section describing the estimated reorganization value for the Company and prepared a summary of the key assumptions supporting the Company's financial projections. The financial projection section of the Disclosure Statement detailed the Company's projected operating results over a three year period including the Company's projected capital structure pro forma for the reorganization including Fresh Start Accounting adjustments.

(g) Review of and Advisory on Plan of Reorganization filed by the Debtors

Lazard performed a review of the Plan of Reorganization, including an analysis of the claims against the Debtors and the resulting capital structure and equity value upon emergence. Lazard performed due diligence of the Debtors' businesses including in-depth analyses of their business plan and financial projections upon which the Plan of Reorganization depends. Lazard subsequently advised the Company in its negotiations with creditors concerning modifications to the Plan of Reorganization including allocation of the securities distributed to claimants. Lazard also performed analyses on behalf of the Company related to distribution of the reorganized Company's common stock to specific claimants and creditors and the effects of settling certain claims in cash.

(h) Preparation for and Participation in Meetings and Calls with Various Stakeholders

Lazard professionals participated in numerous meetings and calls with the Company's various stakeholders on both a scheduled and as-needed basis. Lazard performed extensive analysis and research in preparation for such meetings and reported findings to the Debtors. Lazard advised the Debtors on such matters as: viability of the Debtors' business plan, valuation of and returns on the Debtors' securities to be issued upon exiting from bankruptcy, ability to finance the new business plan in the capital markets and assessment of various strategic alternatives.

(i) Research and Analysis on Behalf of the Debtors

Lazard performed various analyses and research on behalf of the Debtors on certain issues including merger and acquisition and liquidation activity within the diagnostic imaging industry and prospective comparable diagnostic imaging high yield debt issuances. Lazard also performed research for the Debtors relating to valuation of options and warrants to be issued under the plan of reorganization, Lazard presented relevant findings to the Debtors in the form of written memorandums.

(j) Participation in Board of Directors Meetings

Lazard participated in Board of Director's meetings to provide board members an overview as to the approach to the reorganization process as well as subsequent updates on the current status and planned next steps in the reorganization process. In addition, Lazard participated in discussions with management and the board relative to current case issues including but not limited to updates on current operating results, current liquidity, discussions with various stakeholders, and employee related matters.

(k) Analysis of Various Financial Issues

Lazard assisted the Debtors in the review of various financial issues including the analysis of current operating trends, the evaluation of current and projected liquidity requirements, the review of imaging center profitability, and other financial matters. Lazard worked closely with management and parties-in-interest to provide updates on current case issues on a timely basis.

(l) *Provided the Debtors with Other Appropriate General Restructuring Advice*

Lazard worked closely with the Debtors in providing advice on day to day case issues.

16. The financial services set forth above were performed primarily by: Frank A. (Terry) Savage, Managing Director and Co-Head of Lazard's Restructuring Group; Andrew T. Yearley, Vice-President; Roger C. Rumsey, Associate; Stephen Sieh, Associate, and other professionals of Lazard on an "as needed" basis. Mr. Savage, the senior investment banker for this assignment, has over 20 years of investment banking experience and previously has held senior positions at Warburg Dillon Read and BT Alex. Brown. He has spent many years managing troubled companies and gaining firsthand management experience holding positions such as CEO of Alert Holdings and Senior Executive Vice President of Integrated Resources. In addition, he has served on many boards of directors. The resumes of each of the primary Lazard professionals are provided in **Exhibit D**.

17. While Lazard's Restructuring Group has maintained hourly activity reports, certain professionals at Lazard who were critically involved in the activities enumerated above performed on behalf of the Debtors do not and cannot reasonably be expected to keep time records. For example, Lazard's Bond Trading Department where Lazard's professionals trade millions of dollars of securities every day cannot reasonably be expected to keep time records. A

number of these professionals have been consulted by the Restructuring Group on the prospective values of certain securities. The capital markets knowledge these professionals possess originates from Lazard's multi-million dollar investment in its sales and trading operations. Their input on the prices at which various securities would trade is extremely crucial to Lazard's advisory of the Company and cannot be quantified on an hourly rate. Likewise certain professionals in Lazard's Research Department have spent their careers writing on, visiting and analyzing healthcare companies. The knowledge they have developed about the market, the competitive landscape, and the value of various companies has been developed over years. The Research Department has never kept time records of their activities.

18. Lazard's Bond Trading Department and Research Department never bill clients on an hourly basis, as is customary throughout the Investment Banking industry. Yet, their knowledge has been essential in the development of Lazard's advice and recommendation to the Debtors. Lazard has also utilized resources in its investment banking department, which are devoted to financial advisory in the healthcare industry and possess a wealth of transaction experience, industry knowledge and relationships within the healthcare industry. Therefore, besides being a poor measure of the value of Lazard's services, the total amount of hours recorded is only a portion of the total time Lazard professionals have dedicated to this engagement.

#### **REQUEST FOR ALLOWANCE OF COMPENSATION**

19. Between April 7, 2000 and February 28, 2001, Lazard performed the advisory services outlined in the Engagement Agreement and summarized in paragraph 15 of this application. Lazard's services were critically important in aiding and assisting the Debtors in

analyzing its business plan and in developing a feasible, fair and equitable reorganization structure.

20. Lazard respectfully asks for payment of an aggregate of **\$330,000.00** in monthly advisory fees for the period from November 22, 2000 to February 28, 2001 (\$100,000 per month for each of December, January and February as well as a pro rated monthly fee for November) and a success fee (as defined in the engagement letter between the Company and Lazard dated April 4, 2000 and attached hereto as **Exhibit A**) of **\$1,270,000.00** (\$1,600,000 less the monthly fees), based upon (i) the financial advisory and investment banking services rendered to the Debtors, (ii) the competitive rate in the market for such financial advisory services and (iii) the number of hours spent by the Lazard professionals on this assignment.

21. As summarized in ¶15, Lazard performed all of the specific services outlined in its Engagement Letter.

22. As summarized in **Exhibit C**, Lazard's original monthly fee request is consistent with the fees Lazard and other investment banks are currently receiving in other Chapter 11 cases and out-of-court change of control (M&A) transactions. Lazard analyzed financial advisor fees for debtors in twelve Chapter 11 cases filed within the last two years by companies of comparable size to MRI. For these twelve cases, the average Debtor's advisor restructuring fee was 1.28% of the subject companies total debt obligations. Lazard's restructuring fee request of \$1.6 million represents approximately 1.05% of the Company's total debt obligations as of April 7, 2000. Lazard also analyzed 72 M&A transactions announced since January 1, 2000. The average target advisor fee in these transactions was 1.39% of transaction value. Assuming a "transaction value" of \$128 million (Lazard's point estimate enterprise valuation for the Debtors), Lazard's restructuring fee request represents approximately 1.25% of transaction



value. Lazard's fee request is below the average fee (as a percentage of total debt obligations and transaction value, respectively) of the surveyed universes of both in-court and out-of-court transactions and is well within reason given the complexity of the services rendered to the Debtors.

23. Lazard's professionals generally do not maintain detailed time records of the work performed for clients. In this case, however, from the petition date forward, Lazard has recorded time records in one-half hour increments. Lazard did not, however, maintain time records in the months preceding the petition date during which the terms of the reorganization were substantively negotiated (with the exception of the settlement of litigation claims) and a large portion of Lazard's services rendered. From April 7, 2000 to February 28, 2001, members of the Lazard team expended 701 hours of professional time on behalf of the Debtors. Time records of the hours expended by these professionals in providing financial advisory and investment banking services to the Debtors are detailed in **Exhibit E**. Lazard believes that actual hours expended should not be the sole or principal determination of its compensation particularly in light of the pre-arrangement of the major terms of the reorganization prior to the petition date.

#### **REQUEST FOR REIMBURSEMENT OF EXPENSES**

24. Lazard also respectfully requests allowance of its actual and necessary out-of-pocket expenses incurred in connection with its performance of services for the Debtors during in the period from April 7, 2000 through February 28, 2001. During this time period, Lazard incurred out-of-pocket expenses totaling **\$4,008.24**. A summary of the expenses incurred is provided in **Exhibit F**.

## ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES

25. Lazard respectfully submits that the compensation requested for services rendered to the Debtors is fully justified and reasonable based upon (a) the complexity of the issues presented, (b) the time and labor required, (c) the skill necessary to perform the financial advisory services, (d) the preclusion of other employment, (e) the employment of proprietary knowledge and experience with respect to the healthcare industry and capital markets and (f) the customary fees charged to clients in bankruptcy and non-bankruptcy situations.

26. Lazard respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interest of the Debtors and have furthered the goals of all parties in interest. Lazard respectfully submits that under all of the criteria normally examined in Chapter 11 reorganization cases, the compensation requested by Lazard is reasonable in light of the work performed by Lazard in these cases.

27. Lazard respectfully asks for payment of an aggregate of **\$330,000.00** in monthly advisory fees for the period from November 22, 2000 to February 28, 2001 and a success fee (as defined in the engagement letter between the Company and Lazard dated April 4, 2000 and attached hereto as **Exhibit A**) of **\$1,270,000.00**, based upon (i) the financial advisory and investment banking services rendered to the Debtors, (ii) the competitive rate in the market for such financial advisory services and (iii) the number of hours spent by the Lazard professionals on this assignment.

28. Lazard respectfully requests allowance of its out-of-pocket expenses incurred in connection with its performance of services for the period April 7, 2000 to February 28, 2001 in the aggregate amount of **\$4,008.24**. Attached as **Exhibit F** is an itemized detailed account of the expenses discussed above.

29. Lazard has had to fund all of the expenses sought hereby before seeking reimbursement. Lazard includes in this application only those items of expense that it customarily charges its client, and which are not otherwise absorbed in Lazard's overhead.

30. With respect to expenses, it should be noted that Lazard has absorbed certain expenses customarily charged by other professionals in bankruptcy cases. For example, Lazard does not allocate office telephonic charges by client and thus these costs are absorbed by Lazard in its overhead and not charged to the Debtors' estate.

31. Lazard respectfully submits that the expenses for which it seeks allowance during the Final Application Period are necessary and reasonable both in scope and amount.

32. No prior application for the relief requested herein has been made.

33. The amount of fees and expenses sought in this application and Lazard's billing processes are consistent with market practices both in and out of a bankruptcy context.

34. All professional services for which Lazard requests compensation were performed on behalf of the Debtors during the case and were not rendered on behalf of any other person.

35. Lazard's services were not duplicative of services by other advisors engaged in these proceedings. Further, Lazard provided investment banking capabilities including restructuring and capital markets expertise which were not provided by other professionals in this case.

36. There is no agreement or understanding between Lazard and any other person for the share of compensation received or to be received for services rendered in connection with these proceedings.

**CONCLUSION**

WHEREFORE, Lazard respectfully requests the Court to:

(a) Approve the allowance and payment of Lazard's fees and expenses for the period

April 7, 2000 to February 28, 2001:

Fees Requested	<b>\$1,600,000.00</b>
Out-of-pocket Expenses Requested	<b><u>\$ 4,008.24</u></b>
<b>TOTAL</b>	<b><u>\$1,604,008.24</u></b>

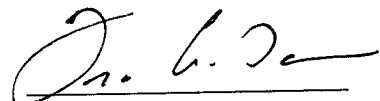
(b) Authorize and direct the Debtors to pay Lazard's approved fees and expenses;

(c) Grant such other and further relief as this Court deems just and proper.

Dated: New York, New York  
April \_\_, 2001

LAZARD FRÈRES & CO. LLC  
Investment Banker to the Debtors

By:



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