

the Petition Date, November 14, 2001, through June 21, 2002 (the “Fee Period”), seeking allowance of \$189,512 in professional fees and \$444 in out-of-pocket expenses for a total amount of \$189,956.

This is the first and only Fee Application which Applicant shall file in this case. Applicant files this Application pursuant to this Court’s Order Granting Debtors’ Motion to Establish Procedures for Interim and Final Compensation of Professionals (the “80/90 Order”)(Dkt. No. 113).

I. OVERVIEW OF THE CASE

1. On November 14, 2001, (the “Petition Date”), Debtors commenced this case by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, *et seq.* (“Bankruptcy Code”). Since the Petition Date, Debtors have continued to operate as debtors-in-possession under Sections 1107 and 1108 of the Bankruptcy Code, and Debtors have complied with the requirements and guidelines of the United States Trustee’s Office.

2. By Order dated December 26, 2001, this Court authorized the employment of Andersen as accountants for Debtors (Dkt. No. 163). A true and correct copy of the December 26, 2001 Order is included in Exhibit A hereto.

II. FEES AND EXPENSES REQUESTED

3. Applicant requests allowance of fees in the amount of \$189,512 and reasonable and necessary expenses in the amount of \$444 in expenses for a total request of \$189,956 for the period from the November 14, 2001 Petition Date through June 21, 2002.²

L.L.C., Metals USA Plates and Shapes Southwest, L.P., Intsel GP, Inc., Intsel LP, Inc., Metals USA Specialty Metals Northwest, Inc., Metals USA Contract Manufacturing, Inc., Metals USA Specialty Metals Northcentral, Inc., National Manufacturing Inc., Texas Aluminum Industries, Inc., Valley Aluminum, Co., Valley Aluminum of Nevada, Inc., Western Awning Company, Wilkof-Morris Steel Corporation.

² For a breakdown of these amounts see Exhibit B hereto.

4. All members of Applicant involved in this case have avoided unnecessary duplication of work and Applicant believes that no duplication has occurred.

5. Applicant has maximized use of paralegal and staff personnel when applicable.

6. Under the provisions of Federal Rule of Bankruptcy Procedure 2016(a), Applicant had not shared or agreed to share with any other entity the compensation received, except to the extent that funds received may be distributed to partners of Applicant. All professional services for which allowance is requested were performed by Applicant for and on behalf of Debtors and not on behalf of any other entity or party-in-interest.

7. This Application has been provided to the Debtors.

III. LEGAL AUTHORITIES RELEVANT TO AWARDING REASONABLE COMPENSATION

8. The Fifth Circuit uses the “lodestar” method to calculate professional’s fees. *In re Fender*, 12 F.3d 480, 487 (5th Cir. 1994)(citation omitted). The lodestar is the number of hours reasonably expended multiplied by “the prevailing hourly rate in the community for similar work.” *Id.* The request for fees is then adjusted upward or downward based on the factors identified in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974) and *In re First Colonial Corporation of America*, 544 F.2d 1291 (5th Cir. 1977). These factors include the following: (a) time and labor expended, (b) experience, reputation, and ability, (c) skill required for performance of services, (d) the novelty and difficulty of issues, (e) customary fees, (f) time involved and results obtained, (g) preclusion from other employment, (h) contingent nature of fees, (i) time limitations and other circumstances, (j) the undesirability of the case, (k) nature and length of relationship, and (l) awards in similar cases. A detailed description of the application of each of these 12 factors is set forth below as required by Local Bankruptcy Rule 2016(a)

A. Results Obtained

9. Andersen completed its audit of the consolidated financial statements of Debtors as of and for the year ended December 31, 2001 and completed our quarterly review procedures in accordance with Statement of Auditing Standards No. 71 on the quarterly financial statements of the Debtors for the three-months ended March 31, 2002.

B. Time and Labor Expanded

10. The following professionals with Applicant have played the following roles in this case: Steve Brown, Audit Engagement Partner, Jeff Walker, Tax Engagement Partner, Laura Riddell, Audit Engagement Senior Manager, Joel Hermes, Tax Engagement Senior Manager, Troy Carson, Audit Engagement Senior, and various other managers and staff as identified in the monthly time details previously submitted to the courts and the cumulative summary sent to Legalguard in May 2002.

11. Applicant used its secretaries and paraprofessionals whenever possible for tasks that did not involve the rendering of professional services. Applicant submits that its use of its secretaries and paraprofessionals has resulted in a smooth and efficient administration of this case and correspondingly efficient use of Applicant's professionals.

12. Applicant's blended rate of \$150 (fixed fee work) per hour compares favorably with the blended rate encompassed within the fee award in *In re Lawler*, 807 F.2d 1207, 1211 (5th Cir. 1987), given the passage of time since that ruling on fees incurred in 1984. The actual amount of time expended by Applicant during the Fee Period is set forth in substantial detail in Exhibit B hereto.

C. Experience, Reputation, and Ability

13. Applicant possesses a national and regional reputation for experience in accounting matters in bankruptcy cases.

D. Skill Required for Performance of Services

14. Professional services rendered in this case have been performed by accountants with broad experience and a high level of skill in the areas for which they have been employed. Applicant submits that its professionals and staff, who have varying levels of experience and seniority, have been used effectively and efficiently.

E. The Novelty and Difficulty of Issues

15. The work Andersen performed did not include any novel or difficult issues.

F. Customary Fees

16. Applicant has applied for allowance of compensation for fees that reflect its customary billing rates charged to clients by Applicant in 2001 and 2002. These rates are consistent with those of other accounting firms of requisite and comparable skill and ability. Such hourly rates compare very favorably with the community standard.

G. Categorization of Time Involved

17. Applicant represents that the time expended is commensurate with the size and complexity of this case and the number of significant issues involved in the case.

18. Applicant believes these services, were performed as effectively and efficiently as possible and that the time expended is commensurate with the issues and objectives involved.

H. Preclusion from Other Employment

19. Applicant was not precluded from other employment during this case.

I. Contingent Nature of Fees

20. The only contingency concerning fees was the achievement of a successful result and Court approval of fees requested.

J. Time Limitations and Other Circumstances

21. In many instances, this case required immediate responses that imposed time limitations on the professionals and staff involved. Applicant believes that it has successfully handled the time limitations imposed in this case.

K. The Undesirability of the Case

22. Undesirability has not been a factor in this proceeding.

L. Nature and Length of Relationship

23. Applicant had been Debtors' accountants prepetition.

M. Awards in Similar Cases

24. Applicant's fees incurred are consistent with fees incurred in other similar cases.

IV. EXPENSES

25. Before filing this Application, Applicant has reviewed the guidelines of General Order 2001-2, entered by the Court on May 3, 2001. Applicant has reviewed its invoices to Debtors to be sure the expenses charged to Debtors are in line with General Order 2002-2.

V. CONCLUSION

26. Applicant submits that the time records provided in Exhibit B hereto supply detailed time records and provide the court with a summary of the activities of the professionals of Applicant in this case. Careful records of Applicant's out-of-pocket expenditures were maintained and are included in Exhibit B to this Application. These expenses were reasonable and necessary and Applicant is entitled to the allowance of the sum provided therein.

27. Applicant submits that the foregoing services rendered warrant the allowance of the fees and expenses requested by Applicant hereunder the twelve factors identified by the Fifth Circuit in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974).

28. Applicant seeks final approval of the fees and expenses already paid by Debtors to Applicant and an order authorizing payment of the additional twenty percent (20%) of fees and ten percent (10%) of reasonable and necessary out-of-pocket expenses due to Applicant for the Fee Period.

WHEREFORE, PREMISES CONSIDERED, Arthur Andersen LLP respectfully requests that this Court grant its Application and allow Applicant \$189,512 in professional fees and \$444 in reasonable and necessary expenses, for a total of \$189,956, to be paid to Arthur Andersen LLP for the period November 14, 2001 through June 21, 2002, and such other and further relief as may be just and equitable either at law or in equity.

Dated: November 19, 2002,
Houston, Texas.

Respectfully Submitted,

ARTHUR ANDERSEN LLP

By: /s/ Michael S. Gallagher
Michael S. Gallagher
711 Louisiana, Suite 1300
Houston, TX 77002