

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

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IN RE:	:
	Jointly Administered Case
	:
	No. 01-42530-H4-11
Metals USA, Inc., et al.,	:
	:
	Case Nos. 01-42530-H4-11
Debtors.	:
	through 01-42574-H4-11
	:
	:
	Chapter 11
-----	X

**SUMMARY OF FINAL FEE APPLICATION
OF CIBC WORLD MARKETS CORP.,
FINANCIAL ADVISOR TO THE JOINT
COMMITTEE OF UNSECURED BONDHOLDERS AND CREDITORS**

Name of Applicant:	CIBC World Markets Corp.
Provide Professional Services to:	The Joint Committee of Unsecured Bondholders and Creditors
Period for which compensation and reimbursement is sought:	December 7, 2001 through October 31, 2002
Total Amount of Compensation sought as actual, reasonable and necessary:	Cash compensation of \$1,620,968.00 (\$1,296,774.40 of which has been received), and non-cash compensation consisting of 154,710 shares of common stock (valued at \$1,540,910.00 as per the Company's disclosure statement per share price),
Total Amount of Expense Reimbursement sought as actual, reasonable and necessary:	\$51,261.61 (\$46,135.45 of which was received)

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Debtors.	:	Through 01-42574-H4-11
	:	
	:	Chapter 11
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**FINAL FEE APPLICATION OF
CIBC WORLD MARKETS CORP.,
FINANCIAL ADVISOR TO THE OFFICIAL JOINT COMMITTEE
OF UNSECURED BONDHOLDERS & CREDITORS**

TO THE HONORABLE WILLIAM R. GREENDYKE,
UNITED STATES BANKRUPTCY JUDGE:

INTRODUCTION

1. CIBC World Markets Corp. ("CIBC"), financial advisor to the Official Joint Committee of Unsecured Bondholders and Creditors Committee (the "Joint Committee") of Metals USA, Inc. ("Metals USA"), and its affiliated debtors and debtors-in-possession (the "Debtors" or "Company"), applies for compensation for fees for services rendered and expenses (the "Application") incurred during the period for December 7, 2001 to October 31, 2002. During this period, the Debtors filed a plan of reorganization through its Chapter 11 proceedings (the "Chapter 11 Cases"). By this final Application, CIBC seeks payment of cash monthly fees of \$1,620,968.00 (of which \$1,296,774.40 has been paid to date), non-cash compensation consisting of 154,710 shares of common stock (valued at \$1,540,910.00 as per the Company's disclosure statement per share price), and also seeks

reimbursement of expenses of \$51,261.61 (of which \$46,135.45 has been reimbursed to date), a breakdown of which is attached as Exhibit "A".

2. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of this Motion is a core proceeding pursuant to 28 U.S.C. §157(b)(2). The relief requested may be granted in accordance with the provisions of 11 U.S.C. §§ 328(a) and 331 and Local Bankruptcy Rule 2016(g).

3. On November 14, 2001 (the "Petition Date"), the Debtors filed separate voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, thereby commencing the above styled cases.

4. The Debtors have since emerged from their Chapter 11 proceedings with a plan of reorganization effective October 31, 2002.

CIBC RETENTION

5. On November 20, 2001, the United States Trustee's Office appointed an initial Official Unsecured Creditors Committee which was reconstituted on December 19, 2001. In November 2001, the Joint Committee held its organizational meeting, and interviewed firms for the position of committee financial advisor. After the interviews, the Joint Committee selected CIBC as their advisor in these cases.

6. On January 15, 2002, the Joint Committee submitted their Application for an Order Authorizing the Employment and Retention of CIBC World Markets Corp. as financial advisor to the Joint Committee *nunc pro tunc* to December 7, 2001 (the "Application").

7. By Order entered February 7, 2002, this Court approved the retention of Applicant as financial advisor to the Joint Committee. A copy of the Order is attached as Exhibit "B".

8. Since December 7, 2001, CIBC has rendered professional services to the Joint Committee as requested and as necessary and appropriate in furtherance of the interests of the Debtors' unsecured creditors and bondholders. These services have include but are not limited to:

- Updating the Joint Committee through conference calls and memoranda;
- Conducting ongoing due diligence on the Debtors' operations, assets and liabilities which included on-site interviews as well as numerous conference calls;
- Reviewing, analyzing, and updating the Joint Committee on a weekly basis the Debtors' financial condition;
- Reviewing, analyzing and discussing with the Debtors and Joint Committee proposed strategic alternatives available to the Debtors including asset sales and other matters;
- Reviewing and analyzing the Debtors' exposure to the domestic and global steel industry;
- Analyzed the Debtors' business plan and subsequent revisions;
- Reviewing and discussing with the Debtors' advisers and the Joint Committee numerous other issues: Debtor-in-Possession financing, Key Employee Retention Program, etc.;
- Negotiated a plan of reorganization to help the Debtors emerge from these proceedings; and
- Negotiated the Bank of America, N.A. exit financing.

9. CIBC has no agreement of any kind, express or implied, to divide with any other person or entity any portion of the compensation sought or to be received by it in these cases.

COMPENSATION AND REIMBURSEMENT REQUESTED BY CIBC

10. This Application includes the period from December 7, 2001 through October 31, 2002 (the "Compensation Period").

11. CIBC requests allowance of cash compensation in the amount of \$1,620,968.00, non-cash compensation consisting of 154,710 shares of common stock (valued at \$1,540,910.00 as per the

Company's disclosure statement per share price), and reimbursement of expenses in the amount of \$51,261.61 for the Compensation Period.

12. During the Compensation Period, as per the interim fee order and in consultation with the Office of the US Trustee, CIBC has billed the Debtor as follows:

<u>Month</u>	<u>Fees</u>	<u>Expenses</u>
December (pro rated) & January	\$270,968.00	\$19,033.34
February	150,000.00	2,098.85
March	150,000.00	4,045.21
April	150,000.00	7,781.49
May	150,000.00	4,189.60
June	150,000.00	2,038.14
July	150,000.00	1,445.40
August	150,000.00	3,935.61
September	150,000.00	6,693.97
October	<u>150,000.00</u>	<u>-</u>
Total	\$1,620,968.00	\$51,261.61

Fees and expenses have been paid by the Debtor as per the interim fee order such that CIBC has received 80% of its invoiced fees (\$1,296,774.40) and 90% of its invoiced expenses (\$46,135.45) for the Compensation Period.

CIBC represents that this Application complies with §§ 328(a) of the Bankruptcy Code, the Bankruptcy Rules, and the Guideline adopted by the Executive Office for the United States Trustee.

FACTORS AFFECTING COMPENSATION

13. CIBC believes that the requested fees and expenses are reasonable considering the factors involved. There are numerous such factors set forth in *In re First Colonial Corp. of America* 544 F.2d 1291 (5th Cir.) cert. den. 97 S.Ct. 1696 (1977) and *Johnson v. Georgia Highway Express, Inc., supra*. Each of those factors is discussed below.

- A. **Time and Labor Required.** The professional services rendered by CIBC on behalf of the Joint Committee have required the continuous expenditure of substantial time and effort by several professionals.
- B. **Novelty and Difficulty.** CIBC professionals have been required to utilize advanced skills in the fields of bankruptcy law, corporate finance, negotiation, and the steel industry broadly.
- C. **Skill Requisite to Perform the Services Properly.** CIBC has used its restructuring advisory, leveraged finance, steel industry, and equity research professionals to perform services on behalf of the Joint Committee. Daniel W. Dienst, the Managing Director in charge of the CIBC team assigned to this engagement, is a senior member of CIBC's financial restructuring and distressed situation advisory practice. Over the past several years, Mr. Dienst has been integrally involved in numerous public and private restructuring transactions and has represented clients in steel and steel related situations including: Birmingham Steel Corp., Metal Management, Inc., Recycling Industries, Inc., LTV Steel, CSC, Ltd. and Carolina Steel Corporation among others.
- D. **Preclusion of Other Employment.** The time demands of CIBC's assignment on behalf of the Joint Committee in this proceeding have not resulted in the preclusion of CIBC from other assignments. However, the considerable amount of time spent by CIBC professionals on this case is worth mention given the increasingly busy distressed advisory marketplace and the impairment of CIBC's ability to be retained in new cases.
- E. **Customary Fee.** The fees that CIBC is charging are reasonable and competitive given the current distressed advisory marketplace. These rates are no greater, and in some instances may be lower, than those being charged by financial advisors with similar qualifications and experience. CIBC was selected by the debtors after a competitive "pitch" process, a several day negotiation on the economic terms of its retention, and CIBC's fees were ultimately considered by the Joint Committee to be "market".

- F. **Whether the Fee is Fixed or Contingent.** CIBC's fee is a combination of fixed and contingent portions, as is customary practice for financial advisors today.
- G. **Time Limitations.** There have been no significant time limitations on the Applicant firm during the time period covered in this application.
- H. **Amount Involved and Results Obtained.** Section 8 to this Application sets forth descriptions of the tasks and nature of the work performed for which compensation is sought.
- I. **Experience, Reputation, and Ability of the Financial Advisors.** The experience, reputation and ability of the professionals at CIBC have contributed to the smooth administration of the proceeding. Mr. Dienst and his colleagues enjoy an excellent reputation within the restructuring, turnaround and bankruptcy community as experts in the practice areas necessary for the effective administration of this proceeding. Their experience and expertise are critical factors in CIBC's effective representation of the Joint Committee in this proceeding. Indeed, Mr. Dienst was asked by the reorganized business to serve as Chairman of the Board of Directors and to supervise the business through the Office of the Chairman.
- J. **"Undesirability" of Case.** There is a definite risk that fees and expenses will not get paid when a firm agrees to represent a Joint Committee. Due to this uncertainty, firms frequently elect not to represent Committees.
- K. **Nature and Length of the Professional Relationship with Client.** CIBC was selected as financial advisor to the Joint Committee on December 7, 2001. The Court entered an order on January 7, 2002 authorizing the, *nunc pro tunc*, employment and retention of CIBC to December 7, 2001. CIBC has been rendering services continuously to the Joint Committee since December 7, 2001, and continuing through the Compensation Period, as necessary and appropriate.

L. **Awards in Similar Cases.** CIBC's requested fees and expenses are similar to those fees and expenses paid in other Chapter 11 cases bankruptcy cases of this nature, length of time, and complexity.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT A TRUE AND CORRECT COPY OF THE FOREGOING FINAL FEE APPLICATION HAS BEEN SERVED BY OVERNIGHT DELIVER OR FIRST CLASS MAIL, POSTAGE PRE-PAID, AS INDICATED BELOW, UPON THE PARTIES LISTED BELOW ON THIS 3RD DAY OF DECEMBER, 2002.

VIA FIRST CLASS MAIL, POSTAGE PRE-PAID

**METALS USA, INC.
ATTN: JOHN A. HAGEMAN
THREE RIVERWAY, SUITE 600
HOUSTON, TX 77056**

VIA FIRST CLASS MAIL, POSTAGE PRE-PAID

**ZACK A. CLEMENT, ESQ.,
FULBRIGHT & JAWORSKI L.L.P.
1301 MCKINNEY, SUITE 4100
HOUSTON, TX 77010-3095**

VIA FIRST CLASS MAIL, POSTAGE PRE-PAID

**NANCY HOLLEY, ESQ.
OFFICE OF THE UNITED STATES TRUSTEE
515 RUSK STREET, SUITE 3516
HOUSTON, TX 77002**

VIA FIRST CLASS MAIL, POSTAGE PRE-PAID

**Mike Brown
Merrill Lynch Corporate Bond
High Income Fund
800 Scudders Mill Road
Plainsboro, NJ 08536**

VIA FEDERAL EXPRESS, OVERNIGHT DELIVERY

**METALS USA PROJECT MANAGER
CSC LEGALGARD SERVICES
1617 JFK BOULEVARD, SUITE 700
PHILADELPHIA, PA 19103**

**/s/ Christopher Adams
Christopher Adams**

EXHIBIT A
DESCRIPTION OF EXPENSES INCURRED

(From December 7, 2001 – October 31, 2002)

Meals	\$1,715.90
Transportation	3,252.47
Airfare	31,521.66
Hotel	3,456.46
Telephone	456.37
Messenger	200.65
Desktop Publishing	8,896.08
Mailing Charges	146.47
Miscelaneous	703.23
Outsourced Printing/Publishing	912.32
TOTAL	<u>\$51,261.61</u>