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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Michael N. Milby, Clerk

In Re: § Jointly Administered Case
Metals USA, Inc., *et al.*, § No. 01-42530-H4-11
§
§ Case Nos. 01-42530-H4-11
§ through 01-42574-H4-11
§
DEBTORS § Chapter 11

**FIRST INTERIM APPLICATION FOR ALLOWANCE OF
FEES RENDERED BY PRICEWATERHOUSECOOPERS LLP AS
RESTRUCTURE ADVISORS TO DEBTORS
FROM NOVEMBER 14, 2001 THROUGH MARCH 31, 2002**

TO THE HONORABLE WILLIAM GREENDYKE:

Comes now PricewaterhouseCoopers LLP ("Applicant"), Restructure Advisors for Metals USA, Inc. (the "Debtors"), and files this its First Interim Application for Allowance of Fees Rendered by Restructure Advisors for the Debtors ("Application"). This Application covers services rendered on behalf of the Debtors from November 14, 2001 through March 31, 2002. Applicant seeks professional fees and expenses in the amounts of \$952,792.50 and \$23,883.44, respectively. In accordance with the Order Granting Debtors' Motion to Establish Procedures for Interim Compensation Professionals, Applicant has been paid \$615,521.98. After accounting for fees and expenses collected to date, the amount outstanding from this Fee Application, less any payments made in accordance with this Compensation Order, is \$361,153.95.

I. BACKGROUND

- (1) On November 14, 2001, the Debtors filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas.
- (2) The Applicant has filed an Application with the United States Bankruptcy Court for the Southern District of Texas authorizing the Debtor's retention of Applicant, whereby indicating the following:
- the Applicant seeks to perform financial advisory services for the Debtors in this Chapter 11 case;
 - the Debtors understand the Applicant has a wealth of experience in providing accounting, tax and financial advisory services in restructurings and reorganizations;
 - the Applicant was engaged one October 15, 2001 to provide financial expertise on in order to assist with a refinancing and aid with the reorganization of the Debtor's business;
 - and that the employment of the Applicant as Restructure Advisors to the Debtors is necessary to enable the Debtors to maximize the value of the Debtor's estates and to reorganize successfully.

A copy of that filed Application is attached hereto and incorporated herein by all references as **Exhibit "A"**.

- (3) The Applicant's Application authorizes the Debtor's retention of Applicant to perform the following services on behalf of the Debtors:
- to assist the Debtors in the preparation of financial related disclosures required by the Court, including the Schedules of Assets and Liabilities, the Statement of Financial Affairs and Monthly Operating Reports;
 - to assist the Debtors with information and analyses required pursuant to the Debtors' Debtor-In-Possession ("DIP") financing;
 - to assist with the identification and implementation of short-term cash management procedures;

- advisory assistance in connection with the development and implementation of key employee retention and other critical employee benefit programs;
- to assist and advise the Debtors with respect to the identification of core business assets and the disposition of assets or liquidation on unprofitable operations;
- to assist with the identification of executory contracts and leases and performance of cost/benefit evaluations with respect to the affirmation or rejection of each;
- to assist regarding the valuation of the present level of operations and identification of areas of potential cost savings, including overhead and operating expense reductions and efficiency improvements;
- assist in the preparation of financial information for distribution to creditors and others;
- attendance at meetings and assist in discussions with potential investors, banks and other secured lenders, the Creditors' Committee, the U.S. Trustee, other parties in interest and professionals hired by the same, as requested;
- Analysis of creditor claims by type, entity and individual claim;
- Assist in the preparation of information and analysis necessary for the confirmation of a Plan of Reorganization of this chapter 11 case;
- Assist in the evaluation and analysis of avoidance actions, including fraudulent conveyances and preferential transfers;
- Litigation advisory services with respect to accounting and tax matters, along with expert witness testimony on case related issues as required by the Debtors; and
- Render such other general business consulting or such other assistance as Debtors' management or counsel may deem necessary that are not duplicative of services provided by other professionals in this proceeding.

(4) On December 11, 2001, an order was approved Granting Debtors' Motion to Establish Procedures for Interim Compensation of Professionals. A copy of that is attached hereto and incorporated herein by all references as **Exhibit "B"**.

- (5) This is Applicant's First Interim Application for Restructure Advisory fees and reimbursement of expenses. Applicant maintains regular records of time and disbursements for services rendered to the Debtors, and has continued to do so from the effective date of the Order.
- (6) **Exhibit "C"**, attached hereto and incorporated herein, reflects a summary of total fees resulting from services rendered during the First Interim Application Period for the period of November 14, 2001 through March 31, 2002, by Applicant professional and their hourly rates. **Exhibit "C"** also presents a summary reflecting total fees by project code (as hereinafter described), by Applicant professional and their hourly rates. **Exhibit "C"** presents a complete accounting by professional, of the date the services were rendered, the time expended, and a description of the nature of the services rendered. All entries itemized in **Exhibit "C"** are categorized by project codes as hereinafter described. The total number of hours expended by professionals employed by the Applicant in connection with its role as Restructure advisors to the Debtors during the First Interim Application for the period of November 14, 2001 through March 31, 2002 was 3,028.5 hours.
- (7) A summary of expenses by category, as well as a complete accounting of the date the expenses were incurred, the amount incurred, and a description of the nature of the expenses are attached hereto as **Exhibits "D" and "E"**, respectively. Applicant has incurred expenses in connection with its role as restructure advisors to the Debtors in the total amount of \$23,883.44 for the period of November 14, 2001 through March 31, 2002. These expenses include certain amounts for travel and lodging related to work performed at the Debtors' premises, meetings, and expenses related to out of pocket costs.

II. SERVICES NOT COVERED BY THE FIRST INTERIM FEE APPLICATION

Applicant has performed twelve (12) major tasks as Restructure Advisors to the Debtors for the period of November 14, 2001 through March 31, 2002.

The following is a breakdown of the various tasks performed during the period of November 14, 2001 through March 31, 2002, and the hours and fees applicable to such tasks.

<u>TASK CODE</u>	<u>TOTAL FEES</u>
B110 Case Administration	\$114,800.00
B130 Asset Disposition	\$190,792.50
B150 Meetings of and Communications with Creditors	\$71,955.00
B160 Fee/Employment Applications	\$8,637.50
B190 Other Contested Matters	\$29,982.50
B195 Non-Working Travel Time	\$35,100.00
B210 Business Operations	\$51,965.00
B220 Employee Benefits/Pensions	\$12,857.50
B230 Financing/Cash Collections	\$396,590.00
B250 Real Estate	\$7,420.00
B260 Board of Directors Matters	\$26,955.00
B320 Plan and Disclosure Statement	<u>\$5,737.50</u>
	<u>\$952,792.50</u>

B110 Case Administration

Fees: \$114,800.00

Coordination and compliance matter, including:

- Planning for and assistance with the preparation of statement of financial affairs and meetings regarding the same;
- Planning for and assistance with the preparation of schedules of Assets and Liabilities and meetings regarding the same;
- Planning for and assistance in the preparation of the MOR;

- Meetings and discussion with United States Trustee regarding case administration matters and initial debtor conferences;
- Meetings and discussions regarding the retention of claims agent;
- Meetings and discussions with claims agent regarding creditor matrix, service list, claims reconciliation and other case administration matters; and
- General creditor inquiries.

B130 Asset Disposition

Fees: \$190,792.50

This category encompasses:

- Review of locations' financial performance for identifying assets to be divested;
- Meetings and discussions related to the divestiture plan;
- Forecasting on location by location basis to assist with decisions on assets to divest;
- Preparation of schedules to track the progress of divestitures announced; and
- Preparation of analysis on purchase and sale agreements and offers received on assets that had been placed for sale.

B150 Meetings of and Communications with Creditors

Fees: \$71,955.00

This category encompasses preparation for and attending:

- The creditor committee selection meeting(s);
- Meetings and presentations to the creditors committee or its advisors; and
- Other meetings and presentations to the Bank group and its advisors.

B160 Fee/Employment Applications

Fees: \$8,637.50

This category encompasses the preparation of employment and fee applications for self or others; and motions to establish interim procedures.

B190 Other Contested Matters

Fees: \$29,982.50

This category encompasses:

- Preparation of schedules for hearings not related to cash collateral or DIP; and
- Attendance at hearings not related to cash collateral.

B195 Non-Working Travel Time

Fees: \$35,100.00

- Includes flight time.

B210 Business Operations

Fees: \$51,965.00

This category encompasses:

- Development of workplans for case management;
- Development of communication plan for employees, vendors and other constituents; and
- Other bankruptcy operating issues.

B220 Employee Benefits/Pensions

Fees: \$12,857.50

This category encompasses the review of issues such as severance, retention, 401K coverage and continuance of pension plan.

B230 Financing/Cash Collections

Fees: \$396,590.00

This category encompasses:

- Preparation of exhibits for cash collateral hearings;
- Analysis related to cash collateral negotiations;

- Compilation of information for bank experts related to cash collateral hearings;
- Negotiation related to DIP loan;
- Preparation of cash flow for cash collateral and DIP loan;
- Comparing Budget to actual related to forecasting and revising the forecasts;
- Preparation of various schedules supporting the cash forecasts; and
- Attendance at depositions and court hearing related to cash collateral and DIP hearings.

B250 Real Estate

Fees: \$7,420.00

This category encompasses the review and analysis of real estate-related matters other than B185, including purchase agreements and lease provisions (e.g., common area maintenance clauses) including coordination of real estate appraisals and evaluations.

B260 Board of Directors Matters

Fees: \$26,955.00

This category encompasses the following:

- Preparation of materials for and attendance at Board of Directors meetings;
- Analysis and advice regarding corporate governance issues; and
- Review and preparation of corporate documents (e.g., Articles, Bylaws, employment agreements, compensation plans, etc.)

B320 Plan and Disclosure Statement

Fees: \$5,737.50

This category encompasses the following:

- Formulation, presentation and confirmation;
- Compliance with the plan conformation order, related orders and rules;

- Disbursement and case-closing activities, except those related to the allowance and objections to allowance of claims.

III. STANDARDS OF FIRST COLONIAL

This application is submitted under the standards set forth in In Re: First Colonial Corp. of America, 544 F.2d 1291 (5th Cir.), cert. den., 431 U.S. 904 (1977). These standards are:

A. The time and labor required.

As reflected in **Exhibit "C"**, Applicant's personnel spent an aggregate of 3,028.50 hours on the case between November 14, 2001 through March 31, 2002.

B. The novelty and difficulty of the questions presented in the case.

The procedures performed by Applicant in this case require a specialization in restructuring techniques, accounting and auditing.

C. The skill requisite to perform the accounting services properly.

To meet the assigned tasks, Applicant was required to demonstrate a high degree of skill and professional competence as reflected by the results obtained.

D. Preclusion of other employment due to acceptance of the case.

The time demands of retention by the Debtors have necessarily diverted resources of the Applicant from existing clients and new matters which Applicant might otherwise have taken.

E. Customary charges for services rendered.

The hourly rate for which compensation is requested is set forth by each professional employed in this case by Applicant and as set forth in **Exhibit "C"**. The fees charged in this case are the customary and usual fees charged by Applicant and by similar firms in this geographical area for the services rendered by the professionals involved.

F. Time limitations imposed by the case.

Applicant has assisted the Debtors with consulting and advisory services as the Applicant and Debtors deemed appropriate and feasible. The Applicant believes that it has successfully managed the time limitation imposed by this Chapter 11 case within the First Interim Application period.

G. The results obtained.

The results obtained are detailed by task code as individually presented in this document.

H. The experience, reputation and ability of Applicant.

It is firmly believed that Applicant has a wealth of experience in providing accounting, tax and financial advisory services in restructurings and reorganizations and enjoys an excellent reputation for services it has rendered in large and complex chapter 11 cases on behalf of debtors and creditors throughout the United States.

I. Undesirability of the case.

Applicant believes that this case is not undesirable.

J. Nature and length of professional relationship with client.

On October 15, 2001, Applicant was engaged to provide financial expertise in order to assist with a refinancing and aid with the reorganization of the Debtors' business.

K. Awards in similar cases.

Applicant believes that the Court is aware of awards in cases of a similar nature and that the amount sought herein is reasonable.

IV. PREPARATION OF FEE APPLICATION


The First Colonial case and other similar holdings have required the preparation of detailed applications for compensation. This Circuit has allowed compensation for the preparation of the Application. The time spent in preparation of the First and Interim Application has been set forth in this Application for Allowance of Fees Rendered by Restructure Advisors for the Debtors.

WHEREFORE, PREMISES CONSIDERED, Applicant prays that after such notice and hearing as is required, the Court enter an order

- (1) Awarding interim compensation to Applicant in the outstanding amount of \$952,792.50 and \$23,883.44 for fees and expenses respectively with respect to services rendered from November 14, 2001 through March 31, 2002; and
- (2) Directing the Debtors to pay the Applicant the total amount allowed; and
- (3) Granting Applicant such other and further relief, both at law and in equity, as is just.

Respectfully submitted this 30th day of April, 2002.

PricewaterhouseCoopers LLP

By: 
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RESTRUCTURE ADVISORS TO THE DEBTORS

AFFIDAVIT §
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STATE OF TEXAS §
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COUNTY OF HARRIS §

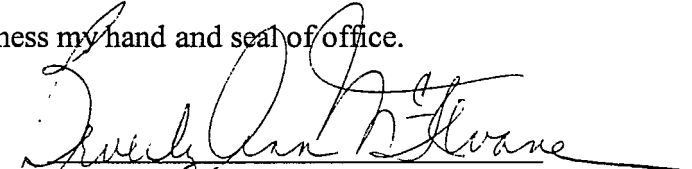
Before me, the undersigned authority on this day personally appeared Len B. Blackwell, signatory to the above and foregoing First Interim Application for Allowance of Fees and Reimbursement of Expenses Rendered by PricewaterhouseCoopers LLP as Restructure Advisors for the Debtors, who after being by me duly sworn, upon his oath stated:

"I am one of the professionals in charge of this case for the Debtors. I have read the above and foregoing First Interim Application for Allowance of Fees Rendered by PricewaterhouseCoopers LLP ("Applicant"), as Restructure Advisors to the Debtors and Reimbursement of Expenses. All entries contained therein and on the Exhibits appended thereto are true and correct to my own personal knowledge. All the matters set forth in the Affidavit attached to the Application of the Debtors to employ PricewaterhouseCoopers LLP as Restructure Advisors, previously filed herein and allowed by this Court, remain true and correct as to the date of this Application."

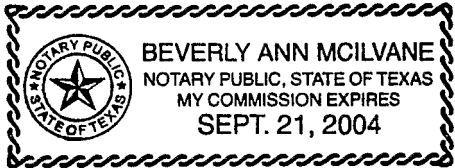


Len B. Blackwell

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority on this the 30TH day of April, 2002 certify which witness my hand and seal of office.



NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS



Electronic Court Filing
Bankruptcy Documents
effective 3/15/02

Exhibits & Attachments

The original exhibit or attachment to this document has not been imaged pursuant to BLR5005 and the Administrative Procedures for Electronic Filing adopted by this Court.

The movant:

- 1) may supplement the original filed document with a Summary of Exhibits (Appendix "D" to the Administrative Procedures), and
- 2) shall furnish complete paper copies of exhibits and attachments to other parties on request.

Amended BLR5005 and the Administrative Procedures for Electronic Filing can be viewed at www.txs.uscourts.gov