

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

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 In re :  
 : Jointly Administered  
 Montgomery Ward Holding :  
 Corp., a Delaware : Case No. 97-1409 (PJW)  
 corporation, et al., :  
 : Chapter 11  
 Debtors. :  
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FIRST AND FINAL APPLICATION FOR  
COMPENSATION AND REIMBURSEMENT OF EXPENSES

Name of Applicant: Skadden, Arps, Slate, Meagher & Flom  
(Illinois) and Its Affiliated Law Practices

Authorized to Provide  
Professional Services to: Montgomery Ward Holding Corp.,  
and its debtor subsidiaries

Date of Retention Order: 4/10/99, (Nunc Pro Tunc to  
February 25, 1999)

Period for which  
compensation and  
reimbursement are sought: 2/25/99 - 8/1/99

Amount of Compensation sought  
as actual, reasonable, and necessary: \$652,874.95

Amount of Expense Reimbursement sought  
as actual, reasonable, and necessary: \$28,626.00

This is an/(a): interim X final application.

Prior Applications: None

**TIME SUMMARY TO FINAL FEE APPLICATION OF  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP  
AND ITS AFFILIATED LAW PRACTICES,  
FROM FEBRUARY 25, 1999 THROUGH AUGUST 1, 1999**

NAME	YEAR	RATE	HOURS	Amount
<b>PARTNERS</b>				
James M. Schell	1977	600	0.8	\$480.00
James F. O'Rorke, Jr.	1962	545	10.0	\$5,450.00
Linda C. Hayman	1979	545	1.8	\$981.00
Randall J. Rademaker	1982	515	151.2	\$77,868.00
Richard B. Levin	1976	515	1.2	\$618.00
David S. Kurtz	1979	490	223.7	\$109,613.00
Lawrence Safran	1986	405	9.8	\$3,969.00
Joy E. Maddox	1988	405	4.8	\$1,944.00
<b>OF-COUNSEL</b>				
Jeffrey W. Linstrom	1987	375	159.1	\$59,662.50
John K. Lyons	1989	375	10.8	\$4,050.00
<b>ASSOCIATES</b>				
Ruth E. Olson	1990	360	0.9	\$324.00
Timothy R. Pohl	1991	360	46.7	\$16,812.00
Eric M. Davis	1992	317	0.6	\$190.20
Stephanie L. Burch	1993	310	24.0	\$7,440.00
Van C. Durrer, II	1993	290	0.3	\$87.00
Timothy P. Olson	1996	285	15.0	\$4,275.00
Joseph E. Miller III	1997	250	9.7	\$2,425.00
Nicholas Pavlidis	1998	250	133.2	\$33,300.00
Stephen D. Williamson*	1997	240	87.5	\$21,000.00
Timothy A. Barnes	1997	230	1.0	\$230.00
Felicia Gerber Perlman	1992	230	1,128.8	\$259,624.00
Eric W. Kaup*	1995	207	69.1	\$14,303.70
Sherri Morissette*	1998	203	47.3	\$9,601.90
<b>SUMMER/WINTER ASSOCIATES</b>				
Irene J. Chase		170	3.1	\$527.00
Leontine D. Chuang		170	21.7	\$3,689.00
Christine M. DeMott		170	27.60	\$4,692.00
Lisa M. Kramarenko		170	4.30	\$731.00
<b>LEGAL ASSISTANTS</b>				
John Buckley		136	0.50	\$68.00
Sandy Qiu		136	0.6	\$81.60

Martha Fox Ellerson		135	10.50	\$1,417.50
Carrie. A Utterback		135	0.90	\$121.50
Jon W. Lyon		135	12.00	\$1,620.00
Ellen Altan		135	1.50	\$202.50
Claude Irmis*		125	7.60	\$950.00
C. Liana Shaw		125	1.40	\$175.00
Wendy K. LaManna		120	2.30	\$276.00
Martha H. Stow		110	0.10	\$11.00
Scott Fenwick		100	80.90	\$8,090.00
Jean Tully		100	21.0	\$2,100.00
Emilie Bell		100	0.8	\$80.00
Georgia Beloso		100	7.0	\$700.00
Jonathan Harris		100	3.0	\$300.00
Jihad Hatter		100	9.0	\$900.00
Pauline Chow		90	36.5	\$3,285.00
Walter E. Palmer		80	0.3	\$24.00
David L. Hertzog		65	6.4	\$416.00
Joseph Belmar		65	5.1	\$331.50
JoAnn M. Buss		65	16.2	\$1,053.00
Valerie D. Mathelier		65	0.2	\$13.00
Marcella K. Smith		60	29.5	\$1,770.00
Temp.		50	3.0	\$150.00

\* denotes blended rate

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

IN RE: :  
Montgomery Ward Holding Corp., : Jointly Administered  
a Delaware corporation, et al., : Case No. 97-1409 (PJW)  
Debtors. : Chapter 11

FIRST AND FINAL APPLICATION OF SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM (ILLINOIS) AND ITS AFFILIATED LAW  
PRACTICES, COUNSEL FOR MONTGOMERY WARD HOLDING  
CORP., AND ITS DEBTOR SUBSIDIARIES SEEKING  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF  
EXPENSES UNDER 11 U.S.C. §§ 330 AND 331  
FOR THE PERIOD FEBRUARY 25, 1999 THROUGH AUGUST 1, 1999

TO: THE HONORABLE PETER J. WALSH  
CHIEF UNITED STATES BANKRUPTCY JUDGE

Skadden, Arps, Slate, Meagher & Flom (Illinois)  
and its affiliated law practices (collectively "Skadden,  
Arps"), counsel for Montgomery Ward Holding Corp. and its  
debtor subsidiaries (collectively the "Debtors" or  
"Montgomery Ward") in the above-captioned cases (the  
"Bankruptcy Cases"), submits this final application (the  
"Application") seeking allowance of compensation and  
reimbursement of expenses under 11 U.S.C. §§ 330 and 331  
for the period from February 25, 1999 through August 1,  
1999 (the "Case Period"). Skadden, Arps submits this  
Application for (a) allowance of reasonable compensation

for professional services rendered by Skadden, Arps to the Debtors in their reorganization cases and (b) reimbursement of actual and necessary charges and disbursements incurred by Skadden, Arps in the rendition of required professional services on behalf of the Debtors. In support of this Application, Skadden, Arps represents as follows:

BACKGROUND

2. On July 7, 1997 (the "Petition Date"), each of the Debtors filed voluntary petitions in this Court for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"). The Debtors continued to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code throughout the Case Period. The Debtors' chapter 11 cases were consolidated for procedural purposes only and were administered jointly.

4. An official committee of unsecured creditors (the "Creditors' Committee") was appointed by the United States Trustee on July 18, 1997.

6. On July 15, 1999 this Court entered an order (the "Confirmation Order") confirming the First

Amended Joint Plan of Reorganization of Montgomery Ward Holding Corp. and its Debtor Subsidiaries (the "Plan"). The Plan became effective pursuant to its terms and the Reorganized Debtors emerged from chapter 11 as reorganized entities on August 2, 1999 (the "Effective Date").

8. Prior to the Effective Date, Montgomery Ward Holding Corp. and Montgomery Ward & Co., Incorporated, the wholly-owned subsidiary of Montgomery Ward Holding Corp., were engaged in retail merchandising and direct response marketing in the United States. As of December 31, 1998, Montgomery Ward and its subsidiaries generated over \$3.6 billion in annual revenue and employs the equivalent of 41,000 full-time employees. Pursuant to the Plan, substantially all of the assets of Montgomery Ward were transferred to Montgomery Ward, LLC and Montgomery Ward, LLC is continuing the retail operations of Montgomery Ward.

10. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of these cases in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 330 and 331 of the Bankruptcy Code.

RETENTION OF SKADDEN, ARPS

12. On April 2, 1999, the Debtors applied to the Court for an order Nunc pro tunc to February 25, 1999, approving the retention of Skadden, Arps as bankruptcy counsel (the "Retention Application") to perform legal services that were necessary to enable the Debtors to faithfully execute their duties as debtors-in-possession including, among others, the following professional services to the Debtors:

b. negotiate and prepare on the Debtors' behalf the plan of reorganization, the disclosure statement and all related agreements and/or documents and take any necessary action on behalf of the Debtors to obtain confirmation of such plan;

d. negotiate on the Debtors' behalf the Debtors' exit financing facilities and all related agreements and/or documents;

f. prepare on behalf of the Debtors certain motions, applications, answers, orders, reports and papers necessary to the administration of the estates;

h. advise the Debtors in connection with any contemplated sales of certain assets;

j. perform other necessary legal services and provide other necessary legal advice to the Debtors in connection with the preparation and implementation of a plan of reorganization in these chapter 11 cases; and

l. provide the type of services to the Debtors that Messrs. Kurtz and Linstrom and Ms. Gerber Perlman were providing in these cases at Jones, Day, Reavis & Pogue.

14. On April 10, 1999, the Court entered an

order (the "Retention Order")<sup>1</sup> authorizing the Debtors to employ Skadden, Arps as their counsel under the terms set forth in the Retention Application.<sup>2</sup>

STANDING AT THE BAR AND EXPERIENCE

16. Skadden, Arps assembled a highly qualified team of attorneys to service the Debtors.

FEE PROCEDURES ORDER

18. On July 8, 1997, this Court entered the Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals (as amended, the "Fee Procedures Order").

OVERVIEW OF THE BANKRUPTCY CASES

20. As a result of its efforts during the Case Period, Skadden, Arps now seeks final allowance of \$652,874.95 in fees calculated at the applicable hourly billing rates of the firm's personnel who have worked on the Bankruptcy Cases and \$28,626.00 in out-of-pocket disbursements and charges actually and necessarily

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<sup>1</sup> A copy of the Retention Order, the Retention Application, and the supporting affidavits are attached hereto as Exhibit A.

<sup>2</sup> The Retention Order incorporated the terms of a retainer agreement dated March 31, 1998 (the "Retainer Agreement") between Skadden, Arps and the Debtors, a copy of which is attached to the affidavit supporting the Retention Application found in Exhibit A.



incurred by Skadden, Arps while providing services to the Debtors during the Case Period.

22. The allowance requested reflects a voluntary reduction by Skadden, Arps in connection with each monthly bill of approximately 4%. In addition, Skadden, Arps agreed with the Debtors to maintain the hourly rates of Skadden, Arps' lawyers who moved from Jones, Day, Reavis & Pogue ("Jones Day") at the Jones Day rates. Charges and disbursements were reduced by an accommodation of \$1,558.00, or approximately 5%, for a total reduction of over \$34,103.00 for items Skadden, Arps normally would bill its clients. Skadden, Arps also deducted the fees and disbursements associated with Skadden, Arps' Retention Application and related conflicts work from the amount owing by the Debtors.

SUMMARY OF SERVICES RENDERED BY  
SKADDEN, ARPS DURING THE CASE PERIOD

24. The Debtors and Skadden, Arps worked closely to implement strategies designed to allow the Debtors to emerge from chapter 11 on August 2, 1999. As discussed herein, these services were directed toward a myriad of tasks necessary to achieve this result. To meet the Debtors' needs, Skadden, Arps' attorneys provided multidisciplinary services on a daily basis, often working nights and weekends. Skadden, Arps created thirty-four (34) different matter numbers or

subject-matter categories to which its professionals assigned the time billed by them, all of which are related to the tasks performed by Skadden, Arps on behalf of the Debtors.<sup>3</sup> All Skadden, Arps' professionals kept a contemporaneous record of the time spent rendering such services and, consistent with guidelines of the Office of the United States Trustee, separated tasks in billing increments of one-tenth of an hour. Billing statements (the "Billing Statements") for the period of February 25, 1999 through and including August 1, 1999, separated by matter number, are attached hereto under Exhibit C. The Billing Statements contain a breakdown of all attorneys' daily time detail, by billing matter, rendered during the Case Period. All of the services performed by Skadden, Arps were legal in nature and necessary for the proper administration of the Bankruptcy Cases.

26. Skadden, Arps devoted nearly 82% of its time to the following matters, each of which was responsible for fees in excess of \$100,000: the Disclosure Statement/Voting issues, Reorganization Plan, and Exit Financing. At the request of the Debtors, other matters continued to be managed by Jones Day.

28. Matters in which Skadden, Arps devoted

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<sup>3</sup> Exhibit B is a table of all matter numbers used during the Bankruptcy Cases.

nearly 18% of its time in the aggregate, and billed less than \$100,000 in fees, are: Asset Dispositions, Case Administration, Leases (Real Property), Retention/Fee Matters (SASMF), Financing, Claims Administration and Objections, General Corporate Advice, Executory Contracts/Personalty, Litigation (General), Retention/Fee Matters/Objections (Others), Tax Matters, Strategic Initiatives, Employee Matters, Environmental Matters, Creditor Meetings/Committees and Real Estate.

30. A more detailed summary of the services provided in the categories where Skadden, Arps devoted the majority of their time is set forth below.

A. Disclosure Statement/Voting Issues

32. Skadden, Arps' attorneys devoted a substantial amount of time during the Case Period assisting and advising the Debtors in connection with the Disclosure Statement with Respect to the First Amended Joint Plan of Reorganization of Montgomery Ward Holding Corp. and Its Debtor Subsidiaries (the "Disclosure Statement") and soliciting votes on the acceptance of the Plan.

34. Working closely with the Debtors and the Debtors' restructuring and financial advisors, Skadden,

Arps conducted extensive negotiations with General Electric Capital Corporation, ("GE Capital") and the Creditors' Committee in an attempt to prepare a Disclosure Statement that adequately addressed the concerns of all parties and satisfied the "adequate information" requirement of section 1125 of the Bankruptcy Code.

36. In connection with these efforts, Skadden, Arps' attorneys consulted with the Debtors on a frequent basis to gather the information needed to ensure that the Disclosure Statement included all necessary factual and legal content. Skadden, Arps' attorneys reviewed, analyzed, researched and prepared disclosure for relevant subjects, including, without limitation, (a) the Debtors' corporate structure and business operations, (b) prepetition litigation, (c) intercompany and affiliated transactions, (d) developments in the Bankruptcy Cases, (e) secured claims, (f) executory contracts, (g) tax issues, (h) classification issues, (i) solicitation procedures, (j) bar date, and (k) notice issues. In drafting the Disclosure Statement, Skadden, Arps' attorneys also reviewed numerous books and records and other documents regarding the Debtors. Such documents included corporate documents, proofs of claim and filings with the Securities Exchange Commission.

38. The Debtors received 13 objections to the

Disclosure Statement. Skadden, Arps devoted extensive time to working to resolve these objections prior to the hearing on the Disclosure Statement. In order to resolve these objections, Skadden, Arps made numerous revisions to the Disclosure Statement. Skadden, Arps also prepared a response to the Disclosure Statement objections which summarized the objections that had been resolved and provided the Court with the language that was added to the Disclosure Statement to resolve these objections. The response also addressed the issues raised in the few objections the Debtors were unable to resolve and set forth the reasons that the Disclosure Statement adequately and appropriately disclosed all materially relevant information. On May 26, 1999, the Court approved the Disclosure Statement. The objections that the Debtors were not able to resolve were overruled by the Court.

40. In connection with the finalization of the Disclosure Statement, Skadden, Arps' attorneys developed procedures for the Debtors to implement when soliciting acceptances of the Plan and filed a motion seeking approval of those procedures. On May 26, 1999, this Court granted the motion and approved the solicitation materials Skadden, Arps' attorneys prepared to be mailed in the solicitation packages to all creditors and parties in interest.

42. After the hearing, Skadden, Arps turned its efforts to advising and assisting the Debtors with soliciting plan acceptances. Skadden, Arps' attorneys worked closely with a financial printer to produce final copies of the Disclosure Statement and other solicitation package items for distribution to all creditors of the Debtors' estates and other parties in interest. Skadden, Arps' attorneys also prepared the notice of approval of the Disclosure Statement and the hearing on confirmation of the Plan, as required by the Bankruptcy Code, and ensured dissemination, including publication in various national and regional media outlets, to all necessary parties.

44. Finally, Skadden, Arps, in conjunction with the Debtors' notice and claims agent, assisted the Debtors with implementing the procedures to tabulate the votes cast by creditors with respect to the Plan.

46. In connection with the foregoing services, Skadden, Arps' professionals expended 415.3 hours for which Skadden, Arps seeks compensation of \$100,870.00. An itemized breakdown of the services rendered to the Debtors is attached as Exhibit C. A breakdown of the time spent by the various timekeepers and the approximate

amounts attributed thereto is as follows:

NAMES	HOURS	VALUE
Jeffrey W. Linstrom	40.8	\$15,300.00
Eric M. Davis	0.3	\$95.00
Felicia Gerber Perlman	355.7	\$81,811.00
Sherri Morissette	12.5	\$2,450.00
Eric W. Kaup	4.6	\$1,058.00
Legal Assistants	1.4	\$156.00
<b>TOTAL</b>	<b>415.3</b>	<b>\$100,870.00</b>

B. Reorganization Plan

48. Skadden, Arps devoted significant time to assisting the Debtors with the formulation of the Plan. Skadden, Arps drafted the Plan and along with the Debtors' management, as well as the Debtors' restructuring and finance advisors, negotiated with various constituents certain of the Plan's provisions in an effort to reach a consensual Plan.

50. Prior to the filing of the Plan in its initial form on April 30, 1999, Skadden, Arps represented the Debtors in significant negotiations between the Debtors, GE Capital, the Creditors' Committee and other large Creditors. Skadden, Arps continued to devote

substantial time to these negotiations between the initial filing of the Plan and the hearing on the Disclosure Statement. In particular, Skadden, Arps worked with the Creditors' Committee and GE Capital to reach a consensual resolution of the treatment of GE Capital's claims pursuant to the Plan. Skadden, Arps' attorneys attended and represented the Debtors throughout the course of these negotiation sessions, and substantial progress was made towards achieving a consensual Plan.

52. Skadden, Arps also devoted significant time to the issue of substantive consolidation. Skadden, Arps filed a motion, on behalf of the Debtors, seeking to substantially consolidate all of the Debtors except Lechmere, Inc. ("Lechmere"). In order to prepare this motion, Skadden, Arps spent significant time researching and analyzing the operations of the various Debtors and how they were integrated with each other. In addition, Skadden, Arps devoted significant time to resolving the objections of some of Lechmere's largest creditors to the substantive consolidation motion. The Debtors' substantive consolidation motion was approved on May 26, 1999.

54. As a result of the substantive consolidation of all the Debtors except Lechmere, Skadden, Arps worked with the Creditors' Committee, GE Capital and certain of the Lechmere creditors to



determine the relative distribution to holders of Lechmere claims and holders of claims of the other Debtors. As part of this process, Skadden, Arps had to analyze the effect of an intercompany receivable between Lechmere and Montgomery Ward to determine whether Montgomery Ward could receive a distribution on account of this receivable and how this distribution would effect the recovery of Lechmere creditors.

56. Substantial time was also spent in responding to and resolving the 41 objections to the Plan. Certain objections required extensive research in order to prepare an appropriate response, while others necessitated protracted negotiations that ultimately led to the successful resolution of many of the objections filed. Skadden, Arps helped resolve 32 of the objections prior to the confirmation hearing. Six of the remaining objections were continued to post-confirmation and the parties agreed that the issues raised in the objections did not effect confirmation.

58. Skadden, Arps' attorneys spent considerable time preparing for the confirmation hearing. Among other things, Skadden, Arps prepared affidavits regarding feasibility and the best interest test. Skadden, Arps also prepared to present proffered or live testimony and legal arguments regarding the requirements for confirmation under section 1129 of the Bankruptcy

Code. As a result of Skadden, Arps efforts, along with the efforts of the Debtors' management as well as other restructuring professionals, the Debtors' Plan was confirmed on July 15, 1999.

60. In connection with the foregoing services, Skadden, Arps' professionals expended 925.5 hours for which Skadden, Arps seeks compensation of \$279,517.50. An itemized breakdown of the services rendered to the Debtors is attached as Exhibit C. A breakdown of the time spent by the various timekeepers and the approximate amounts attributed thereto is as follows:

<b>NAMES</b>	<b>HOURS</b>	<b>VALUE</b>
David S. Kurtz	196.9	\$96,481.00
Jeffrey W. Linstrom	87.3	\$32,740.00
Eric W. Kaup	31.8	\$6,519.50
Joseph E. Miller III	9.7	\$2,322.00
Sherri Morissette	34.8	\$7,135.00
Felicia Gerber Perlman	419.9	\$96,577.00
Stephen D. Williamson	32.7	\$8,103.00
Timothy P. Olson	15.0	\$4,275.00
Timothy R. Pohl	46.7	\$16,812.00
Summer Associates	49.3	\$8,381.00
Legal Assistants	1.4	\$172.00

TOTAL	925.5	\$279,517.50
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C. Exit Financing

62. In order for the Plan to become effective, the Debtors needed to obtain exit financing. Therefore, Skadden, Arps worked with the Debtors to negotiate the terms of the Debtors' exit financing. The Debtors' exit financing consisted of a \$1 billion dollar facility with BT Commercial Corporation ("BT Commercial") as lender and agent (the "BT Facility") and a \$300 million dollar facility with GE Capital as lender and agent (the "GE Facility," collectively, with the BT Facility, the "Exit Financing Facilities"). Skadden, Arps spent extensive time between confirmation and the Effective Date negotiating the terms of the Exit Financing Facilities and preparing the loan documents, the schedules to the loan documents and other collateral agreements. Skadden, Arps participated in many meetings with BT Commercial and their counsel as well as with GE Capital and their counsel. Given the size of the Exit Financing Facilities and the short time period during which the Exit Financing Facilities needed to be executed, Skadden, Arps devoted considerable resources to helping the Debtors close the Exit Financing Facilities and emerge from chapter 11 on August 2, 1999.

64. In connection with the foregoing services,

Skadden, Arps' professionals expended 491.4 hours for which Skadden, Arps seeks compensation of \$166,472.5. An itemized breakdown of the services rendered to the Debtors is attached as Exhibit C. A breakdown of the time spent by the various timekeepers and the approximate amounts attributed thereto is as follows:

NAMES	HOURS	VALUE
David S. Kurtz	0.5	\$245.00
Linda Hayman	1.8	\$981.00
Richard B. Levin	1.2	\$618.00
James F. O'Rorke, Jr.	10.0	\$5,450.00
Randall J. Rademaker	151.2	\$77,868.00
James M. Schell	0.8	\$480.00
Lawrence Safran	9.8	\$3,969.00
Stephanie L. Burch	24.0	\$7,440.00
Joy E. Maddox	4.8	\$1,944.00
Nicholas Pavlidis	133.2	\$33,300.00
Felicia Gerber Perlman	139.7	\$32,131.00
Summer Associates	3.1	\$527.00
Legal Assistants	11.3	\$1,519.50
<b>TOTAL</b>	<b>491.4</b>	<b>\$166,472.50</b>

D. Asset Disposition

66. During the Case Period, Skadden, Arps worked closely with the Debtors in connection with the

disposition of real property at locations where the Debtors had previously operated retail stores. The Debtors had closed many of their stores at the beginning of 1999. Therefore, the properties on which the stores were located were no longer necessary for the Debtors' operations. Skadden, Arps worked with the Debtors to maximize the value of these properties by negotiating sale agreements, subject to higher and better offers, conducting auctions and obtaining court approval for the ultimate sale of these properties.

68. Skadden, Arps also worked with the Debtors to sell part of their Chicago corporate complex. Skadden, Arps worked with the Debtors to negotiate the agreement and prepared pleadings seeking Bankruptcy Court approval of the agreement. During the sale process, a potential bidder for the property objected to the auction proceedings and attempted to stop or delay the sale. Skadden, Arps responded to the issues raised by the potential bidder and worked to ensure the sale closed in a timely manner. The Debtors realized \$62 million as a result of this sale.

70. In connection with the foregoing services, Skadden, Arps' professionals expended 111.1 hours for which Skadden, Arps seeks compensation of \$27,512.00. An itemized breakdown of the services rendered to the Debtors is attached as Exhibit C. A breakdown of the

time spent by the various timekeepers and the approximate amounts attributed thereto is as follows:

NAMES	HOURS	VALUE
David S. Kurtz	4.8	\$2,352.00
Jeffrey W. Linstrom	4.9	\$1,838.00
Felicia Gerber Perlman	101.4	\$23,322.00
<b>TOTAL</b>	<b>111.1</b>	<b>\$27,512.00</b>

E. Case Administration

72. Skadden, Arps devoted substantial resources to the efficient and expeditious administration of these cases during the Case Period. Work performed under this category includes the following: (a) advice with respect to the successful prosecution and culmination of the Bankruptcy Cases, (b) advice with respect to the rights and duties of debtors-in-possession in the administration of the Bankruptcy Cases, (c) general communications with creditors and other parties in interest, and (d) general case administration. Skadden, Arps prepared numerous pleadings, applications and documents for each hearing, both scheduled omnibus hearing as otherwise, and successfully obtained relief that allowed the Debtors to emerge from chapter 11 on

August 2, 1999.

74. On almost a daily basis during the Case Period, Skadden, Arps advised the Debtors' management of the Debtors' rights and duties as debtors-in-possession, noting proscribed, permitted and required conduct. Skadden, Arps frequently advised the Debtors' management with respect to specific business questions posed by management and events occurring in the Bankruptcy Cases. Skadden, Arps also devoted considerable time to meetings and conferences with creditors and representatives of parties-in-interest with respect to case administration, including, among other things, periodic updates to the Creditors' Committee as to the progress of the closing process and the preparation of the Plan.

76. In addition, Skadden, Arps consulted with the Debtors' management and employees and assisted the Debtors in responding to inquiries from individuals, creditors and their attorneys regarding the above-referenced matters. Skadden, Arps, as counsel for the Debtors, was deluged with, and responded to numerous claims, pleadings, letters, requests, telephone calls, and other forms of communication on a daily basis.

78. In connection with the foregoing services, Skadden, Arps' professionals expended 251.1 hours for which Skadden, Arps seeks compensation of \$26,942.75. An itemized breakdown of the services rendered to the

Debtors is attached as Exhibit C. A breakdown of the time spent by the various timekeepers and the approximate amounts attributed thereto is as follows:

NAMES	HOURS	VALUE
David S. Kurtz	2.5	\$1,225.00
Jeffrey W. Linstrom	1.6	\$600.00
Eric M. Davis	0.3	\$95.00
Felicia Gerber Perlman	21.1	\$4,853.00
Legal Assistants	225.6	\$20,169.75
<b>TOTAL</b>	<b>251.1</b>	<b>\$26,942.75</b>

F. Leases (Real Property)

80. Skadden, Arps devoted a substantial amount of time in connection with real property lease matters. Specifically, Skadden Arps worked with the Debtors to maximize the value of the leases that were no longer needed for the Debtors' operations. Skadden, Arps helped negotiate agreements to assume and assign these leases and to seek court approval of these agreements. Skadden Arps also prepared motions to reject those leases that were determined not to have value, in order to relieve the Debtors' estate of the costs under those leases. Such efforts allowed the Debtors' estates to shed the burdens and administrative expenses that could have been incurred with respect to leases for locations that were



not part of the Debtors' go-forward business plan, and moved the Debtors' estates closer toward a final reorganized business structure.

82. Skadden Arps also devoted time to the assumption and assignment procedure implemented by the Plan and to resolving the objections of landlords whose leases were assumed and assigned pursuant to the Plan. The objections raised issues of adequate assurance of future performance as well as cure costs.

84. In connection with the foregoing services, Skadden, Arps' professionals expended 73.0 hours for which Skadden, Arps seeks compensation of \$17,730.00. An itemized breakdown of the services rendered to the Debtors is attached as Exhibit C. A breakdown of the time spent by the various timekeepers and the approximate amounts attributed thereto is as follows:

<b>NAMES</b>	<b>HOURS</b>	<b>VALUE</b>
Jeffrey W. Linstrom	2.9	\$1,088.00
Eric W. Kaup	12.4	\$2,542.00
Felicia Gerber Perlman	48.7	\$11,201.00
David S. Kurtz	2.5	\$1,225.00
Timothy P. Olson	1.4	\$399.00
Stephen D. Williamson	5.1	\$1,275.00
<b>TOTAL</b>	<b>73.0</b>	<b>\$17,730.00</b>

RELIEF REQUESTED

86. In accordance with the Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket No. 15] (the "Fee Procedures Order"). Skadden, Arps timely submitted its Billings Statements, and Skadden, Arps now submits this Final Application. Based on the firm's customary billing practices, Skadden, Arps ordinarily would bill the Debtors a total of \$700,576.95 for fees and \$30,531.00 for charges and disbursements during the Case Period. However, Skadden, Arps reduced the amount sought in this Final Application by \$49,607.00. As part of this reduction, Skadden, Arps has reduced the amount sought in this Final Application to reflect the elimination of all fees related to any non-working travel time during the Case Period. A voluntary reduction was also applied to expenses in the amount of \$1,905.00, or approximately 5%. As a result, the actual amount billed to the Debtors was \$652,874.95 for fees and \$28,626.00 for charges and disbursements.

88. Allowance of Professional Fees. During the Case Period, attorneys and paraprofessionals at

Skadden, Arps devoted an aggregate of 2450.3 hours working on matters concerning the Debtors' reorganization case.<sup>4</sup> Of the aggregate time spent, 573.2 hours were spent by partners and counsel, 1620.8 hours were spent by associates and 256.3 hours were spent by paraprofessionals. A summary showing the name of each such partner, counsel, associate and paraprofessional, together with that person's date of admission to the bar (as applicable), hours worked during the Case Period and hourly billing rate, is provided in the beginning of this Fee Application.

90. Reimbursement of Charges and Disbursements. As disclosed in the Debtors' application to retain Skadden, Arps (the "Retention Application") as counsel for the Debtors, which the Court approved, Skadden, Arps and the Debtors agreed that Skadden, Arps' bundled rate structure would apply to these cases, and, therefore, Skadden, Arps would not seek to be separately compensated for certain staff, clerical and resource charges. Accordingly, Skadden, Arps has charged the Debtors for all other services provided and for other charges and disbursements incurred in the rendition of

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<sup>4</sup> Skadden, Arps maintains records of the time it expended in the rendition of all professional services, which time records are made concurrently with the rendition of professional services.

services. These charges and disbursements include, among other things, costs for telephone charges, photocopying (at \$0.10 per page), travel, business meals, computerized research, messengers, couriers, postage, witness fees and other fees related to trials and hearings. Skadden, Arps believes that it is fairer to allocate these charges and disbursements to the clients incurring them than to increase the hourly rates.

92. During the Case Period, Skadden, Arps disbursed the following sums for actual and necessary charges and disbursements in the rendition of professional services in the Bankruptcy Cases, and requests that it be reimbursed therefor:

Charges and Disbursements Incurred

ITEM	AMOUNT
Computer Assisted Legal Research	\$4,063.00
Courier, Express Delivery and Postage	\$3,117.00
Outside Research	\$632.00
Document Reproduction	\$6,403.00
Telecommunications	\$2,457.00
Travel	\$12,233.00
Court Reporting	\$1.00
Filing Fees	\$67.00
<b>TOTAL</b>	<b>\$28,973.00<sup>5</sup></b>

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<sup>5</sup> This amount has been reduced by \$347.00 for charges and disbursements related to Skadden, Arps' Retention Application. Therefore, Skadden, Arps has only sought reimbursement for charges and disbursements in the amount of \$28,626.

Each matter in Exhibit C attached hereto, provides documentation regarding charges and disbursements incurred for that particular matter from February 25, 1999 through August 1, 1999.

REASONABLENESS OF FEES, CHARGES AND DISBURSEMENTS

94. Section 330 of the Bankruptcy Code governs compensation of professionals in a bankruptcy case and provides that, when determining the amount of reasonable compensation to award to a professional, the Court should consider the nature, extent and value of the services to the bankrupt estate and all other relevant factors. 11 U.S.C. § 330(a)(3).

96. Bankruptcy courts reviewing fee applications use several different approaches to apply these guidelines including familiar methods such as the Johnson approach (Johnson v. Georgia Highway Express, 488 F.2d 714 (5th Cir. 1974)) or the lodestar analysis. An analysis of the benefit of the services to the estate is also often undertaken to consider whether the services rendered were reasonable and necessary and of benefit to the estate. See In re Engel, 124 F.3d 567 (3rd Cir. 1997); Zolfo, Cooper & Co. v. Sunbeam-Oster Co., 50 F.3d 253 (3rd Cir. 1995).

98. The Johnson approach and the lodestar analysis examine similar factors including: (i) the novelty or difficulty of the questions, (ii) the experience, reputation and skill of the professional, (iii) time limitations imposed by the circumstances, (iv) whether the fee is fixed or contingent, (v) the preclusion of other employment by the professional due to acceptance of the case and (vi) the amount involved and the results obtained or the quality of the services.

100. In addition, irrespective of the individual factors enumerated above, the primary focus should be on the reasonableness of the services rendered to the estate, rather than hindsight.

[I]t is important for a court to maintain a sense of overall proportion and not become enmeshed in meticulous analysis of every detailed facet of the professional representation. It is easy to speculate that the work could have been done in less time or with fewer attorneys or with an associate rather than a partner. On the other hand, it is also possible that [the debtor] would not have enjoyed the success it did had its counsel managed matters differently.

In re Boston & Maine Corp., 776 F.2d 2110 (1st Cir. 1985)  
(citations omitted).

102. In accordance with the factors enumerated in 11 U.S.C. § 330 and above, the amount requested herein

by Skadden, Arps is fair and reasonable, given: (i) the nature of the Bankruptcy Cases, (ii) the novelty and complexity of the Bankruptcy Cases, (iii) the time and labor required to represent the Debtors effectively, (iv) the time limitations imposed by the Bankruptcy Cases, (v) the nature and extent of the services rendered, (vi) Skadden, Arps' experience, reputation and ability, (vii) the value of Skadden, Arps' services and (viii) the cost of comparable services other than in a case under title 11 of the United States Code.

104. Nature, complexity and duration of the case. Because of the efforts of Skadden, Arps, the Debtors Plan was confirmed on July 15, 1999 and became effective on August 2, 1999. Skadden, Arps achieved this result of emerging from chapter 11, by employing a streamlined case management structure that consisted of small, core teams and assigned various attorneys to other discrete tasks to avoid the performance of duplicative or unnecessary work.

106. Experience of Skadden, Arps. The experience of Skadden, Arps' attorneys also has benefitted the estates. Skadden, Arps' attorneys have efficiently used their breadth of knowledge and skill to carry out the tasks required in these Bankruptcy Cases. Skadden, Arps' depth of experience in chapter 11 matters has insured that a number of pressing matters could be

addressed promptly.

108. In addition, Skadden, Arps' commitment to monitoring the administrative expenses of the estates, including its own legal fees, has been a constant element of its representation of the Debtors. Indeed, this emphasis has been manifested in Skadden, Arps' careful review of its fees, charges and disbursements and a voluntary client accommodations.

110. Comparable services. Skadden, Arps' rates are consistent with rates charged to other clients in non-bankruptcy matters. Moreover, its rate structure was disclosed clearly in its Retention Application, which the Court approved and to which none of the major constituents objected.

112. The amounts sought by Skadden, Arps compare favorably to fees, charges and disbursements incurred by other chapter 11 debtors in cases of similar size, complexity and duration. Accordingly, the cost of comparable services supports the Application and the services performed during the Case Period more than warrant the allowance of compensation, particularly in view of the results achieved.

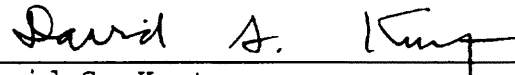
114. Compliance with Local Rules. Skadden, Arps believes that this Application, together with the attachments hereto, substantially complies in all material respects with Local Rule (Order #32) of this



Court and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 issued January 30, 1996. To the extent this Application does not comply in every respect with the requirements of Local Rule 32, Skadden, Arps requests a waiver for any such technical non-compliance.

WHEREFORE, Skadden, Arps respectfully requests that the Court (a) grant it an allowance of \$652,874.95 as compensation for professional services rendered as attorneys for the Debtors during the Case Period, plus reimbursement of actual and necessary charges and disbursements incurred in the sum of \$28,626.00, and (b) grant it such other and further relief as is just.

Dated: Wilmington Delaware  
October 1, 1999



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