

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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 In re: : Chapter 11 Case No.
 NTL INCORPORATED, et al. : 02-41316 (ALG)
 Debtors. :
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**APPLICATION OF UBS WARBURG, LLC, AS FINANCIAL
 ADVISOR TO THE OFFICIAL COMMITTEE OF UNSECURED
 CREDITORS, FOR FINAL ALLOWANCE OF COMPENSATION
 FOR PROFESSIONAL SERVICES RENDERED AND FOR
 REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES
 INCURRED FROM JUNE 24, 2002 THROUGH SEPTEMBER 5, 2002**

Name of Applicant:	UBS Warburg LLC
Authorized to Provide Professional Services to:	The Official Committee of Unsecured Creditors of NTL Incorporated, et al.
Date of Retention:	August 12, 2002, <i>nunc pro tunc</i> to June 24, 2002
Period for Which Compensation and Reimbursement is Sought:	June 24, 2002 through September 5, 2002
Amount of Compensation Sought as Actual, Reasonable and Necessary:	\$1,500,000.00
Amount of Expense Reimbursement Sought as Actual, Reasonable and Necessary:	\$109,725.93
Prior Applications:	None

UBS WARBURG, LLC (“UBS Warburg”), financial advisor to the Official Committee of Unsecured Creditors (the “Official Committee”) of NTL Incorporated and certain of its subsidiaries (collectively, “NTL”), as and for its application (the “Application”) for final allowance of compensation for professional services performed by UBS Warburg during the period commencing June 24, 2002 through and including September 5, 2002 (the “Compensation Period”) and reimbursement of its actual and necessary expenses incurred during the Compensation Period, respectfully states as follows:

Jurisdiction

1. This Court has jurisdiction over this Motion pursuant to 28 U. S. C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U. S. C. §§157(b)(2). Venue of these proceedings and this Application within this district are proper pursuant to 28 U.S.C. §§ 1408 and 1409.

Background

2. Prior to the Petition Date (as defined below), UBS Warburg served as financial advisor to the unofficial noteholders’ steering committee (the “Noteholders’ Steering Committee”) of beneficial holders of notes issued by NTL (the “Notes”) pursuant to a prepetition engagement letter, dated February 12, 2002 (as amended, the “Restructuring Engagement Letter”). In that capacity, and prior to June 24, 2002, UBS Warburg assisted the Noteholders’ Steering Committee in analyzing, structuring, evaluating, and negotiating a restructuring of NTL and, among other things, the Notes.

3. On May 8, 2002 (the “Petition Date”), NTL filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) with this Court. Concurrently therewith, NTL filed a Joint Reorganization Plan.

4. The Noteholders' Steering Committee continued to exist until June 21, 2002, when the Office of the United States Trustee for the Southern District of New York appointed the Official Committee to represent all unsecured creditors of NTL pursuant to section 1102 of the Bankruptcy Code. The Official Committee consisted of the members of the Noteholders' Steering Committee and the three indenture trustees for the various Notes.

5. On June 24, 2002, the Official Committee decided, subject to Court approval, to retain UBS Warburg as its financial advisor pursuant to the terms and conditions set forth in the letter agreement, dated as of June 24, 2002 (the "Postpetition Engagement Letter"). On August 12, 2002, the Court entered an order authorizing the employment and retention of UBS Warburg pursuant to sections 328(a) and 1103 of the Bankruptcy Code (the "Retention Order"), nunc pro tunc to June 24, 2002. Copies of the Restructuring Engagement Letter, the Postpetition Engagement Letter and the Retention Order are attached hereto as Exhibit A.

6. On July 15, 2002, NTL filed their Amended Disclosure Statement (the "Disclosure Statement") with respect to the Second Amended Joint Reorganization Plan of NTL Incorporated and Certain Subsidiaries (as amended, modified, or supplemented, the "Plan"). On September 5, 2002, the Court entered an order confirming the Plan (the "Confirmation Order").

**Summary of Professional Compensation and
Reimbursement of Expenses Requested**

7. Pursuant to the Postpetition Engagement Letter, NTL agreed to pay UBS Warburg the following fees in cash for its services to the Official Committee: (a) a monthly advisory fee ("Monthly Advisory Fee") of (i) \$500,000 for months one through three of the engagement, beginning with a payment in July 2002, and (ii) \$350,000 beginning with month

four of the engagement,¹ and (b) reimbursement upon request for expenses incurred by UBS Warburg in connection with its engagement under the Postpetition Engagement Letter, including the fees, disbursements and other charges of its legal counsel. Accordingly, by this Application UBS Warburg requests final allowance of (a) \$1,500,000.00 for Monthly Advisory Fees earned during the Compensation Period under the Postpetition Engagement Letter² and (b) \$109,725.93 as reimbursement for actual and necessary expenses incurred by UBS Warburg during the Compensation Period in connection with professional services rendered.³

8. As described above, UBS Warburg represented the Noteholders' Steering Committee in connection with NTL's restructuring efforts for several months preceding the Petition Date and for the period from the Petition Date to the formation of the Official Committee. In connection therewith, prior to the Petition Date, UBS Warburg was paid a \$2 million retainer for postpetition services to be rendered and a \$100,000 retainer in respect of expenses to be incurred. UBS Warburg has applied the fee retainer against the monthly fees

¹ As described in the Postpetition Engagement Letter, a portion of the Monthly Advisory Fees shall be credited, to the extent actually paid, against a portion of the Restructuring Transaction Fee (as defined in the Restructuring Engagement Letter).

² The \$1,500,000.00 in Monthly Advisory Fees represents the Monthly Advisory Fees earned by UBS Warburg during July, August and September of 2002.

³ As described in the Official Committee's application, dated July 23, 2002, for the retention of UBS Warburg and Section VII.B.3.g. of the Disclosure Statement, the Restructuring Engagement Letter provides for a Restructuring Transaction Fee payable to UBS Warburg in kind based on the aggregate fair market value of the cash, securities, property or other consideration received by holders of the Notes. The Restructuring Transaction Fee and the other fees and expenses payable to UBS Warburg under the Restructuring Engagement Letter were approved pursuant to the Plan and the Confirmation Order and, therefore, are not subject to this Application. Under the Restructuring Engagement Letter, the Restructuring Transaction Fee was earned and payable prior to the Petition Date, and shall be paid in accordance with the terms of the Restructuring Engagement Letter, as amended in accordance with the Order Under Sections 105 and 363 of the Bankruptcy Code Authorizing Modifications to the Engagement Letter Retaining UBS Warburg as Financial Advisors to the Noteholders' Steering Committee, dated December 31, 2002.

earned by UBS Warburg as financial advisor to the Noteholders' Steering Committee and, following the appointment of the Official Committee, the Monthly Advisory Fees earned by UBS Warburg as financial advisor to the Official Committee. Accordingly, none of UBS Warburg's Monthly Advisory Fees related to the Compensation Period are due and owing, and UBS Warburg will credit any amounts paid to UBS Warburg out of the retainer against dollar amounts awarded to UBS Warburg by this Court in connection with this Application. With respect to the expenses incurred by UBS Warburg during the Compensation Period, UBS Warburg applied the full expense retainer against such expenses, leaving a balance of \$9,725.93 in unpaid expenses. Thus, pursuant to this Application, UBS Warburg requests (a) allowance of \$1,500,000.00 for Monthly Advisory Fees paid to UBS Warburg during the Compensation Period and (b) allowance of \$109,725.93 and payment of \$9,725.93 as reimbursement of net expenses payable. The foregoing is outlined in the table below:

Monthly Advisory Fees	\$1,500,000.00
Less: Paid to Date	\$1,500,000.00
Net Monthly Advisory Fees	\$0.00
Expenses	\$109,725.93
Less: Paid to Date	\$100,000.00
Net Expenses	\$9,725.93
Amount Due and Requested	\$9,725.93

9. During the Compensation Period, UBS Warburg received no payment and no promises of payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application, other than the \$1,500,000.00 of Monthly Advisory Fees and \$100,000.00 of expenses as described above.

10. The amount of fees sought in this Application and UBS Warburg's fee structure is consistent with market practices both in and out of a bankruptcy context. UBS

Warburg's professionals generally do not maintain detailed time records of the work performed for its clients. In this case, however, the primary professionals rendering services on behalf of the Official Committee have kept time records in one-hour increments. Those professionals, whose resumes are attached as Exhibit B, are Tom Benninger (Managing Director), Steven Ketchum (Managing Director), J. Soren Reynertson (Executive Director), Ihsan Essaid (Executive Director), Mark Joseph (Executive Director), Gavin Kagan (Director), Rezwan Mirza (Associate Director), Mari Subburathinam (Associate Director), Sudhir Rani (Analyst), Michael McBrinn (Analyst) and Andrew Park (Analyst). Attached as Exhibit C are the time records kept by UBS Warburg professionals providing financial advisory services to the Official Committee during the Compensation Period. In addition to the foregoing professionals, other professionals whose time is noted on Exhibit C may have worked on this engagement on an ad hoc and as needed basis.

11. Attached as Exhibit D is a schedule setting forth the actual and necessary expenses incurred by UBS Warburg during the Compensation Period in connection with the provision of professional services, and for which UBS Warburg seeks reimbursement. Included in Exhibit D are the expenses UBS Warburg incurred on behalf of the Official Committee pursuant to the Postpetition Engagement Letter.

12. In accordance with paragraph 9 of the Retention Order, attached as Exhibit E are invoices from Covington & Burling ("C&B") on account of legal services provided to UBS Warburg in connection with UBS Warburg's retention and certain issues related to its retention that arose from time to time during the Compensation Period (and with respect to whose fees and expenses UBS Warburg seeks reimbursement).

13. To the best of the undersigned's knowledge, this Application complies with section 328(a) of the Bankruptcy Code, the applicable Federal Rules of Bankruptcy Procedure and this Court's orders.

Summary of Professional Services

14. During the Compensation Period, UBS Warburg was required to render a substantial amount of professional services, in some cases under severe time constraints. A summary of some of the services rendered by UBS Warburg during the Compensation Period are as follows:

(a) DIP Financing: UBS Warburg advised and assisted the Official Committee in connection with the organization and arrangement of the \$630 million Debtor-in-Possession Credit and Guaranty Agreement (the "DIP Agreement") provided to NTL during the chapter 11 cases. In this regard, UBS Warburg, among other things, (i) prepared detailed financial covenant models with respect to the DIP Agreement and which formed the basis for negotiations over the nature and extent of covenants included in the DIP Agreement, (ii) reviewed, negotiated and finalized the terms and conditions of the DIP Agreement, all amendments thereto and the ancillary agreements executed in connection therewith, (iii) reviewed the various financial and operational reports required to be delivered by NTL under the DIP Agreement and (iv) advised and assisted the Official Committee with respect to each of the foregoing. In Exhibit C to this Application, time spent in connection with this project were generally coded with "F" (Financing) and "D" (Debtors/Creditors).

(b) Debtors' Business Operations: UBS Warburg advised and assisted the Official Committee in reviewing NTL's business plan, analyzing and determining the short- and long-term liquidity needs of NTL, reviewing NTL's weekly cash reports and providing related reports and updates to the Official Committee, building various cash flow models and developing strategies for the treatment of various parties-in-interest. UBS Warburg also prepared background reports for candidates for positions as officers and directors of NTL, and advised and assisted the Official Committee in all aspects of interviewing and evaluating such candidates. In Exhibit C to this Application, time spent in connection with this project were generally coded with "B" (Business Operations).

(c) Plan and Disclosure Statement: UBS Warburg advised and assisted the Official Committee with respect to all matters pertaining to the negotiation and finalization of the Plan and Disclosure Statement, including reviewing the Plan and Disclosure Statement and all comments and objections thereto, performing financial analysis related to the expected recovery of creditors of NTL and analyzing and negotiating the terms of the various agreements attendant to the Plan. UBS Warburg also advised and assisted the Official Committee with respect to numerous intercreditor issues arising in connection with the Plan, including creating models to illustrate the distribution of consideration to creditors on an absolute priority basis, analyzing the nature and amount of distributions to various creditors under the Plan, analyzing the organizational and capital structure of reorganized NTL upon consummation of the Plan and the interests of various creditors as shareholders in reorganized NTL. In Exhibit C to

this Application, time spent in connection with this project were generally coded with “P” (Plan of Reorganization) and “C” (Corporate Finance”).

(d) Consummation Issues: UBS Warburg advised and assisted the Official Committee with respect to issues arising in connection with the consummation of the Plan, including preparing documentation for the listing of reorganized NTL’s shares on a national exchange, reviewing the terms of proposed equity investments in reorganized NTL, reviewing the terms of equity and debt rights offering procedures and negotiating, structuring and documenting the terms of exit financing to be provided to reorganized NTL. In Exhibit C to this Application, time spent in connection with this project were generally coded with “C” (Corporate Finance).

(e) Meetings, Analysis and Administration Conducted with and for the Official Committee and Other Parties-in-Interest: UBS Warburg advised and assisted the Official Committee in preparing for, and participating in, in-person and teleconference meetings and negotiations with NTL, its board of directors, its bank lenders, its shareholders and other advisors and attorneys. UBS Warburg also attended several hearings before this Court and attended and participated in numerous meetings regarding the Plan and Disclosure Statement. Furthermore, UBS Warburg assisted the Official Committee by holding meetings of the members of the Official Committee and by preparing summaries of news reports regarding NTL and of meetings attended by UBS Warburg in connection with this engagement. In Exhibit C to this Application, time spent in connection with

this project were generally coded with “A” (Administration) and “D” (Debtors and Creditors).

Actual and Necessary Disbursements of UBS Warburg

15. Attached as Exhibit D is a schedule of the actual and necessary expenses incurred by UBS Warburg in connection with the services rendered to the Official Committee. As set forth on Exhibit D, UBS Warburg requests allowance of the actual and necessary expenses it incurred in connection with the Postpetition Engagement Letter in the aggregate amount of \$109,725.93. It should be noted that UBS Warburg does not realize a profit from the expenses detailed on Exhibit D and absorbs certain expenses customarily charged by other professionals in bankruptcy cases. For example, UBS Warburg does not allocate office telephone or facsimile charges by client, and therefore those costs are absorbed by UBS Warburg as overhead and not charged to NTL’s estate. UBS Warburg has followed its general internal policies with respect to expenses billed to NTL’s estate as set forth below:

- (a) Meals: This category of expenses includes the cost of working meals provided to attendees of meetings and conferences at UBS Warburg in connection with this matter, and the cost of working meals for UBS Warburg employees. UBS Warburg permits its employees to bill lunch or dinner meals to a client if the employee is required to render services during such mealtime to the client due to extreme time constraints. UBS Warburg employees are also permitted to bill clients for meals while traveling on behalf of clients and their related matters. Furthermore, UBS Warburg employees are permitted to order meals in the office if the UBS Warburg employee is required to work after 8:00

p.m. or on weekends. UBS Warburg's internal policy limits the costs of working dinners that may be charged to a client to no more than \$30 per person and the cost of working lunches to no more than \$15 per person.

(b) Research: All charges incurred by UBS Warburg's research department are a direct pass-through cost to the client, and Exhibit D outlines the various costs associated with conducting research. During the course of the engagement, UBS Warburg was asked to research a number of issues, including the terms of DIP financings in comparable cases, the capital structures of comparable companies upon emergence from chapter 11 and rights offering procedures utilized in comparable cases. It is important to note that bankruptcy related research is not easily performed using mainstream sources of information and is thus considerably more time consuming and expensive than research that might arise in connection with similar engagements outside of bankruptcy.

(c) Presentation: This category includes all charges associated with the production of presentation materials for distribution to the Official Committee and other parties. All charges incurred by UBS Warburg in connection with printing presentation materials are a direct pass-through cost to the client. Exhibit D outlines the various costs associated with the production of presentation materials.

(d) Communications: UBS Warburg employees are permitted to use cellular telephones while they are traveling on an as required basis.

Communication expenses also include phone card expenses and teleconferencing and videoconferencing fees. Messengers and couriers (including Federal Express) are used by UBS Warburg to deliver hard copy documents relating to the client matter which require receipt on an expedited basis; otherwise, UBS Warburg uses the regular postal system.

(e) Travel: All domestic airfare charges billed to NTL's estate are based on coach fare rates. All international airfare charges billed to NTL's estate are based on business fare rates. UBS Warburg permits employees to travel by taxi or private car service to and from meetings while rendering services to a client on a matter for which the client is charged. UBS Warburg employees are not permitted to charge commutation expenses to a client unless the employee is traveling after 9:00 p.m. or on a weekend.

(f) Lodging: UBS Warburg employees are requested to make lodging reservations through the firm's travel department, which has preferred hotel rates in many domestic and international cities.

16. Included in the \$109,725.93 of expenses for which UBS Warburg seeks reimbursement are the fees and expenses of C&B incurred by UBS Warburg in connection with this engagement. In accordance with paragraph 9 of the Retention Order, UBS Warburg requests allowance of C&B's fees and expenses on account of services provided to UBS Warburg during the Compensation Period. Section 330 of the Bankruptcy Code provides that a court may award a professional employed under section 327 of the Bankruptcy Code "reasonable compensation

for actual, necessary services rendered . . . and reimbursement for actual, necessary expenses,” and sets forth the criteria for the award of such compensation and reimbursement.⁴

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, the extent and the value of such services, taking into account all relevant factors, including –

- A. the time spent on such services;
- B. the rates charged for such services;
- C. whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- D. whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- E. whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

17. UBS Warburg respectfully submits that the fees and expenses of C&B in connection with professional services rendered to UBS Warburg during the Compensation Period were necessary and are reasonable. C&B was involved in all aspects of UBS Warburg’s retention, including drafting the Postpetition Engagement Letter and the affidavit submitted in support of UBS Warburg’s retention application, and advising and assisting UBS Warburg with

⁴ Although, under paragraph 9 of the Retention Order, the fees and expenses of UBS Warburg’s attorneys are subject to the United States Trustee’s guidelines for compensation and reimbursement of expenses and approval of the Bankruptcy Court under the standards of sections 330 and 331 of the Bankruptcy Code, such fees and expenses may be approved “without regard to whether such attorney has been retained under section 327 of the Bankruptcy Code and without regard to whether such attorneys’ services satisfy Section 330(a)(3)(C) of the Bankruptcy Code.” Retention Order ¶ 9.

respect to all issues related to the retention of professionals under the Bankruptcy Code. UBS Warburg believes that reimbursement of its expenses related to legal services provided by C&B as requested by UBS Warburg is commensurate with the complexity, importance and nature of the issues and tasks involved. UBS Warburg further submits that the professional services it requested of C&B (and C&B's related expenses) were performed with expedience and efficiency and, accordingly, that reimbursement of the fees and expenses of C&B is reasonable.

The Requested Compensation Should Be Allowed

18. The Retention Order provides that the Monthly Advisory Fees shall be subject to final allowance in accordance with section 328(a) of the Bankruptcy Code, which provides that “the trustee . . . with the court’s approval, may employ or authorize the employment of a professional person under section 327 . . . on any reasonable terms and conditions of employment.” 11 U.S.C. §328(a). Section 328(a) further provides that “notwithstanding such terms and conditions, the court may allow compensation different from the compensation provided under such terms and conditions . . . if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time of the fixing of such terms and conditions.” 11 U.S.C. §328(a).

19. UBS Warburg respectfully submits that the Monthly Advisory Fees sought herein are reasonably based upon the customary compensation charged by UBS Warburg in comparable nonbankruptcy cases, and that no developments not capable of being anticipated have occurred which could render the Monthly Advisory Fees improvident.

Conclusion

20. WHEREFORE, UBS Warburg respectfully requests (a) allowance of \$1,500,000.00 as compensation for professional services rendered and \$109,725.93 as reimbursement for actual and necessary expenses incurred by UBS Warburg during the Compensation Period pursuant to the Postpetition Engagement Letter, (b) that the Court direct NTL to pay UBS Warburg the remaining balance of \$9,725.93 and (c) such other and further relief as is just.

Dated: New York, New York
January 30, 2003

UBS WARBURG, LLC

By: /s/ J. Soren Reynertson
J. Soren Reynertson
Executive Director
299 Park Avenue
New York, New York 10171-0026
(212) 821-4000

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- X
In re: : Chapter 11 Case No.
NTL INCORPORATED, et al. : 02-41316 (ALG)
Debtors. :
----- X

CERTIFICATION OF J. SOREN REYNERTSON

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

J. Soren Reynertson, being duly sworn, deposes and says:

1. I am an Executive Director of UBS Warburg, LLC (“UBS Warburg”), which maintains offices at 299 Park Avenue, New York, New York 10171. I am authorized to execute this certification on behalf of UBS Warburg in support of UBS Warburg’s application, as financial advisor to the Official Committee of Unsecured Creditors with respect to the above-captioned cases, for final allowance of compensation for professional services rendered and for reimbursement of actual and necessary expenses incurred from June 24, 2002 through September 5, 2002 (the “Application”). Capitalized terms that are not defined herein shall have the meanings ascribed to those terms in the Application.

2. This certification is submitted pursuant to Rule 2016 of the Federal Rules of Bankruptcy Procedure in connection with UBS Warburg’s request for final allowance of (a) \$1,500,000.00 for Monthly Advisory Fees earned during the Compensation Period and (b) \$109,725.93 as reimbursement for actual and necessary expenses incurred by UBS Warburg during the Compensation Period.

3. All of the services for which compensation is sought by UBS Warburg were performed for and on behalf of the Official Committee and not on behalf of any other person.

4. No agreement or understanding exists between UBS Warburg and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with the above-captioned cases.

By: /s/ J. Soren Reynertson
J. Soren Reynertson
Executive Director

Sworn to before me this 30th day of January 2003

/s/ Robert L. Cordell, II
Robert L. Cordell, II
Notary Public, State of New York
No. 02CO5057860
Qualified in New York County
Commission Expires May 26, 2006