

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS

DEC 24 2003
KENNETH S. GARDNER, CLERK
PS REP. - AR

In re:) Case No. 02-08699
) (Jointly Administered)
NATIONAL STEEL CORPORATION,) Chapter 11
et al.,)
) Hon. John H. Squires
Debtors.)
) Hearing Date: January 13, 2004
) Hearing Time: 8:30 a.m. (CST)

NOTICE OF FIRST INTERIM FEE
APPLICATION OF SEYFARTH SHAW LLP

PLEASE TAKE NOTICE that on December 24, 2003, Seyfarth Shaw LLP (the "Applicant") filed its First Interim Application for Compensation and Reimbursement of Expenses as Counsel to the Official Committee of Retired Employees (the "Application") for the Period of June 2, 2003, through November 30, 2003 (the "Application Period") with the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the "Bankruptcy Court"). By the Application, Applicant is requesting that: (i) total compensation during the Application Period be allowed in the amount of \$384,653.50 (the "Compensation"); (ii) total expenses during the Application Period be allowed in the amount of \$13,872.35; and (iii) the Debtors be directed to pay Applicant \$37,188.05, which sum represents a holdback of previously unpaid Compensation.

PLEASE TAKE FURTHER NOTICE that pursuant to the Administrative Order under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Periodic Compensation and Reimbursement of Expenses of Professionals (the "Administrative Order") entered by the Bankruptcy Court in the above-captioned cases, copies of the Application are being served contemporaneously with this Notice upon the Notice Parties, as defined in Paragraph 4 of the Administrative Order, included on the Special Service List that is appended to the Application's Certificate of Service. This Notice is also being served upon the additional parties listed on the General Service List that is appended to the Application's Certificate of Service. Such parties may obtain copies of the Application upon request to: Charles S. Riecke, Esquire, Seyfarth Shaw LLP, 55 East Monroe, Suite 4200, Chicago, Illinois 60603-5803.

PLEASE TAKE FURTHER NOTICE that a hearing to consider the Application will be held before the Honorable John H. Squires, United States Bankruptcy Judge, in the courtroom of the Bankruptcy Court that is normally occupied by His Honor, Courtroom 680, located at 219 South Dearborn Street, Chicago, Illinois 60604, on **Tuesday, January 13, 2004, at 8:30 a.m. (CST)** (the "Scheduled Hearing"), or as soon thereafter as counsel may be heard.

PLEASE TAKE FURTHER NOTICE that any party wishing to object to the Application shall file such objection in writing with the Clerk of the Bankruptcy Court, at 219 South Dearborn Street, Room 710, Chicago, Illinois 60604, before the Scheduled Hearing, and serve copies of such objection, so as to be received before the Scheduled Hearing, on: (i) Applicant, to the attention of William J. Hanlon, Esquire, Seyfarth Shaw LLP, World Trade Center East, Two Seaport Lane, Suite 300, Boston, Massachusetts 02210-2028, and William J. Factor, Esquire and Charles S. Riecke, Esquire, Seyfarth Shaw LLP, 55 East Monroe Street, Suite 4200, Chicago, Illinois 60603-5803; and (ii) each of the parties listed on the attached Special Service List.

Dated: December 24, 2003

Respectfully submitted,

SEYFARTH SHAW LLP

By: 

William J. Factor (IL 6205675)
Charles S. Riecke (IL 90785186)
55 East Monroe Street
Suite 4200
Chicago, Illinois 60603-5803
Tel.: (312) 346-8000

-and-

William J. Hanlon, Esq.
SEYFARTH SHAW LLP
World Trade Center East
Two Seaport Lane
Suite 300
Boston, Massachusetts 02210-2028
Tel.: (617) 946-4800

Counsel to the Official Committee
of Retired Employees

CERTIFICATE OF SERVICE

I, Charles S. Riecke, an attorney, certify that on December 24, 2003, I caused a copy of the attached **Notice of First Interim Fee Application of Seyfarth Shaw LLP and First Interim Application of Seyfarth Shaw LLP for Allowance of Compensation and Reimbursement of Expenses as Counsel to the Official Committee of Retired Employees for the Period of June 2, 2003, through November 30, 2003** to be served upon the parties identified on the attached Special Service List by causing the same to be deposited into the United States Mail chute located at 55 East Monroe Street, Chicago, Illinois 60603, in properly-addressed envelopes with sufficient first-class postage prepaid. I further certify that on December 24, 2003, I caused a copy of the **Notice of First Interim Application** to be served upon the parties identified on the attached General Service List by causing the same to be deposited into the United States Mail chute located at 55 East Monroe Street, Chicago, Illinois 60603, in properly-addressed envelopes with sufficient first-class postage prepaid.



Charles S. Riecke

IN THE UNITED STATES BANKRUPTCY COURT
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NATIONAL STEEL CORPORATION,) Chapter 11
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**COVER SHEET FOR FIRST INTERIM APPLICATION OF SEYFARTH SHAW LLP
FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES
AS COUNSEL TO THE OFFICIAL COMMITTEE OF RETIRED EMPLOYEES
FOR THE PERIOD OF JUNE 2, 2003, THROUGH NOVEMBER 30, 2003**

Name of Applicant: SEYFARTH SHAW LLP

Authorized to Provide Professional Services to: The Official Committee of Retired Employees

Date of Order Authorizing Employment: July 15, 2003, retroactive to June 2, 2003

Period for which Compensation and Reimbursement is Sought: June 2, 2003, through November 30, 2003

Amount of Interim Fees Sought: \$384,653.50

Amount of Interim Expense Reimbursement Sought: \$13,872.35

This is an: Interim Final Application.

Prior Applications: [See following page.]

Monthly Statement Filing Date and Docket Number	Statement Period	Total Fees Requested	Total Expenses Requested	Amount of Fees to Be Authorized for Payment at 90%	Objections Filed with the Court to Date	Amount of Fees Paid to Date
8/8/03 [Docket No. 2762]	6/2/03 - 6/30/03	\$86,024.50	\$0.00	\$77,422.05	None	\$77,422.05
8/28/03 [Docket No. 2867]	7/1/03 - 7/31/03	\$93,345.00	\$1,569.32	\$84,010.50	None	\$84,010.50
9/25/03 [Docket No. 2965]	8/1/03- 8/31/03	\$74,858.00	\$4,043.12	\$67,372.20	None	\$67,372.20
10/24/03 [Docket No. 3087]	9/1/03- 9/30/03	\$42,922.00	\$851.88	\$38,629.80	None	\$39,481.68
11/25/03 [Docket No. 3222]	10/1/03- 10/31/03	\$74,734.00	\$3,951.47	\$67,260.60	None	\$71,212.07
12/17/03 [Docket No. 3302]	11/1/03- 11/30/03	\$12,770.00	\$4,080.92	\$11,493.00	None	\$0.00
TOTAL		\$384,653.50	\$14,496.71	\$346,188.15		\$339,498.50

Dated: December 24, 2003

Respectfully submitted,

SEYFARTH SHAW LLP

By: 

William J. Factor (IL 6205675)
Charles S. Riecke (IL 90785186)
55 East Monroe Street
Suite 4200
Chicago, Illinois 60603-5803
Tel.: (312) 346-8000

-and-

William J. Hanlon
SEYFARTH SHAW LLP
World Trade Center East
Two Seaport Lane
Suite 300
Boston, Massachusetts 02210-2028
Tel.: (617) 946-4800

Counsel to the Official Committee
of Retired Employees

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**FIRST INTERIM APPLICATION OF SEYFARTH SHAW LLP FOR
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES
AS COUNSEL TO THE OFFICIAL COMMITTEE OF RETIRED EMPLOYEES
FOR THE PERIOD OF JUNE 2, 2003, THROUGH NOVEMBER 30, 2003**

Pursuant to 11 U.S.C. §§ 105(a), 330, and 331, and Federal Rule of Bankruptcy Procedure 2016, Seyfarth Shaw LLP (“Seyfarth”), as the duly-appointed counsel to the Official Committee of Retired Employees (the “Committee”), in the above-captioned cases (the “Cases”), hereby submits its First Interim Application for Compensation and Reimbursement of Expenses (the “Application”) for legal services performed and expenses incurred on behalf of the Committee during the period commencing on June 2, 2003, and ending on November 30, 2003 (the “Application Period”). In support of this Application, Seyfarth respectfully represents as follows:

INTRODUCTION

1. Seyfarth makes this Application pursuant to (i) Sections 105(a), 330, and 331 of the United States Bankruptcy Code, 11 U.S.C. §§ (“Sections”) 101 through 1330, *as amended* (the “Bankruptcy Code”); (ii) Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Rules”); (iii) certain applicable provisions of the Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330, as adopted by the

Office of the United States Trustee (the "Guidelines"); (iv) Rule 5082-1 of the Local Bankruptcy Rules (the "Local Rules") for the United States Bankruptcy Court for the Northern District of Illinois (the "Court"); (v) that certain Order of the Court Authorizing Retroactive Retention and Employment of Seyfarth as Counsel to the Committee (the "Seyfarth Retention Order"); and (vi) other applicable case law discussed herein (collectively, the "Authorities for Relief"). In this regard, Seyfarth has made every reasonable effort to comply with the Authorities for Relief.

2. In making this Application, Seyfarth respectfully seeks the entry of an order of this Court: (i) allowing Seyfarth total compensation in the amount of \$384,653.50 for legal services provided to the Committee during the Application Period; (ii) allowing Seyfarth total expense reimbursement in the amount of \$13,872.35 for costs incurred on behalf of the Committee during the Application Period; and (iii) directing the Debtors to promptly pay to Seyfarth, to the extent not previously paid to Seyfarth, such compensation and expense reimbursement as allowed by the Court.

3. In this connection, Seyfarth attorneys expended approximately 1,335.90 hours in providing the above-referenced legal services, thereby producing an aggregate lodestar rate of \$239.52 per hour.

JURISDICTION

4. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334.

5. This matter is before the Court pursuant to 28 U.S.C. § 157 and Internal Operating Procedure 15(a) of the United States District Court for the Northern District of Illinois.

6. Venue of these Cases and this Application is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

7. Consideration of this Application is a core proceeding pursuant to 28 U.S.C. § 157(b)(1) and (2)(A), (M), and/or (O).

8. The predicates for the relief requested herein are Sections 105(a), 330, and 331, as supported by Rules 2002(a)(6) and 2016(a), and Local Rule 5082-1.

BACKGROUND

Procedural Background

9. On March 26, 2002 (the "Petition Date"), the above-captioned debtors (the "Debtors" or "National Steel") commenced these Cases by filing their voluntary petitions for Chapter 11 relief under the Bankruptcy Code.

10. On April 8, 2003, the Debtors filed their Motion Pursuant to Section 1114(d) for Appointment of Retiree Committee.

11. On April 24, 2003, the Court ordered the appointment of the Committee pursuant to Section 1114(d).

12. Subsequently, the United States Trustee appointed the members of the Committee. The Committee's approximately 8,000 constituents in these Cases include retired employees of the Debtors, and such retirees' spouses and certain of their dependents, not covered by a collective bargaining agreement (collectively, the "Retirees").

13. On June 2, 2003, the Committee selected Seyfarth to act as its counsel.

14. On June 20, 2003, the Committee filed its Application to Employ Seyfarth Shaw as its counsel, along with the appended Affidavit of William J. Hanlon in support of the same. In the same connection, on July 14, 2003, and August 1, 2003, Seyfarth filed with the Court the Supplemental Affidavit of William J. Factor and Second Supplemental Affidavit of William J.

Factor, respectively. Copies of the aforementioned application and affidavits are collectively referred to hereinafter as the “Retention Application” and are grouped and attached hereto as **Exhibit 1** and incorporated herein by reference.

15. On or about July 15, 2003, the Court entered the Seyfarth Retention Order, a copy of which is attached hereto as **Exhibit 2** and incorporated herein by reference.

16. In accordance with Section 504(b)(1) of the Bankruptcy Code and Rule 2016, other than the terms of Seyfarth’s engagement contemplated by the Retention Application and made applicable in these Cases pursuant to the Seyfarth Retention Order, Seyfarth has received no promises for payment for services rendered or to be rendered in any capacity whatsoever in connection with the Cases. Moreover, other than as permitted by Section 504(b)(1) of the Bankruptcy Code and Rule 2016(a), no agreement or understanding exists between Seyfarth and any other entity for a division of compensation and reimbursement received or to be received for services rendered in or in connection with the Cases.

SEYFARTH’S PRIOR COMPENSATION AND REIMBURSEMENT

17. Seyfarth has previously filed and served in the Cases its monthly fee statements for compensation and reimbursement (each a “Monthly Fee Statement”). A summary of these Monthly Fee Statements, and their disposition in these Cases, is set forth below:

Monthly Statement Filing Date and Docket Number	Statement Period	Total Fees Requested	Total Expenses Requested	Amount of Fees Authorized for Payment at 90%	Objections Filed with the Court to Date	Amount of Fees Paid to Date
8/8/03 [Docket No. 2762]	6/2/03 - 6/30/03	\$86,024.50	\$0.00	\$77,422.05	None	\$77,422.05
8/28/03 [Docket No. 2867]	7/1/03 - 7/31/03	\$93,345.00	\$1,569.32	\$84,010.50	None	\$84,010.50

Monthly Statement Filing Date and Docket Number	Statement Period	Total Fees Requested	Total Expenses Requested	Amount of Fees Authorized for Payment at 90%	Objections Filed with the Court to Date	Amount of Fees Paid to Date
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10/24/03 [Docket No. 3087]	9/1/03-9/30/03	\$42,922.00	\$851.88	\$38,629.80	None	\$39,481.68
11/25/03 [Docket No. 3222]	10/1/03-10/31/03	\$74,734.00	\$3,951.47	\$67,260.60	None	\$71,212.07
12/17/03 [Docket No. 3302]	11/1/03-11/30/03	\$12,770.00	\$4,080.92	\$11,493.00	None	\$0.00
TOTALS:		\$384,653.50	\$14,496.71	\$346,188.15		\$339,498.50

18. Copies of the above-referenced Monthly Fee Statements are grouped in chronological order and attached hereto as **Exhibit 3** and are incorporated herein by reference.

19. The source of the above-referenced payments to Seyfarth was from one or more of the Estates.

**SUMMARY OF SERVICES RENDERED
BY SEYFARTH TO THE COMMITTEE**

Overview

20. This Application is Seyfarth's first interim fee application in these Cases.

21. Seyfarth advanced expenses on behalf of the Committee in connection with the legal services that Seyfarth rendered the Committee during the Application Period, and for which Seyfarth is now requesting allowance of reimbursement in the amount of \$13,872.35.

22. The compensation requested by Seyfarth for legal services that it rendered to the Committee during the Application Period aggregates \$384,653.50. The following table consists of a breakdown of this amount by each Seyfarth professional, including each such professional's

(i) title and location, (ii) primary practice area, (iii) hourly rate, and (iv) total hours expended in providing legal services in the Cases during the Application Period, and (v) the value attributable to such legal services:

PROFESSIONAL, TITLE AND LOCATION	PRIMARY PRACTICE AREA	HOURLY RATE	TOTAL HOURS	VALUE
William J. Hanlon PARTNER BOSTON	Bankruptcy	\$350.00	388.40	\$135,940.00
Gus A. Paloian PARTNER-CHICAGO	Bankruptcy	\$370.00	5.20	\$1,924.00
Kathryn B. Solley PARTNER-ATLANTA	Employee Benefits	\$350.00	24.70	\$8,645.00
William J. Factor PARTNER-CHICAGO	Bankruptcy	\$320.00	18.90	\$6,048.00
Frederic S. Singerman PARTNER WASHINGTON, D.C.	Employee Benefits	\$390.00	80.40	\$31,356.00
Peter C. Miller PARTNER-CHICAGO	Employee Benefits	\$350.00	158.90	\$55,583.00
Linda E. Rosenzweig OF COUNSEL-WASHINGTON, D.C.	Employee Benefits	\$300.00	181.30	\$54,870.00
Samuel S. Choy ASSOCIATE-ATLANTA	Employee Benefits	\$275.00	2.50	\$687.50
Eugene M. Holmes ASSOCIATE-ATLANTA	Employee Benefits	\$250.00	1.30	\$325.00
Jeanette Richmond FORMER ASSOCIATE- WASHINGTON, D.C.	Employee Benefits	\$250.00	0.60	\$150.00
Charles S. Riecke ASSOCIATE-CHICAGO	Bankruptcy	\$235.00	119.10	\$27,988.50
Jennifer A. Kraft ASSOCIATE-CHICAGO	Employee Benefits	\$235.00	2.70	\$634.50

PROFESSIONAL, TITLE AND LOCATION	PRIMARY PRACTICE AREA	HOURLY RATE	TOTAL HOURS	VALUE
Tina M. Kuska ASSOCIATE-CHICAGO	Employee Benefits	\$215.00	4.00	\$860.00
Justin M. Crawford ASSOCIATE-CHICAGO	Employee Benefits	\$200.00	197.60	\$39,520.00
Christina S. Pignatelli ASSOCIATE-WASHINGTON, D.C.	Labor & Employment	\$175.00	15.70	\$2,747.50
Jennifer M. McManus PARAPROFESSIONAL-CHICAGO	Bankruptcy	\$140.00	27.60	\$3,864.00
Denise Welding PARAPROFESSIONAL-BOSTON	Employee Benefits	\$155.00	11.90	\$1,844.50
Karen Carr PARAPROFESSIONAL-BOSTON	Employee Benefits	\$140.00	9.50	\$1,330.00
Sheri Fortier PARAPROFESSIONAL-BOSTON	Employee Benefits	\$125.00	81.90	\$10,237.50
Susan Ryan PARAPROFESSIONAL- WASHINGTON, D.C.	N/A	\$115.00	0.70	\$80.50
Betty Edwards PARAPROFESSIONAL-BOSTON	N/A	\$90.00	0.20	\$18.00
TOTAL:			1,335.90	\$384,653.50

23. Biographies for the attorneys listed above, describing their qualifications and areas of expertise, are grouped and attached as **Exhibit 4** and are incorporated herein by reference.

24. During the Application Period, Seyfarth made every reasonable effort to have the services that it rendered to the Committee performed by those qualified professionals charging

the lowest hourly rates consistent with the level of service, experience, and efficiency required of a given task.

25. All of the fees for which Seyfarth requests allowance and payment of compensation, and all of the expenses for which Seyfarth requests reimbursement, in this Application relate to the Application Period and were rendered and/or incurred in connection with these Cases and in the discharge of Seyfarth's professional responsibilities as counsel to the Committee.

26. Seyfarth respectfully submits that its services to the Committee during the Application Period have, in all respects, been reasonable, necessary, and beneficial to the Estates, as further discussed herein.

Time and Expense Records

27. Seyfarth maintains written records of the time expended by its professionals. These time records are maintained contemporaneously with the provision of services by each Seyfarth professional.

28. Such records for these Cases, copies of which are attached hereto as **Exhibit 5** and which are incorporated herein by reference (collectively, the "Time Statement"), set forth in detail (i) the services which Seyfarth rendered on behalf of the Committee, (ii) the dates upon which such services were rendered, (iii) the nature of the services, (iv) the amount of time spent on the services, and (v) the identity of each Seyfarth professional who performed such services. The Time Statement has been edited for privilege purposes.

29. Seyfarth also maintains records of all actual and necessary out-of-pocket expenses incurred in connection with the services that it rendered to the Committee. Such records, copies of which are attached hereto as **Exhibit 6** and which are incorporated herein by

reference, contain a complete listing of these expenses and the amounts for which reimbursement is sought.

Breakdown of Fees by Category of Services Rendered

30. During the Application Period, Seyfarth performed legal services necessary to the Committee.

31. By way of overview, during the Application Period, Seyfarth (i) was retained by the Committee, (ii) analyzed the Committee's goals and the Debtors' financial situation, (iii) researched and reviewed the Committee's rights, (iv) organized Committee meetings, (v) negotiated for the Debtors' initial sponsorship of ongoing coverage to meet the needs of the Committee's constituents, (vi) sought rulings from the IRS and DOR regarding the applicability of the Health Coverage Tax Credit to its plan, and (vii) transitioned the coverage to a governing Board of Trustees.

32. The Committee's work in design and implementation of second available medical coverage ("COBRA Option B") and the Debtors' sponsorship of COBRA Option B has benefited the Estates considerably. First, it permitted the Estates to terminate by agreement retiree benefits which cost the Estates nearly \$3,000,000 a month (by the Debtors' own estimate). Over 2,200 retirees have opted to participate in COBRA Option B. Their choice was driven largely by the fact that they could not afford COBRA Option A and either could not afford or did not have available state insurance plans of last resort. A single retiree opting for COBRA Option A coverage faced a bill of \$550.00 per month. A single retiree opting COBRA Option B faced a bill of approximately \$280.00 per month. By qualifying the plan for the Health Coverage Tax Credit, Seyfarth was able to reduce the cost of coverage to \$100.00 per month.

Moreover, the program will continue for the foreseeable future, ensuring that the retirees whose efforts built National Steel will not be left without coverage.

33. Employer sponsorship of a second available medical coverage is a unique solution to the dilemma posed by the Debtors' liquidation under Chapter 11. It was made possible by a knowledgeable Committee, a willing insurance partner and the depth of services, particularly ERISA knowledge, which Seyfarth brought to the table.

34. For the Court's convenience, Seyfarth has categorized the legal services that it provided the Committee during the Application Period, as follows: (i) Case Administration and Non-Committee Communications, (ii) Committee Meetings, Minutes, and Committee Communications, (iii) Benefit Plan Analysis/Legal Research, (iv) Benefit Claim Analysis; (v) Section 1114 Proposal/Negotiation; (vi) Settlement Implementation; (vii) Engagement/Fee Applications; and (viii) Travel. Each of these categories of services is more fully discussed below.

CASE ADMINISTRATION AND NON-COMMITTEE COMMUNICATIONS (50.00 HOURS VALUED AT \$15,001.00)

35. During the Application Period, Seyfarth expended 50.00 hours, with a value of \$15,001.00, on behalf of the Committee on matters of Case Administration and Non-Committee Communications. Attached **Exhibit 7** contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference.

36. Services that Seyfarth provided the Committee in this category and that benefited the Estates include, but are not limited to:

- A. Telephonic communications with, and follow-up written and/or telephonic communications concerning retirees;

- B. Written and telephonic communications with Debtors' counsel, including, but not limited to, those regarding (i) Section 1114 issues, (ii) the Debtors' various Section 1114 proposals, (iii) the Committee's counter-proposals, and (iv) due diligence matters;
- C. Written and telephonic communications regarding the NEBCO proposal;
- D. Preparation of pleadings and other documents related to the Cases;
- E. Preparation of a press release;
- F. Search for, and review and analysis of, pleadings; and
- G. Communications regarding, and analysis in support of, the preparation of pleadings, other documents, and/or strategy to promote the Committee's interests, including investigation of issues related to the Trade Adjustment Act of 2002 and its Health Coverage Tax Credit.

37. Scyfarth's services in this category directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process by enabling the Committee to carry out its statutory role and function in these Cases.

38. In particular, at the outset of its engagement in these Cases, Scyfarth quickly established a rapport with special counsel to the Debtors, and this line of communication proved instrumental in coming to a negotiated settlement.

COMMITTEE MEETINGS, MINUTES, AND COMMITTEE COMMUNICATIONS (367.70 HOURS VALUED AT \$104,861.50)

39. During the Application Period, Scyfarth expended 367.70 hours with a value of \$104,861.50, on behalf of the Committee on matters of Committee Meetings, Minutes, and

Committee Communications. Attached **Exhibit 8** contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference.

40. Actual and necessary services that Scyfarth provided the Committee in this category and that benefited the Estates include, but are not limited to:

- A. Preparation for and conduction of numerous Committee meetings, and conferences with individual Committee members, regarding issues in the Cases concerning the interests of the Retirees;
- B. Dictation and preparation of Committee minutes, and written communications regarding the same;
- C. Preparation of memoranda to the Committee;
- D. Written and telephonic communications regarding, and preparation, review, and analysis of documents concerning, the NEBCO plan and Debtors' proposal, and the Committee's counterproposals;
- E. Telephonic communications with numerous Retirees regarding (i) pensions, (ii) costs, (iii) life insurance, (iv) notice language, (v) an alternative plan, (vi) objections, and (vii) the formation of the Committee;
- F. Communications regarding, and analysis in support of, the preparation of pleadings, other documents, and/or strategy to promote the Committee's interests, including investigation of issues related to (i) Section 1114 issues, and (ii) business acquisition rules related to COBRA continuation coverage; and
- G. Communications regarding, and preparation of, a press release concerning the joint settlement regarding retiree benefits.

41. Seyfarth's services in this category directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process by enabling the Committee to carry out its statutory role and function in these Cases.

42. Seyfarth was privileged to work with a Committee whose depth of knowledge and experience regarding retiree benefits was unrivaled. These volunteers gave up significant amounts of time to serve their constituents and their knowledge of benefit options, health law and the Debtors' programs was invaluable. Communications with the Committee informed counsel and gave counsel an opportunity to fully vet service providers, medical plan design and benefits, and various trade-offs involved in choosing among settlement options. Unlike many situations where counsel is expected to take the lead, the time spent with the Committee was interactive and constructive, and saved the Estates time and money by eliminating guesswork and providing focused goals.

**BENEFIT PLAN ANALYSIS/LEGAL RESEARCH
(254.35 HOURS VALUED AT \$62,391.00)**

43. During the Application Period, Seyfarth expended 254.35 hours with a value of \$62,391.00 on matters concerning Benefit Plan Analysis and Legal Research on behalf of the Committee. Attached **Exhibit 9** contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference.

44. Actual and necessary services that Seyfarth provided the Committee in this category and that benefited the Estates include, but are not limited to:

- A. Analysis of Section 1114 requirements as applied to retiree medical benefits and modifications to same;

- B. Analysis of and research regarding (i) the Tax Adjustment Act and tax credits for COBRA regarding the same, and (ii) the Trade Act of 2002 and the Health Coverage Tax Credit ("HCTC"), all in interrelation to pension plans;
- C. Legal research and analysis in support of the preparation of pleadings, other documents, and/or strategy to promote the Committee's interests, including investigation of issues related to (i) the Tax Adjustment Act and tax credits in furtherance of Committee counterproposals to the Debtors regarding Retiree benefits, (ii) the Trade Act of 2002 and the Health Coverage Tax Credit ("HCTC"), including the effect of alternative health insurance options and duration of tax credit under the HCTC program, (iii) Seventh Circuit standards regarding Section 1114, (iv) COBRA issues, including what constitutes continuation coverage, a qualifying event, and a termination event for COBRA purposes; (v) unilateral termination of retiree benefits, (vi) ERISA notice requirements upon termination of health coverage, (vii) NEBCO issues, (viii) revenue procedure relating to requests for private letter rulings, (ix) Minnesota law and Minnesota State tax credit, including whether and under what circumstances the tax credit applies to a spouse, (x) regulations regarding eligibility for Voluntary Employee Benefit Association membership;
- D. Due diligence efforts, and review and analysis of documents, regarding NEBCO and affiliated entities;

- E. Review and analysis of other large steel companies' bankruptcy cases and pleadings, as they pertain to similar Section 1114 issues impacting or potentially impacting on the Retirees' benefits;
- F. Conferences regarding preparation of a draft emergency motion to compel Debtors to comply with Section 1114;
- G. Review and revisions to plan documents; and
- H. Written and/or telephonic communications, and/or preparation of memoranda, regarding items A through G, above.

45. Seyfarth's services in the above-listed categories during the Chapter 11 portion of the Cases directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process by enabling the Committee to carry out its statutory role and function in these Cases.

46. In particular, Seyfarth took advantage of its considerable depth in both the bankruptcy and the ERISA fields of law. As set forth herein, Seyfarth crafted a unique solution to a difficult problem, and in doing so, brought to bear its expertise and guidance to the Committee on difficult legal issues, including reconciling COBRA, ERISA, and Bankruptcy Code provisions, which, as is often the case with complex statutes, were written with differing goals in mind. By assigning knowledgeable attorneys to work together on difficult legal issues, Seyfarth reconciled issues efficiently.

BENEFIT CLAIM ANALYSIS (14.60 HOURS VALUED AT \$5,007.50)

47. During the Application Period, Seyfarth expended 14.60 hours with a value of \$5,007.50 on matters concerning Benefit Claim Analysis on behalf of the Committee. Attached

Exhibit 10 contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference.

48. Actual and necessary services that Seyfarth provided the Committee in this category and that benefited the Estates include, but are not limited to:

- A. Review and analysis of relevant pleadings, including an omnibus claim objection;
- B. Preparation of a class action proof of claim; and
- C. Communications regarding items A and B, above.

49. Seyfarth's services in the above-listed categories during the Chapter 11 portion of the Cases directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process by enabling the Committee to carry out its statutory role and function in these Cases.

50. More particularly, and as with its legal services on matters pertaining to Benefit Plan Analysis, Seyfarth took advantage of its considerable depth in both the bankruptcy and the ERISA fields of law in providing the Committee with legal services on matters pertaining to Benefit Claim Analysis.

SECTION 1114 PROPOSAL/NEGOTIATIONS (113.60 HOURS VALUED AT \$42,578.50)

51. During the Application Period, Seyfarth expended 113.60 hours, with a value of \$42,578.50, on behalf of the Committee on matters concerning a Section 1114 Proposal and Negotiations. Attached **Exhibit 11** contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference.

52. As further background for the Court, Seyfarth notes that the services rendered in this category, and the measurable success directly attributable to such services, relate to the

Committee's negotiations with Debtors' counsel concerning the Debtors' and Retirees' Section 1114 issues.

53. Actual and necessary services that Scyfarth provided the Committee in this category and that benefited the Estates include, but are not limited to:

- A. Formation of strategy regarding negotiations with Debtors' counsel;
- B. Formulation of feasible and more beneficial alternatives to Debtors' initial Section 1114 proposal;
- C. Written and telephonic communications with Debtors' counsel and other parties in interests regarding settlement of the Debtors' and Retirees' Section 1114 issues;
- D. Preparation of documents, including various counterproposals to the Debtors' proposals, regarding and in furtherance of settlement of the Debtors' and Retirees' Section 1114 issues;
- E. Preparation of the Section 1114 settlement agreement and the related notice to Retirees;
- F. Preparation of responses to objections to the Section 1114 settlement agreement; and
- G. Efforts to obtain the Court's approval of the Section 1114 settlement agreement.

54. Scyfarth's services in this category directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process by enabling the Committee to carry out its statutory role and function in these Cases.

55. This past summer the Debtors were under tremendous pressure to cease providing retiree benefits to the thousands of retirees represented by the Committee. The Debtors estimated their monthly burn rate at \$3 million. The Committee was faced with Retirees whose benefit costs would skyrocket from \$40.00 or \$50.00 per month, to \$500.00 or more per month. Counsel was employed on June 2, 2003, just days away from the initial proposed cessation of benefits. Seyfarth had to work quickly and intensively with the Committee and the Debtors to craft a satisfactory resolution.

56. Continuing health coverage for a matter of weeks or months and extending traditional COBRA coverage fit neither parties' needs. Instead, and in lieu of the Estates continuing coverage at \$3 million per month, the Committee and the Debtors negotiated for termination of coverage, a brief continuation (through October 31, 2003) of traditional COBRA coverage and for sponsorship of a second medical coverage option, which is referred to as "COBRA Option B." This medical coverage option (i) guaranteed acceptance, (ii) imposed no preexisting condition limitations, (iii) provided prescription drug coverage, (iv) allowed for more affordable monthly payments, and (v) was positioned to take advantage of the Health Coverage Tax Credit passed as part of the Trade Adjustment Act of 2002.

57. The solution crafted by the Committee and Debtors is unique. Upon information and belief, based upon Seyfarth's review of other proceedings and discussions with industry experts, it has never been employed in a bankruptcy situation. It is one of the success stories of these Cases.

SETTLEMENT IMPLEMENTATION (385.85 HOURS VALUED AT \$122,392.50)

58. During the Application Period, Seyfarth expended 385.85 hours, with a value of \$122,392.50, on behalf of the Committee on matters of Settlement Implementation. Attached

Exhibit 12 contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference for all purposes.

59. Actual and necessary services that Seyfarth provided the Committee in this category and that benefited the Estates include, but are not limited to:

- A. Amending the VEBA Trust and Plan documents to reflect the change in sponsorship from the Debtors to the Board of Trustees;
- B. Assistance with formation of the Board of Trustees (primarily from Committee members) and formalizing their by-laws;
- C. Educating the Committee with respect to their fiduciary obligations to their constituents;
- D. Amending the VEBA Trust to reflect the change from company sponsorship to Board of Trustee control and PNC Bank's revised role; and
- E. Requests for Private Letter Rulings from the IRS and DOL on, among other things, the structure of the second available medical coverage and the employee organization which sponsored it and the availability of the Health Coverage Tax Credit to COBRA B.

60. Seyfarth's services in this category directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process by enabling the Committee to carry out its statutory role and function in these Cases, as more fully described below.

61. In order to qualify as an employer-sponsored plan and take advantage of the HCFC, National Steel sponsored COBRA Option B and on November 1, 2003, transitioned

sponsorship of COBRA Option B to a newly created Board of Trustees. Both the Debtors' sponsorship and the transition to the Retirees were mandated by the Settlement Agreement in July of 2003.

62. Seyfarth provided the legal services related to the transition of the COBRA Option B from National Steel to a Board of Trustees. Seyfarth worked with the Retiree Committee to create the Board of Trustees, issue its by-laws, define its rights and responsibilities with respect to the VEBA Trust initially sponsored by National Steel, amend the VEBA Trust and redefine the relationships between and among the plan sponsor, the named fiduciary, the corporate trustee (PNC Bank) and the Board. Because of the unique nature of the health program, and as discussed below, our attempts to capitalize on the Health Coverage Tax Credit, the documentation was not your typical "off the shelf" ERISA benefit plan.

63. Seyfarth directed considerable efforts to ensuring that the Retirees can take advantage of the sixty-five percent (65%) Health Coverage Tax Credit. To this end, Seyfarth prepared requests for Private Letter Rulings to both the IRS and the DOL, both of which were sent to Skadden Arps for prior review and comment and both of which are currently pending with the IRS and DOL. Initial feedback from the IRS is quite favorable. Throughout the process, Seyfarth responded to inquiries from the IRS and DOL and asked them to expedite the process where possible.

ENGAGEMENT/FEE APPLICATION (114.40 HOURS VALUED AT \$27,031.50)

64. During the Application Period, Seyfarth expended 114.40 hours, with a value of \$27,031.50, in matters related to its Engagement and the preparation of its Monthly Statements and this Application.

65. Attached **Exhibit 13** contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference for all purposes.

66. Seyfarth's services in this category directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process.

TRAVEL (15.40 HOURS VALUED AT \$5,390.00)

67. During the Application Period, Seyfarth expended 15.40 hours, with a value of \$5,390.00, on behalf of the Committee on Travel. Attached **Exhibit 14** contains a detailed description of the time entries attributable to this category of services and is incorporated herein by reference for all purposes.

68. Seyfarth's services in this category directly benefited the Estates by, inter alia, satisfying requirements of the Bankruptcy Code and furthering administration of the Estates and the bankruptcy process.

69. Counsel kept travel to an absolute minimum. The Committee conducted all of its business by telephone and email, with a single face-to-face meeting between the Committee chair and counsel on the morning of the hearing on the Section 1114 settlement agreement. Counsel appeared at only one hearing during these cases, and obtained the approval of its negotiated settlement with the Debtors.

Expenses

70. Seyfarth advanced expenses on behalf of the Committee in connection with the legal services that Seyfarth rendered the Committee during the Application Period, and for which Seyfarth is now requesting allowance of reimbursement in the amount of \$13,872.35. Attached **Exhibit 6** contains a detailed description of Seyfarth's Expenses.

71. A chart summarizing the complete out-of-pocket costs associated with the various categories of Seyfarth Expenses is, as follows:

CATEGORY	EXPENSES INCURRED
Online Research	\$1,574.61
Messenger	\$20.25
Federal Express	\$154.33
Parking/Taxi/Travel	\$916.77
Document Production	\$3,892.30
Copying (@ \$0.10 per page)	\$3,719.55
Outside Printing	\$25.00
Facsimile	\$113.88
Long Distance Telephone	\$153.00
Postage	\$87.11
Meals	\$80.38
Court Fees (IRS/Private Letter Ruling)	\$2,470.00
Other	\$665.17
TOTAL:	\$13,872.35

72. Certain of the Expenses are more fully described, below¹:

- A. Photocopying. Seyfarth voluntarily reduced photocopy costs to \$0.10 per page.

¹ Seyfarth has not billed the Estates for telephone charges other than the actual expense of long-distance telephone charges.

- B. Computer-Assisted Legal Research. Seyfarth utilized necessary computer-assisted legal research when time constraints rendered it impracticable to conduct manual research or where the use of such computer-assisted legal research was determined to be more cost-efficient. Computer-assisted research is billed at actual cost to the Firm.
- C. Delivery. Seyfarth incurred Federal Express and other necessary delivery charges on the Committee's behalf, and billed those charges at actual cost to the Firm.

RELIEF REQUESTED

73. Seyfarth respectfully requests that the Court: (A) allow Seyfarth on an interim basis (i) fees consisting of \$384,653.50 (the "Requested Compensation") for legal services rendered to the Committee during the Application Period, and (ii) expense reimbursement in the amount of \$13,872.35 (the "Requested Reimbursement") for costs incurred in connection with services rendered to the Committee during the Application Period; and (B) authorize and direct the Debtors to promptly pay to Seyfarth from the Estates, to the extent not previously paid to Seyfarth, the Requested Compensation and Reimbursement. A draft Order granting such relief is attached hereto as **Exhibit 15**.

BASIS FOR REQUESTED RELIEF **Compensation Standards and Analysis**

74. Under Section 330(a)(1)(A) of the Bankruptcy Code, the Court may award a professional person employed under Section 327, such as Seyfarth, "reasonable compensation for actual, necessary services rendered[.]" 11 U.S.C. § 330(a)(1)(A).

75. With respect to the reasonableness standard, Section 330(a)(3) provides, as follows:

(3)(A) In determining the amount of reasonable compensation to be awarded, the court shall 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).

76. Additionally, this Court has also utilized the twelve factors cited in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714 (5th Cir. 1974), in making reasonableness determinations. See In re Palladino, 267 B.R. 825, 831 (Bankr. N.D. Ill. 2001) (Squires, J.); In re McNichols, 258 B.R. 892, 904-06 (Bankr. N.D. Ill. 2001) (Squires, J.); In re Spanjer Bros., Inc., 191 B.R. 738, 748 (Bankr. N.D. Ill. 1996) (Squires, J.). The twelve Johnson factors are, as follows:

- (1) the time and labor required;
- (2) the novelty and difficulty of the questions;
- (3) the skill required to perform the legal services properly;
- (4) the preclusion of employment by the attorney due to acceptance of the case;
- (5) the customary fee;
- (6) whether the fee is fixed or contingent;
- (7) time limitations imposed by the client or the circumstances;
- (8) the amount involved and the result obtained;
- (9) the experience, reputation and ability of the attorneys;

- (10) the undesirability of the case;
- (11) the nature and length of the professional relationship with the client; and
- (12) awards in similar cases.

488 F.2d at 717-19.

The Lodestar Calculation: A Combination of Time, Labor, and Rate Factors, and Lost Opportunity Cost

77. “The most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate.” Hensley v. Eckerhart, 461 U.S. 424, 434, 103 S. Ct. 1933, 1939, 76 L.Ed.2d 40 (1983); accord In re Wildman, 72 B.R. 700, 712 (Bankr. N.D. Ill. 1987) (Schmetterer, J.) (“[The] ‘lodestar’ approach—that is, multiplying the number of actual and necessary hours reasonably expended by a reasonable hourly rate . . . seems to be the appropriate method in determining the extent and value of compensation.”). In this connection, it is noteworthy that many of the Johnson factors are subsumed within this calculation. Hensley, 461 U.S. at 434 n. 9, 103 S. Ct. at 1940 n. 9.

78. With respect to determining a reasonable hourly rate, “Congress rejected the ‘spirit of economy’ notion in favor of a market approach to determining fees” in enacting Section 330(a)(1), and thereby “‘expressed its intent that compensation in bankruptcy matters be commensurate with the fees awarded for comparable services in non-bankruptcy cases.’” In re Farley, Inc., 156 B.R. 203, 210 (Bankr. N.D. Ill. 1993) (Schmetterer, J.) (quoting In re UNR Indus., Inc., 986 F.2d 207, 208-09 (7th Cir. 1993)); see In re Palladino, 267 B.R. at 831.

79. In this regard, and as the United States Court of Appeals for the Seventh Circuit held in Gusman v. Unisys Corp., 986 F.2d 1146 (7th Cir. 1993):

The best measure of an attorney's time is what that attorney could earn from paying clients. For a busy attorney, this is the standard hourly rate. If he were not [working for] this [client], the lawyer could sell the same time to someone else. That other person's willingness to pay establishes the market's valuation of the attorney's services.

Id. at 1150; see Palladino, 267 B.R. at 831; see also Pressley v. Haeger, 977 F.2d 295, 299 (7th Cir. 1992) ("It is not the function of judges in fee litigation to determine the equivalent of the medieval just price. It is to determine what the lawyer would receive if he were selling his services in the market rather than being paid by court order.") (internal quotation marks and citation omitted).

80. Here, where Scyfarth bills the vast majority of its time at a set rate for paying clients and spends only a very limited percentage of its time on cases covered by fee-shifting statutes, "there is a strong presumption that such counsel could have billed out remaining time at the rate normally charged." In re Farley, Inc., 156 B.R. at 211.

81. For purposes of this Application, Scyfarth has computed its fees on the basis of its standard hourly rates applicable to the performance of legal services unrelated to these Cases at the time that such services were rendered.

82. During the Application Period, Scyfarth's standard hourly billing rates for professionals providing services in these Cases ranged from \$175.00 to \$390.00 for attorneys, and from \$90.00 to \$155.00 for paraprofessionals. Based upon the total number of hours that Scyfarth billed in rendering services to the Committee during the Application Period, Scyfarth's average hourly billing rate—that is, its "lodestar" rate—during the Application Period was \$239.52.

83. Based upon the foregoing and the attached Time Statement, Scyfarth respectfully submits that the fair and reasonable value of the legal services that it rendered to the Committee during the Application Period aggregates \$384,653.50, and should be allowed. In all respects, it

is the same compensation which Seyfarth would have received for providing legal services to its non-bankruptcy clients, and thus represents Seyfarth's lost opportunity cost because Seyfarth's acceptance of employment in these Cases precluded other employment that Seyfarth would otherwise have obtained.

***The Compensation Requested by Seyfarth is Reasonable
Based on the Rates Charged By, and Compensation Awarded to,
Comparable Practitioners in This or Other Bankruptcy Cases, or by
Comparable Practitioners in Non-Bankruptcy Cases***

84. As stated, during the Application Period, Seyfarth's standard hourly billing rates for professionals providing services in these Chapter 7 cases ranged from \$175.00 to \$390.00 for attorneys, and from \$90.00 to \$155.00 for paraprofessionals.

85. These hourly rates are well within, if not below, the range of those charged by comparable professionals, or the range of those charged for the services of comparable paraprofessionals, at comparable law firms in Chicago.

86. Seyfarth respectfully submits that the compensation which it has requested for rendering legal services to the Committee during the Application Period is commensurate with the fees charged by and awarded to professionals of comparable experience and expertise in these Cases or similar bankruptcy cases.

87. Further, Seyfarth respectfully submits that the compensation which it has requested is reasonable based upon the customary fees charged by comparably-skilled practitioners in non-bankruptcy cases.

88. For all of these reasons, Seyfarth respectfully submits that the compensation which it has requested should be allowed.

Result Obtained: The Services Provided by Seyfarth were Necessary to the Administration of, and/or Beneficial to, the Estates

89. It has been generally held that if the services of an attorney employed under Section 327 or 1103 are reasonably likely to benefit the bankruptcy estate, they should be compensable. See In re Pro-Snax Distributors, Inc., 157 F.3d 414, 421 (5th Cir. 1998); In re Ames Dep't Stores, Inc., 76 F.3d 66, 71 (2d Cir. 1996); 2 Lawrence P. King, Collier on Bankruptcy ¶ 330.04 at 330-43 (15th ed. rev. 1999); cf. 11 U.S.C. § 330(a)(4)(A)(ii)(I).

90. The determination of benefit to the Estates is not constrained to a dollar-for-dollar measurement, such that each dollar's worth of legal services must bring a cash dollar into the Estates in order to justify equivalent compensation to counsel. See In re Spanjer Bros., Inc., 191 B.R. at 748; In re Lifschultz East Freight, Inc., 140 B.R. 482, 488 (Bankr. N.D. Ill. 1992) (Barliant, J.). Instead, other factors, such as "whether the services rendered promoted the bankruptcy process or administration of the estate in accordance with the practice and procedures provided under the Bankruptcy Code and Rules for the orderly and prompt disposition of bankruptcy cases and related adversary proceedings," also support awards of compensation. In re Spanjer Bros., Inc., 191 B.R. at 748.

91. The Committee requested that Seyfarth represent its interests and those of its more than 8,000 constituents in these Cases. Seyfarth's legal services in this respect promoted and carried out essential aspects of the bankruptcy process in these Cases. In the same respect, Seyfarth's legal services were, and are, necessary to the administration of the Estates.

92. Ordinarily, in a liquidating bankruptcy, benefits are terminated with little or no COBRA coverage. In some cases, the result is worse, such as in instances where benefit plans are canceled before the bankruptcy petition is filed. Virtually every benefit plan (including National Steel's) drafted after 1986 gives the employer the right to terminate, modify, or amend

benefits without notice to retirees. National Steel's plans contained this right. At the time the Committee was formed, the Debtors had sold their assets and were paying approximately \$3 million per month to provide benefits to the Retirees. Once the assets were sold, however, it became clear that National Steel could no longer pay for retiree benefits.

93. Knowing that National Steel's coverage would stop, the Committee negotiated for National Steel to sponsor a second medical coverage option, which is referred to as "COBRA Option B." The Committee sought to implement a medical coverage option that (i) guaranteed acceptance, (ii) imposed no pre-existing condition limitations, (iii) provided prescription drug coverage, (iv) allowed for more affordable monthly payments, and (v) was positioned to take advantage of the health coverage tax credit. By working with National Steel to sponsor COBRA Option B, the Committee achieved these goals. To our knowledge, this is the first time that a bankrupt company has agreed to sponsor a second medical coverage option. Instead of leaving Retirees entirely on their own to find replacement coverage, COBRA Option B provides a continuing coverage option which minimizes the risk of a lapse in coverage and gives Retirees guaranteed acceptance.

94. By structuring a solution that fit both the Retirees' need for ongoing, guaranteed medical coverage, and the Debtors' need to discontinue paying an onerous administrative expense, Seyfarth's services clearly benefited the Estates.

The Services Provided by Seyfarth were Performed within a Reasonable Amount of Time as Compared with the Skill Required to Perform the Services Properly and the Nature of the Matters

95. Seyfarth's legal services in these cases have been rendered within a reasonable amount of time commensurate with the complexity, importance, and nature of the matters which they concerned.

96. Seyfarth respectfully submits that its legal services were promptly and efficiently provided by seasoned bankruptcy and ERISA professionals, the experience, reputation, and ability of whom is further developed in their respective attached biographies, at attached **Exhibit 4**.

97. Seyfarth brought an uncommon combination of experience and knowledge in the fields of both bankruptcy and ERISA law to this case and put these skills to work in crafting a unique solution to a vexing problem.

Time Limits and Exigent Circumstances

98. Seyfarth's representation of the Committee in these Cases was undertaken with both time limits and exigent circumstances involved.

99. On April 21, 2003, the Bankruptcy Court entered an order approving the sale of substantially all of National Steel's assets to United States Steel Corporation ("US Steel"). On May 20, 2003, National Steel and US Steel completed the sale.

100. At the time Seyfarth commenced providing legal services to the Committee, the Committee faced the imminent termination of benefits to its constituents. In this respect, National Steel's lawyers contacted the Committee on May 29, 2003, in order to discuss termination. On June 2, 2003, Seyfarth lawyers had initial discussions with National Steel's lawyers regarding these Cases. At the same time, Seyfarth met with the Committee and discussed its goals. The Committee's initial goals were to keep existing coverage to the extent possible and obtain replacement coverage. Knowing that termination of its constituents' benefits was imminent, the Committee sought alternatives immediately.

101. Within two weeks of meeting with the Committee, on June 16, 2003, National Steel issued its formal request to terminate medical benefits and life insurance. National Steel's initial request called for the termination of benefits on June 30, 2003 and for three months of

COBRA coverage. Two days after National Steel's formal demand, the Committee requested an extension of time for paid benefits so that it could conclude its negotiations with National Steel. National Steel gave the extension and continued negotiations.

102. The Debtors were under tremendous pressure to reduce their burn rate and the Committee faced imminent discontinuation of its benefits. Without an alternative in place, many Retirees would be unable to afford traditional COBRA coverage and were facing a lapse in coverage which would make it difficult, if not impossible, to obtain replacement coverage.

103. In addition to the usual wrangling over Section 1114 issues, the Committee and Seyfarth worked together to design a second medical coverage—a process which often takes months—in a matter of weeks. Working around and over the July 4th holidays and in the midst of summer vacations, Seyfarth and the Committee put a plan in place and Seyfarth arrived at a settlement with the Debtors, which was approved on July 28, 2003, two days prior to its effective date.

104. Since its retention in these Cases, Seyfarth has endeavored to efficiently provide legal services to the Committee and to advance the interests of its constituents towards favorable resolution. This endeavor is reflected by results: over 2,200 retirees have availed themselves of the low cost alternative designed by the Committee and implemented by Seyfarth.

***Seyfarth has Exercised its Good Faith
Billing Judgment in Making this Application***

105. In rendering legal services to the Committee, and in making this Application, Seyfarth respectfully submits that it has exercised its good faith billing judgment, and has not sought compensation for “excessive, redundant, or otherwise unnecessary” time. Hensley, 461 U.S. at 434, 103 S. Ct. at 1939-40; see McNichols, 258 B.R. at 905.

106. In these respects, Seyfarth has made every reasonable effort to have the legal services rendered to the Committee performed by those qualified attorneys and paraprofessionals charging the lowest hourly rates consistent with the level of service, experience, and efficiency required of a given task.

107. Relatedly, and as previously stated, Seyfarth has voluntarily reduced, limited and, in many instances, waived, certain of the costs it incurred in providing services the Committee.

Reimbursement Standard and Analysis

108. With respect to reimbursing expenses, the Court may award a professional person “reimbursement for actual, necessary expenses.” 11 U.S.C. § 330(a)(1)(B).

109. “An expense is necessary if it was incurred because it was required to accomplish the proper representation of the client.” In re Spanjer Bros., Inc., 191 B.R. at 749; see In re Wildman, 72 B.R. at 731.

110. In this connection, Seyfarth has requested reimbursement only for actual and necessary expenses incurred on the Committee’s behalf. Seyfarth respectfully submits that these expenses were incurred because they were required to accomplish the proper representation of the Committee and the further of its interests in these Cases. As previously indicated, Seyfarth voluntarily reduced and limited its costs for photocopy expenses.

CONCLUSION

111. The fees and expenses for which Seyfarth requests compensation and reimbursement all arose in connection with these Cases, and in the discharge of Seyfarth’s professional responsibilities as counsel to the Committee, during the Application Period. Seyfarth respectfully submits that the legal services that it rendered to the Committee, and the fees charged in connection therewith, have, in all respects, been reasonable, necessary, and

beneficial to the Estates and their administration, and that the expenses that Seyfarth incurred in rendering such legal services were actual and necessary.

112. For all of the foregoing reasons, Seyfarth respectfully submits that its request that the Court (i) allow and award Seyfarth on an interim basis the Requested Compensation and Reimbursement and (ii) direct payment of the same from the Estates, should be granted in full.

113. Seyfarth respectfully reserves the right to seek, in a future fee application or applications, compensation and reimbursement of expenses incurred during the Application Period that are not included in this Application, if any.

NOTICE

114. Notice of this Application has been provided to: (A) the Notice Parties, as defined in the Administrative Order under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Periodic Compensation and Reimbursement of Expenses of Professionals that was entered by the Court in these Cases, and (B) those other parties listed on the attached General Service List.

115. Pursuant to Federal Rule of Bankruptcy Procedure 2002(a)(2), and due to the significant expense that would be associated with serving this Application upon all creditors in these cases, Seyfarth respectfully submits that sufficient cause exists to limit such notice to the aforementioned parties.

116. Pursuant to Rules 2002(a)(2) and (a)(3), and 9006(c)(1), Seyfarth respectfully requests that such notice be deemed adequate and that the Court find that no other or further notice is necessary.

NO PRIOR REQUEST

117. No prior request for the collective relief requested by this Application has been made to this Court or to any other court.

WHEREFORE Seyfarth Shaw LLP respectfully requests that the Court enter an Order:

- A. Allowing and awarding Seyfarth Shaw LLP the Requested Compensation and Reimbursement on an interim basis;
- B. Authorizing and directing the Debtors to make prompt payment from the Estates of such Compensation and Reimbursement to Seyfarth, to the extent not previously paid to Seyfarth;
- C. Finding notice of the Application as given sufficient and excusing all further notice for good cause shown; and
- D. Granting such other and further relief as the Court may deem just and appropriate.

Dated: December 24, 2003

Respectfully submitted,

SEYFARTH SHAW LLP

By: 

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-and-

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Counsel to the Official Committee
of Retired Employees

FOD JUN 23 2003

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED
UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS

JUN 20 2003

KENNETH S. GARDNER, CLERK
PS REP. - MJ

In re:	)	Case No. 02-08699
	)	(Jointly Administered)
NATIONAL STEEL CORPORATION,	)	Chapter 11
<u>et al.</u> ,)	
	)	Honorable John H. Squires
Debtor.)	
	)	Hearing Date: July 15, 20023
	)	Hearing Time: 8:30 a.m. (CST)
	)	Objection Deadline: July 8, 2003

NOTICE OF APPLICATION

TO: PARTIES LISTED ON THE ATTACHED SERVICE LISTS

PLEASE TAKE NOTICE that on July 15, 2003, at 8:30 a.m. (CST), the undersigned shall appear before the Honorable John H. Squires, United States Bankruptcy Judge, in the courtroom normally occupied by His Honor, Courtroom 680, at 219 South Dearborn Street, Chicago, Illinois, and then and there we shall present the **Application for an Order Authorizing the Retroactive Retention and Employment of Seyfarth Shaw as Counsel to the Official Committee of Retired Employees**, a true and correct copy of which is attached hereto and herewith served upon you.

Dated: June 20, 2003

Respectfully submitted,

SEYFARTH SHAW

By: 
One of Its Attorneys

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EOD JUN 23 2003

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:	)	Case No. 02-08699
	)	(Jointly Administered)
NATIONAL STEEL CORPORATION,	)	Chapter 11
<u>et al.</u> ,)	
	)	Honorable John H. Squires
Debtor.)	
	)	Hearing Date: July 15, 2003
	)	Hearing Time: 8:30 a.m. (CST)
	)	Objection Deadline: July 8, 2003

FILED
 UNITED STATES BANKRUPTCY COURT
 NORTHERN DISTRICT OF ILLINOIS
 JUN 20 2003
 KENNETH S. GARDNER, CLERK
 PS REP. - MJ

**APPLICATION FOR AN ORDER AUTHORIZING THE
RETROACTIVE RETENTION AND EMPLOYMENT
OF SEYFARTH SHAW AS COUNSEL TO THE
OFFICIAL COMMITTEE OF RETIRED EMPLOYEES**

Pursuant to 11 U.S.C. §§ 105(a), 328(a), and 1103(a) and (b), and Federal Rule ("Rule") of Bankruptcy Procedure 2014, the Official Committee of Retired Employees (the "Committee") respectfully requests (the "Application") that the Court enter an order, substantially in the form of that attached hereto as **Exhibit 1**, authorizing and approving the retention and employment of Seyfarth Shaw ("Seyfarth") as counsel to the Committee retroactive to June 2, 2003. In support of this Application, the Committee: (A) submits the Affidavit of William J. Hanlon, Esq. (the "Hanlon Affidavit"), a copy of which is attached hereto as **Exhibit 2** and is incorporated herein by reference, and (B) respectfully states, as follows:

JURISDICTION

1. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334, and Internal Operating Procedure 15(a) of the United States District Court for the Northern District of Illinois.

2. Venue of the above-captioned cases (the "Cases"), and of this Application, is proper in this Judicial District pursuant to 28 U.S.C. §§ 1408 and 1409.

3. This matter is a core proceeding within the meaning of 28 U.S.C. §§ 157(b)(2)(A) and (C).

4. The predicates for the relief requested herein are 11 U.S.C. §§ 105(a), 328(a), and 1103(a) and (b), as supported by Rule 2014.

BACKGROUND

General Background

5. On March 26, 2002, debtors and debtors-in-possession National Steel Corporation and certain of its subsidiaries and affiliates (collectively, the "Debtors") commenced these Cases by filing their voluntary petitions for relief under Chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 through 1330, *as amended* (the "Bankruptcy Code").

6. On April 24, 2003, the Court entered that certain Order Pursuant to Section 1114(d) of the Bankruptcy Code Appointing a Committee of Retired Employees, a copy of which is attached hereto as **Exhibit 3**.

7. The Committee seeks to retroactively retain and employ Seyfarth as its counsel in the Cases subject to the terms and conditions described herein.

Proposed Seyfarth Retention

8. Seyfarth is a law firm comprised of approximately 500 attorneys located in nine offices nationwide and one in Europe.

9. The Committee expects that Seyfarth will render all legal services necessary to the Committee's fulfillment of its statutory duties under Section 1103(c) of the Bankruptcy Code, and that such services may include, but are not limited to, the following:

- A. Rendering advice to, and otherwise assisting, the Committee in consultations with interested parties concerning the administration of the Cases;
- B. Rendering advice to, and otherwise assisting, the Committee in any investigation of the assets, liabilities, and financial condition of the Debtors, and any other relevant matter;
- C. Rendering advice to, and otherwise assisting, the Committee in its participation in the formulation of a plan in these Cases;
- D. Rendering advice to, and otherwise assisting, the Committee in advising those it represents of its determinations concerning any plan formulated in these Cases;
- E. Rendering advice to, and otherwise assisting, the Committee carrying out the purposes of Sections 1114 and 1129(a)(13), including benefit plan analysis and alternatives; legal research; benefit claim analysis; and communications, proposals, and negotiations related to Section 1114 of the Bankruptcy Code;
- F. Rendering advice to, and otherwise assisting, the Committee in structuring and implementing alternatives to cancellation of benefits and utilization of COBRA rights, including structuring and implementing alternative group insurance and the creation of a retiree association necessary to settle a trust implementing group insurance; and

G. Rendering advice to, and otherwise assisting, the Committee in its performance of such other services as are in the interest of those it represents.

10. The Committee believes that Seyfarth is well qualified, and has the necessary background, resources, expertise, and dedication, to meet the Committee's legal needs in these Cases. In this respect, Seyfarth has extensive experience in representing debtors and debtors-in-possession, secured and unsecured creditors, creditors committees, equity holders, and trustees in Chapter 11 proceedings and adversary proceedings, and has a skilled employee benefits department familiar with insolvency issues.

11. Moreover, to the best of the Committee's knowledge, information, and belief, Seyfarth has no connection with the Debtors, their creditors, the United States Trustee, or any person employed in the Office of the United States Trustee, or any other party with an actual or potential interest in these Cases or their respective attorneys or accountants, except as set forth in the Hanlon Affidavit.

12. Accordingly, the Committee believes at this time that, as required by Section 1103(b), Seyfarth does not "represent any other entity having an adverse interest in connection with the [C]ase[s]." 11 U.S.C. § 1103(b).

13. Seyfarth has advised the Committee of its willingness to serve as the Committee's counsel in these Cases at Seyfarth's normal and customary hourly rates. In this respect, and subject to the Court's approval, Seyfarth intends to: (A) charge for its services on an hourly basis in accordance with its ordinary and customary billing practices and using its hourly rates in effect on the date that services are rendered, and (B) seek reimbursement of its actual and necessary out-of-pocket expenses incurred in relation to such services. Towards that end,

Seyfarth will maintain detailed, contemporaneous records of the time it bills (the "Time Detail") any actual and necessary expenses it incurs in these Cases. For the Court's convenience, the Time Detail will be organized by the category and nature of the services rendered.

14. All of Seyfarth's fees and expenses in these Cases will be subject to the approval of the Court upon proper application by Seyfarth in accordance with Sections 330 and 331 of the Bankruptcy Code, Rule 2016(b), all applicable Local Bankruptcy Rules, and any applicable Order, or other requirements, of the Court.

15. The positions, practice areas, and current hourly billing rates of the Seyfarth professionals and paraprofessionals currently expected to be primarily responsible for providing services to the Committee are, as follows:

<u>Professional</u>	<u>Position</u>	<u>Practice Area</u>	<u>2003 Hourly Rate</u>
William J. Hanlon	Partner (Boston)	Bankruptcy	\$350.00
Peter C. Miller	Partner (Chicago)	Employee Benefits	\$350.00
William J. Factor	Partner (Chicago)	Bankruptcy	\$320.00
Charles S. Riecke	Associate (Chicago)	Bankruptcy	\$235.00
Justin M. Crawford	Associate (Chicago)	Employee Benefits	\$200.00
Jennifer M. McManus	Paralegal (Chicago)	Bankruptcy	\$140.00

In the ordinary course of its business, Seyfarth periodically adjusts the hourly rates of its lawyers and paraprofessionals to reflect, *inter alia*, changes in responsibilities and increased experience and costs of doing business.

16. Seyfarth has advised the Committee that: (A) no promises have been received by Seyfarth or by any partner, counsel, or associate thereof, as to compensation in connection with

these Cases other than in accordance with the provisions of the Bankruptcy Code or as set forth herein; (B) Seyfarth has no agreement with any other entity to share any compensation received by Seyfarth in connection with these Cases; and (C) Seyfarth has not agreed to share (i) any compensation it has received or may receive with another party or person, other than with the partners, counsel, and associates of Seyfarth, or (ii) any compensation that any other person or party has received or may receive.

17. At the request of the Committee, Seyfarth has performed limited, necessary services in relation to the Cases since June 2, 2003, with due consideration of the June 20, 2003 deadline for the Debtors to file their first plan.

18. Based upon all of the foregoing, the Committee respectfully submits that its proposed retroactive retention and employment of Seyfarth is in the Committee's best interests, as well as those of the Debtors and their respective bankruptcy estates and creditors.

REQUESTED RELIEF

19. The Committee respectfully requests that the Court enter an order, substantially in the form of that attached hereto as **Exhibit 1**, authorizing and approving the retention and employment of Seyfarth as counsel to the Committee retroactive to June 2, 2003, pursuant to 11 U.S.C. §§ 105(a), 328(a) and 1103(a), and Rule 2014.

BASIS FOR THE REQUESTED RELIEF

20. Section 1103(a) of the Bankruptcy Code authorizes the Committee to select and authorize the employment of one or more attorneys to represent or perform services for it in these Cases. 11 U.S.C. § 1103(a). As indicated by this Application, and for the all of the reasons previously discussed herein, the Committee has selected Seyfarth as its counsel.

21. In turn, Section 328(a) permits the Committee, subject to the Court's approval, to employ attorneys "on any reasonable terms and conditions of employment, including on . . . an hourly basis[.]" 11 U.S.C. § 328(a). The Committee respectfully submits that the terms and conditions of Seyfarth's proposed employment, as previously outlined herein, are reasonable and should be approved by the Court.

22. The Committee respectfully requests that the Court make Seyfarth's employment retroactive to June 2, 2003, the date on which the Committee selected Seyfarth as its counsel, and the date on which Seyfarth first incurred fees and/or expenses on the Committee's behalf, in these Cases. Since being selected as the Committee's counsel on June 2, 2003, Seyfarth has been diligent in preparing this Application and the Hanlon Affidavit attached hereto. Accordingly, the Committee respectfully submits that retroactive employment is appropriate and warranted under the instant facts.

NOTICE

23. Notice of this Application has been given to: (A) the Office of the United States Trustee, in care of Stephen G. Wolfe, Esq.; (B) counsel to the Debtors; (C) counsel to the Debtors' pre- and postpetition lenders; (D) all parties requesting service of pleadings in these cases; and (E) all other parties listed on the attached Service List. The Committee respectfully requests that the Court find such notice to be sufficient and that no other or further notice need be provided.

NO PRIOR REQUEST

24. No prior request for the relief requested in this Application has been made to this Court or to any other court.

WHEREFORE, the Official Committee of Retired Employees respectfully requests that the Court: (A) enter an order, substantially in the form of that attached hereto as Exhibit 1, authorizing and approving the retention and employment of Seyfarth as counsel to the Committee retroactive to June 2, 2003, pursuant to Sections 105(a), 328(a) and 1103(a) and (b) of the Bankruptcy Code and Rule 2014; and (B) grant such other and further relief as the Court may deem just and appropriate.

Dated: June 20, 2003

Respectfully submitted,

OFFICIAL COMMITTEE OF
RETIRED EMPLOYEES


Richard Coffee, Chair of the Committee

-and-

By: _____
One of Its Proposed Attorneys

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PROPOSED COUNSEL TO
THE OFFICIAL COMMITTEE
OF RETIRED EMPLOYEES

WIIEREFORE, the Official Committee of Retired Employees respectfully requests that the Court: (A) enter an order, substantially in the form of that attached hereto as **Exhibit 1**, authorizing and approving the retention and employment of Seyfarth as counsel to the Committee retroactive to June 2, 2003, pursuant to Sections 105(a), 328(a) and 1103(a) and (b) of the Bankruptcy Code and Rule 2014; and (B) grant such other and further relief as the Court may deem just and appropriate.

Dated: June 20, 2003

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PROPOSED COUNSEL TO
THE OFFICIAL COMMITTEE
OF RETIRED EMPLOYEES

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) Case No. 02-08699
) (Jointly Administered)
NATIONAL STEEL CORPORATION,) Chapter 11
et al.,)
) Honorable John H. Squires
Debtor.)

**AFFIDAVIT OF WILLIAM J. HANLON
IN ACCORDANCE WITH 11 U.S.C. §1103(b) AND
FEDERAL RULE OF BANKRUPTCY PROCEDURE 2014(a)**

Commonwealth of Massachusetts)
) SS:
Suffolk County)

William J. Hanlon, being first duly sworn on oath, deposes and states, as follows:

1. I am a partner of the law firm of Seyfarth Shaw ("Seyfarth") and I am authorized to execute this affidavit (the "Affidavit") on its behalf. I am a member in good standing of the State Bars of Massachusetts, New York, and Connecticut, and am admitted to practice before each of the United States District Courts located in those States.

2. I submit this affidavit pursuant to Section 1103(a) of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), in support of the attached Application (the "Application") for an Order Authorizing the Retroactive Retention and Employment of Seyfarth Shaw as Counsel to the Official Committee of Retired Employees (the "Committee"), the contents of which Application I believe to be true and accurate.

3. Except as otherwise indicated, I have personal knowledge of the facts set forth in this Affidavit.