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U.S. BANKRUPTCY COURT
PATRICIA GRAY, CLERK

ED

7 ATTORNEYS FOR THE OFFICIAL
8 COMMITTEE OF UNSECURED CREDITORS

9 UNITED STATES BANKRUPTCY COURT
10 FOR THE DISTRICT OF NEVADA

11 In re:)
12 PEGASUS GOLD CORPORATION, et al.,) In Proceedings Under Chapter 11
13 Debtors.) CASE NOS. BK-N-98-30088GWZ
14) through BK-N-98-30105GWZ
15) (Jointly Administered)
16)
17) Hearing Date: May 17, 1999
18) Hearing Time: 9:00 a.m.

17 APPLICATION OF MAYER, BROWN & PLATT PURSUANT
18 TO SECTION 331 OF THE BANKRUPTCY CODE FOR (i) INTERIM
19 ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED
20 AND REIMBURSEMENT OF EXPENSES INCURRED FROM
DECEMBER 1, 1998 THROUGH FEBRUARY 5, 1999 AS COUNSEL
FOR OFFICIAL COMMITTEE OF UNSECURED CREDITORS,
AND (ii) FOR FINAL ALLOWANCE OF FEES AND
EXPENSES INCURRED DURING THE CHAPTER 11 CASES

21 TO THE HONORABLE GREGG W. ZIVE,
22 UNITED STATES BANKRUPTCY JUDGE:

23 Mayer, Brown & Platt ("MB&P"), as counsel for The Official Committee of Unsecured
24 Creditors (the "Committee"), hereby makes its final application (the "Application") for (i)
25 allowance and payment of interim compensation for professional services rendered and
26 reimbursement for expenses incurred for the period from December 1, 1998 through February 5,
27 1999 (the "Final Interim Period") of \$375,533.25 and \$32,241.41, respectively, and (ii) for final
28 allowance of all fees and expenses incurred during the chapter 11 cases from February 10, 1998

* 719 (officer's fee)
#1439 ① 421,373.00 63,139.25
#1972 ② 400,160.25 59,414.63 5/31/98
#2193 ③ 396,233 53,314.52
375,533.25 32,241.41
④ 1,593,299.50
208,109.81
2193

1 through February 5, 1999. Inclusive of the final interim amounts identified above, MB&P seeks
2 final allowance of \$1,593,299.50 in fees and \$208,109.81 in expenses incurred during the
3 Chapter 11 cases.¹

4 **PRELIMINARY STATEMENT**

5 1. On February 5, 1999, consensual plans of reorganization were consummated for
6 the six most significant Pegasus companies. In light of the complexity of these cases, and the
7 unusually large number of parties in interest with legal representation and active participation in
8 these cases, the consummation of any plans, much less consensual plans, must be regarded as a
9 great achievement. A great deal of the active participation in the cases can be traced to the
10 Creditors' Committee, and to a number members of the committee who frequently acted
11 independently of the Committee. The management of the Committee's interests, from behind-
12 the-scenes harmonization of disparate and conflicting views, to in-court balancing of the
13 Committee's interests and those of dissenting members of the Committee, and ultimately to the
14 development of cooperative relationships with the Debtors, their professionals, and the principal
15 representatives of other active parties in the cases, all of which was essential to the successful
16 outcome of these cases, was the principal responsibility and accomplishment of MB&P. These
17 challenges, and the success of these cases, are important contexts for the Court's evaluation of
18 this application for a final allowance of the fees and expenses incurred by MB&P.

19 **BACKGROUND AND RETENTION OF MB&P**

20 2. Pegasus Gold Corporation ("PGC"), Pegasus Gold Inc. ("PGI"), Beal Mountain
21 Mining, Inc. ("Beal"), Black Pine Mining, Inc. ("Black Pine"), Diamond Hill Mining, Inc.
22 ("Diamond Hill"), Florida Canyon Mining, Inc. ("Florida Canyon"), Pangea Explorations, Inc.
23 ("Pangea Explorations"), Pangea Gold Corporation ("Pangea Gold"), Pangea International
24 Holdings Corporation ("Pangea International"), Pangea Minerals, Inc. ("Pangea Minerals"),
25 Pangea Resources Explorations, Inc. ("Pangea Resources"), Pegasus Gold Finance Corporation

26
27 ^{1/} These amounts are net of voluntary reductions of \$7,143.75 in fees and \$18,428.66 in
28 expenses during the Final Interim Period and \$29,882.01 in fees and \$64,441.00 in expenses in
connection with earlier interim applications during the Chapter 11 cases, pursuant to guidelines
set forth by this Court with respect to fees and expenses in these cases.

1 (“PGFC”), Pegasus Gold Financing, L.L.C. (“PGF”), Pegasus Gold International, Inc. (“PGII”),
2 Pegasus Gold Montana Mining, Inc. (“PGMMI”), POV Corporation (“POV”), Montana
3 Tunnels Mining, Inc. (“Montana Tunnels”) and Zortman Mining, Inc. (“Zortman”) (collectively,
4 the “Debtors”), filed bankruptcy petitions under Chapter 11 of the Bankruptcy Code with the
5 Clerk of this Court on January 16, 1998 (the “Petition Date”). By Order dated January 16,
6 1998, the Chapter 11 cases of Debtors were administratively consolidated.

7 3. On February 2, 1998, the United States Trustee for the District of Nevada
8 appointed the Committee, the nine members of which came from at least three different creditor
9 constituencies with potential competing claims and interests: the Bank Group, bondholders, and
10 trade creditors.² On February 10, 1998, the Committee retained MB&P as its counsel, subject
11 to Court approval. On February 25, 1998, the Court entered an order authorizing MBP’s
12 retention as counsel to the Committee (the “MB&P Retention Order”).

13 4. As set forth in the Application and Affidavits in support of the MB&P Retention
14 Order, MB&P was to be compensated for services rendered and reimbursed for expenses
15 incurred as counsel for the Committee in accordance with sections 330 and 331 of the
16 Bankruptcy Code.

17 5. No agreement or understanding exists between MB&P and any other person for
18 a sharing of compensation received for services rendered in or in connection with Debtors’
19 Chapter 11 cases, nor shall MB&P share or agree to share the compensation paid or allowed
20 from Debtors’ estates for such services with any other person. The foregoing constitutes the
21 statements of MB&P pursuant to section 504 of the Bankruptcy Code and Federal Rule of
22 Bankruptcy Procedure 2016(a).

23 **STATUS OF THE CASE AND JURISDICTION OVER APPLICATION**

24 6. A Plan and Disclosure Statement for Diamond Hill, Montana Tunnels, Florida
25 Canyon and PGII (collectively, the “Newco Debtors”) was filed on July 20, 1998 and was
26

27 ^{2/} The Committee members were ABN AMRO Bank, N.V., the Bank of New York (as
28 Indenture Trustee), Cashman Equipment, the CIT Group, Citibank, N.A., Credit Suisse First
Boston Corporation, First Chicago NBD Corp., Fleischli Oil Company, and Salomon Smith
Barney.

1 amended on August 21, 1998 and September 11, 1998 (as amended, the "Newco Plan" and the
2 "Newco Plan Disclosure Statement"). On September 11, 1998, the Court approved the Newco
3 Plan Disclosure Statement.

4 7. A Plan and Disclosure Statement for PGC, PGI, Beal, Black Pine, Pangea
5 Explorations, Pangea Gold, Pangea International, Pangea Minerals, Pangea Resources, PGFC,
6 PGF, POV, and Zortman (collectively, the "Liquidating Debtors") was filed on July 31, 1998
7 and was amended on September 10, 1998 and September 18, 1998 (as amended, the
8 "Liquidating Plan" and the "Liquidating Plan Disclosure Statement"). On September 11, 1998,
9 the Court approved the Liquidating Plan Disclosure Statement.

10 8. On December 28, 1998 the Court confirmed the Newco Plan and the Liquidating
11 Plan (solely as it related to PGC and PGI).

12 9. The Liquidating Debtors other than PGC and PGI withdrew from the Liquidating
13 Plan and on January 14, 1999, the Chapter 11 cases for those Liquidating Debtors were
14 converted to cases under chapter 7. Kelvin Buchanan was appointed Trustee of the chapter 7
15 estates effective as of December 22, 1998.

16 10. The Liquidating Plan was subsequently modified on January 14, 1999 and
17 January 29, 1999. Both the Newco Plan and the Liquidating Plan became effective on February
18 5, 1999.³

19 11. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157
20 and 1334 of the Bankruptcy Code. The statutory predicates for the relief sought herein are
21 sections 330 and 331 of the Bankruptcy Code.

22 **MB&P'S ROLE AS COMMITTEE COUNSEL**

23 12. In evaluating this Application, and in particular the amount of fees and expenses
24 incurred during the Final Interim Period and throughout the Chapter 11 cases, it is important to
25 understand that MB&P was required to function with a heightened degree of leadership,
26 management and intensity due to the unusual circumstances of this case. MB&P faced two
27

28 ^{3/} Because the Committee was disbanded as of February 5, 1999, there is no client to review
and approve this Application or any of the other applications of the Committee's Professionals.

1 related and daunting challenges: to manage the diverse and potentially competing interests of
2 three diverse constituencies on a Committee representing creditors of 18 different estates, and to
3 represent those interests with a single voice in communications with the Debtors and the Court.
4 In some respects, it was as though MB&P were simultaneously representing three committees;
5 indeed, the interests of Committee members are sufficiently diverse that the United States
6 Trustee might well have been justified in appointing two or even three separate, official
7 committees.

8 13. In consequence of the Committee's makeup, the level of counsel/member
9 communication needed, required that a leadership role be exercised by experienced counsel, and
10 that such counsel spend more time than might ordinarily be the case with a single constituency
11 committee of fewer members. A senior-level commitment of time was also needed in order to
12 coordinate the wide range of claims, estates and interests, covering ongoing operations in the
13 United States, closed operations, and the disposition of assets in Australia, in order to ensure
14 that the Committee received appropriate information to assess the numerous motions and
15 applications, and additional stipulations and issues that were presented to it during the Chapter
16 11 cases.

17 14. The time required by counsel to lead the Committee from the presentation of a
18 motion, stipulation or issue to the point of decision was also amplified by the importance and
19 necessity of ascertaining the views of each constituency of creditors and then working with the
20 members to harmonize those views. Committee meetings and telephone conferences were
21 necessarily longer than might otherwise be the case, because there were more members than
22 ordinary and more views to be considered and harmonized. Additionally, roughly half of the
23 Committee members had their own legal advisors who participated in meetings and
24 deliberations, meaning that the typical group discussion of issues involved anywhere from 12 -
25 18 people.

26 15. The Committee explicitly requested for its functioning that MB&P provide
27 partner-level leadership. For the provision of advice, the facilitation of intercreditor
28 communications, the management of meetings and conference calls, efficiency in