

Philip

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

DEPARTMENT OF CLERK OF COURT

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 In re: : Chapter 11
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 PHILIP SERVICES (DELAWARE), : Case No. 99-02385 (MFW)
 INC., et al., :
 : Jointly Administered
 Debtors. :
 :
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FINAL APPLICATION OF SKADDEN, ARPS, SLATE, MEAGHER & FLOM (ILLINOIS) AND AFFILIATED LAW PRACTICES, COUNSEL TO THE DEBTORS-IN-POSSESSION, SEEKING ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES UNDER 11 U.S.C. §§ 330 AND 331

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

Authorized to Provide Professional Services to: Philip Services (Delaware), Inc. n/k/a Philip Services Corporation and affiliated Debtors

Date of Retention Order: 06/28/99

Period for which compensation and reimbursement are sought: 06/25/99-04/07/00

Amount of Compensation sought as actual, reasonable, and necessary: \$4,667,748.00

Amount of Expense Reimbursement sought as actual, reasonable, and necessary: \$461,732.00

This is an: interim final application.

Prior Applications:

- First Interim Application dated 9/27/99 -- \$663,468.00
- Second Interim Application dated 10/25/99 -- \$346,416.50
- Third Interim Application dated 11/30/99 -- \$530,717.00
- Fourth Interim Application dated 12/22/99 -- \$439,279.00
- Fifth Interim Application dated 1/27/00 -- \$513,712.00
- Sixth Interim Application dated 2/25/00 -- \$456,601.00
- Seventh Interim Application dated 3/24/00 -- \$482,504.00
- Eighth Interim Application dated 4/25/00 - \$652,238.00

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INC., et al., :
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FINAL APPLICATION OF SKADDEN, ARPS, SLATE, MEAGHER &
FLOM (ILLINOIS) AND ITS AFFILIATED LAW PRACTICES,
COUNSEL TO THE DEBTORS-IN-POSSESSION, SEEKING ALLOWANCE
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES
UNDER 11 U.S.C. §§ 330 AND 331 FOR PERIOD
FROM JUNE 25, 1999, THROUGH APRIL 7, 2000

Skadden, Arps, Slate, Meagher & Flom (Illinois) and its affiliated law practices ("Skadden, Arps"), counsel for Philip Services (Delaware), Inc. n/k/a Philip Services Corporation ("PSI"), Philip Services Corp. ("PSC"), and certain of their affiliates (the "Affiliate Debtors"), debtors and debtors-in-possession in the above-captioned cases (collectively, "Philip" or the "Debtors"), submit this application (the "Final Application") seeking allowance of compensation and reimbursement of expenses under 11 U.S.C. §§ 330 and 331 for the period from June 25, 1999, through April 7, 2000 (the "Case Period"), and represents as follows:

BACKGROUND

1. On June 4, 1999, RESI Acquisition (Delaware) Corporation ("RESI") filed a voluntary petition in this Court for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"). PSI, PSC, and the remaining Affiliate Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code on June 25, 1999 (the "Petition Date"). The Debtors continued to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. In addition, on June 25, 1999, PSC and certain of its Canadian affiliates commenced proceedings under the Companies' Creditors Arrangement Act before the Ontario Superior Court of Justice in Ontario, Canada.

2. On June 28, 1999, the Court entered an order providing for joint administration of these cases.

3. On July 12, 1999, the United States Trustee appointed a committee of unsecured creditors (the "Creditors' Committee") in these cases. No trustee or examiner was appointed in any of these cases.

4. This Court has jurisdiction over this Final Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief requested herein are sections 330 and 331 of the Bankruptcy Code.

RETENTION OF SKADDEN, ARPS

5. On the Petition Date, the Debtors applied to the Court for an order authorizing them to retain Skadden, Arps under a general retainer as their bankruptcy counsel. On June 28, 1999, the Court entered an order (the "Retention Order")² authorizing the Debtors to employ Skadden, Arps as their counsel effective as of the Petition Date to provide the following professional services:

- (a) advise the Debtors with respect to their powers and duties as debtors and debtors-in-possession in the continued management and operation of their businesses and properties;
- (b) attend meetings and negotiate with representatives of creditors and other parties in interest and advise and consult on the conduct of the case, including all of the legal and administrative requirements of operating in chapter 11;
- (c) take all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on their behalf, the defense of any actions commenced against those estates, negotiations concerning all

² Copies of the Retention Order, the Retention Application, and the supporting affidavits are attached hereto as Exhibit A.

- litigation in which the Debtors may be involved, and objections to claims filed against the estates;
- (d) prepare on behalf of the Debtors all motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;
 - (e) negotiate and prepare on the Debtors' behalf plan(s) of reorganization, disclosure statement(s), and all related agreements and/or documents and take any necessary action on behalf of the Debtors to obtain confirmation of such plan(s);
 - (f) advise the Debtors in connection with any sale of assets;
 - (g) appear before this Court, any appellate courts, and the United States Trustee and protect the interests of the Debtors' estates before such courts and the United States Trustee; and
 - (h) perform all other necessary legal services and provide all other necessary legal advice to the Debtors in connection with these chapter 11 cases.

STANDING AT THE BAR AND EXPERIENCE

6. Skadden, Arps assembled a highly qualified team of attorneys to represent the Debtors. David S. Kurtz, the partner in charge of the engagement, has over 19 years experience in reorganization cases. This experience includes lead debtor representations in cases such as Trans World Airlines, a chapter 11 reorganization involving over \$4.5 billion of secured and unsecured debt, and Morrison Knudsen Corporation, one of the largest construction companies in the United States,

which confirmed its prepackaged plan of reorganization within 60 days of filing. Mr. Kurtz has also served as lead counsel in the reorganizations of Favorite Brands International Holding Corporation and Montgomery Ward Holding Corporation and its affiliates. On the creditor side, Mr. Kurtz has served as counsel to numerous lenders and creditors' committees, including Mercury Finance Company, MobileMedia Corporation, and Edison Brothers Stores, Inc.

7. Gregg M. Galardi is also a member of the firm's corporate restructuring department, and the principal Skadden, Arps' attorney working on the engagement from the firm's Delaware office. Mr. Galardi has extensive experience in reorganization cases including debtor representations in County Seat Stores, Inc., Favorite Brands International Corporation, FPA Medical Management Inc., Levitz Furniture Incorporated, and Eagle Food Centers, Inc. Mr. Galardi's work on behalf of creditors and creditor constituencies includes representations of the creditors' committee in Namco Cyberertainment, Inc., Bankers Trust Company, as agent for the financial institutions that were the senior lenders to The Grand Union Company, and the representation of Kmart Corporation, an acquirer of a substantial number of store leases and

locations in connection with Venture Stores, Inc., among others.

FEE PROCEDURES AND PRIOR APPLICATIONS

8. On June 30, 1999, this Court entered an Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures For Interim Compensation And Reimbursement Of Expenses Of Professionals (the "Administrative Order").³ Pursuant to the Administrative Order, the Debtors were authorized, absent objection by any major parties in the chapter 11 cases, to pay the monthly fees and expenses of the Debtors' professionals on a monthly basis, subject to the filing of final fee applications.

9. Pursuant to the Administrative Order, Skadden, Arps filed the following interim applications for compensation:

Application	Date	Amount
First Interim	9/27/99	\$663,468.00
Second Interim	10/25/99	\$346,416.50
Third Interim	11/30/99	\$530,717.00
Fourth Interim	12/22/99	\$439,279.00
Fifth Interim	1/27/00	\$513,712.00
Sixth Interim	2/25/00	\$456,601.00

³ Copies of the Administrative Motion and Administrative Order are attached hereto as Exhibit B.

Seventh Interim	3/24/00	\$482,504.00
Eighth Interim	4/25/00	\$652,238.00

10. As a professional accommodation to its client, Skadden, Arps' interim monthly applications reflect a voluntary elimination of charges for all time-keepers who billed less than five hours for any monthly billing period. In addition, travel time is included in this Final Application at a rate of 50%.⁴ Also, included within this Final Application are the amounts that would have been sought in the monthly fee statement (the "Monthly Statement") for the period from March 1, 2000 through April 7, 2000.⁵

DESCRIPTION OF THE DEBTORS' BUSINESSES

11. The Debtors are an integrated metals recovery and industrial services company, which provides metals recovery and processing services, by-products recovery, and industrial outsourcing services to major industry sectors from over 230 locations across North America and Europe. The Debtors' primary base of operations is in the United States. The Debtors' consoli-

⁴ Exhibit C to this Final Application contains the time detail for nonworking travel time sought in this Final Application but not previously billed, which was incurred from June 25, 1999, through April 7, 2000.

⁵ The Monthly Statement is annexed to this Final Application as Exhibit D.

dated revenues for the year ending December 31, 1998, were approximately \$2 billion. As of March 31, 1999, the Debtors and their direct and indirect subsidiaries reported total assets of approximately \$1.13 billion and total liabilities of approximately \$1.56 billion.

12. The Debtors are essentially a service business that is organized into two operating divisions, the Metals Services Group and the Industrial Services Group. The Metals Services Group's primary business operations are ferrous processing and industrial metal services. The ferrous metals operations include the collection and processing of ferrous scrap materials for shipment to steel mills and the provision of significant brokerage services for scrap materials. The industrial metals services include engineering and construction management, on-site services, by-product management and coil processing, and distribution services to steel mills. The Metals Services Group primarily services the steel, foundry, and automotive industries and is one of the largest ferrous scrap processors in North America and the United Kingdom and has approximately 2,000 employees.

13. The Industrial Services Group is an integrated provider of by-products recovery, industrial outsourcing, and utilities management services with a

network of over 250 facilities. By-products recovery includes solvent distillation, engineered fuel blending, paint overspray recovery, organic and inorganic waste collection processing, and polyurethane recycling. Industrial outsourcing services include cleaning and maintenance, waste collection and transportation, container services and tank cleaning, turnaround and outage services, mechanical contracting, refractory services, decommissioning and remediation, analytical services, and emergency response services. The utilities management business provides services to industrial and municipal water and wastewater treatment plants, power plants, and related infrastructure. The Industrial Services Group primarily services the automotive, refining and petrochemical, oil and gas, pulp and paper, steel, transportation, and utilities industries.

EVENTS LEADING TO THE RESTRUCTURING

14. In 1997 the Debtors embarked on an aggressive acquisition program designed to establish Philip as one of leading metals processing and industrial services providers. During 1997 the Debtors acquired over 30 businesses at a cost of approximately \$1.3 billion. In 1998 the Debtors focused on integrating the various acquisitions; however, their efforts were interrupted by the discovery of accounting problems

with the Debtors' copper business. This discovery had a significant negative impact on the Debtors' business and resulted in several class action suits and related claims being brought against the Debtors. As a result of the Debtors' internal investigation, the Debtors discovered unrecorded losses totaling \$92 million arising from unauthorized trading of copper by certain former officers. Further, the decline in metal prices starting in late 1997 greatly added to the Debtors' financial instability.

15. The Debtors and most of their direct and indirect subsidiaries were parties to a \$1.5 billion credit agreement dated as of August 11, 1997 with Canadian Imperial Bank of Commerce ("CIBC") as Administrative Agent, Bankers Trust Company ("BTrCo.") as Syndication Agent, CIBC and BTrCo. as Co-Arrangers, and various lenders (the "Credit Agreement"). The deterioration of the Debtors' principal business segments impaired the Debtors' ability to comply with the terms of its Credit Agreement, and in November 1998 the Debtors ceased making payments on various debt obligations, including those under the Credit Agreement.

16. The Debtors, with Skadden, Arps' assistance, entered into negotiations with their lenders in an attempt to find a solution to the Debtors' liquidity

crisis. As of the Petition Date, the outstanding indebtedness under the Credit Agreement was approximately U.S.\$1 billion, including accrued interest. Such indebtedness was secured by substantially all of the assets of Philip and its U.S. and Canadian direct and indirect subsidiaries. The going-concern enterprise value of the consolidated Debtors' businesses was established by Ernst & Young Corporate Finance at between \$605 million and \$735 million, rendering the lenders substantially undersecured.

17. Negotiations with the lenders resulted in the outline of a prenegotiated plan of reorganization with the Debtors' largest creditors. To formalize the key terms of a plan, the Debtors and the lenders entered into a lock-up agreement (the "Lock-up Agreement") which resulted in holders of 72% in amount and more than 50% in number of lender claims agreeing to vote for and support a plan of reorganization containing these key provisions.

18. This prenegotiated plan was the result of over nine months of negotiations among the Debtors, the lenders, and significant unsecured creditors, whose claims were to be impaired under the proposed plan.

OVERVIEW OF THE CHAPTER 11 PROCEEDING

19. With the support of the Debtors' major creditor constituencies, PSC and its 133 direct and indirect U.S. subsidiaries (the "U.S. Debtors") filed these chapter 11 cases in June 1999. Simultaneously, PSC and its direct and indirect Canadian subsidiaries (the "Canadian Debtors") filed proceedings under the Companies' Creditors Arrangement Act (the "CCAA") before the Ontario Superior Court of Justice in Ontario, Canada. Immediately upon commencement of these Bankruptcy Cases, Skadden, Arps' attorneys worked at an intensive pace to overcome numerous obstacles to help the Debtors stabilize their business and put in place the framework to emerge from chapter 11 as soon as practicable.

20. In addition to the complexities that typically result from a megacase, the Debtors' cross-border filings added a layer of complexity to almost every aspect of the cases. As a result, Skadden, Arps was required to spend a significant amount of time coordinating efforts in the U.S. bankruptcy proceedings with events in the Canadian CCAA proceedings. As an initial matter, Skadden, Arps worked closely with the Debtors' Canadian counsel to prepare and implement a cross-border insolvency protocol (the "Protocol") to address various cross-border issues that were expected to arise. As a

result, the Debtors were able to avoid the cost, distraction, and delay that likely would otherwise have arisen involving various jurisdictional issues between the Canadian and U.S. proceedings.

21. Another significant complication resulting from the cross-border nature of these cases involved the coordination of the U.S. plan and the CCAA plan. Although the Debtors were able to file an initial plan of reorganization incorporating the prenegotiated terms within the first month of these cases, adverse rulings in the CCAA proceedings created a great deal of uncertainty as to whether the sister plan in the CCAA proceedings would be confirmable. Accordingly, Skadden, Arps was required to devote substantial time to assisting the Debtors in amending the U.S. plan and disclosure statement to provide for alternative treatment of impaired claims based on the eventual outcome of the CCAA proceedings. By devising such a plan, the Debtors were able to continue to move the restructuring forward and avoid the financial harm the Debtors would certainly have experienced if the entire restructuring was delayed indefinitely pending resolution of the CCAA issues.

22. Further complications arose on the eve of confirmation when the Debtors learned that the prepetition lenders were now unwilling to provide the

exit financing necessary to consummate the plan. Accordingly, the Debtors were required at the eleventh hour to find an alternative source of exit financing. Skadden Arps assisted the Debtors in negotiating a new exit facility with a subset of the existing prepetition lenders. In spite of this last minute development, Skadden, Arps was able to obtain rulings with respect to all aspects of plan confirmation with the exception of feasibility at a hearing on November 3, 1999, to negotiate and finalize a commitment letter with the new exit lenders and to conclude the confirmation hearing successfully on November 30, 1999.

23. Over the next several months, Skadden, Arps assisted the Debtors in finalizing negotiations concerning the exit facility with the new exit lenders and addressing and resolving the myriad of intercreditor issues that arose with respect to the various debt obligations issued pursuant to the plan of reorganization. These debt obligations included the exit facility in the amount of \$175 million with a group of lenders led by Foothill Capital Corporation (the "Exit Facility"), secured PIK notes in the amount of \$100 million and a secured term facility in the amount of \$250 million in favor of the prepetition lenders (the "PIK/Term Facility"), unsecured subordinated 6% PIK notes in the amount

of \$60 million (the "PIK Notes") and unsecured convertible notes in the amount of \$18 million (the "Convertible Unsecured Notes") in favor of impaired unsecured creditors. The finalization and closing of these various facilities involved the resolution of numerous complicated intercreditor issues among the various parties as well as significant tax issues arising from the cross-border nature of the restructuring.

24. In spite of the unique and complex nature of these cases and the unexpected turns that occurred in the parallel track CCAA proceedings, Skadden, Arps assisted the Debtors in consummating a plan of reorganization for each of the 134 chapter 11 Debtors on April 7, 2000 (the "Effective Date"), merely ten months after the cases first began. Through the plan the Debtors succeeded in restructuring over \$1 billion worth of debt, concluding a dual restructuring of the Canadian Debtors in the CCAA proceeding, restructuring the corporate organization chart to align more functionally the formal corporate structure with the operational realities of the organization, and emerge with new financing and a capital structure appropriate for the company's future business needs.

25. As a result of Skadden, Arps' ability to commit experienced, multidisciplinary teams of attorneys

to address the highly complex and sophisticated issues in an efficient and timely manner, the Debtors' stay in chapter 11 was remarkably brief, preserving value and avoiding the missed business opportunities that would certainly have resulted from an extended chapter 11 process.

BASIS FOR RELIEF

26. Skadden, Arps worked closely with the Debtors to implement strategies designed to allow the Debtors to emerge from chapter 11 on April 7, 2000, less than ten months after their initial filing. As discussed herein, these services were directed toward a myriad of tasks necessary to achieve the goal of the Debtors' expedient exit from chapter 11.

27. This Final Application highlights some of the significant services performed by Skadden, Arps for the Debtors during the Case Period. Skadden, Arps submits that the legal services and advice that it rendered to the Debtors in connection with their chapter 11 cases was necessary and beneficial to the Debtors, their creditors, and their estates.

28. Skadden, Arps' attorneys, legal assistants, and support staff billed their services in these cases to 35 separate matters that cover discrete activities within the cases (including one matter exclusively

devoted to the preparation of monthly fee statements and interim and final fee applications).⁶ Each Skadden, Arps' professional kept a contemporaneous record of the time spent rendering such services and, consistent with guidelines of the Office of the United States Trustee, separated tasks in billing increments of one-tenth of an hour. The monthly statements for June 25, 1999, through February 29, 2000, were submitted previously to the Court with the monthly fee applications. The monthly statement for the period March 1, 2000, through April 7, 2000, is attached hereto as Exhibit D. Each statement contains a breakdown of attorneys' daily time detail, by billing number, that was billed during the applicable period.

29. During the Case Period, attorneys and paraprofessionals of Skadden, Arps devoted a total of 17,829 hours to representation of the Debtors in their chapter 11 cases. Of the aggregate time expended, 2,524.4 hours were spent by partners, 852.8 hours were spent by counsel, 11,160.8 hours were spent by associates, and 3,291 hours were spent by paraprofessionals. A schedule showing the name and position of each such partner, counsel, associate, and paraprofessional, to-

⁶ Attached as Exhibit E to this Final Application is a list of each of the billing matters used during the chapter 11 cases.

gether with that person's date of admission to the bar (if applicable), hours worked during the Case Period, and hourly billing rate is provided at the front of this Final Application. The blended hourly rate for all Skadden, Arps' attorneys billing time during the Case Period is \$261.

DESCRIPTION OF SERVICES RENDERED

30. During the Case Period, Skadden, Arps devoted the largest percentage of its time to the following matters, each of which was responsible for fees in excess of \$250,000: Financing, Reorganization Plan, Claims Administration and Objections, Case Administration, and Disclosure Statement/Voting Issues.

31. Matters in which Skadden, Arps billed between \$250,000 and \$100,000 in fees are Litigation, Investigation/Environmental, Tax Matters, Asset Dispositions, and General Corporate Advice.

32. The remaining matters, in which Skadden, Arps billed less than \$100,000 in fees for each matter are Retention Matters, Employee Matters, Executory Contracts/Personalty, Asset Analysis and Recovery, Automatic Stay, Reports and Schedules, Regulatory Matters, Vendor Matters, Business Operations, Insurance, Leases (Real Property), Creditor Meetings/Committee, Liquidation/Feasibility, Utilities, U.S. Trustee Matters, Con-

signment/Reclamation/Trust Fund Claims, Real Estate (Owned), and Secured Claims.

33. The detailed time records document the time spent and tasks performed with respect to each matter. The following description of Skadden, Arps' services is a summary of the most significant matters for which attorney time was billed during the Case Period.

A. Financing

34. Skadden, Arps assisted the Debtors in negotiating and obtaining court approval of various sources of liquidity to permit the Debtors to operate postpetition. Skadden, Arps assisted the Debtors in negotiations over the terms of a debtor-in-possession credit facility (the "DIP Credit Agreement"), which terms were memorialized in an interim financing order⁷ and a final financing order.⁸ The final financing order was ultimately approved by the Bankruptcy Court on July 28, 1999.

35. Skadden, Arps also assisted the Debtors with respect to negotiations with both the prepetition

⁷ See Interim Order Authorizing Debtors to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 364(c) and 364(d) (Docket No. 40).

⁸ See Final Order Authorizing Debtors to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 364(c) and 364(d) (Docket No. 146).

lenders, and the lenders under the DIP Facility over the terms of various related documents and agreements, including an agreement for use of cash collateral (the "Cash Collateral Agreement"), the terms of which were memorialized in an interim cash collateral stipulation and order⁹ and approved in final form on July 28, 1999.¹⁰ In addition, Skadden, Arps' attorneys assisted the Debtors in negotiating the terms of an agreement controlling surety and bonding issues (the "Bonding Agreement"), which required the resolution of numerous intercreditor issues.¹¹

36. Following the appointment of the Creditors' Committee, Skadden, Arps' attorneys worked closely with the various pre- and postpetition lenders and the Creditors' Committee to address the Creditors' Committee's concerns regarding these agreements and, where

⁹ See Stipulation and Order Authorizing and Restricting Use of Cash Collateral and Granting Adequate Protection of Certain Secured Claims (Docket No. 39).

¹⁰ See Stipulation and Order Authorizing and Restricting Use of Cash Collateral and Granting Adequate Protection of Certain Secured Claims (Docket No. 145).

¹¹ See Stipulation and Order Authorizing Debtors to Obtain Post-Petition Surety Bonds and Enter Into Indemnity Agreement & Intercreditor Agreements (Docket No. 144).

appropriate, to amend the agreements to reflect further negotiations among the parties.

37. Throughout the cases, Skadden, Arps assisted the Debtors with the preparation of various certificates and notices required under the DIP Facility. Skadden, Arps also reviewed and commented on successive drafts of waivers to the Credit Agreement, which allowed, among other things, the Debtors to obtain additional letters of credit and the extension of the DIP Facility through confirmation of the plan.

38. Skadden, Arps' professionals devoted a significant percentage of the time spent on financing matters assisting the Debtors in negotiating and preparing the various agreements and financing documents necessary to allow the Debtors to consummate the plan on April 7, 2000. Skadden, Arps assisted and advised the Debtors with respect to negotiations with the Debtors' prepetition lenders, DIP lenders, proposed exit lenders, prepetition bondholders, and Creditors' Committee representatives to facilitate the structuring of the Debtors' exit financing and the related documents.

39. The financing negotiations were a time-consuming and ongoing process due to the cross-border aspect of the transaction, the short time frame for the finalization and implementation of the numerous transac-

tions, the numerous intercreditor issues and the complex tasks necessary for consummation of the plan. The various debt instruments that were required to be closed to consummate the plan included the \$175 million Exit Facility, a Secured PIK/Term Facility which consisted of a \$100 million secured PIK notes issue and a \$250 million secured term facility, a \$60 million unsecured PIK notes issue, and an \$18 million unsecured convertible subordinated notes issues.

40. In order to finalize and close these various debt issuances, Skadden, Arps was required to negotiate, revise, and draft over 200 documents, schedules, and exhibits. Among other tasks, the Debtors and Skadden, Arps completed an extensive review of mortgages and accounts to formulate the required collateral package for the various secured facilities. Skadden, Arps also assisted the Debtors in coordinating the termination or subordination, as appropriate, of security interests of the prepetition lenders in various collateral pledged to secure the prepetition credit facility.

41. Because of the numerous intercreditor issues, the Debtors and Skadden, Arps were required to negotiate the various Exit Facility documents with numerous parties, including the prepetition lenders, DIP lenders, lenders under the Exit Facility, bonding lien

providers, debenture holders and the Creditors' Committee, in order to arrive at an Exit Facility which was sufficient for the Debtors' postpetition operations yet appropriately addressed the various and complicated intercreditor issues. Due to the vast number of professionals involved and the variety of economic interests, Skadden, Arps implemented biweekly conference calls to keep all the parties informed, solve problems and disputes as they arose in the negotiations, and broker a global arrangement that addressed all the parties' various interests. Moreover, because of the dual proceedings in Canada, Skadden, Arps also worked with the Debtors and the Debtors' Canadian restructuring counsel to coordinate the close of the Canadian transactions with the Effective Date of the chapter 11 plan. With the assistance of Skadden, Arps the Debtors were able to close all of the various financings and consummate their plan on April 7, 2000.

B. Reorganization Plan, Disclosure Statement, and Voting Issues

42. Prior to commencement of these cases, Skadden, Arps entered into negotiations with the Debtors' prepetition lenders. These negotiations took place over the nine months preceding the Petition Date and resulted in the outline of a prenegotiated plan of reorganization with the Debtors' largest creditors in the

form of a Lock-up Agreement. Under the Lock-up Agreement holders of 72% in amount and more than 50% in number of lender claims agreed to vote for and support a plan of reorganization containing certain key provisions.

43. Following the commencement of the cases, Skadden, Arps' attorneys devoted a substantial amount of time assisting and advising the Debtors in an attempt to transform the Lock-up Agreement into a plan of reorganization and craft a disclosure statement that adequately addressed the concerns of all parties and satisfied the "adequate information" requirement of section 1125 of the Bankruptcy Code. In this regard, Skadden, Arps' attorneys reviewed, analyzed, researched, and prepared disclosure for relevant subjects, including, without limitation, (a) the Debtors' corporate structure and business operations, (b) prepetition litigation, (c) intercompany and affiliated transactions, (d) developments in the Creditors' Committee, (e) secured and unsecured claims, (f) executory contracts, (g) tax issues, (h) classification issues, (i) solicitation procedures, (j) bar date, and (k) notice issues. On July 12, 1999, less than three weeks after the Petition Date, the Debtors filed with this Court their initial plan and a Disclosure Statement with Respect to Joint Plan of Reorga-

nization of Philip Services (Delaware), Inc., et al.
(the "Disclosure Statement").

44. Due to the adverse rulings of the Canadian Court, which created uncertainty as to the outcome of confirmation of the CCAA plan as drafted, the initial plan was amended to allow the creation of alternate treatments based on the CCAA options and to enable Canadian creditors to opt in to be treated as creditors under the U.S. plan in the event the CCAA plan was not pursued. This change required Skadden, Arps to supplement the Disclosure Statement with information concerning the two alternate Canadian transactions and on September 17, 1999, the Debtors filed the First Amended Joint Plan of Reorganization of Philip Services of Reorganization of Philip Services (Delaware), Inc., et al. (the "Plan").

45. Skadden, Arps also was required to spend considerable time assisting the Debtors in preparing appropriate solicitation materials, including the solicitation motion and order, ballots, notices, and forms to permit Canadian creditors to opt in to the U.S. Plan. These materials received input from the parties, including the Creditors' Committee, the Debtors' various lenders, and Canadian counsel.

46. Prior to the hearing on the Disclosure Statement twelve parties filed objections to its approval. Skadden, Arps negotiated with those creditors filing objections, which included the Creditors' Committee, and were able to resolve consensually all but one objection. At the September 21, 1999, Omnibus Hearing, less than three months after the Petition Date, the Court approved the Debtors' Disclosure Statement and solicitation procedures and overruled the remaining objection.

47. Skadden, Arps prepared for and attended the first confirmation hearing held on November 3, 1999, in which all confirmation issues, with the exception of feasibility, were addressed favorably and all objections overruled. The Court set a further hearing to permit the Debtors to finalize a commitment for exit financing and thereby demonstrate feasibility. Skadden, Arps again prepared for and attended the second confirmation hearing on November 30, 1999, wherein the Debtors demonstrated a firm commitment for exit financing and made appropriate technical Plan amendments. The Court found the Plan to be feasible and entered the confirmation order on November 30, 1999.

C. Claims Administration and Objections

48. Skadden, Arps assisted the Debtors in preparing and serving a notice of bar date on the Debtors' impaired unsecured creditors' establishing August 13, 1999 as the deadline to file proofs of claim. Skadden, Arps coordinated with Canadian counsel to ensure all impaired unsecured creditors in the United States, and CCAA cases were served with proof-of-claim forms. Only a fraction of the Debtors' unsecured creditors were impaired under the Plan. However, by identifying the impaired parties early in the Bankruptcy Cases, the Debtors were able quickly to address creditor claims and establish the universe of impaired claims that would share in distributions under the Plan.

49. Skadden, Arps represented the Debtors in connection with numerous conferences held with the Creditors' Committee, the Debtors' prepetition lenders, and the proposed exit lenders regarding the various claims filed in these cases in order to identify appropriate objections, evaluate potential settlements, prepare and file objections, and prepare to litigate claims where appropriate.

50. In order to complete the claims process as quickly as possible, the Debtors filed several omnibus claims objections with this Court during the Case

Period. Skadden, Arps also began preparing for the potential litigation of creditor claims for which resolutions were not reached. Preparation included reviewing the claims of various parties, analyzing the treatment of each claim under the Plan and state law, reviewing the supporting material provided by the Debtors and the claimants, and preparing a response where appropriate.

D. Case Administration

51. Skadden, Arps worked with the Debtors' management to ensure that the Debtors conducted their affairs in accordance with the Bankruptcy Code, the various financing orders, and applicable nonbankruptcy law. In response to specific questions posed by the Debtors' management concerning possible transactions and other business issues, Skadden, Arps advised the Debtors about the applicable rights and duties of a debtor-in-possession and of relevant nonbankruptcy law considerations, noting proscribed, permitted, and required conduct, and of management's fiduciary and managerial role with respect to such transactions and issues.¹²

¹² Because of the attorney-client privilege, Skadden, Arps can describe the advice given to the Debtors only in general terms.

52. Skadden, Arps spent substantial amounts of time evaluating the Debtors' proposed expenditures, contractual relationships, dispositions of property, and other transactions to determine if the contemplated transactions were within or outside of the ordinary course of business and thus required court approval. Each proposed transaction required a Skadden, Arps attorney to discuss with the Debtors the relevant underlying facts, analyze the transactions, and discuss the appropriate course of conduct with respect to the completion of the proposed transaction.

53. These services helped ensure that the Debtors at all times during the Case Period operated in accordance with the requirements of the Bankruptcy Code. Moreover, they helped educate the Debtors' personnel as to the rights and duties of a debtor-in-possession so that they were able to carry out day-to-day operations more effectively and efficiently.

54. Skadden, Arps also devoted considerable time during the Case Period to numerous matters of case administration, including conferring with the Debtors' management on a daily basis to keep management apprised of recent developments and formulate strategies for issues arising in the cases. The Skadden, Arps' attorneys assisted the Debtors with regard to a vast array of

specific issues relating to the administration of the Debtors' cases, including, among others (a) preparing required notices and mailings, (b) reviewing creditor and shareholder correspondence, (c) responding to telephone inquiries from creditors and shareholders regarding case status, (d) preparing for and attending hearings and the section 341 meeting of creditors, (e) reviewing and commenting on proposed press releases, (f) conducting conferences with the Debtors' management, the lenders, and the Debtors' major creditors, (g) preparing hearing agendas, (h) preparing numerous affidavits of service, and (i) monitoring the Court's docket.

E. Litigation

55. During the Case Period, Skadden, Arps was required to advise the Debtors with respect to litigation pending in various state and federal courts. Included in these matters was informing the Debtors' risk management personnel of the effect of the Bankruptcy Code on pending litigation and initial inquiries into potential preference claims against certain creditors.

56. Skadden, Arps' attorneys also took a lead role in advising the Debtors with respect to the class action securities litigation matters that were pending at the time these cases were filed. Skadden, Arps assisted the Debtors with obtaining the dismissal of the

class action filed in the United States on forum non conveniens grounds and assisted the Debtors in the development of their reorganization strategy as applied to class actions.

57. Skadden, Arps' attorneys devoted time to addressing litigation matters that arose during the Case Period. Specifically, Republic Environmental Systems, Inc., a creditor in these cases, appealed five of the Debtors' first-day orders. Skadden, Arps assisted the Debtors in defending the first-day motions on appeal, including preparation of designation of records on appeal and designation of issues on appeal.

F. Investigation/Environmental

58. On October 15, 1998, the New York State Attorney General's Office executed a search warrant on Philip Metals Services' Orangeburg facility. Attorneys from Skadden, Arps' environmental practice group were immediately enlisted to defend the Debtors in a criminal investigation involving the hazardous waste management practices at the facility. Since the execution of the search warrant, Skadden, Arps has engaged in numerous interviews with facility employees, the Debtors' management, and other key individuals.

59. Skadden, Arps has continuously assisted the Debtors in responding to a subpoena for documents,

reviewing relevant site materials, and drafting memoranda to the Attorney General's Office as well as to the Debtors' management. Skadden, Arps has also traveled to the Orangeburg facility as well as the Debtors' headquarters in Hamilton to gather relevant information, research a variety of legal issues, and meet with the Attorney General on three separate occasions.

G. Tax Matters

60. Skadden, Arps devoted a considerable amount of time addressing tax issues which arose during the Bankruptcy Cases, specifically in relation to the Exit Financing. Skadden, Arps also assisted the Debtors in analyzing and addressing various tax issues implicated during the restructuring, including those arising as a result of the various asset dispositions and those related to the cross-border nature of the restructuring. In addition, Skadden, Arps' attorneys conducted research on the interplay of the Bankruptcy Code and applicable foreign tax laws with respect to various tax liabilities.

61. Skadden, Arps also advised the Debtors concerning the tax consequences of the Plan and its dual components with special attention to dealing with intercompany receivables, as well as the Debtors' likely tax profiles upon emergence from chapter 11. Skadden,

Arps spent significant time reviewing and analyzing the tax-related provisions of the various Exit Facility documents. In particular, Skadden, Arps spent a substantial amount of time negotiating the withholding and gross-up provisions of the Exit Facility. The negotiations required lengthy discussions with the various Exit Facility lenders and their representatives regarding the consequences of and market standards with respect to the Exit Facility provisions.

H. Asset Disposition

62. Skadden, Arps assisted the Debtors in selling certain assets during the cases, including the Debtors' copper smelter and granulating facility in Warrenton, Missouri, a wastewater treatment facility located in Westlake, Louisiana, and the Debtors' metal business in the United Kingdom. As a result of these sales, the Debtors received sale proceeds during the Case Period in excess of \$56 million.

63. The Debtors entered an agreement with U.S. Filter Operating Services, Inc. to sell their 50% interest in HydroServe Westlake L.L.C. to U.S. Filter. Skadden, Arps assisted the Debtors in negotiating the sale agreement, drafting the legal documents, and representing the Debtors at the sale hearing before this

Court. The sale brought over \$6,848,000 of sale proceeds to the Debtors' estates.

64. Skadden, Arps also assisted the Debtors in negotiating an agreement to sell certain assets located in Warrenton, Missouri (the "Warrenton Assets"). Skadden, Arps worked with the Debtors to provide potential purchasers with due diligence materials, establish and implement bidding procedures, and review and assist in negotiating the appropriate sale documents. Skadden, Arps assisted the Debtors in conducting an auction for the Warrenton Assets and represented the Debtors at both the bidding procedures hearing and the sale hearing before this Court. Finally, Skadden, Arps assisted the Debtors in closing the sale and completing certain postclosing disclosures. The sale brought over \$3.5 million in proceeds into the Debtors' estates.

65. Skadden, Arps also assisted the Debtors in the sale of their UK Metals business to Simsmetal Limited. Because this transaction involved the sale of European subsidiaries owned by the Canadian Debtors to an Australian buyer and required guarantees by the United States Debtors, Skadden, Arps was required to coordinate with various international counsel with respect to the numerous issues that arose. Additionally, Skadden, Arps was required to make certain modifications

to the Plan in order to ensure that the businesses sold were not impacted by the obligations the Plan imposed on the remaining reorganized Debtors. Skadden, Arps assisted with the negotiations with Simsmetal, the Plan modification, and the required legal opinions for the sale and coordinated the closing of the sale with the Effective Date of the Plan. The sale raised £31 million (approximately U.S.\$46 million) in proceeds for the Debtors' estates.

I. General Corporate Advice

66. Skadden, Arps advised the Debtors as to the general corporate tasks required to be completed in order to consummate the Plan. This included Skadden, Arps' attendance at several board meetings in order to inform and advise the board with respect to the restructuring and various corporate governance matters. Skadden, Arps also continually advised the Debtors as to their obligations under the Bankruptcy Code.

67. Skadden, Arps assisted the Debtors with analyzing their corporate structure in order to complete the transactions necessary to consummate the Plan. The Debtors and Skadden, Arps reviewed the Debtors' subsidiary structure to ensure that all guarantor subsidiaries were in good standing with their respective states; this was a condition precedent to closing the Exit Facility.

Skadden, Arps also advised the Debtors as to creating and dissolving subsidiaries and assisted in the process of amending the articles of incorporation for over one hundred subsidiaries to allow the new common stock to be issued and distributed under the Plan. Skadden, Arps assisted the Debtors in drafting board resolutions and merger documents required by the various state corporation laws to allow the Debtors to complete the restructuring.

68. Skadden, Arps also advised the Debtors on issues concerning the various exchange listing applications, the required securities filings with the SEC, and the resignation of Deloitte & Touche as the Debtors' auditors.

J. Retention Matters

69. Prior to the Petition Date, the Debtors determined that it was necessary to retain certain professionals to act on the Debtors' behalf in these cases. Skadden, Arps reviewed the proposed retentions with management and filed the required court papers to retain various professionals, including (a) Logan & Co., the Debtors' noticing agent; (b) LeBoeuf, Lamb, Greene & MacCrae L.L.P., the Debtors' special cocounsel; (c) Ernst & Young, the Debtors' restructuring accountants and financial advisors, and (d) Skadden, Arps, the Debtors'

counsel in these cases. Skadden, Arps then conferred and negotiated with the Office of the United States Trustee concerning certain disclosure and potential conflict issues, and assisted the Debtors and various professionals in preparing supplemental disclosure affidavits designed to alleviate the Trustee's concerns.

70. Skadden, Arps aided in developing a procedure for the filing of interim monthly professional fee applications.¹³ Pursuant to the Administrative Order, the Debtors were authorized, absent objection by any major parties in the chapter 11 cases, to pay the monthly fees and expenses of the Debtors' professionals on a monthly basis, subject to the filing of final fee applications.

71. On the Petition Date, Skadden, Arps also filed on the Debtors' behalf a motion requesting authority for the Debtors to retain various ordinary-course professionals identified by the Debtors as providers of necessary services to the Debtors. After obtaining such approval, Skadden, Arps' attorneys worked with these professionals to coordinate the filing of statements of

¹³ Administrative Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures For Interim Compensation And Reimbursement Of Expenses Of Professionals.

disinterestedness under Fed. R. Bankr. P. 2014, as requested by the Office of the United States Trustee.

72. As the cases progressed, Skadden, Arps also prepared and filed, on the Debtors' behalf, an additional notice of retention of additional ordinary course professionals. Finally, Skadden, Arps often consulted with and advised the Debtors' management as to the appropriate role of and payment to various professionals.

K. Employee Matters

73. Throughout the Case Period, Skadden, Arps worked closely with the Debtors to address a number of issues affecting employees. Skadden, Arps counseled the Debtors concerning employee issues such as collective bargaining agreements, benefit matters, and employee terminations.

74. Further, Skadden, Arps advised the Debtors in the process of employing of the new CEO, Anthony G. Fernandes. Skadden, Arps assisted the Debtors in negotiating the new employment agreement for Mr. Fernandes and prepared a motion and order seeking Court approval of the employment agreement. Further, Skadden, Arps assisted the Debtors in the process of obtaining court approval to pay de minimis claims of former employees of the Debtors, thereby eliminating added bur-

dens to the Debtors' employees and garnering goodwill with the Debtors' remaining work force.

L. Executory Contracts/Personalty

75. Skadden, Arps also devoted significant time during the Case Period to the ongoing process of reviewing, analyzing, and advising the Debtors concerning the numerous executory contracts to which they were a party.

76. In this regard, Skadden, Arps continuously advised the Debtors about their option of assuming or rejecting executory contracts and the ramifications thereof. Skadden, Arps prepared the necessary pleadings, applications, and exhibits concerning the assumption, rejection, or amendment of existing contracts and the commencement of new contracts. Furthermore, Skadden, Arps advised the Debtors regarding various issues stemming from the Debtors' assumption or rejection of particular executory contracts, including responding to various motions to compel the Debtors to assume or reject executory contracts early in these chapter 11 cases.

77. Skadden, Arps also assisted the Debtors in reaching agreements with various parties to the Debtors' major executory contracts, including Bethlehem Steel, Fleet, and BTM regarding prepetition and

postpetition amounts owed by the Debtors. These agreements allowed the Debtors' business to continue uninterrupted.

M. Asset Analysis and Recovery

78. Skadden, Arps allocated time to assisting the Debtors and their financial advisors in determining the assets of the Debtors and assisting with claims recovery. Skadden, Arps researched and briefed the Debtors and the Creditors' Committee as to their rights regarding fraudulent conveyances and preferences.

79. Skadden, Arps also researched, drafted, and filed complaints on behalf of the Debtors as to various preference actions, including Luntz and F.C. Schafer. Skadden, Arps assisted the Debtors in working to settle these actions and drafted the necessary notices and motions.

N. Automatic Stay

80. Throughout these cases, Skadden, Arps worked closely with the Debtors on, and devoted a substantial amount of time and resources to, responding to numerous motions for relief from the automatic stay as well as to advise the Debtors regarding other automatic stay issues. Specifically, Skadden, Arps provided the following services: investigated potential violations of the automatic stay; advised the Debtors regarding the

implications of certain litigation pending on the Petition Date and the Debtors' rights with respect thereto; advised the Debtors in commencing complaints against parties for violation of the automatic stay; and researched and prepared responses to the numerous motions for relief from the automatic stay.

81. In researching and preparing these responses, Skadden, Arps reviewed each applicable stay motion and underlying state court complaint, as well as other documentation, performed legal research, reviewed and analyzed applicable insurance policies, and corresponded with various insurance carriers and defense attorneys.

82. During the Case Period, Skadden, Arps also successfully negotiated numerous stipulations to modify the automatic stay to allow the underlying state court litigation to proceed on terms acceptable to the Debtors, thereby averting litigation of certain of the stay motions.

O. Reports and Schedules

83. Skadden, Arps advised the Debtors regarding their obligations with respect to the filing of the statements and schedules required under section 521 of the Bankruptcy Code (the "Statements and Schedules") and the filing of the monthly reports by the Debtors.

84. In that regard, Skadden, Arps filed a motion requesting the Court to allow the Debtors additional time to file modified schedules and statements or in the alternative, if the Plan was confirmed, relieve the Debtors of the obligation to file the statements and schedules. By an order entered on October 13, 1999, the Court approved the Debtors' procedure for creditors or parties in interest to obtain the information they required absent the Debtors filing schedules and statements.

P. Regulatory Matters

85. During the Case Period there were various regulatory matters which required a substantial amount of attention. In the course of its representation of the Debtors, Skadden, Arps devoted substantial time to advising the Debtors as to the requirements of various regulatory agencies including the Securities and Exchange Commission (the "SEC").

86. Skadden, Arps assisted the Debtors in answering inquiries made by the SEC and the National Association of Securities Dealers ("NASD") concerning disclosures made in SEC disclosure documents. These efforts included the identification, review, and processing of documents responsive to a request for information by the SEC. Skadden, Arps also assisted the

Debtors in drafting and filing their 8-K's and 10-K's, and working with the SEC and NASDAQ to relist the Debtors' shares. In addition, Skadden, Arps advised the Debtors concerning their duties and obligations under state corporation statutes and regulations.

Q. Vendor Matters

87. Skadden, Arps' attorneys assisted the Debtors with ensuring continuing relations with various vendors. Specifically, Skadden, Arps assisted the Debtors in drafting an initial first-day motion which requested authority to allow the Debtors to continue to pay, in the ordinary course of business, the prepetition claims of critical suppliers and vendors with ongoing relationships with the Debtors. This motion allowed the Debtors to avoid having their businesses severely disrupted and damaged.

88. Further, Skadden, Arps also assisted the Debtors in negotiating with Fleet, Bethlehem Steel, and other vendors to reach consensual agreements and avoid any disruption of service.

R. Business Operations

89. Skadden, Arps' attorneys also provided legal advice to the Debtors with respect to certain operational issues and planning strategies the Debtors and their financial advisors developed in connection

with the Bankruptcy Cases. This advice included, among others, matters that arose with respect to the Debtors' employees, bank accounts, cash flow, financial projections, and working relationships with respect to various operations closed or to be closed.

90. Skadden, Arps also advised the Debtors as to their duties as debtors-in-possession and their duties under the first-day papers. In addition, Skadden, Arps' attorneys attended senior management meetings to address legal questions concerning strategic business issues as the cases progressed.

S. Insurance

91. During the Case Period, Skadden, Arps devoted time to advising and representing the Debtors with respect to various insurance issues, including the continuation of the Debtors' insurance coverage with respect to director and officer ("D&O") liability and malpractice liability.

92. The Debtors, with the assistance of Skadden, Arps, submitted a motion authorizing the Debtors to pay certain prepetition employee obligations pursuant to a letter agreement with AIG, the Debtors' insurance agent.

T. Leases (Real Property)

93. Skadden, Arps devoted a substantial amount of time in connection with real property lease matters, including reviewing the Debtors' leases and preserving the Debtors' right to assume and assign or reject such leases, negotiating lease matters and lease amendments with landlords, and negotiating and documenting new leases.

94. Skadden, Arps assisted the Debtors with the various issues and circumstances that arose during the process of evaluating real property leases, and regularly advised the Debtors with regard to their duties and obligations concerning unexpired leases and administrative expenses.

95. Also, Skadden, Arps' successful prosecution of motions extending the Debtors' period within which to assume or reject such leases allowed the Debtors time to make informed decisions regarding which leases they wished to assume and assign because of their inherent value. Skadden, Arps also assisted the Debtors in connection with several disputes with landlords and responded to the various motions, pleadings, and written correspondence of various landlords regarding their respective leases.

96. Skadden, Arps^o conducted an extensive organization and review of the Debtors' leases and in preparation for the exit financing. The leases were part of the collateral package the Debtors assembled for the exit financing.

U. Creditor Meetings/Committee

97. Throughout all stages of the Bankruptcy Cases, Skadden, Arps assisted the Debtors in connection with negotiations with the Creditors' Committee and responded to the numerous requests for information on an expedited basis. Skadden, Arps fielded requests for information from creditors and the Creditors' Committee and otherwise communicated with the Creditors' Committee's representatives regarding the progress and status of the Bankruptcy Cases.

98. Further, Skadden, Arps' services included representing the Debtors on several occasions at meetings with the Creditors' Committee and its legal advisors wherein extensive negotiations regarding the Disclosure Statement, Plan, and Exit Facility occurred.

RELIEF REQUESTED

99. Skadden, Arps submits this Final Application for an order allowing (a) compensation in the amount of \$4,667,748.00 for professional services rendered during the Case Period and (b) reimbursement of

actual and necessary out-of-pocket disbursements and charges in the amount of \$461,732.00.

100. To date, Skadden, Arps has received payments totaling \$2,493,592.00 from the Debtors on account of the interim fee applications submitted during the Case Period. No party has objected to any amounts set forth in Skadden, Arps' interim fee applications. Skadden, Arps has not received any promise of payment for professional services rendered or to be rendered in these cases other than in accordance with the provisions of the Bankruptcy Code.

101. In accordance with Skadden, Arps' commitment to keeping costs to the Debtors reasonable, Skadden, Arps has billed the Debtors for nonworking travel incurred during the Case Period at a rate of 50% in this Final Application. Skadden, Arps' travel time was kept to the minimum necessary to complete cases of this magnitude by the involvement of Skadden, Arps' Delaware office at the Debtors' hearings before this Court. In addition, as an accommodation to the client, Skadden, Arps has already voluntarily reduced its fees incurred in the Case Period in the amount of \$208,751.00 and expenses in the amount of \$20,507.00, resulting in a voluntary reduction of 4%.

102. Skadden, Arps achieved further cost efficiencies by employing a streamlined case management structure. Instead of assigning various attorneys to the myriad of tasks that arose during these cases, Skadden, Arps identified a core group of counsel and associates who were assigned responsibility for specific matters and types of matters. This allowed (i) certain attorneys to work almost exclusively on certain discrete matters in the Debtors' cases, (ii) Skadden, Arps to staff these cases with as little partner involvement as practicable, and (iii) Skadden, Arps to avoid performing duplicative or unnecessary work.

103. Reimbursement of Expenses. Skadden, Arps has disbursed, and requests reimbursement for, the following sums for actual and necessary expenses in the rendition of professional services in these cases:

Disbursements

Computer Legal Research	\$56,635.00
Telecommunications	\$38,899.00
Reproduction and Document Preparation	\$142,228.00
Travel Expenses	\$134,080.00
Courier, Express Delivery, and Postage	\$39,612.00
Outside Research	\$26,738.00
Court Reporting	\$4,666.00
Filing Fees	\$18,459.00
Miscellaneous	\$415.00
TOTAL EXPENSES	\$461,732.00

Exhibit D to this Final Application provides further information and detail concerning the firm's expenses

from March 1 through April 7, 2000. All previous detail has been submitted with the prior interim fee statements. Skadden, Arps' current rate for internal copying is \$.10 per page. Skadden, Arps did not charge the Debtors for facsimile transmissions; however, the telecommunication charges incurred by Skadden, Arps in the process of sending facsimile transmissions have been billed to the Debtors in the monthly billing statements.

REASONABLENESS OF FEES, CHARGES, AND DISBURSEMENTS

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

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

1997); Zolfo, Cooper & Co. v. Sunbeam-Oster Co., 50 F.3d 253 (3d Cir. 1995).

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

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

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

In re Boston & Maine Corp., 776 F.2d 2, 10 (1st Cir. 1985) (citations omitted).

108. Nature, Complexity, and Duration of the Cases. Because of the efforts of Skadden, Arps, the

Debtors' Plan was confirmed on November 30, 1999, and became effective on April 7, 2000, upon the closing of the Debtors' Exit Financing. Skadden, Arps achieved this quick result of the Debtors emerging from chapter 11 in less than ten months, by employing a streamlined case management structure that consisted of small, core teams and assigned various attorneys to other discrete tasks to avoid the performance of duplicative or unnecessary work.

109. Experience of Skadden, Arps. The experience of Skadden, Arps' attorneys has benefitted the estates. Addressing the numerous issues raised by the Bankruptcy Cases has required expertise in bankruptcy law, as well as in nonbankruptcy law areas such as ERISA, corporate, and tax, among others. Skadden, Arps' attorneys have efficiently used their breadth of knowledge and skill to carry out the tasks required in these Bankruptcy Cases. Skadden, Arps' depth of experience in chapter 11 matters has insured that a number of pressing matters could be addressed promptly.

110. In addition, Skadden, Arps' commitment to monitoring the administrative expenses of the estates, including its own legal fees, has been a constant element of its representation of the Debtors. Indeed, this emphasis has been manifested in Skadden, Arps' careful

review of its fees, charges, and disbursements and voluntary client accommodations.

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

112. Compliance with Local Rules. Skadden, Arps believes that this Final Application, together with the attachments hereto, substantially complies in all material respects with Local Rule (Order #32) of this Court and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 issued January 30, 1996. To the extent this Final Application does not comply in every respect with the requirements of Local Rule 32, Skadden, Arps requests a waiver for any such technical noncompliance.

WHEREFORE, Skadden, Arps respectfully requests that the Court (a) grant it an allowance of compensation for professional services rendered as attorneys for the Debtors in the sum of \$4,667,748.00, and reimbursement of actual and necessary expenses incurred in the sum of \$461,732.00, and (b) grant Skadden, Arps such other and further relief as is just and proper.

Dated: Wilmington, Delaware
May 19, 2000

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