

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Case No. 06-10977(BRL)
: :
SILICON GRAPHICS, INC., et al., : *Chapter 11*
: :
Debtors. : Jointly Administered
-----X

**SUMMARY SHEET ACCOMPANYING FIRST AND FINAL FEE
APPLICATION OF DELOITTE FINANCIAL ADVISORY SERVICES LLP FOR
COMPENSATION FOR PROFESSIONAL SERVICES RENDERED AND
REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD
FROM JUNE 29, 2006 THROUGH SEPTEMBER 19, 2006**

Name of Applicant: Deloitte Financial Advisory Services LLP

Time Period for
Application: June 29, 2006 through September 19, 2006

Authorized to Provide Services to: Silicon Graphics, Inc., et al.

Current Application: Fees Incurred: \$478,585.38
Expenses Requested: \$15,820.93

Prior Interim Application: Not applicable

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Case No. 06-10977(BRL)
: :
SILICON GRAPHICS, INC., et al., : *Chapter 11*
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Debtors. : Jointly Administered
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**FIRST AND FINAL FEE APPLICATION FOR ALLOWANCE OF FEES AND
EXPENSES OF DELOITTE FINANCIAL ADVISORY SERVICES LLP TO
PROVIDE FRESH-START ACCOUNTING SERVICES TO THE DEBTORS FOR
THE PERIOD FROM JUNE 29, 2006 THROUGH SEPTEMBER 19, 2006**

TO: THE HONORABLE BURTON R. LIFLAND
UNITED STATES BANKRUPTCY JUDGE

Deloitte Financial Advisory Services LLP (“Deloitte FAS”) hereby applies to this Court for final allowance of fees and expenses of Deloitte FAS as providers of fresh-start accounting services to Silicon Graphics, Inc., et al. (the “Debtors”), for the period from June 29, 2006 through September 19, 2006 (the “Compensation Period”), pursuant to sections 330 of title 11 of the United States Code, as amended (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). In support of this Application, Deloitte FAS states:

Background

1. On May 8, 2006, the Debtors filed voluntary petitions for reorganization relief under chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of New York (the “Court”). These cases are jointly administered for procedural purposes only.

2. The Debtors managed and operated their business as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code prior to their emergence from bankruptcy on October, 17, 2006.

3. On May 19, 2006, an official committee of unsecured creditors (the “Creditors Committee”) was appointed to serve in these cases pursuant to section 1103 of the Bankruptcy Code.

4. On June 30, 2006, the Debtors filed their First Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (the “Plan”) and the Disclosure Statement for the First Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (the “Disclosure Statement”). On July 27, 2006, the Court entered an order approving the Disclosure Statement. The order was signed and the Plan was confirmed on September 19, 2006 (the “Confirmation Date”).

Jurisdiction

5. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding under 28 U.S.C. § 157(b)(2).

6. The statutory predicate for the relief requested herein is section 330 of the Bankruptcy Code and Bankruptcy Rule 2016.

Deloitte FAS Retention

7. On August 11, 2006, Debtors’ counsel filed an application for authority to employ Deloitte FAS, together with Deloitte Consulting LLP (“Deloitte Consulting”), as providers of fresh-start accounting services to the Debtors.

8. On September 6, 2006, the Court authorized the employment of Deloitte FAS, together with Deloitte Consulting, as providers of fresh-start accounting services to the Debtors nunc pro tunc to June 29, 2006 (the “Retention Order”).¹

9. Pursuant to the Retention Order, it was ordered that the compensation of Deloitte FAS shall not exceed \$750,000 through the date of confirmation of the Debtors’ chapter 11 plan of reorganization.

10. As discussed below, Deloitte FAS requests approval of compensation for services rendered and expenses incurred from June 29, 2006 through September 19, 2006 (the “Confirmation Date”), in the amounts of \$478,585.38 and \$15,820.93, respectively, for a total award of \$494,406.31.

11. The total award amount of \$494,406.31 for which Deloitte FAS is seeking approval of the Court (together with the fees and expenses of Deloitte Consulting in the amount of \$66,622.82) is below the \$750,000 maximum amount indicated in the Retention Order.

Requested Fees and Reimbursement of Expenses

12. On May 31, 2006, the Court signed an Administrative Order Under 11 U.S.C. §§105(a) and 331 Establishing Procedures For Interim Compensation and Reimbursement of Expenses for Professionals (the “Compensation Order”).

13. In accordance with the Compensation Order, Deloitte FAS submitted monthly statements of fees and expenses (the “Monthly Fee Statements”) for the Compensation Period and requests approval of compensation in the aggregate amounts of \$478,585.38 in fees for services rendered on behalf of the Debtors, and \$15,820.93 for the

¹ The fees and expenses of Deloitte Consulting, totaling \$66,622.82, are the subject of a separate fee application, which is being filed concurrently herewith.

reimbursement of expenses incurred in connection with the rendition of such services for a total award of \$494,406.31.

14. No agreement or understanding exists between Deloitte FAS and Deloitte Consulting and any other nonaffiliated entity for sharing compensation to be received for services rendered in connection with this case.

15. The rates Deloitte FAS charges for the services rendered by its professionals and paraprofessionals in this case are the same or lower than rates Deloitte FAS charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in a competitive national advisory market.

16. Pursuant to the United States Trustee Guidelines, annexed hereto as **Exhibit A** are the schedules from the Monthly Fee Statements setting forth all Deloitte FAS professionals who have performed services in this case during the Compensation Period, the capacities in which each such individual is employed by Deloitte FAS, the hourly billing rate charged by Deloitte FAS for services performed by such individual, the aggregate number of hours expended per professional in this matter and fees billed.

17. Annexed hereto as **Exhibit B** is the Summary of Time Detail by Category from the Monthly Fee Statements regarding the services performed by Deloitte FAS during the Compensation Period, the aggregate number of hours expended in each category in this matter and fees billed.

18. Annexed hereto as **Exhibit C** is the Time Detail in chronological order from the Monthly Fee Statements regarding the services performed by Deloitte FAS during the

Compensation Period, including the date, name of professional, hours expended, time description, rate and fees billed per task.

19. Annexed hereto as **Exhibit D** is the schedule from the Monthly Fee Statements specifying the expenses for which Deloitte FAS is seeking reimbursement, the total amount for each such expense category and an itemized record of all expenses for which Deloitte FAS is seeking reimbursement. Expenses incurred by Deloitte FAS are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Deloitte FAS does not factor general overhead expenses into disbursements charged to its clients in connection with Chapter 11 cases.

20. To the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Compensation Period, but were not processed prior to the preparation of this Application, Deloitte FAS respectfully requests that the Court allow additional compensation for such services and reimbursement of such expenses in a future application.

Services Rendered

21. The professional services rendered by Deloitte FAS on behalf of the Debtors during the Compensation Period (as described in greater detail in **Exhibit E** annexed hereto) were reasonable, necessary and appropriate to the administration of the Debtors' chapter 11 cases and related matters.

22. Compensation for the foregoing services as requested is commensurate with the complexity, importance, magnitude, deadlines and nature of the problems, issues or tasks involved.

23. Additionally, the professional services for which compensation is sought herein were performed expeditiously and in an efficient manner.

24. In accordance with local practice, Deloitte FAS has charged the Debtors for travel time at 50% of the applicable rates.

Expenses Incurred

25. As set forth in **Exhibit D** annexed hereto, Deloitte FAS has incurred \$15,820.93 in expenses on behalf of the Debtors in providing professional services during the Compensation Period.

26. All charges submitted by Deloitte FAS during the Compensation Period are billed at actual costs incurred.

27. The location of the Debtors and the need to be onsite to administer many of the duties on behalf of the Debtors caused Deloitte FAS employees to travel extensively to the Debtors' headquarters to provide fresh-start services. All air travel to and from the Debtors' locations was necessary and the expense billed at actual coach airfare.

28. The actual expenses incurred in providing professional services were necessary, reasonable, and justified under the circumstances to serve the needs of the Debtors in this case.

The Requested Compensation Should Be Allowed

29. Section 330 of the Bankruptcy Code provides that a court may award a professional employed under section 325 of the Bankruptcy Code "reasonable compensation for actual necessary services rendered...and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 of the Bankruptcy Code also

sets forth the criteria for the award of such compensation and reimbursement.

Specifically, Section 330(a) (3) of the Bankruptcy Code provides:

In determining the amount of reasonable compensation to be awarded, the court shall consider, the nature, 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).

30. In this case, Deloitte FAS respectfully submits that the services for which it seeks compensation in this Application were, at the time rendered believed to be necessary for and beneficial to the Debtors, and were rendered in order to protect and preserve the Debtors' estates during the pendency of this case.

31. The services rendered to the Debtors were performed economically, effectively and efficiently, and the results obtained to date have benefited not only the Debtors, but also the Debtors' estates and the creditor body as a whole.

32. Accordingly, the compensation requested herein is reasonable in light of the nature, extend, and value of such services to the Debtors, their estates, and all parties in interest.

33. Deloitte FAS professionals spent a total of 1,420.9 hours during the Compensation Period, which services have a fair market value of \$503,964.33 less travel time reduction of \$25,378.95, for a total billing of \$478,585.38.

34. As demonstrated by this Application and the exhibits annexed hereto, Deloitte FAS spent its time economically and without unnecessary duplication. In addition, the work conducted was carefully assigned to appropriate professionals according to the experience and level of expertise required for each particular task.

35. In sum, the services rendered by Deloitte FAS were necessary and beneficial to the Debtors and their estates, and were consistently performed in a timely manner commensurate with the complexity, importance, and nature of the issues involved.

36. Accordingly, approval of the compensation sought herein is warranted.

Memorandum Of Law

37. Deloitte FAS respectfully submits that the relevant legal authorities are set forth herein and that this Application presents no novel issue of law. Thus, Deloitte FAS respectfully submits that this Application satisfies the requirement set forth in the Southern District of New York Local Bankruptcy Rule 9013-1 that a separate memorandum of law be filed in support of this Application.

38. Notice of the Application has been provided to (a) Silicon Graphics, Inc., 1200 Crittenden Lane, Mountain View, CA. 94043, Attn: Barry Weinert, Esq. (b) Weil, Gotshal & Manges LLP as attorney for the Debtor, 767 Fifth Avenue, New York, NY 10153, Att.: Gary T. Holtzer (c) Winston & Strawn LLP, as counsel to the Official Committee of Unsecured Creditors, 200 Park Avenue, New York, NY 10166, Att.: David

Neier, Esq. and (d) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, NY 10004, Attn.: Lisa M. Lambert, Esq. (the "Notice Parties").

Conclusion

WHEREFORE, Deloitte Financial Advisory Services LLP respectfully requests that this Court enter an order awarding Deloitte FAS a first and final allowance of compensation and expenses in the total amount of \$494,406.31 as set forth below and as indicated in the attached Declaration of Kirk Blair, a Partner of Deloitte FAS.

Dated: January 10, 2007

Deloitte Financial Advisory Services LLP

BY: /s/ Kirk Blair

Kirk Blair
Partner

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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DECLARATION CERTIFICATION OF KIRK BLAIR

I, Kirk Blair, make this declaration and state as follows:

1. I am a Partner of the firm of Deloitte Financial Advisory Services LLP (“Deloitte FAS”), which maintains offices at, among other locations, Two World Financial Center, New York, New York 10281.

2. This declaration is submitted pursuant to Section 504 of the Bankruptcy Code and Bankruptcy Rule 2016 in connection with and in support of Deloitte FAS’ fee application (the “Application”) for allowance of first and final compensation and reimbursement of expenses incurred for services rendered as restructuring advisors to the Silicon Graphics, Inc., et al. (the “Debtors”) for the period from June 29, 2006 through September 19, 2006 (the “Compensation Period”).

3. I have read the Application and the facts contained therein are true and correct to the best of my knowledge, information and belief.

4. I make this declaration in accordance with General Order M0151, Amended Guidelines for Fees and Disbursement for Professionals in Southern District of New York Bankruptcy Cases, adopted by the United States Bankruptcy Court for the Southern District of New York on April 19, 1995 (the “Local Guidelines”).

5. The Application respectfully requests that this Court enter an Order awarding Deloitte FAS \$478,585.38 as compensation for services rendered during the Compensation Period and \$15,820.93 reimbursement of reasonable actual and necessary expenses incurred in connection with such services.

6. No agreement or understanding exists between Deloitte FAS and any nonaffiliated persons or parties to share in any compensation received in connection with this case.

7. The fees and disbursement requested in the Application are billed at or below rates in accordance with practices customarily employed by Deloitte FAS and generally accepted by Deloitte FAS' clients.

8. Deloitte FAS has at all times, to the extent practicable, minimized disbursements incurred in connection with its services for the Debtors. In seeking reimbursement for service that is justifiably purchased or contracted for from a third party, Deloitte FAS requests reimbursement only for the amount billed to Deloitte FAS by the third-party vendor and paid by Deloitte FAS to such vendor.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: January 10, 2007

Deloitte Financial Advisory Services LLP

BY: Kirk Blair
Kirk Blair
Partner

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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: :
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**ORDER APPROVING FIRST AND FINAL APPLICATION OF
DELOITTE FINANCIAL ADVISORY SERVICES LLP FOR ALLOWANCE AND
PAYMENT OF COMPENSATION FOR SERVICES RENDERED AND
REIMBURSEMENT OF EXPENSES INCURRED
(JUNE 29, 2006 THROUGH SEPTEMBER 19, 2006)**

These cases came before the Court upon the application dated ____ __, 2007 (the "Application") of Deloitte Financial Advisory Services LLP ("Deloitte FAS") for an order under 11 U.S.C. § 330 (i) allowing compensation for professional services rendered on behalf of the Debtors in the amount of \$478,585.38, and authorizing payment of compensation not previously received, and (ii) allowing actual, necessary expenses incurred in connection with the rendition of such professional services in the amount of \$15,820.93, and authorizing reimbursement of expenses not previously received, for the period from June 29, 2006 through September 19, 2006 (the "Compensation Period"). A hearing on the Application was held on _____, 2007. The Court has read the Application, considered the representations of counsel and has determined that notice of the Application was good and sufficient under the circumstances and that no other or further notice need be given.

Accordingly, it is

ORDERED AND ADJUDGED THAT:

1. The Application is granted.
2. The fees earned and the expenses incurred during the Compensation Period, as set forth in the Application, are approved and allowed on a final basis.
3. The Debtors are authorized and directed to pay to Deloitte FAS (to the extent not previously paid) the sums of: (i) \$478,585.38, representing fees earned during the Compensation Period and (ii) \$15,820.93, representing expenses incurred during the Compensation Period.

Dated this ____ day of ____, 2007 in New York, New York.

UNITED STATES BANKRUPTCY JUDGE