

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

**In re:**

**TWA POST-CONFIRMATION ESTATE**

**Debtor.**

**Chapter 11**

**Case No. 01-00056  
(Jointly Administered)**

**Hearing Date: December 4, 2002 at 9:30 a.m.  
Objection Deadline: September 16, 2002**

**FEE APPLICATION COVER SHEETS FOR  
FINAL APPLICATION OF LOEB PARTNERS CORPORATION  
FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED  
AND REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISORS AND  
INVESTMENT BANKERS TO THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF TRANS WORLD AIRLINES, INC., ET AL.  
FOR THE PERIOD FROM JANUARY 23, 2001 THROUGH JUNE 25, 2002**

Name of Applicant: Loeb Partners Corporation

Authorized to Provide Professional Services to: Official Committee of Unsecured Creditors  
Creditors of Trans World Airlines, Inc., et al.

Date of Retention: January 23, 2001

Period For Which Compensation and Reimbursement is Sought: January 23, 2001 through June 25, 2002

Amount of Compensation Requested: \$479,279.83

Amount of Expense Reimbursement Requested: \$29,767.51

This is an:  interim  final application

This is a final application for compensation and reimbursement of expenses. The total time expended for fee application preparation is approximately 76.9 hours and the corresponding compensation requested is approximately \$28,271.50. All fee application preparation occurred during the time period of May 1, 2001 to June 25, 2002 (the period during which Loeb's fees were based upon hourly rates).

If this is not the first application filed, disclose the following for each prior application:

Date Filed	Period Covered	Requested		Approved	
		Fees	Expenses	Fees	Expenses
July 9, 2001	January 23 to April 30, 2001	\$325,000.00	\$19,588.59	\$260,000.00	\$19,588.59
October 11, 2001	January 23 to April 30, 2001	\$65,000.00 Fees Held Back	\$0.00	\$65,000.00	\$0.00

**COVER SHEET ATTACHMENT 1  
TO THE FINAL FEE APPLICATION  
OF LOEB PARTNERS CORPORATION**

**First Fee Application Period of January 23, 2001 to April 30, 2001  
(Compensation based on Flat Fee)**

Name of Professional Person	Position (Years with Loeb)	Total Hours
Tepner, Harvey L.	Managing Director (7 years)	352.8
Siegel, Phillip	Managing Director, Corporate Finance (1 year)	29.2
Winters, Ronald M.	Managing Director, Corporate Finance (no longer with Loeb)	95.3
Kaufman, Bruce A.	Senior Vice President, Corporate Finance (3 years)	351.4
Groffman, Ross D.	Associate (1 year)	120.3
Kempner, Thomas L.	Chairman & Chief Executive Officer (more than 10 years)	0.8
Holleman, Esq., Vicki Z.	Senior Vice President, General Counsel (more than 10 years)	0.3
<b>Total Hours for First Billing Period</b>		<b>950.1</b>

Note that, except as indicated below, professionals of Loeb Partners Corporation are not licensed to practice law, although several hold various licenses from the National Association of Securities Dealers.

Phillip Siegel was licensed to practice law in the State of New York but has been inactive for a number of years.

Loeb's Senior Vice President and General Counsel, Vicki Holleman, Esq., is licensed to practice law in New York State.

**COVER SHEET ATTACHMENT 2  
TO THE FINAL FEE APPLICATION  
OF LOEB PARTNERS CORPORATION**

**Second Fee Application Period of May 1, 2001 to June 25, 2002  
(Compensation based on Hourly Rates)**

Name of Professional Person	Position (Years with Loeb)	Hourly Billing Rate	Total Billed Hours	Total Compensation
Tepner, Harvey L.	Managing Director (7 years)	2001: \$425	2001: 123.4	\$52,445.00
		2002: \$450	2002: 16.8	7,560.00
Kaufman, Bruce A.	Senior Vice President, Corporate Finance (3 years)	2001: \$360	2001: 119.2	42,912.00
		2002: \$375	2002: 14.3	5,362.50
Grossman, Ross D.	Associate (1 year)	2001: \$250	2001: 57.6	14,400.00
		2002: \$275	2002: 0.1	27.50
Wiseman, Eileen T.	Director of Research & Operations (less than 1 year)	2001: \$250	2001: 0.0	0.00
		2002: \$275	2002: 16.3	4,482.50
<b>Grand Total for Second Billing Period:</b>		2001:	300.2	\$109,757.00
		2002:	<u>47.5</u>	<u>17,432.00</u>
		<b>TOTALS:</b>	<b>347.7</b>	<b>\$127,189.50</b>
<b>Blended Hourly Rate for Second Billing Period:</b>				<b>\$365.80</b>

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INVESTMENT BANKERS TO THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF TRANS WORLD AIRLINES, INC., ET AL.  
FOR THE PERIOD FROM JANUARY 23, 2001 THROUGH JUNE 25, 2002**

**TO: THE HONORABLE PETER J. WALSH,  
UNITED STATES BANKRUPTCY JUDGE**

This Final Application for Allowance of Compensation and Reimbursement of Expenses ("Final Fee Application") is filed by Loeb Partners Corporation ("Loeb") pursuant to 11 U.S.C. §§ 330 and 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, wherein Loeb respectfully moves this Honorable Court for an order awarding it compensation for services rendered as financial advisors and investment bankers to the Official Committee of Unsecured Creditors of Trans World Airlines, Inc., et al. (the "Committee") for the period January 23, 2001 through and including June 25, 2002 (the "Application Period") together with reimbursement for actual and necessary costs expended in rendering these services. In support of its Final Fee Application, Loeb respectfully represents as follows:

## BACKGROUND

1. On January 10, 2001, Trans World Airlines, Inc., et al.<sup>1</sup> (for the purpose of this fee application, referred to herein as the “Debtors”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). Pursuant to §§ 1107 and 1108 of the Bankruptcy Code, the Debtors continued in the management and operation of their businesses and properties as debtors-in-possession.

2. On January 18, 2001, the Office of the United States Trustee, pursuant to § 1102(a)(1) of the Bankruptcy Code, appointed the following members to the Committee: Pepsi Cola General Bottlers, First Security Bank, N.A., Moses Marx c/o United Equities Commodities Company, Air Line Pilots Association, International Association of Machinists & Aerospace Workers and United Technologies Corporation. On February 1, 2001, the United States Trustee appointed HSBC Bank USA to become a member of the Committee, replacing First Security Bank, N.A. On March 14, 2001, United Technologies Corporation resigned from the Committee. Ex-officio Committee members appointed included The Port Authority of New York and New Jersey and the City of St. Louis - Lambert - St. Louis International Airport.

3. On January 19, 2001, the Committee selected Blank Rome Comisky & McCauley LLP (“BRCM”) to serve as its counsel. By Order of this Bankruptcy Court dated March 2, 2001, the Bankruptcy Court approved BRCM’s employment by the Committee *nunc pro tunc* to January 19, 2001.

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<sup>1</sup> Prior to confirmation of the Plan of Reorganization, the Debtors were the following entities: Trans World Airlines, Inc., Ambassador Fuel Corporation, LAX Holding Company, Inc., Mega Advertising Inc., Northwest 112th Street Corporation, The TWA Ambassador Club, Inc., Trans World Computer Services, Inc., Transcontinental & Western Air, Inc., TWA Aviation, Inc., TWA Group, Inc., TWA Standards & Controls, Inc., TWA Stock Holding Company, TWA-D.C. Gate Company, Inc., TWA-LAX Gate Company, Inc., TWA Logan Gate Co., Inc., TWA-NY/NJ Gate Company, Inc., TWA-Omnibus Gate Company, Inc., TWA-San Francisco Gate Company, Inc., TWA-Hangar 12 Holding Company, Inc., Ozark Group, Inc., TWA Nippon, Inc., TWA Employee Services, Inc., TWA Getaway Vacations, Inc., Trans World Express, Inc., International Aviation Security Inc., Getaway Management Services, Inc., and The Getaway Group (U.K.) Inc.

## RETENTION OF LOEB PARTNERS CORPORATION

4. By application to this Court, the Committee filed a motion to engage Loeb as its financial advisors and investment bankers *nunc pro tunc* to January 23, 2001. By order dated March 26, 2001 (the "Retention Order"), Loeb's retention was approved by the Court, a copy of which is annexed hereto as Exhibit A. The Retention Order authorized Loeb to be compensated in accordance with the terms of an engagement letter between Loeb and the Committee dated as of January 31, 2001 (the "Retention Letter"), a copy of which is annexed hereto as Exhibit B.

5. The Retention Order and Engagement Letter provide that Loeb shall receive a financial advisory fee of \$25,000.00 for the period January 23 to January 31, 2001, monthly financial advisory fees of \$100,000.00 for the ensuing four months (February to May 2001 inclusive), a monthly financial advisory fee of \$50,000.00 for each subsequent month in rendering services pursuant to the Engagement Letter, and certain Incentive Fees, all subject to interim and final application to, and approval by the Court. Effective as of May 1, 2001, Loeb took a voluntary reduction in its financial advisory fees, and based its compensation on hourly rates as opposed to the previously agreed monthly fee. In accordance with Del. Bankr. LR 2016-2, a summary schedule of hours for each professional and description of Loeb's hourly rates is provided in the summary table as Attachment 2 included with the Cover Sheets for this Fee Application.

6. Loeb and its professionals assigned to this engagement have extensive experience and expertise in bankruptcy and reorganization proceedings, particularly with respect to advising committees of creditors. For example, Loeb and/or its professionals have served as financial advisors and investment bankers to creditors and/or committee of creditors in the

following chapter 11 cases: Aerovox Incorporated, Barney's, Inc., Frank's Nursery & Crafts, Inc., Indesco International, Inc., LTV Corporation, Memorex Telex Corporation, National Gypsum Corporation, Philip Services, Inc., RSL COM, Inc., Spinnaker Industries, Inc. and Trump Taj Mahal Funding, Inc.

7. The Loeb professionals that were responsible for advising the Committee in these chapter 11 cases were Harvey L. Tepner, Managing Director and Bruce A. Kaufman, Senior Vice President, Corporate Finance. Loeb drew upon the knowledge and skills of other firm members as was required.

#### **REQUEST FOR COMPENSATION**

8. On January 10, 2001, this Court entered its Compensation Procedures Order Pursuant to 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Professionals (the "Compensation Procedures Order"). The Compensation Procedures Order was sought in light of the size and complexity of these cases and the need for an order establishing extra-judicial procedures for the interim payment of fees to professionals.

9. In accordance with the Compensation Procedures Order, on or before the twenty-fifth day of each month following the month for which compensation is sought, professionals employed in these cases (the "Professionals"), pursuant to §§ 327 and 1103, are entitled to file with the Court an interim statement of fees and expenses incurred through the last day of the preceding month (the "Monthly Statement"), with copies of the Monthly Statement forwarded to (i) the Debtors, (ii) Debtors' co-counsel, (iii) counsel to the proposed debtor-in-possession lender; (iv) counsel to the Committee along with any other committee appointed pursuant to § 1102 of the Bankruptcy Code, and (v) the Office of the United States Trustee.

Furthermore, Professionals are required to file periodic interim fee applications seeking Court approval of the fees and expenses incurred for specific time periods.

10. Assuming that none of the recipients of the Monthly Statement object to the interim billing statement, each Professional is entitled to receive eighty percent (80%) of the amount of fees requested and, if in compliance with the "Compensation Guidelines" of this Court and the U.S. Trustee, 100% of the amount of expenses submitted. Loeb has not submitted Monthly Statements for these cases. A Billing Summary for the Application Period is attached as Exhibit C.

11. For the Application Period, Loeb now files its Final Fee Application requesting compensation in the amount of \$509,040.34 representing fees, holdbacks and reimbursement of expenses incurred through the Application Period, an amount that includes \$325,000.00 in fees and \$19,588.59 in expenses that have already been paid to Loeb.<sup>2</sup>

12. The breakdown of fees and expenses already paid to Loeb is as follows: This Court has previously awarded Loeb and Loeb has received fees of \$260,000.00 and reimbursement of expenses of \$19,588.59 for the "First Fee Period" of January 23, 2001 through to April 30, 2001. Fees in the amount of \$65,000.00 that were held back during the First Fee Period were subsequently paid to Loeb pursuant to an application filed by Loeb and approved by an Order issued by this Court. In the "Second Fee Period" (May 1, 2001 through and including June 25, 2002), Loeb fees totaled \$154,272.83 (consisting of \$127,189.50 based on hourly rates and \$27,083.33 of Incentive Fees, as per Paragraph 2(a)(iv) of the Retention Letter<sup>3</sup>) and

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<sup>2</sup> The net compensation due but not yet paid to Loeb, representing an aggregate of fees, holdbacks and expenses incurred through the Application Period less payments received by Loeb, totals \$164,451.75.

<sup>3</sup> The Retention Letter describes, with certain provisions, an Incentive Fee to be paid to Loeb consisting of one-third of one percent of, collectively, all assets distributed to unsecured creditors (\$8,125,000.00). Loeb reserves all rights to supplement this fee application at any future time should additional recoveries to the unsecured creditors become available arising from any avoidance or similar type actions.



out-of-pocket expenses amounted to \$10,178.92. These fees and expenses were not previously submitted to the Court and have not yet been paid to Loeb.

### **THE MANNER OF RECORDING LOEB'S FEES AND EXPENSES**

13. The Compensation Guidelines require that all fee applications set forth the services rendered and expenses incurred by general categories reflecting the major discrete areas for which services were performed. During the Application Period, Loeb provided services to the Committee that generally focused on analyzing (i) the Debtors' operations and future prospects, (ii) valuation estimates derived from such an analysis and other external factors (such as interest rates, the state of various financial markets and general economic conditions), (iii) the sale of the Debtors' operations to AMR Corporation ("AMR"), (iv) reviewing and advising the Committee regarding certain business decisions and processes of the Debtors, (v) review of claims, escrow accounts, sales of residual assets and cure payments, and (vi) various issues related to the Plan of Reorganization ("POR"). Loeb believes the areas are interrelated and that it would be both impractical and burdensome to try to categorize hours and expenditures separately.

14. Since January 23, 2001, Loeb has rendered professional services to the Committee as requested and as necessary and appropriate in furtherance of the interests of the Debtors' unsecured creditors. The variety and complexity of these cases and the need to act or respond on an expedited basis in furtherance of the Committee's needs have required the expenditure of substantial time by senior professionals including, in certain instances, working late into the evening and on weekends.

15. Loeb maintains records of the time expended by professionals in the rendition of their professional services to the Committee. All of the time expended and the

nature of the services rendered by Loeb were recorded on a contemporaneous basis with the rendition of services. The total number of hours expended by Loeb professionals in performing services for the Committee during the Application Period was 1,297.8 hours, consisting of 950.1 hours during the First Fee Period and 347.7 hours during the Second Fee Period (where Loeb's fees were based upon hourly rates). Detailed records of the time expended by the Loeb professionals in rendering professional services to the Committee is attached hereto as Exhibit D. Each time entry describes the date of each service rendered, the professional rendering the service, a description of the services rendered and the amount of time spent performing each service.

16. As summarized above, this is a final application for compensation and reimbursement of expenses. The total time expended for the preparation of all fee applications was approximately 76.9 hours, and the corresponding compensation requested is approximately \$28,271.50. Loeb seeks only time and expenses for preparation of the First Fee Application (prepared during the Second Fee Period of May 1, 2001 to June 25, 2002, when Loeb's fees were based upon hourly rates). The total hours presented herein do not include time beyond June 25, 2002 and, therefore, do not include fees associated with the preparation, review, assembly, collation and distribution of this Final Fee Application.

17. Loeb's fees were computed in accordance with the Retention Order and the Retention Letter. For cases of this magnitude, Loeb's fees are customary and within the low range of requested compensation for financial advisory services of the nature being furnished to and on behalf of the Committee.<sup>4</sup> It should be noted that Loeb took a voluntary reduction for the

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<sup>4</sup> The total cumulative hourly billing rate since the beginning of these cases is \$369.30 per hour. This cumulative rate is derived by dividing the total cumulative gross billed fees of \$479,272.83 by the total 1,297.8 hours since the January 23, 2001 commencement of Loeb's services.

Second Fee Period by replacing the monthly fees described in the Retention Letter with fees based upon hourly rates. Moreover, Loeb respectfully submits that the professional services rendered on behalf of the Committee were necessary and have directly contributed to the effective administration and the prospective recoveries of the estates.

18. Loeb's request for an allowance of compensation does not include an allocation of charges for photocopying, telephone and telecopier toll charges, computerized research, travel expenses, "working meals," secretarial overtime, postage and certain other office services. Since the needs of each client differ, Loeb believes it is fairest to charge each client only for the services and related expenses actually used in performing such services.

19. Loeb seeks reimbursement only for out-of-pocket expenses that were reasonable and necessary, and are acceptable in accordance with the Compensation Guidelines. The disbursements and expenses have been incurred in accordance with Loeb's normal practice of charging clients for expenses clearly related to and required by particular matters. Loeb has endeavored to minimize these expenses to the fullest extent possible. Loeb maintained records of all actual and necessary out-of-pocket expenses incurred in connection with the performance of its professional services. A schedule of the categories of expenses and amounts for which reimbursement is requested for the Application Period is attached hereto as Exhibit E.

20. Loeb has received no payment other than those received from the Debtors, and no promises for payment from any source for services rendered in connection with these cases. There is no agreement or understanding between Loeb and any other person for the sharing of compensation to be received for the services rendered in these cases.

## **SUMMARY OF SERVICES RENDERED AND RESULTS ACHIEVED**

21. This summary presents, in narrative form, a brief description of the services performed by Loeb as financial advisors and investment bankers to the Committee.

22. First Five Days — During the first five days of the Application Period:

- (a) Loeb reviewed the proposed transaction between the Debtors and AMR and the sources and uses of funds for the transaction to determine the potential recoveries for secured and unsecured creditors. Loeb also analyzed the proposed transaction to determine the potential value available to the Debtors' Estate from the disposition of assets not being assumed by AMR.
- (b) Loeb reviewed the Key Employee Retention Program ("KERP") and worked with BRCM to evaluate its costs and benefits and to assist the Committee in developing its position with respect to the KERP.
- (c) Loeb attempted to determine which bidders, other than AMR, might be interested in the Debtors' business operations and assets.
- (d) Loeb attempted to develop bid procedures that would both allow and encourage other parties to bid for the Debtors' business operations and assets.
- (e) Loeb, along with BRCM, participated in negotiations with the Debtors, AMR and their respective advisors regarding bid procedures and certain aspects of the debtor-in-possession ("DIP") financing.

23. Due Diligence — During the Application Period, Loeb performed due diligence focusing on any factors that could affect potential recoveries to unsecured creditors. The efforts included a review of industry conditions, competitor performance and activities, and

the ongoing performance of the Debtors. Loeb's due diligence efforts included evaluating the Debtors' recapitalization and restructuring options from a financial perspective, evaluating the potential for a stand-alone plan of reorganization and the effect on recoveries to unsecured creditors, evaluating the nature of the sale process undertaken by the Debtors, reviewing and assessing the Debtors' contention that its business would be irreparably harmed if the proposed sale to AMR did not occur within a certain desired time frame, and other matters. Loeb familiarized itself with the audited historic financial statements and interim historical financial statements and reports in order to better understand the Debtors' financial results, the relationships between revenues and expenses, and the key components of the Debtors' assets and liabilities. Loeb interviewed the Debtors' executives, employees and financial advisors in both New York City and St. Louis, Missouri. In addition, Loeb undertook a review of various industry statistics and other information to comprehend current industry conditions and the competitive factors affecting the Debtors' businesses. This work continued throughout the First Fee Period.

24. AMR's Asset Purchase and Debtor-in-Possession Financing Agreements — Loeb reviewed various drafts of AMR's proposed asset purchase and debtor-in-possession financing agreements as well as certain schedules supporting those agreements. The review of the agreements included analyzing the financial impact each agreement would have on creditors and, in particular, unsecured creditors.

25. Asset Sale and Bid Procedures — Loeb reviewed the history and context by which the Debtors had sought to sell their business operations and assets prior to the petition date in order to establish some basis to evaluate the reasonableness of the Debtors' proposed transaction with AMR. Loeb participated in negotiating bid procedures with AMR. Further, after the bid procedures hearing, Loeb devoted

substantial time and effort to obtain a comprehensive understanding of the proposed AMR transaction and its implication for secured and unsecured creditors and to determine whether reasonable alternatives could be found that would be beneficial to unsecured creditors. This included:

- (a) analyzing AMR's acquisition proposal and DIP financing;
- (b) soliciting interest from third parties for submitting competing bids;
- (c) analyzing and attempting to negotiate the terms of competing bids and/or DIP financing proposals received from various parties including the "Brian Freeman/Carl Icahn" group; and
- (d) attending and participating in various discussions and negotiations surrounding the auction for the Debtors' assets on March 5 and March 7, 2001 and the Sale Hearings.

26. As part of the foregoing, Loeb advised the Committee on strategies and tactics for participating at the auction for the Debtors' business operations and substantially all their assets. Loeb also worked with the Committee to develop negotiating positions with respect to the Debtors, AMR and others. Loeb participated in meetings and telephone calls with the Debtors' advisors and meetings and telephone calls with representatives of the Brian Freeman/Carl Icahn group. Loeb also participated in negotiations with the Debtors and the Debtors' advisors as well as representatives from AMR and their advisors.

27. During the pendency of the hearing to approve the sale of the Debtors' business operations and substantially all their assets to AMR, Loeb assisted BRCM in reviewing testimony, responses to questions, and developing questions for various witnesses. Loeb also provided testimony in Bankruptcy Court regarding the events leading up to the Sale Hearing and the projected recoveries to unsecured creditors.

28. Worldspan — Loeb analyzed the Debtors' partial ownership of Worldspan L.P. ("Worldspan") to determine strategies to maximize its value. Based upon the limited information available to Loeb, Loeb valued the Debtors' ownership in Worldspan and, as part of that valuation, completed a comparable company analysis. Loeb engaged in a series of discussions with the Debtors, their financial advisors, and the financial advisors to Worldspan in order to get a better understanding of the value of Worldspan and potential liquidity events.

29. Sources and Uses Analysis — Loeb analyzed the sources and uses of cash and other assets with respect to the AMR transaction. Loeb also prepared a sources and uses analysis in connection with transactions proposed by competing parties. During the Application Period, as information regarding the transaction with AMR changed and as additional information became available, Loeb continued to update the sources and uses analysis, and advised the Committee with respect to its findings.

30. Claims and Recovery Analysis — During the Application Period, Loeb reviewed the total amount of unsecured claims and the effect on unsecured creditor recoveries that would result from differing amounts of total unsecured claims. Loeb analyzed the potential recoveries to unsecured claims and ranges of value and reported its results to the Committee. Loeb's analysis of the relative range of recoveries for the unsecured creditors was an important factor in the Committee's deliberations regarding the Debtors' proposals and the negotiating positions adopted by the Committee. Loeb updated its recovery analysis several times during the Application Period to reflect changes resulting from modifications to the AMR-TWA sale agreement and the sources and uses schedule.

31. Secured Claims Analysis — During the Application Period, Loeb assisted BRCM in analyzing various claims of secured debt holders. In connection therewith, Loeb reviewed various documents supporting the secured debt claims, calculated amounts owed and

attempted to reconcile such calculations to the Debtors' schedules and statement of financial affairs, and estimated the value of certain collateral relating to the secured claims.

32. Insolvency and Other Analysis — During the Application Period, Loeb reviewed the historical financial statements of the Company, calculated financial ratios and examined trends for the purposes of determining the approximate point in time when the Debtors became financially impaired. Loeb also completed several other analyses and reviews to assist BRCM and the Committee understand whether there existed other potential claims.

33. Financial Valuation and Strategic Options — As a result of its financial review and analysis of the Debtors and airline industry, Loeb developed an understanding of (i) the factors that led to the Debtors' Chapter 11 filings, (ii) the financial and capital requirements necessary for the Debtors to continue to operate as an independent airline, and (iii) the valuation parameters to be considered in valuing the Debtors' Estate. The preceding was based upon Loeb's due diligence regarding the value of assets, value of claims and other remaining liabilities, and the financial and operational condition of the Debtors, and was designed to enable Loeb to assess the reasonableness of the Debtors' options. Loeb continued its due diligence efforts throughout the Application Period, focusing on any factors that could affect potential recoveries to unsecured creditors.

34. Review of Publicly-Traded Companies — Loeb prepared a review of financial trends and conditions in the airline industry. Specifically, Loeb prepared an analysis of the financial performance of publicly-traded airlines, including (i) their results of operations, (ii) their operating margins and profitability, (iii) their debt and equity capital structures, and (iv) the trading value of their securities.

35. Committee Meetings and Other Committee Business — As financial advisors and investment bankers to the Committee, Loeb was a key participant and contributor to



the Committee's deliberations in determining the adequacy and fairness of the proposal by AMR to acquire most of the operating airline assets of the Debtors, to review other indications of interest, to elicit bids from other potential acquirers or investors, in determining the adequacy and fairness of settlement proposals by AMR and the Debtors to ensure the maximum possible recovery of the Debtors' remaining assets. Loeb was in frequent contact with the Committee and BRCM through numerous telephone calls, conferences, conference calls and reports regarding ongoing activities of the Debtors, and focused on financial issues, the bidding process, recoveries for all creditors, and potential recoveries for unsecured creditors (to the extent that information was available from the Debtors, or could be developed from outside sources by Loeb and other Committee professionals). Loeb, along with BRCM, advised the Committee regarding strategies capable of maximizing value for unsecured creditors. Loeb furnished the Committee with a series of oral and written reports focusing on potential creditor recoveries, the recoveries to secured creditors and the form in which those recoveries could be, and a review of the Debtors' business affairs and the impact on valuation and creditor recoveries. Loeb's services provided the Committee and its legal professionals with the financial analysis and advice needed to support the Committee's position for negotiating potential creditor recoveries.

36. Negotiations with Other Bidders — Loeb reviewed all bids that were submitted to acquire all or a portion of the Debtors' Estate. Loeb evaluated the adequacy of bids with respect to each bidder's ability to consummate a transaction, the competitiveness of the bid compared to the AMR proposal, as well as the respective bidder's operational plans for the Debtors' business. The consequence of each bid to the secured and unsecured creditor recoveries was also analyzed. Loeb participated in negotiations and discussions with the Brian Freeman/Carl Icahn group about their proposal for DIP financing as well as their proposed asset purchase/investment in the reorganized Debtors. Loeb participated in discussions with other

groups that submitted bids or expressed interest in submitting a bid, as well as analyzed the credibility and terms of such proposals or bids. Loeb reported to the Committee on the results of these negotiations and discussions on a regular basis.

37. Communication with the Debtors and their Advisors — Loeb had numerous conversations with the Debtors' financial staff as well as Rothschild Inc., the Debtors' financial advisors. The purpose of these discussions were to gain a better understanding of the status of the Debtors' business operations, the proposed transaction with AMR, negotiations with AMR, the progress toward maximizing the potential recoveries of the assets and the reasonableness and appropriateness of disbursements by the Debtors' Estate, as well as the ongoing financial resources available to the Debtors.

38. Review of Bankruptcy Court Filings — Loeb reviewed and analyzed various court filings, focusing on (i) filings regarding existing and prospective bidders, (ii) filings containing financial information regarding the Debtors' Estate, and (iii) filings containing information that may affect the Debtors' financial position and potential unsecured creditor recoveries.

39. Post-Sale Activities Related to the Sale — Loeb reviewed the actual sources and uses of funds in connection with the AMR transaction, and reviewed the variance of the actual funds available to the Debtors' Estate from the previously projected funds that were to be available to the Debtors. Loeb also reviewed certain summaries regarding cure payment amounts and their impact on funds remaining in the Debtors' Estate. Loeb continued to review the potential for a recovery for unsecured creditors with BRCM.

40. Monitored Post-Sale Administration of the Debtors' Estate — Loeb worked with BRCM to assist in evaluating the appropriateness and accuracy of expenditures made by the Debtors' Estate and helped in preparations for potential litigation with these parties.

Loeb participated in meetings in St. Louis, Missouri and had numerous discussions with the officers of the Debtors' Estate and their legal representatives by telephone to review analyses prepared by the Debtors concerning operating and escrow receipts and expenditures and the funds remaining in the Debtors' Estate following the sale of the Debtors' operating assets to AMR. Loeb reviewed proposed distributions set forth in Court filings and interviewed the Debtors' Estate management regarding the reasonableness of amounts disbursed from the Debtors' Estate. Loeb also monitored the Debtors' progress in researching and resolving disputed cure and other claims against the Debtors' Estate.

41. Contributed to the Negotiation of a Plan of Reorganization — Loeb reviewed numerous proposed POR settlement proposals put forward by the Debtors and AMR and participated in numerous meetings in person and by phone to advise the Committee regarding POR settlement proposals. Loeb assisted the Committee and BRCM in developing concepts for the Committee's position with respect to POR negotiations, including the proposal of concepts concerning governance and other matters.

## FACTORS TO BE CONSIDERED IN AWARDING FEES

### Legal Standard to be Applied

42. Loeb's request for compensation is made pursuant to the twelve criteria originally enumerated in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714, 714-719 (5th Cir. 1974), and expressly adopted by the United States Court of Appeals for the Fourth Circuit in Barber v. Kimbrells, Inc., 577 F.2d 216 (4th Cir. 1978), Anderson v. Boothe, 658 F.2d 246 (4th Cir. 1978), and Harman v. Levin (In re: Robertson), 772 F.2d 1150 (4th Cir. 1985). The twelve criteria are as follows:

(1) the time and labor expended; (2) the novelty and difficulty of the questions raised; (3) the skill required to properly perform the legal services rendered; (4) the attorney's opportunity costs in pressing the instant litigation; (5) customary fee for like work; (6) the attorney's expectations at the outset of the litigation; (7) the time limitations imposed by the client or circumstances; (8) the amount of controversy and the results obtained; (9) the experience, reputation and ability of the attorney; (10) the undesirability of the case within the legal community in which the suite arose; (11) the nature and length of the professional relationship between the attorney and client; and (12) attorney awards in similar cases.

Barber v. Kimbrells, Inc., 577 F.2d at 226 n28.

These criteria are discussed in detail below.

43. The total fees requested by Loeb are reasonable under the circumstances, and the twelve Johnson v. Georgia Highway Express, Inc. factors, as discussed below, supports an award of compensation in the amount requested.

### Analysis of "Johnson" Factors

44. Time and Labor Expended — The professional services rendered by Loeb were requested by the Committee or necessitated by the demands of these cases, and have

required the expenditure of substantial time and effort. It is respectfully submitted that the services rendered to the Committee were performed efficiently, effectively and economically, and the results obtained to date have benefited not only the members of the Committee, but also the unsecured creditor body as a whole and the Debtors' Estate.

45. Novelty and Difficulty of Questions Raised — These cases have presented substantial difficult and novel financial and operational issues. The Debtors' operated a unique business — unique because of the competition within and government regulation of its industry and the limited options of potential bidders to purchase the Debtors' assets. Furthermore, these cases were complicated due to a changeover in senior management and the significant time constraints.

46. Level of Skill Required — The level of skill required from Loeb was very high to ensure that the Committee's interests and the fiduciary duties to all creditors are being protected in these cases. Loeb's work required coordinating its activities with the Committee, Committee counsel and the other Committee professionals, as well as with the Debtors' senior management and its financial advisors. In addition, the high skill level of the Loeb professionals benefited the Committee and the Debtors' Estate because of Loeb's ability to fully and rapidly understand the important business issues facing the Debtors and to engage in meaningful discussions with the Debtors on matters designed to improve the performance of the Debtors and the potential value of the Debtors' Estate.

47. Opportunity Costs — Loeb has devoted a significant amount of time to these cases. As a result, during certain intervals of the Application Period, several of the professionals involved were able to devote only limited time to other matters.

48. Customary Fee For Like Work — Loeb's fees are well within the customary range charged by other financial advisors and investment bankers, and the total

compensation sought is reasonable compared with fees charged by other similarly situated firms in cases of this magnitude and complexity. With respect to the level of compensation, section 330 of the Bankruptcy Code provides, in pertinent part, that the Court may award to a professional person (including financial advisors for a creditors' committee):

Reasonable compensation for actual necessary services rendered by such ... professional person based on the time, the nature, the extent, and the value of such services, and the cost of comparable services other than in a case under this title ...

11 U.S.C. § 330

The clear Congressional intent and policy expressed in this statute is to provide for adequate compensation in order to continue to attract qualified and competent bankruptcy practitioners to bankruptcy cases. It should be noted that Loeb voluntarily reduced its fees from monthly installments to those based upon hourly rates beginning May 1, 2001 through and including June 25, 2002. These hourly fees do not include time spent for the review, preparation, assembly, collation and distribution of this Final Fee Application.

49. Loeb's Expectation at the Outset of Representation — Loeb expected that it would be compensated for services in accordance with the terms of the Retention Letter and would be reimbursed for all out-of-pocket disbursements made in rendering services on behalf of the Committee. Loeb has sought reimbursement only for those out-of-pocket expenses that are normally not considered overhead and are reimbursable under the Compensation Guidelines.

50. Time Limitations — Many of the services provided by Loeb were provided under severe time limitations. For example, since being retained, Loeb has expended a substantial amount of time getting up to speed on the Debtors' business affairs in order to

properly engage in constructive discussions with the Debtors and to properly assist and advise the Committee on positions in matters arising from these cases. Loeb was required to digest and assimilate a large body of background and financial information from various sources, including SEC documents, and documents provided by the Debtors.

51. Amount in Controversy and Results Obtained — Loeb's efforts have resulted in significant, positive gains for the Committee and the creditors of these estates. The fee requested by Loeb is modest, given the magnitude and complexity of these cases. Moreover, Loeb played and continues to play a key role in addressing Committee concerns and in successfully advising and acting on behalf of the Committee and general creditors of these estates.

52. Loeb's Experience, Reputation and Ability — Loeb professionals brought to the Committee their broadly based and specialized experience, knowledge and expertise in investment banking and corporate reorganizations. Loeb and its professionals have served as financial advisors and investment bankers to creditors and/or committees of creditors for several prominent Chapter 11 cases as described above.

53. Undesirability of the Case — This factor has little applicability to these cases, except for (i) certain delays in obtaining compensation and the imposition of administrative costs on Loeb in preparing and submitting requests for allowances of compensation and (ii) the imposition of time constraints which may prevent Loeb from accepting representation of other clients.

54. Nature and Length of Professional Relationship With Client — Prior to the initiation of these bankruptcy cases, Loeb had no client relationship with the Debtors or any Committee member.

55. Fee Awards in Comparable Cases — The fees requested by Loeb in these cases are very modest compared to fees allowed in cases of similar magnitude and complexity based on the time expended and the difficulty of the representation.

### SUMMARY

56. All services for which compensation is requested in this Application were performed for and on behalf of the Committee in respect of its fiduciary duties to these estates and their creditors, and not on behalf of any other person or entity.

57. After the commencement of these Chapter 11 cases, no beneficial interests, direct or indirect, or claim against or interest in any creditor or the Debtors has been acquired by Loeb or for its account.

58. As set forth in the Certification of Harvey L. Tepner annexed hereto as Exhibit F, Loeb believes that this application is in compliance with the Compensation Procedures Order setting the guidelines for fees and disbursements for professionals in these bankruptcy cases; the Local Rules of the United States Bankruptcy Court for the District of Delaware, effective February 1, 2001; the Federal Rules of Bankruptcy Procedure effective March 1, 2001; and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses dated January 30, 1996.

59. Consideration of the circumstances of these cases and the twelve-factor test of Barber v. Kimbrells, Inc. indicates that no additional downward adjustment in the overall fees of Loeb is warranted. Loeb voluntarily reduced its fees from monthly installments to fees based upon hourly rates for the period beginning May 1, 2001 to June 25, 2002. The work performed by Loeb has provided the Committee with significant benefits.



60. The Final Fee Application is subject to a reservation of rights to supplement this document at any future time should avoidance or similar type actions result in additional recoveries to the unsecured creditors.

61. Notice of this Application has been given to the Debtors, Debtors' counsel, the United States Trustee, and all creditors and parties-in-interest who have filed a request with the Clerk that such notices be mailed to them. As required by the Federal and Local Rules, a Certificate of Service will be filed separately. This document describes (i) the date and method of service of this Final Fee Application, (ii) the names and addresses of the persons served, and (iii) if the persons are served in a representative capacity the parties whom they represent.

62. No agreement or understanding exists between Loeb and any other person for the sharing of compensation to be received by it for services rendered in connection with these cases.

63. No prior application has been made in this or in any other Court for the relief requested herein for the Application Period.

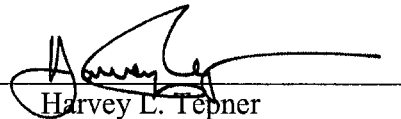
**WHEREFORE**, Loeb respectfully requests that, if no objection is timely filed as specified in the Compensation Procedures Order, this Court:

- (a) approve this Final Fee Application for services rendered for the Application Period allowing Loeb Partners Corporation compensation in the amount of \$479,272.83, plus reimbursement of out-of-pocket expenses in the amount of \$29,767.51, less compensation already received during this period totaling \$344,588.59 (fees paid totaling \$325,000.00 plus expenses paid totaling \$19,588.59) for an aggregate sum of \$164,451.75 in the Application Period; and
- (b) authorize and direct the Debtors to pay Loeb Partners Corporation the sum of \$164,451.75, representing the total amount of fees and expenses due for the Application Period but not yet paid; and
- (c) enter such other and further relief to Loeb Partners Corporation as the Court deems just and equitable.

Respectfully submitted,

LOEB PARTNERS CORPORATION

By:



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Dated: New York, New York  
August 26, 2002

*Financial advisors and investment bankers to the  
Official Committee of Unsecured Creditors of  
Trans World Airlines, Inc., et al.*