

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

In re  <b>TWA Inc. Post Confirmation Estate</b>  <b>Debtor</b>
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**Chapter 11**  
**Case No. 01-00056**  
**(Jointly Administered)**  
**Honorable Judge Walsh**

**FINAL APPLICATION OF ROTHSCHILD INC. FOR  
COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Rothschild Inc. (“Applicant”), financial advisor to the Debtors<sup>1</sup> (the “Debtors” or the “Company”) makes this final application for compensation and reimbursement of expenses, and in support thereof respectfully represents:

1. This application is made pursuant to Sections 330 and 331 of Title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure, and the Order of the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court,” or “Court”) dated January 10, 2001 (the “Petition Date”), approving the retention of Applicant as financial advisor to the Debtors, as of the Petition Date (the “Retention

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<sup>1</sup> The Debtors comprised the following entities: Trans World Airlines, Inc., Ambassador Fuel Corporation, LAX Holding Company, Inc., Mega Advertising Inc., Northwest 112<sup>th</sup> 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-Hanger 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., The Getaway Group (U.K.) Inc.

Order”), under the terms set forth in the application to the Court (the “Retention Application”). (A copy of the Retention Order is attached hereto as Exhibit 1.)

2. Applicant’s retention agreement with the Debtors dated January 8, 2001 (the “Rothschild Agreement”), a copy of which is attached hereto as Exhibit 2, provides, among other things for the payment to Rothschild, subject to Court approval, a monthly fee of \$125,000 on the last business day of each month starting with January 2001, for services rendered during the Chapter 11 case (the “Monthly Fee” and collectively, the “Monthly Fees”). In addition, the Rothschild Agreement provides for the payment, subject to Court approval, to Applicant of a cash recapitalization fee (the “Recapitalization Fee”) calculated as a percentage of Transaction Value or Enterprise Value, as defined in the Rothschild Agreement.

3. Debtors paid Applicant \$398,065.64 in respect of services performed during the period January 10, 2001 through and including March 31, 2001 (the “Relevant Period”), representing \$375,000.00 for Monthly Fees and \$23,065.64 for expenses. These payments were made pursuant to this Court’s order dated January 10, 2001 (the “Interim Compensation Order”) regarding procedures for compensation for services rendered by professionals in these cases. Applicant’s prior interim applications for compensation and reimbursement of expenses are attached as Exhibit 3, Exhibit 4, and Exhibit 5 for the periods January 10, 2001 through January 31, 2002, February 1, 2001 through February 28, 2001, and March 1, 2001 through March 31, 2001, respectively.

4. Under the terms of the Rothschild Agreement, Applicant was also entitled to a Recapitalization Fee of \$12,782,000.00 payable upon the April 9, 2001 closing of the sale of a substantial portion of Debtors’ assets to an affiliate of American Airlines (the “American Airlines Transaction”). After discussions with the Debtors, the Official Committee of Unsecured Creditors (the “Unsecured Creditors Committee”), and other parties-in-interest in these cases,

Applicant voluntarily reduced the Recapitalization Fee payable to Applicant. Applicant reduced the Recapitalization Fee from \$12,782,000.00 (the amount that would have been due under the Rothschild Agreement) to \$12,282,000.00, representing a total reduction of \$500,000.00.

Applicant also agreed to credit 100% of Monthly Fees payable to Applicant for services rendered after the Relevant Period against the Recapitalization Fee. The Unsecured Creditors' Committee withdrew its objection to the allowance and final payment of the Recapitalization Fee. The Court entered an order on October 31, 2001 (the "Recapitalization Fee Payment Order") allowing for the immediate, full and final payment of the Recapitalization Fee. The Recapitalization Fee Payment Order is attached as Exhibit 6.

5. Accordingly, Applicant seeks: (a) final approval of Monthly Fees during the Relevant Period in the total amount of \$375,000.00; (b) final approval of reasonable and necessary expenses in the amount of \$23,065.64 incurred by Applicant during the Relevant Period and submitted in prior interim fee applications; (c) final approval of \$797.99 of reasonable and necessary expenses incurred by Applicant during the Relevant Period but which have not been submitted previously because they had not been processed by the Applicant's accounting system as of March 31, 2001 (*see* Exhibit 7 for details); and (d) final approval of \$7,628.05 of reasonable and necessary expenses incurred by Applicant after March 31, 2001 (See Exhibit 8).

6. Given the size and complexity of these cases, the complicated corporate and financial structure of the Debtors, the degree of activity during the Relevant Period and the high level of services rendered by Applicant to the Debtors, as more fully described below, Applicant submits that the compensation it seeks is fair and reasonable.

## Background

7. On the January 10, 2001 (the “Petition Date”), the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

8. Applicant was engaged by the Company prior to the Petition Date in May 2000 to evaluate restructuring and transactional alternatives to address the significant financial and operational challenges faced by the Company. Applicant was selected by the Company because of its extensive knowledge and reputation in the restructuring field and in distressed situations involving sale processes, because of its familiarity with the issues involved in these cases, and because the Company believed that Applicant possessed the requisite resources and was well qualified to represent the Company. Applicant performed significant work for the Company prior to the Petition Date, including advice regarding negotiations with a wide range of parties, including American Airlines, Inc. (and affiliates, “American Airlines”) which resulted in an agreement to sell a substantial portion of the Company’s assets to American Airlines.

9. On January 10, 2001, the Retention Order granted the Retention Application and authorized the Debtors to employ and retain Rothschild as their financial advisor, on the terms set forth in the Rothschild Agreement, effective as of the Petition Date. In addition, under the Retention Order, Rothschild was authorized to perform the following post-petition investment banking services for the Debtors.

- i. provide financial advisory services in connection with possible transactions and/or restructuring as reasonably requested by the Debtors;
- ii. provide general advisory services such as general business and financial analysis;

- iii. assist in negotiation and structuring of transactions, restructuring or other transactions strategies;
- iv. provide reports and updates on the status of any transactions and restructuring at the request of the Debtors;
- v. provide additional services for the Debtors at the Debtor's request from time to time;

### **Summary of Services Rendered**

10. Throughout the course of Applicant's engagement, Applicant has provided a broad range of necessary financial advisory services. Major areas of effort can be summarized into the following general categories.

#### **A. General Advice on Various Financial and Strategic Matters**

11. During the Relevant Period, Rothschild has advised the Debtors on a wide range of financial and strategic matters. Rothschild participated in regular conference calls and meetings with the officers of the Debtors and other advisors to discuss the Debtors' discussions with other parties involved in the Debtors' Chapter 11 cases, the Debtors' operating results, the status of the sale process, and other issues concerning the Debtors' Chapter 11 cases.

#### **B. Participation in the Section 363 Auction and Facilitating Competing Bids**

12. Rothschild participated in the auction pursuant to Section 363 of the Bankruptcy Code for the Debtors' assets on March 5<sup>th</sup> and March 7<sup>th</sup>. Rothschild also worked with potential bidders before and during the auction process to provide information to facilitate potential competing bids and to evaluate competing bids during the auction. Rothschild also held discussions and negotiations with American Airlines and its advisers that resulted in American Airlines increasing its bid at the auction by up to \$125 million in cash plus other additional assets

to be retained by the Debtors' post-closing of the Section 363 sale.

**C. Participation in the Sale Process**

13. Rothschild participated in the court hearings regarding the approval of American Airlines' purchase of substantially all of the Debtors' assets, including the preparation of hearing testimony. Rothschild also participated in meetings and discussions with representatives of the Official Committee of Unsecured Creditors (the "Unsecured Creditors Committee"), representatives of American Airlines and other interested parties, to facilitate the sale process.

**D. Analysis of American Airlines Bid and Competing Bids**

14. Rothschild has worked with the Debtors and the Debtors' other advisers to assist the Debtors and the Debtors' Board of Directors in evaluating the proposed transaction with American Airlines, as well as other bids, from a financial point of view.

**E. Participation in Board of Directors Meeting**

15. Rothschild participated in numerous telephonic and in person Board of Directors meetings of the Debtors during the Relevant Period. Rothschild, along with the Debtors' other advisers, advised the Board of Directors regarding the current status of the Section 363 auction, the overall sale process, and other issues relating to the Debtors' Chapter 11 case.

**F. Official Committee of Unsecured Creditors Meetings**

16. Rothschild met with the Unsecured Creditors Committee routinely to discuss issues relating to the Section 363 auction. Additionally, Rothschild maintained regular contact with Loeb Partners, the financial adviser to the Unsecured Creditors Committee, to assist Loeb Partners in analyzing various issues relating to the Debtors' Chapter 11 case, and advising the Unsecured Creditors Committee.

### **G. Advisers to American Airlines Meetings and Conversations**

17. Rothschild met regularly with the legal and financial adviser to American Airlines to review various issues relating to American Airlines' proposed bid. Rothschild assisted the Debtors in responding to various requests for information or analysis from American Airlines.

### **H. Department of Justice Review of American Airlines Proposed Transaction**

18. Rothschild worked with the Debtors and the Debtors' legal advisers to facilitate the anti-trust review by the Department of Justice of the Debtors' proposed transaction with American Airlines. Rothschild, along with the Debtors and the Debtors' legal advisers, met with Department of Justice officials on March 6<sup>th</sup> to answer questions relating to the Department of Justice anti-trust review of the proposed transaction with American Airlines. Additionally, Rothschild assisted in preparing materials to support the Debtors' efforts to obtain Department of Justice approval for the proposed transaction with American Airlines.

### **Applicant's Entitlement to the Requested Compensation**

19. Applicant's request for compensation is governed by Section 330 of the Bankruptcy Code, which generally requires the Court to assess the reasonableness of the requested compensation in light of factors such as the complexity of the tasks performed, the special skills of the professionals involved, the compensation that normally would be paid for similar services outside of bankruptcy, and related factors. *See Boddy v. United States Bankruptcy Court (In re Boddy)*, 950 F.2d 334, 338 (6th Cir. 1991) (holding that bankruptcy court may consider factors such as "the novelty and difficulty of the issues, the special skills of counsel, the results obtained, and whether the fee awarded is commensurate with fees for similar professional services in non-bankruptcy cases in the local area" as part of a lodestar calculus) (citing *Harman v. Levin (In re Robertson)*, 772 F.2d 1150, 1152 n.1 (4th Cir. 1985) (adopting twelve-factor inquiry set forth in

*Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974)); *see also In re EWI, Inc.*, 208 B.R. 885, 891 (Bankr. N.D. Ohio 1997) (evaluating “quality and result” of services in reviewing financial advisors’ fee application).

20. Applicant respectfully submits that the services rendered prior to, during, and following the Relevant Period were necessary and substantially benefited the estate, and that the proposed compensation requested in this application is fully justified and reasonable.

#### **Personnel Who Rendered Services**

21. The investment banking services rendered by Applicant during the Relevant Period were performed primarily by David L. Resnick, Managing Director; Noah C. Roy, Vice President; Jessica Pinto Magalhaes, Associate; and Vlad Shteynberg, Associate. Applicant’s team has been directed by senior level professionals with extensive experience in the area of investment banking and bankruptcy services. (The resumes of key professionals of Applicant providing services to the Debtors are attached as Exhibit 9)

#### **Summary of Expenses Incurred**

22. Applicant incurred reasonable and necessary out-of-pocket expenses aggregating \$31,491.68. Details of the expenses incurred during the Relevant Period and submitted previously are included in the prior interim applications for compensation and reimbursement of expenses for the Relevant Period that are attached as Exhibit 3, Exhibit 4, and Exhibit 5 for the periods January 10, 2001 through January 31, 2002, February 1, 2001 through February 28, 2001, and March 1, 2001 through March 31, 2001, respectively. Details of the expenses incurred during the Relevant Period but which have not been submitted previously because they had not been processed by the Applicant’s accounting system as of March 31, 2001 are detailed in Exhibit 7. Details of the expenses incurred after the Relevant Period are detailed in Exhibit 8.



23. Applicant submits that all such expenses were necessarily incurred, are reasonable in amount and represent only the actual costs incurred.

24. Applicant's charges for expenses to the Debtors are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Applicant 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. Applicant does not factor general overhead expenses into disbursements charged to clients in connection with Chapter 11 cases. Applicant has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions fully explained.

(a) Applicant's general policy permits its employees to bill lunch or dinner meals to a client if the employee is required to provide services to the client during such meal time due to extreme time constraints. Applicant's employees are permitted to order meals in the office if Applicant's employee is required to work after 8:00 p.m. on weekdays or more than five (5) consecutive hours on weekends or holidays. Meal expenses incurred during meetings which employees and other meeting participants are required to attend are billed at cost.

(b) Messengers and couriers are used by Applicant to deliver hard copy documents relating to a client matter which require receipt on an expedited basis; otherwise, Applicant uses the regular postal system. Any charges for either messengers or couriers are billed to a client at cost.

(c) All airfare charges billed to a client in a Chapter 11 case are based on coach fare rates.

(d) The research/database category consists of the cost of using databases (*e.g.*, Disclosure, Securities Data Corporation, Dow Jones, Lexis-Nexis, etc.) to which

Applicant subscribes to search for and obtain information used in Applicant's financial analyses. Applicant pays the vendor's standard rate for such database services. In certain instances, Applicant has determined that paying a flat annual or monthly fee for such services is less costly than contracting for such services on a per use basis. Such annual or monthly services are allocated to clients based on such clients' use of each service. The research category also consists of charges from outside services which supply, for a fee, financial documents from regulatory agencies which can not be obtained from databases subscribed to by Applicant.

(e) Applicant bills photocopying charges at the rate of \$.10 per page for black and white copies and \$1.00 per page for color copies.

(f) With respect to local travel, Applicant's general policy enables employees to travel by taxi or, in certain circumstances, by private car service, to and from meetings while rendering services to a client on a client related matter, for which the client is charged. This policy is based on Applicant's determination that travel by taxi or private car service is the most efficient use of a professional's time. Applicant's employees are not permitted to charge personal commuting expenses to a client unless the employee is traveling after 8:00 p.m. (EST) or 9:00 p.m. (EDT) and has been required to work late as a result of the time exigencies of that client's matters.

(g) Facsimile charges are charged at Applicant's standard rate of \$1.00 per page for facsimiles sent domestically. Incoming facsimile transmissions and separate facsimile long distance expenses are not charged.

(h) Telephone expenses are charged based on Applicant's actual cost of telephone charges with respect to client matters. Cellular phone charges are based on vendor's actual invoices.

(i) Word processing charges represent actual costs incurred by Applicant's in-house vendor in connection with client matters.

### Conclusion

25. Applicant submits that the services summarized by this application and rendered by Applicant to the Company during the Relevant Period were substantial, highly professional and instrumental to Debtors' performance in the case.

26. As noted above, in accordance with the provisions of the Retention Order and Retention Agreement, Applicant seeks:

(a) final approval of Monthly Fees during the Relevant Period in the total amount of \$375,000.00;

(b) final approval of reasonable and necessary expenses in the amount of \$23,065.64 incurred by Applicant during the Relevant Period and submitted in prior interim fee applications;

(c) final approval of \$797.99 of reasonable and necessary expenses incurred by Applicant during the Relevant Period but which have not been submitted previously because they had not been processed by the Applicant's accounting system as of March 31, 2001; and

(d) final approval of \$7,628.05 of reasonable and necessary expenses incurred by Applicant after March 31, 2001.

27. Applicant submits, for the reasons set forth above, that such compensation and reimbursement of expenses is necessary, fair and reasonable.

28. Applicant hereby certifies that all services for which compensation is sought were performed for and on behalf of the Company and not on behalf of any individual creditor or party in interest. Applicant has not entered into any agreement, express or implied, with any party in

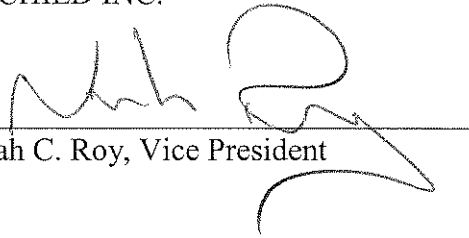
interest for the purpose of fixing or sharing fees or other compensation to be paid for professional services rendered in these cases.

\* \* \* \*

WHEREFORE, Applicant respectfully requests that this Court enter an order (a) granting final allowance of compensation for the period beginning January 10, 2001 through and including August 5, 2001 in the amount of \$375,000.00 for services rendered by Applicant as financial advisor and investment banker to Debtors, and reimbursement of expenses incurred and recorded by Applicant in the amount of \$31,491.68 and (b) granting such other and further relief as this court deems just and proper.

Dated: New York, New York  
August 7, 2002

ROTHSCHILD INC.

By:   
\_\_\_\_\_  
Noah C. Roy, Vice President

**VERIFICATION**

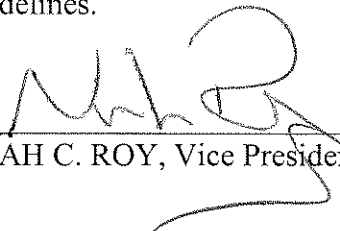
STATE OF NEW YORK     )  
  ) ss.:  
NEW YORK CITY         )

NOAH C. ROY, after being duly sworn according to law, deposes and says:

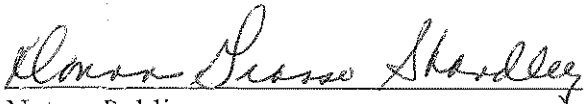
1. I am a Vice President with the applicant firm, Rothschild Inc. ("Rothschild"), which firm maintains offices for providing financial advisory and investment banking services at 1251 Avenue of the Americas, New York, NY 10020. Rothschild has acted as financial advisor and investment banker to and rendered professional services on behalf of Trans World Airlines, Inc. ("TWA" or the "Company").

2. I have personally performed many of the financial advisory and investment banking services rendered by Rothschild as advisor to TWA and am thoroughly familiar with all other work performed on behalf of the Company by the professionals in the firm.

3. I have reviewed the foregoing Application and the facts set forth therein are true and correct to the best of my knowledge, information and belief. Moreover, I have reviewed the United States Trustee Guidelines For Reviewing Applications For Compensation And Reimbursement Of Expenses Filed Under 11 U.S.C. Section 330 (the "Guidelines") and the Application substantially complies with these Guidelines.

  
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NOAH C. ROY, Vice President

SWORN AND SUBSCRIBED before me this  
22 day of August, 2002.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

**DONNA GRASSO SHANDLEY**  
Notary Public, State Of New York  
No. 01GR6058322  
Qualified In Westchester County  
Commission Expires May 7, 2003