

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

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In re: : Chapter 11  
ULTIMATE ELECTRONICS, INC., et al. :  
Debtors. : Case No. 05-10104 (PJW)  
: Jointly Administered  
: **Hearing Date: 4/26/06 @ 9:30 a.m. (Eastern)**  
----- X **Objections Due: 4/10/06 @ 4:00 p.m. (Eastern)**

**NOTICE OF FINAL FEE APPLICATION OF FTI CONSULTING, INC. AS  
FINANCIAL ADVISORS TO THE DEBTORS FOR COMPENSATION AND  
REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD JANU-  
ARY 11, 2005 THROUGH AND DECEMBER 31, 2005**

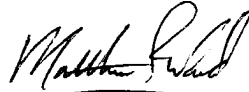
PLEASE TAKE NOTICE that on February 24, 2006, the debtors (the "Debtors") in the above-captioned jointly-administered cases (the "Bankruptcy Cases") filed and served the **Final Fee Application of FTI Consulting, Inc. as Financial Advisors to the Debtors for Compensation and Reimbursement of Expenses Incurred for the Period January 11, 2005 Through December 31, 2005** (the "Application").

PLEASE TAKE FURTHER NOTICE that the Debtors have requested that objections, if any, to the Application or the relief requested therein must be made in writing, filed with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), 824 Market Street, Wilmington, Delaware 19801, and served so as to be received no later than **4:00 p.m. (Eastern) on April 10, 2006** by:

(1) undersigned former counsel to the Debtors; (2) the Plan Administrator for Ultimate Electronics, Inc., 321 W. 84th Ave., Suite A, Thornton, Colorado 80260 (Attn.: David Carter); (3) Office of the U.S. Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn.: William K. Harrington, Esq.); (4) Counsel for the Agent for the Debtors' Prepetition and Post-Petition Lenders, Bingham McCutchen LLP, 150 Federal Street, Boston, Massachusetts 02110 (Attn.: Robert A.J. Barry, Esq.), Bingham McCutchen LLP, 399 Park Avenue, New York, New York 10022 (Attn.: Tina L. Brozman, Esq., and Jeffrey T. Kirshner, Esq.) and Richards, Layton & Finger, PA, One Rodney Square, P.O. Box 551, Wilmington, Delaware 19899 (Attn.: Daniel J. DeFranceschi, Esq., and Jason M. Madron, Esq.); (5) Counsel for the Plan Administrator and former counsel for the Official Committee of Unsecured Creditors, Haynes and Boone, LLP, 901 Main Street, Suite 3100, Dallas, Texas 75202-3789 (Attn.: Robin E. Phelan, Esq., and Mark X. Mullin, Esq.) and Pachulski, Stang, Ziehl, Young, Jones & Weintraub P.C., 919 North Market Street, 16th Floor, P.O. Box 8705, Wilmington, Delaware 19801 (Attn.: Laura Davis Jones, Esq., and Sandra G. M. Selzer, Esq.); (6) Morris Anderson & Associates Ltd., #2 Pettinaro Drive, Millville, Delaware 19970 (Attn.: Mr. Robert Troisio) (collectively, the "Notice Parties"); and (7) FTI Consulting, Inc., 125 High Street, Suite 1402, Boston, Massachusetts 02109 (Attn.: Robert J. Duffy).

PLEASE TAKE FURTHER NOTICE that the Debtors have requested that a hearing with respect to the Application be held on **April 26, 2006 at 9:30 a.m. (Eastern)** before the Honorable Peter J. Walsh in the United States Bankruptcy Court, 824 Market Street, Wilmington, Delaware 19801. Only those objections made in writing and timely filed with the Bankruptcy Court and received by undersigned counsel may be considered by the Bankruptcy Court at such hearing.

Dated: Wilmington, Delaware  
February 24, 2006



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Gregg M. Galardi (I.D. No. 2991)  
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**Former Counsel to the Debtors**

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FOR THE DISTRICT OF DELAWARE**

In Re:	)	Chapter 11
ULTIMATE ELECTRONICS, INC., <u>et al.</u>	)	Case Nos. 05-10104 (PJW)
	)	(Jointly Administered)
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**FINAL FEE APPLICATION OF FTI CONSULTING, INC.  
AS FINANCIAL ADVISORS TO THE DEBTORS  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES  
INCURRED FOR THE PERIOD JANUARY 11, 2005 THROUGH DECEMBER 31, 2005**

Name of Applicant: FTI Consulting, Inc.

Authorized to Provide  
Professional Services to: DEBTORS

Date of Retention: January 14, 2005

Period for which compensation  
and reimbursement is sought: January 11, 2005 through December 31, 2005

Amount of Compensation  
requested: \$2,143,997.00

Amount of Expense Reimbursement  
requested: \$118,469.32

Amount of Compensation  
requested for the Period following  
the Final Fee Application Period<sup>1</sup> \$12,260.00

This is an:  Monthly  Interim  final application

<sup>1</sup> This Amount includes an estimated \$12,260.00 for compensation for services rendered after the Effective Date for preparing this Final Application and the Monthly Fee Statements for November 2005 and December 2005 which services have occurred after the conclusion of the Final Application Period.



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Summary of Professionals and Fees – Ultimate Electronics, Inc.  
January 11, 2005 through December 31, 2005

<b>Temporary Staff Employees</b>				
<u>Temporary Employees</u>	<u>Description of Function</u>	<u>Hours</u>	<u>Hourly Rate</u>	<u>Fee</u>
Joffe, Steven	Senior Managing Director	3.60	625	\$ 2,250.00
Regan, Kevin	Senior Managing Director	718.20	625	448,875.00
Coulombe, Stephen L	Senior Managing Director	17.00	560	9,520.00
Duffy, Robert J	Senior Managing Director	775.00	560	434,000.00
Weinsten, Mark R	Senior Managing Director	505.90	560	283,304.00
Hansen, Paul A	Managing Director	138.20	540	74,628.00
Daversa, Aileen	Managing Director	2.00	520	1,040.00
Gehring, Anthony J	Director	10.10	495	4,999.50
Renzi, Mark A	Director	1,441.80	470	677,646.00
Bellazain, Sheba	Director	5.30	415	2,199.50
Rimpel, Christopher A	Consultant	57.00	385	21,945.00
Flynn, Michael	Consultant	612.50	340	208,250.00
Zambrano, Ivelise J	Consultant	68.50	340	23,290.00
Korn, Gary	Consultant	2.00	320	640.00
Zaben, Sander	Associate	0.50	275	137.50
Gill, David	Associate	0.60	175	105.00
Madiou, Lionel	Associate	0.30	175	52.50
Hawken, Tim	Associate	1.80	175	315.00
<b>Grand Total</b>		<b>4,360.30</b>	<b>\$</b>	<b>2,193,197.00</b>
<b>Blended Rate</b>			<b>\$</b>	<b>502.99</b>

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<u>Expense Category</u>	<u>Total Amount for Period</u>
Business Meals	\$ 8,985.58
Lodging	36,663.70
Sundry	1,782.26
Transportation	<u>71,037.78</u>
<b>Total Disbursements</b>	<b><u>\$ 118,469.32</u></b>

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INDEX

EXHIBIT A	Copy of the Retention Order authorizing employment of the Applicant
EXHIBIT B	Summary of professional fees by professional
EXHIBIT C	Summary of professional fees by task code
EXHIBIT D	Summary of actual and necessary expenses incurred by expense category
EXHIBIT E	Complete accounting of time expended by day by professional for services performed after Final Fee Application Period
EXHIBIT F	Brief biographies of the Applicant's senior personnel involved in this engagement



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FTI Consulting, Inc., (hereinafter referred to as “FTI Consulting”, “FTI” or the “Applicant”) as Financial Advisors to Ultimate Electronics, Inc., et al. (collectively, “Ultimate”, the “Company”, or the “Debtors”) files this Final Monthly Application for Compensation and Reimbursement of Expenses (the “Final Fee Application”) for the period of January 1, 2005 through December 31, 2005 (the “Final Fee Application Period”).

In support of this application, the Applicant respectfully represents as follows:

**A. BACKGROUND**

1. On January 11, 2005 (the “Petition Date”), the Debtors filed a voluntary petition for relief pursuant to Chapter 11 of the United States Bankruptcy Code (the “Code”). Since that date, the Debtors have continued in possession of their business and property as Debtors-in-Possession in accordance with sections 1107(a) and 1108 of the Code.

2. FTI is a financial advisory services firm with numerous offices throughout the country and was retained by the Debtors as Financial Advisors.

3. FTI’s retention as Financial Advisors to assist the Debtors in the performance of their duties as Debtors-in-Possession was approved *nunc pro tunc* to January 11, 2005 on February 14, 2005 by this Court (the “Retention Order”). A copy of said order dated February 14, 2005 is attached hereto as Exhibit A and incorporated herein by reference.

4. All services for which the Applicant requests compensation were performed for, or on behalf of, the Debtors.

5. FTI has received a retainer for services to be rendered as Financial Advisors to the Debtors in connection with this proceeding in the amount of \$250,000.00.

6. The Applicant has rendered services on behalf of the Debtors during the period covered by this Application from January 11, 2005 through December 31, 2005 totaling 4,360.3 hours, and in connection therewith, requests a final allowance of compensation in the amount of \$2,143,997.00 and reimbursement of expenses in the amount of \$118,469.32.

7. The Applicant maintains contemporaneous records of the time expended for the professional services and expenses related hereto performed in connection with these Chapter 11 cases and such records are maintained in the ordinary course of its business. These records provide a detailed description of the services rendered and expenses incurred during the period for which this Final Application is being made.

8. The Applicant filed Monthly Fee Statements and Quarterly Fee Applications for the Periods January 11, 2005 through December 31, 2005. The Monthly Fee Statements and Quarterly Fee Applications are incorporated here by reference.

**B. DESCRIPTION OF SERVICES  
AND EXPENSES AND RELIEF REQUESTED**

9. The Applicant's services on behalf of the Debtors are summarized in Exhibit B, Exhibit C and Exhibit D. The Retention Order authorized the retention of the Applicant to render to the Debtors the following essential services, which include, but are not limited to:

- a) Assistance to the Debtors in the preparation of financial related disclosures required by the Court, including the Schedules of Assets and Liabilities ("SoAL"), the Statement of Financial Affairs ("SoFA") and Monthly Operating Reports ("MOR");
- b) Assistance to the Debtors with information and analyses required pursuant to the Debtors-In-Possession ("DIP") financing including, but not limited to, preparation for hearings regarding DIP financing;
- c) Assistance with the identification and implementation of short-term cash management procedures;
- d) Advisory assistance in connection with the development and implementation of key employee retention and other critical employee benefit programs;
- e) Assistance and advice to the Debtors with respect to the identification of core business assets and the disposition of assets or liquidation of unprofitable operations;
- f) Assistance with the identification of executory contracts and leases and performance of cost/benefit evaluations with respect to affirmation or rejection of each;
- g) Assistance regarding the valuation of the present level of operations and identification of areas of potential cost savings, including overhead and operating expense reductions and efficiency improvements;
- h) Assistance in the preparation of financial information for distribution to creditors and others, including, but not limited to, cash flow projections and budgets, cash receipts and disbursement analysis, analysis of various asset and liability accounts, and analysis of proposed transactions for which Court approval is sought;
- i) Attendance at meetings and assistance in discussions with potential investors, banks and other secured lenders, any statutory committee appointed in this Chapter 11 case,

the U.S. Trustee, other parties in interest and professionals hired by the same, as requested;

- j) Analysis of creditor claims by type, entity and individual claim, including assistance with development of a database to track such claims;
- k) Assistance in the preparation of information and analysis necessary for the confirmation of a Plan of Reorganization in this Chapter 11 case;
- l) Assistance in the evaluation and analysis of avoidance actions, including fraudulent conveyances and preferential transfers;
- m) Render such other general business consulting or such other assistance as Debtors' Management or counsel may deem necessary that are consistent with the role of a financial advisor and not duplicative of services provided by other professionals in this proceeding.

10. This Final Fee Application is made by FTI in accordance with Local Rule 32, the Guidelines adopted by the Executive Office for the United States Trustee and the Administrative Order, Pursuant to Section 105(a) and 330 of the Bankruptcy Code, Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals approved by this Court on February 14, 2005.

11. This is the Applicant's Final Fee Application for compensation and expense reimbursement filed in this case.

12. This Application requests compensation for professional services rendered by the Applicant to the Debtors during the Final Fee Application Period. Due to the length and complexity of this case, and the many ways the Applicant supported and advised the Debtors throughout the process, the Applicant has broken down its involvement into four (4) major phases.

During the Phase 1, the Applicant's primary duties related to advising the Debtors through the beginning stages of the bankruptcy process. These services included but were not limited to, the following items:

- a) participating in meetings with the Debtors' legal counsel and senior Management to discuss issues including but not limited to DIP financing, upcoming hearings,

preparation of meetings with the UCC and communications with the Board of Directors;

- b) assessing short term liquidity needs;
- c) communicating with vendors, collecting information on vendor terms, and researching unpaid post-petition invoices at the request of the Debtors;
- d) communicating with the Unsecured Creditors' Committee ("UCC") and its advisors ("Committee Advisors") to discuss various aspects of the case including: (i) the recovery analysis and potential sale process; (ii) updates to the business; (iii) filling data requests made by the UCC; (iv) possible retention of a retail viability consultant; and, (v) other issues relating to the Debtors' bankruptcy filing; and
- e) assisting the Debtors with sensitizing the 1 year business plan to account for all reorganization opportunities being considered, including the impact of changes to the store count on liquidity, working capital, availability and profitability.

Phase 2 of the Applicant's engagement related to focusing on a strategy for reorganization, finding and selecting a bidder for some or potentially all of the Debtors assets, running simultaneous auctions for all of Debtors assets as well as one for a majority of the assets to a strategic buyer and the remaining assets to a group of GOB liquidators. Additionally, the Applicant had to analyze weekly results throughout the period to monitor the cash position of the Debtors. These services included but were not limited to, the following items:

- a) preparing and distributing financial information as requested by potential equity investors, potential GOB liquidators and the financial advisors to the UCC;
- b) leading, together with Debtors' Counsel, three (3) auctions at which: (i) all 62 stores would be sold and likely result in going-out-of-business or store closing sales ("62 Store Auction"); (ii) 30 of the 62 stores would be sold and likely result in going-out-of-business or store closing sales ("30 Store Auction"); and (iii) 32 of the 62 stores would be sold and continue to be operated as on-going stores ("32 Store Auction");
- c) analyzing the bids at the 62 Store Auction, 30 Store Auction and 32 Store Auction to determine the bid that would provide the highest return to unsecured creditors;

- d) negotiating term sheet and Asset Purchase Agreement with Ultimate Acquisition Partners (the acquiring entity of the 32 go-forward stores or "UAP"); and
- e) analyzing weekly financial results and discussing such results with members of the Board of Directors.

During Phase 3 of the engagement, the Applicant was focused on assisting the Debtors with all the complexities of the recent asset sales, focusing on sale of remaining assets of the Debtors, collecting remaining receivables, as well as developing a wind down budget for the DIP Lender. These services included but were not limited to, the following items:

- a) analyzing the results of the physical inventories taken following the 32 Store Auction and the 30 Store Auction to assist the Debtors in developing responses to issues concerning the physical inventory results raised by the parties that purchased the inventory at the auctions;
- b) working together with the Debtors to complete and expedite the weekly settlement process with the joint venture of SB Capital Group, LLC, Tiger Capital Group, LLC, and Gordon Brothers Retail Partners (the "GOB Liquidator") pursuant to the terms and conditions of the Agency Agreement;
- c) preparing reports and schedules as required under the Sixth Amendment of the DIP facility including wind down budgets, analyses comparing actual to budgeted results and loan balance reconciliations;
- d) updating the wind down budget as new information and data was received then providing the budget and associated supporting schedules to the Debtors, the Debtors' DIP Lenders, the UCC and the Committee Advisors;
- e) analyzing the cash receipts of funds that were commingled between: (i) the GOB Liquidator; (ii) UAP; and (iii) the Debtors;
- f) communicating with the UCC and the Committee Advisors to discuss various aspects of the case including but not limited to: (i) the recovery analysis and receivables collections; (ii) the status of activities relating to the 32 Store Auction and 30 Store Auction; (iii) data requests provided to the Debtors by the Committee Advisors; and (iv) other issues relating to the Debtors' bankruptcy filing;

- g) managing the process to realize additional liquidity through the sale of selected real estate and other assets; and
- h) assisting the Debtors in their efforts to accelerate the collection of accounts receivable balances due to the Debtors by obtaining and reconciling the documentation supporting such balances and communicating with the parties owing the amounts to the Debtors.

During Phase 4, the final phase of the engagement, the Applicant significantly decreased its billable hours and focused its attention on monitoring the orderly wind down of assets, analysis of cash collections and disbursements and monitoring of the DIP budget. These services included but were not limited to, the following items:

- a) reviewing the final analysis of the GOB cash settlements to determine the amount of the final payment/disbursements from/to GOB Liquidator;
- b) reviewing the Plan of Reorganization and assisting the Debtors with the preparation of schedules and estimates to be included in the Disclosure Statement;
- c) reviewing work performed by temporary employees regarding cash reconciliations, DIP reporting requirements, and trial balance reporting; and,
- d) reviewing reports and schedules as required under the Sixth Amendment of the DIP facility including wind down budgets, analyses comparing actual to budgeted results and loan balance reconciliations.

13. Pursuant to this application, FTI has attached the following exhibits:

- a) Exhibit A – Copy of the Retention Order authorizing employment of the Applicant;
- b) Exhibit B – Summary schedule showing the professionals who performed services, the number of hours spent, the respective professional's billing rate, and the total fees for such services;
- c) Exhibit C – Summary schedule showing professional fees by task code for the period January 11, 2005 through December 31, 2005;
- d) Exhibit D – Summary of actual and necessary expenses by expense category and by individual for which reimbursement is sought (all airfare was for coach class travel).

FTI has eliminated the reimbursement request for certain out-of-pocket expenses when it would not be possible to assemble the billing details for reimbursement under the Guidelines. These out-of-pocket expenses typically include telephone charges for calls placed in FTI offices, postage costs including Federal Express charges and copying and facsimile charges incurred at the Applicant's offices in connection with this case. These out-of-pocket costs are real costs that have been incurred by FTI and have benefited the Debtors. The estimated cost of these expenses incurred pursuant to FTI's normal and customary billing functions is \$118,469.32;

- e) Exhibit E - Complete accounting of time expended by day by professional for services performed after Final Fee Application Period; and
- f) Exhibit F -- Brief Biographies of each of the Applicant's senior personnel involved in this engagement.

14. Fee and Expense Request – Applicant requests a final award of \$2,143,997.00 for professional services and reimbursement of necessary expenses of \$118,469.32 incurred on behalf of the Debtors during the period from January 11, 2005 through and including December 31, 2005.

15. This Final Application is divided into narrative sections based on the activity descriptions listed below. Each narrative section describes the more significant services rendered by the Applicant for each of the activity categories, and its benefit to the Debtors. The Applicant is charging only on an hourly basis for these services, and there are no monthly retainers or commissions to be paid. The fees requested herein are based on the hourly rates that reflect the usual and customary fees charged to all clients of the Applicant and are commensurate with the usual and customary rates charged for services performed by accountants and financial advisors in bankruptcy cases of this nature.

16. To assist the Court in its review of the fees sought by the Applicant, a narrative describes the more significant services rendered by the Applicant for each of the twenty-two (22) activity categories set forth in the table below:



<b>Task</b>	<b>Total Hours</b>	<b>Total Fees</b>
<b><i>Billed Hours</i></b>		
Asset Dispositions (Strategy)	58.3	32,962.00
Asset Dispositions (General)	154.7	84,095.50
Asset Dispositions (Inventory)	514.3	281,361.50
Asset Dispositions (Real Property)	95.7	56,255.50
Asset Dispositions (APA and TSA Support)	54.6	32,239.50
Asset Dispositions (Accounts Receivable)	417.8	151,399.00
Bankruptcy Accounting and Reporting Activities	86.0	42,758.00
Board Meetings	115.4	61,422.00
Cash Reconciliation and Post Transaction Support	240.0	118,978.00
Creditor Committee Matters	326.2	154,915.00
DIP Financing & Reporting	502.0	258,920.50
Employee Compensation Programs	27.9	14,547.50
Equity Committee Matters	216.9	113,956.00
First Day Related Issues	54.5	26,446.00
General Duties and Case Administration	162.2	83,091.50
GOB and Store Closing Processes	317.2	176,108.50
Plan of Reorganization	95.4	50,166.00
Professional Retention and Compensation Matters	159.4	70,907.00
Reclamation Claims	11.7	5,758.00
Short Term Cash Flow and Financial Projections	540.6	267,748.50
Travel	177.5	92,132.50
Vendor Issues	32.0	17,029.00
<b>Total</b>	<b>4,360.3</b>	<b>2,193,197.00</b>

17. The following descriptions of FTT's services represent a summary of the matters that occupied substantial amounts of time during the application period.

***Asset Dispositions (Strategy)***

During the Final Fee Application Period the Applicant assisted the Debtors in formulating and implementing a strategy to maximize the value of the Estate through the sale of its assets. The Applicant, along with Debtors' Management and Counsel, analyzed numerous alternatives in order to develop and implement an approach of selling the Debtors' assets at three (3) auctions in New York City on April 14, 2005. Together with the Debtors' Management and Counsel, the Applicant developed several asset sales strategies including: (i) the 62 Store Auction which contemplated the liquidation of all the Debtors' remaining stores; (ii) the 30 Store Auction which contemplated the liquidation of 30 underperforming non-core stores; and, (iii) the 32 Store Auction which included the possibility that the 32 most desirable stores would continue to be operated on a go-forward basis.

In order to maximize the number of bidders and value to be generated through the auction process, the Applicant led the process to communicate with numerous parties interested in bidding on the Debtors' assets. The Applicant assisted in the coordination of the due diligence process which was being conducted by multiple potential bidders by: (i) aggregating and organizing disparate data obtained from the Debtors; (ii) responding to subsequent information requests received from bidders; and (iii) addressing questions raised by bidders after the initial review of information and data pertaining to Debtors' business. To ensure timely responses to potential bidders and a robust auction process, the Applicant participated in numerous conference calls and meetings with Debtors' Counsel and Management to discuss: (i) the auction strategy that would generate the most value to the Estate; (ii) detail and procedures for the bidding process; and (iii) the framework and methodology to analyze bids at the auction.

#### ***Asset Dispositions (General)***

During the Final Fee Application Period the Applicant worked closely with the Debtors and their Counsel in an attempt to maximize the value of the Estate by selling selected real estate leases and store locations to a buyer that would continue to operate the stores on an on-going or go-forward basis. The Applicant believed that the recovery to unsecured creditors would be likely be higher from a sale to a buyer that would continue to operate the stores as a going concern; both through a higher return on the inventory and real estate assets as well as lower liabilities that would ultimately have to be paid by the Estate. In addition, a sale to a buyer that would continue to operate some stores as a going concern would provide the Estate with an ability to incur lower Administrative expenses by providing the Estate with access to a facility it could use to wind down the Debtors' business operations. At the request of the Debtors, the Applicant: (i) assisted in the collection of due diligence information to be distributed to potential investors or other parties interested in continuing to operate the Debtors' business as a going concern; (ii) established qualifications to determine acceptable bidders; (iii) discussed the Debtors' business operations and assets with parties that were considering making bids for certain of the Debtors' assets; (iv) responded to additional due diligence requests from potential bidders; and (v) advised the Debtors and Debtors' Counsel on the financial

terms and conditions of various proposals being considered by and discussed with parties interested in purchasing certain of the Debtors' assets.

During the process to identify parties that would be interested in purchasing inventory and operating selected stores as a going concern, the Applicant participated in due diligence meetings and teleconferences with Mark Wattles and/or his financial and legal advisors ("Wattles Team"). While the Wattles Team had expressed to the Debtors its interest in a variety of different acquisition scenarios, it ultimately decided that it was most interested in participating in an auction for 32 of the Debtors' 62 stores. Accordingly, the Debtors, the Debtors' Counsel and the Applicant developed the process during which it would be able to conduct the 32 Store Auction and then evaluate offers from the Wattles Team against offers from GOB liquidators for the same store locations.

At the 32 Store Auction, the Applicant led the process to negotiate the terms and conditions of bids that were received from the Wattles Team. These discussions required the Applicant to constantly value and quantify conditions and provisions being proposed by the Wattles Team. The Wattles Team was ultimately the successful winner at the 32 Store Auction. After the 32 Store Auction, the Applicant then worked closely with the Debtors and Debtors' Counsel to negotiate the terms of the Asset Purchase Agreement ("APA") in order to finalize the terms involving the sale of certain of the Debtors' assets to the Wattles Team that would be most favorable to the Debtors.

#### ***Asset Dispositions (Inventory)***

During the Final Fee Application Period, the Applicant worked together with the Debtors to develop a plan to maximize the value of its inventory assets. The Applicant assisted the Debtors in formulating and implementing strategies to maximize the value of its inventory assets that were to be sold at the three auctions conducted on April 14, 2005 in New York City. The Applicant's work focused on five major areas: (i) preparing bid packages for solicitation of proposals from liquidators; (ii) responding to questions from liquidators; (iii) analyzing the bids received from the liquidators; (iv) assisting with negotiating the Agency Agreement; and (v) participating at 62 Store Auction, 32

Store Auction and 30 Store Auction in order to assist the Debtors in obtaining a final bid that maximized the value to the Estate.

In order to solicit proposals from liquidators to conduct GOB sales, significant amounts of information had to be carefully managed and disseminated to numerous parties. It was imperative to provide the parties bidding on the Debtors' inventory with information and data that provided each bidder with the different types and amounts of inventory located at all of the Debtors' stores and distribution center locations. The Applicant was able to increase the likelihood that parties would aggressively bid for the Debtors' inventory assets by providing each bidder an understanding of the product quantities and values of the inventory that would be available for store closing or going-out-of-business ("GOB") sales likely to be conducted by the winning bidder. Specifically, the Applicant organized and coordinated the dissemination of information to liquidators including: (i) detailed inventory by class; (ii) store-level profit and loss statements; (iii) operating expense data on a store by store basis; (iv) payroll data; (v) marketing and promotion plans; and (vi) monthly store by store sales records. Following the distribution of bid packages, the Applicant fielded questions and requests for additional information from the liquidators and then coordinated responses so that each liquidator had the same information necessary to prepare its bid. After all the information was disseminated to the liquidators, the Applicant assisted the Debtors in selecting a stalking horse bidder and then negotiating an Agency Agreement with that stalking horse bidder. While negotiating the Agency Agreement, the Applicant thoroughly analyzed store selling and occupancy expenses to ensure that the Agency Agreement was structured such that all store related expenses would be ultimately paid by the Agent.

After analyzing all bids during the auction process, the Applicant, together with the Debtors, Debtors' Counsel and Committee Advisors, concluded that value would be maximized through the sale of the Debtors' inventory at the 30 Store Auction to the GOB Liquidator. Ultimately, the Applicant's efforts in this area provided significant value to the Debtors as evidenced by the fact that the final winning bid was significantly higher than the existing appraised amount for the inventory. This winning bid provided additional liquidity of \$7 million to the Debtors above what had been initially projected. Following the closing of the 30 Store Auction, the Applicant assisted in

finalizing the terms of the Agency Agreement, store closing and inventory procedures with the winning bidders.

Once the 30 Store Auction was completed, the Applicant focused on resolving open issues between the Debtors and the winning bidder at the 30 Store Auction. Following the 30 Store Auction, the GOB Liquidator still owed the Debtors \$5.6 million, representing 21.4% of the winning bid. In addition, the sale of the inventory by the Debtors to the GOB Liquidator was governed by the Agency Agreement that included many provisions affecting the flow of funds between the Debtors and GOB Liquidator. For example, the Agency Agreement included a requirement for a physical inventory count at all 30 stores as well as a detailed description of store expenses that would be incurred during the store closing sales and initially paid by the Debtors but then reimbursed by the GOB Liquidator.

The reconciliation of the physical inventory count and the identification of expenses that needed to be reimbursed by the GOB Liquidator to the Debtors were more complicated than usual. The accounting staff handling the day to day transaction processing activities now worked for UAP and was focused more on operating the 32 stores it purchased at the 32 Store Auction than resolving and addressing concerns raised by the GOB Liquidator. The Applicant worked closely with the UAP's accounting team and the GOB Liquidator's representatives onsite at the Debtors' headquarters to ensure that the reconciliation between the physical inventory count and the Debtors' books and records was completed accurately and on a timely basis. The Applicant reviewed significant differences between the inventory counts recorded during the physical inventory observations and the product counts that the Debtors expected to be in the stores based on their books and records. This activity was very important as it determined both the amount of the final payment due to the Debtors from the GOB Liquidator as well as the ability of the Debtors to meet the minimum inventory value and mix thresholds included in the Agency Agreement. The Applicant's work in this area also included a review of transaction processing relating to returns from customers before and after the auction to ensure that the transactions were reflected appropriately and based on the terms and process contemplated by the Agency Agreement.

One of the major adjustments to the final amount due to the Debtors from the GOB Liquidator was determined by the results of the Debtors' physical inventory. While the nominal amount of \$5.6 million due to the Debtors was based on the Debtors' financial records, the final amount due would be determined based on the goods physically in the stores at the time of the sale of the inventory to the GOB Liquidator. As a result, the Applicant worked closely with UAP's accounting team and the GOB Liquidator's representatives onsite at the Debtors' headquarters to ensure that the reconciliation between the physical inventory count and the Debtors' books and records was completed accurately and on a timely basis. The Applicant reviewed significant differences between the inventory counts recorded during the physical inventory observations and the product counts that the Debtors expected to be in the stores based on their own books and records. This activity was also important as it determined the ability of the Debtors to meet the minimum inventory value and mix thresholds included in the Agency Agreement.

Since it was not practical to close all of the stores and conduct physical inventory counts simultaneously, they were scheduled during the last week of April and the first week in May. However, because the inventories did not take place on the actual date of the closing of the transaction, it was necessary to "rollback" the inventories from the date of the actual physical inventory count to the date when the transaction closed. This rollback analysis was completed by UAP's accounting department and took into account sales, inventory purchases and returns at the stores during the time period between the closing of the transaction and the actual date of the physical inventory. Because of the Applicant's expertise in this area, the Debtors requested that the Applicant review the details of the physical inventory at each location and test the validity of the UAP analysis by reviewing the sales, returns and transfer data. The Applicant's assessment of the reasonableness of the rollback analysis was further complicated because UAP was only able to provide unformatted data from disparate sources for many of the 32 stores.

The types of expenses (i.e payroll, rent and store operating expenses) that were to be reimbursed by the GOB Liquidator were outlined in Schedule 4.1 of the Agency Agreement. It was necessary for the Applicant to prepare detailed expense reconciliations to ensure that the GOB Liquidator was properly reimbursing the Debtors based on Schedule 4.1 of the Agency Agreement. In order to

accelerate the reimbursement process, the Applicant worked together with the Debtors to track such expenses and respond to questions and requests for supporting detail from the GOB Liquidator.

One of the Debtors' responsibilities pursuant to the Agency Agreement was to provide the GOB Liquidator with certain reports that tracked store closing sales on a store by store basis.

Understanding this responsibility, the Debtors included a requirement in the Transition Services Agreement ("TSA") for UAP to provide the Debtors with store by store sales tracking reports which would then be forwarded by the Debtors to the GOB Liquidator. UAP, in response to the Debtors' request for store by store sales tracking reports, created a methodology to track store closing sales on a daily basis. The daily sales reports developed by the UAP accounting team included a reporting template that estimated gross rings on a daily basis. Since the reporting template was untested, the Debtors requested the Applicant's assistance in assessing the data being generated by UAP. In response to the Debtors' request, the Applicant spent a significant amount of time meeting with representatives from UAP to review the initial reports generated by UAP to ensure that the final data being provided to the GOB Liquidator was in accordance with the Debtors' responsibilities pursuant to the Agency Agreement.

At the request of the Debtors, the Applicant: (i) reviewed weekly GOB settlements; (ii) responded to follow-up questions and information requests from the GOB Liquidator; (iii) reviewed detailed inventory reports by site location; (iv) reviewed GOB expense reconciliation; (v) discussed real estate tax concerns for GOB locations; (vi) analyzed the supporting schedules to UAP's inventory reconciliations, including sales and customer returns during the period between the date of the closing of the transaction and physical inventory; (vii) reviewed inventory data to validate UAP's inventory rollback analysis (vii) visited GOB store locations to confirm that the store closing sales were being conducted in compliance with the Agency Agreement; (ix) ensured proper wiring of funds due to the Debtors from inventory dispositions; (x) reviewed returns merchandise to ensure the return inventory was sold; (xi) reviewed Winthrop lease equipment reconciliation; and (xii) provided additional data to parties of interest when requested. Through the Applicant's efforts, issues relating to the inventory and expense reconciliations were addressed and resolved promptly which resulted in the GOB Liquidator remitting funds due to the Debtors on a timely basis.

***Asset Dispositions (Real Property)***

During the Final Fee Application Period, the Applicant was requested by the Debtors to assist in the sale of several asset classes including the corporate headquarters building, the truck fleet and excess furniture and fixtures. The Applicant assisted the Debtors by applying its industry knowledge to assist in the marketing of non-core assets that could be disposed of to enhance the value of the Estate. Specifically, the Applicant: (i) negotiated potential bids for the furniture and fixtures with furniture liquidators; (ii) negotiated a potential bid for the furniture and fixtures with UAP; (iii) analyzed proposals received from real estate brokers to lead the sale efforts involving the corporate headquarters building property; and (iv) met with Debtors' Management to discuss other potential sources of funds from non-core asset sales.

***Asset Dispositions (APA and TSA Support)***

During the Final Fee Application Period the Applicant assisted the Debtors in negotiating and finalizing the APA and the TSA. The APA, among other things, governed the amount of assets and stores that UAP acquired, the assumptions of liabilities, the specific assets that were to remain with the Estate, and the timing and amount of proceeds paid from UAP to the Estate. The TSA governed what services and support UAP would provide to the Estate to ensure uninterrupted functioning of the Estate and the amount of compensation the Estate was required to pay to UAP. The Applicant: (i) participated in numerous conference calls with the Debtors' Counsel and Management to review and provide comments on the APA and TSA; (ii) discussed the financial and business terms of certain components of the APA and TSA with the Wattles Team; and (iii) quantified the financial benefit to the Debtors through services to be provided to the Debtors by UAP under the terms of the TSA.

***Asset Dispositions (Accounts Receivable)***

During the Final Fee Application Period, the Applicant was requested by the Debtors to provide assistance in accelerating the collection of accounts receivable due to the Debtors. These receivables included A/R due to the Debtors based on transactions completed by the Builder Division and



Services Group as well as Co-operative advertising allowances due from vendors and earned prior to the auction. After reviewing the data relating to these transactions that was obtained from UAP's accounting system, the Applicant often determined that certain information was either inaccurate, or that there was insufficient information to successfully collect the outstanding receivables. As a result, the Applicant spent a significant portion of time reconciling A/R balances and aggregating support documentation for unbilled A/R.

Due to headcount reductions and employee attrition, UAP's accounting department staff had decreased significantly, reducing the level of resources available from UAP to assist in reconciling and supporting the A/R balances due to the Debtors. This staff shortage increased the amount of time the Applicant spent confirming and cross referencing account balances with vendors, customers and Management. The decreased level of staff at UAP particularly affected the group that handled the accounting and collections of the Co-operative advertising credits, which were one of the largest remaining assets of the Estate. These credits were earned from vendors, pursuant to the Debtors meeting contractual volume purchase levels. In order to determine whether contractual volume purchase levels had been met, it was necessary to determine the Debtors' actual purchase volumes. The determination of the Debtors' actual purchase volumes was an intensive activity requiring significant data collection to validate actual purchases. After consulting with the Applicant, the Debtors retained temporary employees who then worked together with the Debtors and the Applicant to support the data collection efforts. Following the data collection efforts to determine actual purchase volumes, the Applicant and the Debtors discovered that the contractual purchase levels with certain vendors had not been met. The Debtors requested assistance from the Applicant in discussing with these vendors how to pro-rate the credits based on the Debtors' actual purchase volumes.

In order to collect A/R, the Applicant: (i) met with personnel from the Service, Co-op and Builder accounting groups to request information to assist in the collections effort; (ii) reviewed detailed outstanding balances by customer/vendor and audited for accuracy; (iii) performed collections calls to Builder customers and Service and Co-op vendors that owed the largest amounts to the Debtors; (iv) worked to resolve invoice and balance discrepancies between customers, vendors and the

Debtors; (v) trained temporary employees on how to research disputed invoices; (vi) tested the validity of Co-op A/R invoices based on contractual purchasing criteria; (vii) met with Management to provide collection updates based on discussions with vendors and customers; and (viii) created, updated and distributed daily a collections tracking report to all case constituencies, including the Debtors' Management, DIP Lenders, Debtors' Counsel, and the Committee's Advisors.

### ***Bankruptcy Accounting and Reporting Activities***

At the beginning of the case, the Applicant assisted the Debtors in planning and preparing various reporting requirements as Debtors-in-Possession including, but not limited to the Monthly Operating Reports, U.S. Trustee's and Bankruptcy Analyst's data requests, and other related reporting requirements under the United States Bankruptcy Code, the Bankruptcy Court, and the Local Rules. The Applicant was requested by the Debtors' senior Management to assist and guide with the compiling of data in support of Debtors' counsels' efforts to complete and file on a timely basis both the Statement of Financial Affairs and Statement of Assets and Liabilities. The Applicant built a tracking model to monitor progress on the completion of the SoFA(s) and SoAL(s), submitted data requests to the Debtors' employees who were identified as "responsible parties" of data, discussed the reporting of pre & post petition accounting issues and discussed with Management pre vs. post petition invoice determination.

### ***Board Meetings***

During the Final Fee Application Period, the Applicant spent time discussing critical issues with various members of the Board of Directors (the "Board"). These activities included the compilation and review of presentations for the Board of Directors. The discussions with board members included but were not limited to reviews of: (i) first day filing and various business and / or legal issues (i) cost reduction initiatives; (iii) liquidity improvement opportunities; (iv) financing alternatives; (v) actual results vs. forecast; (vi) valuation and liquidation analyses; (vii) DIP financing issues; (viii) historical EBITDA; and (ix) post-petition facility requirements. In addition, this activity category included discussions with board members concerning critical issues that the board needed to be aware of throughout the case.

### ***Cash Reconciliation and Post Transaction Support***

At the conclusion of the 30 Store Auction and the 32 Store Auction, the Applicant was asked by the Debtors and the Debtors' Counsel to support the efforts to transition the stores sold at the 30 Store Auction to the GOB Liquidator and to assist in cash reconciliations and monitoring of post transaction events. After the close of the auction, UAP and the GOB Liquidator were unable to establish independent bank accounts. Accordingly, the Debtors agreed to allow UAP and the GOB Liquidator the use of their accounts, lockboxes and merchant ID numbers until such time that independent accounts, merchant ID numbers and lockboxes could be arranged. Immediately after the sale of inventory at the 30 Store Auction and the 32 Store Auction, funds from the GOB and UAP store locations were deposited into a single account or the concentration account. In order to properly allocate these funds and determine the Estate's daily cash balance, detailed reconciliations for over six different tender types (i.e. MasterCard, Visa, AMEX, Discover) were performed daily on a transaction by transaction basis. This analysis was complicated because the Debtors were only able to provide the Applicant with raw data which typically needed to be reformatted because the data was reported in an inconsistent manner for each tender type. Additionally, the Applicant worked together with the Debtors' Management to review reports relating to the GOB sales necessary to reconcile cash balances which included commingled funds that were due to the GOB Liquidator and UAP as a result of sales after the closing of the auction.

### ***Creditor Committee Matters***

Throughout the Final Fee Application Period, and at the request of the Debtors, the Applicant participated in and facilitated communication with the Unsecured Creditors' Committee and the Committee's Financial and Legal Advisors (the "Committee's Advisors") to discuss case matters. The Applicant worked with the Debtors' senior Management to prepare presentation materials for these meetings outlining the case details, Debtors' operational and financial performance and a brief overview of critical issues. The Applicant participated in numerous teleconferences and meetings with the Committee's Financial and Legal Advisors to discuss: (i) the Debtors' cash flow budgets; (ii) information flow to the Committee's financial advisors; (iii) the Committee's preliminary analysis of forecasted cash flow if the Committee used FY 2004 results as a basis for such

projection; (iv) store closing timetable and process for the 30 stores to be closed by the Debtors; (v) status of outstanding A/R reconciliation and collections; (vi) information required by the Committee's Advisors to complete various preference analyses; (vii) progress on the real estate sale; (viii) store closing matters; and (ix) the Debtors' liquidity projections.

### ***DIP Financing & Reporting***

Throughout the Final Fee Application Period, at the request of the Debtors Management, the Applicant assisted the Debtors in finalizing its DIP financing needs. Specifically, the Applicant was prepared to testify at the first day hearings concerning the adequacy of the DIP financing and then worked together with the Debtors' Management to address any issues raised by the DIP Lender. For example, the Applicant assisted the Debtors in finalizing the Debtors-in-Possession financing including the development of covenants based on the Debtors' financial projections. As part of its duties, the Applicant communicated frequently with the DIP Lender and its Counsel. The Applicant reviewed the interim and final DIP orders to ensure proper execution and created and reviewed a weekly flash report to assist the Debtors in its analysis of the DIP projections vs. actual results

After the Sale process, cash reconciliation became complex. Since UAP still had not established separate bank accounts, the Debtors had agreed with UAP that the Debtors would continue to pay certain expenses through the Debtors account on the understanding that prompt reimbursement or settlement for such expenses would be forthcoming from UAP. For example, during weekly cash settlements, cash receipts collected by the Debtors for UAP could be offset by cash disbursements made by the Debtors on behalf of UAP. The absence of independent bank accounts for both UAP and the GOB Liquidator increased the complexity of the reconciliation process as numerous transactions for unrelated parties were being processed through the DIP Lender account. In order to submit funding requests for the Debtors, the Applicant was requested by the Debtors to spend significant time communicating with the DIP Lender, highlighting and segregating which disbursements were made for each entity and clarifying ownership of the cash receipts flowing through the concentration account.

As the case further developed and the UAP and GOB Liquidator procured independent bank accounts, the Applicant transitioned its responsibilities by assisting the Debtors with fulfilling their DIP financing requirements by reviewing weekly reporting requirements prepared by the Debtors temporary employees. These analyses were submitted to the DIP Lender and highlighted disbursements made by the Debtors.

### ***Employee Compensation Programs***

At the beginning of the case, at the request of the Debtors' Management, the Applicant prepared schedules that analyzed potential Key Employee Retention Programs ("KERP") based on parameters discussed with the Debtors' Management. An analysis was performed on comparable companies to establish benchmarks and compare the KERP being contemplated by the Debtors compared to KERP plans approved by the Bankruptcy Court for similar sized companies.

### ***Equity Committee Matters***

During the Final Fee Application Period, the Applicant reviewed analyses prepared by Chanin Capital Partners ("Chanin"), in its capacity as Financial Advisor to the Ad-Hoc Equity Committee, regarding theoretical equity value. After analyzing the work completed by Chanin, the Applicant then evaluated the Debtors' equity value based on current financial performance and discussed its analysis with the Debtor's Counsel. In addition, Applicant participated on conference calls related to motions filed by the Ad-Hoc Equity Committee as well as discussions with parties that expressed an interest in providing capital to the company. Specifically, the Applicant: (i) analyzed the valuation prepared by Chanin to support the appointment of an Equity Committee; (ii) reviewed comparable company information to critique Chanin's valuation; (iii) prepared financial analyses and schedules that support the Debtors' response to the request for an Equity Committee; (iv) reviewed one time charges and fixed vs. variable costs in preparation of material to respond to certain assumptions upon which the Chanin valuation was based; (v) prepared exhibits to the supplemental response concerning the appointment of an Equity Committee based on financial information from the Debtors' business plan; and (vi) discussed with Debtors' counsel issues regarding the response to the request for an Equity Committee.

### ***First Day Related Issues***

At the beginning of the case, the Applicant participated in meetings with Management to discuss issues and processes impacted by the first day pleadings. The Applicant prepared and reviewed documents required for first day filing. The Applicant addressed issues regarding outstanding checks, pre-petition invoices that could be paid after first day motions, short term liquidity, the Debtors' warranty program and the preparation of communications packages for vendors and employees.

### ***General Duties and Case Administration***

In any complex bankruptcy case it is necessary for professionals to perform certain administrative tasks that support the overall advisory effort. At the request of the Debtors, the Applicant spent a significant amount of time training the temporary employees in an effort to accelerate the timetable during which such temporary employees would be able to assist Management in the effort to reconcile and collect outstanding accounts receivable balances due to the Debtors. Additional tasks performed throughout the Final Fee Application Period included but were not limited to: (i) the development and revisions of work plans and subsequent meetings to assign tasks to complete the work plan; (ii) frequent teleconferences and meetings with Debtors' counsel and Management to discuss case status, open items, creation of work plans, distribution of responsibilities, and strategies to be implemented to ensure an efficient and effective turnaround of operations; (iii) performance of administrative tasks such as distribution of information to Management, and Debtors' counsel; and (iv) collection of necessary data from the Debtors for investigative and analytical purposes.

### ***GOB and Store Closing Processes***

During the Final Fee Application Period, prior to the decision to have the 30-Store and 62-store Auctions, the Applicant assisted the Debtors with preparations for the orderly liquidation of the six (6) most underperforming stores as well as selling off obsolete furniture and fixtures. The Debtors had a court imposed deadline of March 21 to secure an inventory bid in order to be prepared to obtain court approval for a stalking horse bid by March 21; In this capacity, the Applicant performed the following tasks: (i) updated and modified Exhibit 4.1 to the first Agency Agreement to close 2

stores; (ii) provided guidance on the content of and the compilation of the information packages that were sent to potential liquidators interested in bidding on the sale of the Debtors' inventory and the furniture, fixtures and equipment; (iii) fielded follow-up questions from potential liquidators; (iv) quantified the proceeds from the GOB sales at both the Orem and Brickyard stores (v) reviewed detailed inventory reports by site location; (vi) reviewed bid procedures with Debtors' counsel; (vii) updated and sent out new bid packages; (viii) coordinated store visits for liquidators; (ix) attended court hearing on bid procedures; (x) analyzed GOB liquidator proposals; and (xi) provided additional data when requested.

### ***Plan of Reorganization***

During the Final Fee Application Period, the Applicant initially began to assist the Debtors in addressing issues relating to the eventual filing of a Plan of Reorganization. At the request of the Debtors the Applicant assisted Management in determining and assessing various cost reduction initiatives and other strategies being considered to improve the long term viability of the Debtors' business. The Applicant: (i) created and updated a liquidation analysis; (ii) responded to information requests from Challenger (UAP's financial advisor); and (iii) updated and reviewed updated wind down budgets.

### ***Professional Retention and Compensation Matters***

The Applicant expended time and resources during the Final Fee Application Period related to the preparation of twelve (12) Monthly Fee Statements and three (3) Quarterly Fee Applications in accordance with the Administrative Order in this case, as well as with the requirement established by the United States Bankruptcy Code, the Bankruptcy Court, the U.S. Trustee and the Local Rules. This category includes billing for time spent during the Final Fee Application Period to prepare the narrative and exhibits, in accordance with requirement of this court.

### ***Reclamation Claims***

At the beginning of the case, the Applicant was asked by the Debtors to assist in managing the reclamation claims process. In this capacity, the Applicant: (i) drafted memos for distribution to

Company employees outlining issues related to reclamation claims; (ii) maintained schedules summarizing the reclamation claims received from the Debtors' vendors within the statutory time limit; (iii) worked with the Debtors' management and counsel to define criteria for validation of reclamation claims; and (iv) provided an update of the reclamation process for presentation to Counsel and Management.

### ***Short Term Cash Flow and Financial Projections***

The Applicant had assisted the Debtors early in the case by creating a weekly cash flow projection model that provided the Debtors with the ability to forecast liquidity and availability over a thirteen week period. Each week the weekly cash flow projection model was updated with new information concerning the collection of outstanding accounts receivable and other wind-down activities and then extended an additional week to ensure the Debtors always had a detailed forecast of liquidity for at least the next 13 weeks. The Applicant also tracked the Debtors' actual results versus these weekly projections using a modeling tool it had designed and implemented. The projection and reporting of actual results were utilized by the Debtors' Management, the DIP Lenders and the Committee's Advisors to monitor the Debtors' post-petition performance on a week by week basis. The Applicant's work in this area was critical in providing the DIP Lenders and the Committee's Advisors with a timely update as to the Debtors' current liquidity position and weekly financial results.

The Applicant's work related to short term cash flows and financial projections was often used on a daily basis by the Debtors' Management to determine the timing of cash disbursements. Since the information upon which the Applicant relied came from disparate sources, the Applicant was required to spend time compiling and testing the underlying data to ensure the accuracy of the updated projections.

### ***Travel***

The Applicant's professionals traveled from their home offices to various locations as required by the demands of the case. Travel time is charged at one half of the actual time incurred for traveling



to and from the client site for travel in which services were performed in transit in order to meet the deadlines and requirements of the case.

***Vendor Issues***

At the beginning of the case, the Debtors asked the Applicant to assist in the development of a communications plan for managing post-petition relationships with key vendors and service providers. The Applicant worked with the Debtors' merchandising and accounting staff to maintain communications with vendors in order to ensure that the Debtors' operations were not negatively affected due to the inability to obtain the merchandise or services essential to operations. The Applicant assisted the Debtors in developing and implementing vendor strategies and created vendor communication initiatives and correspondence that allowed for efficient and effective communication. As a result of the Applicant's work in this area, the Debtors' were able to reduce the impact of significant interruptions of merchandise shipments or the delivery of necessary services.

18. In addition, the Applicant performed services after the Final Fee Application Period related to the preparation of the Eleventh and Twelfth Monthly Fee Statements as well as the preparation of the Final Fee Application. The detail of services performed is attached hereto as Schedule E. A summary of the fees by professional is provided below:

<b>Temporary Staff Employees</b>				
<b><u>Temporary Employees</u></b>	<b><u>Description of Function</u></b>	<b><u>Hours</u></b>	<b><u>Hourly Rate</u></b>	<b><u>Fee</u></b>
Duffy, Robert J	Senior Managing Director	8.00	560	4,480.00
Rimpel, Christopher A	Consultant	4.00	405	1,620.00
Flynn, Michael	Consultant	16.00	385	6,160.00
<b>Grand Total</b>		<b>28.00</b>	<b>\$</b>	<b>12,260.00</b>

19. Such services were reasonable and necessary in order for FTI to discharge its duties and obligations to the Company and the Court. Applying the Applicant's usual and customary billing rates for the types of services performed to the time spent as generally accepted by the firm's clients, FTI incurred total fees of \$2,143,997.00 and \$118,469.32 in expenses (net of voluntary reductions arising from the Fee Examiner's review of the Applicant's first six monthly applications) for the

period from January 11, 2005 through December 31, 2005. The blended hourly rate was \$502.99 for the professional services provided.

20. The Applicant respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Debtors in this proceeding to date are fair and reasonable given: (i) the time expended; (ii) the nature and extent of the services performed at the time at which such services were rendered; (iii) the value of such services; and (iv) the costs of comparable services other than in a Chapter 11 case.

21. The time and labor expended by the Applicant has been commensurate with the size and complexity of the case. In rendering these services, the Applicant made every effort to maximize the benefit to the Estate, to work efficiently with the other professionals employed in the case, and to leverage staff appropriately in order to minimize duplication of effort. The complex issues of the case required staff professionals to confer and collaborate at certain times to ensure the efficient allocation of resources and to plan strategies effectively. While essential to the effective administration of the engagement, to the extent possible these conferences were kept to a minimum. Compensation is sought for participation by more than one professional only in instances where joint participation was necessary because of the significant impact of a particular meeting, the complexity of the problem involved, the specialization required or the need to preserve continuity of representation. At times, it may have been necessary for more than one professional to attend a meeting to facilitate communication of information rather than to relay the information from individual to individual.

22. During the Final Fee Application Period, the Applicant provided a focused range of professional services as requested by the Debtors. The Applicant respectfully submits that these services: (i) were necessary and beneficial to the successful and prompt administration of this case; and (ii) have been provided in a cost efficient manner.

23. The Applicant has exercised reasonable billing judgment and has either reduced its fees or not sought reimbursement in relation to a number of tasks performed and expenses incurred for the benefit of the Debtors. The Applicant has carefully reviewed all of its time records and has elected to make certain voluntary reductions to the fees which it is requesting based on the application of the Applicant's firm-wide policy requiring professional personnel to exercise reasonable billing judgment on a daily basis. Chargeable hours are recorded on a daily basis, at

which time professional staff members make informed judgments as to the quality and productivity of time spent on the engagement. The exercise of reasonable billing judgment, at the professional staff level, effectively considers the quality of time charged to the Debtors. In this regard, non-productive time has not been billed to the Debtors' Estate.

24. The services that have been provided by the Applicant during these proceedings have been wholly consistent with the Debtors' intentions and have been undertaken with specific direction and guidance from the Debtors' Senior Management. These cases have necessitated the use of experienced advisors with specialized expertise in bankruptcy issues and financial analysis to timely and thoroughly address the needs of the Debtors in performing their duties as Debtors-in-possession. The persons who have worked on this case have demonstrated the skill in their respective areas of expertise required to provide the services necessary to assist the Debtors.

25. Other than as provided in Section 504(b) of the Bankruptcy Code, the Applicant has not shared, or agreed to share, any compensation received as a result of this case with any person, firm or entity. No promises concerning compensation have been made to the Applicant by any firm, person or entity. The sole and exclusive source of compensation shall be funds of the Debtors.

26. This Application has been prepared in accordance with the United States Trustee Guidelines for Compensation and Reimbursement of Expenses Filed under U.S.C. §330 and the Guidelines for Compensation and Expense Reimbursement of Professionals set forth by the United States Bankruptcy Court, District of Delaware. The Applicant has exercised reasonable billing judgment and has either reduced its fees or not sought reimbursement in relation to a number of tasks performed and expenses incurred for the benefit of the Debtors.

27. The Applicant reserves the right to supplement this Application prior to a hearing. Further, the Applicant specifically reserves the right to file subsequent applications for, and to seek final approval of, the fees and expenses requested herein.

28. I have read this application and to the best of my knowledge, information and belief formed after reasonable inquiry, certify that the fees and disbursements sought are billed at rates in accordance with practices customarily employed by FTI Consulting and generally accepted by our clients.

29. In accordance with the Administrative Order, Pursuant to Sections 105(a) and 330 of the Bankruptcy Code, Establishing Procedures for Interim Compensation and Reimbursement of

Expenses for Professionals (the "Administrative Order"), FTI has submitted to the Court its Final Fee Application Period requesting compensation for the period January 11, 2005 through December 31, 2005.

30. Taking into consideration the skill and experience of the Applicant, the benefits to the Debtors, the nature of the assignment, and the time expended, the Applicant believes that fair and reasonable compensation for the services rendered and expenses incurred during the Final Fee Application Period of \$2,143,997.00 in fees and \$118,469.32 in expenses, and an estimated \$12,260.00 in fees for services provided following the Final Fee Application Period. This amount does incorporate a \$49,200.00 voluntary reduction in fees and expenses arising from the Fee Examiner's review. The Applicant has recently filed Monthly Statements Seven through Twelve. There is a potential for additional accommodations based on the Fee Examiners review. The Applicant will not seek compensation on any additional adjustments arising from the Fee Examiner's review.

This is the Final Fee Application of FTI Consulting. FTI Consulting has been paid 100% of fees and expenses for the time period January '05 to June '05 (First, Second, Third, Fourth, Fifth, and Sixth Monthly Statements), FTI Consulting has not received payment for the time period of July '05 to December '05 (Seventh, Eighth, Ninth, Tenth, Eleventh, and Twelfth Monthly Statements). All Fee Statements and Quarterly Fee Applications filed by the Applicant are incorporated here by reference.

THEREFORE, FTI Consulting, Inc. respectfully requests that the Court enter an Order allowing the Applicant interim compensation for the period from January 11, 2005 through December 31, 2005 in the sum of \$2,143,997.00 in fees and expenses of \$118,469.32, and \$12,260.00 in fees for services after the Final Fee Application Period, directing prompt payment to the Applicant of the unpaid balance of \$225,038.69.<sup>2</sup>

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<sup>2</sup> The Applicant is currently holding a \$250,000 retainer against which it will offset any amounts owed with respect to this Fee Application. To the extent any portion of the retainer remains after such offset, the remaining portion shall promptly be returned to the Debtors and/or the Plan Administrator.

Respectfully submitted,

FTI Consulting, Inc.

*Robert J. Duffy*

Robert J. Duffy

2/23/06

Date

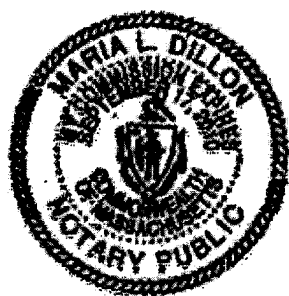
*Maria L. Dillon*

Notary Public

2/23/06

Date

Robert J. Duffy  
FTI Consulting, Inc.  
125 High Street  
Suite 1402  
Boston, MA 02109  
(617) 897-1501



**EXHIBIT A**

**ULTIMATE ELECTRONICS, et al**

**COPY OF THE RETENTION ORDER AUTHORIZING EMPLOYMENT OF THE  
APPLICANT**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

\_\_\_\_\_ x  
: :  
: :  
In re: : Chapter 11  
: :  
ULTIMATE ELECTRONICS, INC., et al., : Case No. 05-10104 (PJW)  
: :  
Debtors. : Jointly Administered  
: :  
\_\_\_\_\_ x Related Docket No. 26

**ORDER AUTHORIZING RETENTION OF FTI  
CONSULTING, INC. AS FINANCIAL ADVISORS  
FOR THE DEBTORS AND DEBTORS-IN-POSSESSION**

Upon the application dated January 11, 2005 (the "Application"),<sup>1</sup> wherein Ultimate Electronics, Inc. ("Ultimate Electronics") and six (6) of its subsidiaries and affiliates, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors"), moved this Court for entry of an order, pursuant to sections 327(a) and 1107 of chapter 11 of title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), authorizing them to retain FTI Consulting, Inc. ("FTI") as financial advisors; and upon the Affidavit of Robert J. Duffy in support of the Application; and due and adequate notice of the Application having been given; and it appearing that no other notice need be


<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Application related hereto.

given; and it appearing that FTI neither holds nor represents any interest adverse to the Debtors' estates; and it appearing that FTI is "disinterested," as that term is defined in section 101(14) of the Bankruptcy Code; and it appearing that the relief requested in the Application is in the best interest of the estates and their creditors; after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Application is GRANTED.
2. In accordance with section 327(a) of the Bankruptcy Code, the Debtors are authorized to employ and retain FTI as of the date of filing these chapter 11 cases (the "Petition Date") as their financial advisors on the terms set forth in the Application; and
3. FTI shall be compensated in accordance with the procedures set forth in sections 330 and 331 of the Bankruptcy Code and such Bankruptcy Rules as may then be applicable, from time to time, and such procedures as may be fixed by order of this Court.

Dated: Wilmington, Delaware  
February 14, 2005

  
\_\_\_\_\_  
The Honorable Peter J. Walsh  
United States Bankruptcy Judge



**EXHIBIT B**

**ULTIMATE ELECTRONICS, et al**

**SUMMARY OF HOURS AND FEES**

**BY PROFESSIONAL**

**Ultimate Electronics, Inc.**  
**FTI Consulting, Inc.**  
**Summary of Professional Fees by Professional**  
**For the Period 1/11/2005 through 12/31/2005**

Professional	Position	Billing Rate*	Hours	Fees
Joffe, Steven	Senior Managing Director	\$ 625.00	3.60	\$ 2,250.00
Regan, Kevin	Senior Managing Director	625.00	718.20	448,875.00
Coulombe, Stephen L	Senior Managing Director	560.00	17.00	9,520.00
Duffy, Robert J	Senior Managing Director	560.00	775.00	434,000.00
Weinsten, Mark R	Senior Managing Director	560.00	505.90	283,304.00
Hansen, Paul A	Managing Director	540.00	138.20	74,628.00
Daversa, Aileen	Managing Director	520.00	2.00	1,040.00
Gehring, Anthony J	Director	495.00	10.10	4,999.50
Renzi, Mark A	Director	470.00	1,441.80	677,646.00
Bellazain, Sheba	Director	415.00	5.30	2,199.50
Rimpel, Christopher A	Consultant	385.00	57.00	21,945.00
Flynn, Michael	Consultant	340.00	612.50	208,250.00
Zambrano, Ivelise J	Consultant	340.00	68.50	23,290.00
Korn, Gary	Consultant	320.00	2.00	640.00
Zaben, Sander	Associate	275.00	0.50	137.50
Gill, David	Associate	175.00	0.60	105.00
Madiou, Lionel	Associate	175.00	0.30	52.50
Hawken, Tim	Associate	175.00	1.80	315.00
<b>Total for the Period 1/14/2004 - 8/28/2005</b>			<b>4,360.3</b>	<b>\$ 2,193,197.00</b>

**EXHIBIT C**

**ULTIMATE ELECTRONICS, et al**

**SUMMARY OF HOURS AND FEES BY TASK CODE**

**Ultimate Electronics, Inc.**  
**FTI Consulting, Inc.**  
**Summary of Professional Fees by Task Code**  
**For the Period 1/11/2005 through 12/31/2005**

<b>Category</b>	<b>Hours</b>	<b>Fees</b>
Asset Dispositions (Accounts Receivable)	417.8	\$ 151,399.00
Asset Dispositions (Inventory)	514.3	281,361.50
Asset Dispositions (General)	154.7	84,095.50
Asset Dispositions (Real Property)	95.7	56,255.50
Asset Dispositions (Strategy)	58.3	32,962.00
Asset Dispositions (APA and TSA Support)	54.6	32,239.50
Bankruptcy Accounting and Reporting Activities	86.0	42,758.00
Board Meetings	115.4	61,422.00
Cash Reconciliation and Post Transaction Support	240.0	118,978.00
Creditor Committee Matters	326.2	154,915.00
DIP Financing & Reporting	502.0	258,920.50
Employee Compensation Programs	27.9	14,547.50
Equity Committee Matters	216.9	113,956.00
First Day Related Issues	54.5	26,446.00
General Duties and Case Administration	162.2	83,091.50
GOB and Store Closing Processes	317.2	176,108.50
Plan of Reorganization	95.4	50,166.00
Professional Retention and Compensation Matters	159.4	70,907.00
Reclamation Claims	11.7	5,758.00
Short Term Cash Flow and Financial Projections	540.6	267,748.50
Travel	177.5	92,132.50
Vendor Issues	32.0	17,029.00
<b>Total for the Period 1/11/2005 - 12/31/2005</b>	<b>4,360.3</b>	<b>\$ 2,193,197.00</b>

**EXHIBIT D**

**ULTIMATE ELECTRONICS, et al**

**SUMMARY OF ACTUAL AND NECESSARY EXPENSES INCURRED BY EXPENSE  
CATEGORY**

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Ultimate Electronics, Inc.

FTI Consulting, Inc.

**Summary of Actual and Necessary Expenses Incurred by Expense Category  
For the Period 1/11/2005 through 12/31/2005**

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<b>Category</b>		<b>Amount</b>
Business Meals	\$	8,985.58
Lodging		36,664
Sundry		1,782
Transportation		71,038
<b>Total for the Period 1/11/2005 - 12/31/2005</b>	<b>\$</b>	<b>118,469.32</b>

**EXHIBIT E**

**ULTIMATE ELECTRONICS, et al**

**COMPLETE ACCOUNTING OF TIME EXPENDED BY DAY BY PROFESSIONAL FOR  
SERVICES PERFORMED AFTER FINAL FEE APPLICATION PERIOD**

**Ultimate Electronics**  
**FTI Consulting, Inc.**  
**Detailed Time Description by Date**  
**For the Period 1/1/2006 through 2/24/2006**

<i>Date</i>	<i>Activity Category</i>	<i>Hours</i>	<i>Description of Activity</i>
<b>1/25/2006</b>			
Duffy, Robert J	Professional Retention and Compensation Matters	3.2	Review and editing of the November Fee Application
Duffy, Robert J	Professional Retention and Compensation Matters	2.7	Review and editing of the October Fee Application
Rimpel, Christopher A	Professional Retention and Compensation Matters	0.8	Finalize October Fee Application
Rimpel, Christopher A	Professional Retention and Compensation Matters	0.7	Finalize November Fee Application
Rimpel, Christopher A	Professional Retention and Compensation Matters	0.5	Finalize December Fee Application
<b>Total for 1/25/2006</b>		<u>7.9</u>	
<b>1/26/2006</b>			
Duffy, Robert J	Professional Retention and Compensation Matters	2.1	Review and editing of the Devenber Fee Application
<b>Total for 1/26/2006</b>		<u>2.1</u>	
<b>2/22/2006</b>			
Flynn, Michael	Professional Retention and Compensation Matters	2.8	Review of Montly Applications for Final Fee Application
Flynn, Michael	Professional Retention and Compensation Matters	2.4	Drafting of Final Fee Application
Flynn, Michael	Professional Retention and Compensation Matters	2.3	Collection of supporting data for Final Fee Application
Flynn, Michael	Professional Retention and Compensation Matters	1.6	Continue drafting Final Fee Application
Rimpel, Christopher A	Professional Retention and Compensation Matters	1.1	Update and Review the November and Decmeber Fee Applications
Rimpel, Christopher A	Professional Retention and Compensation Matters	0.9	Review and update Final Fee Application
<b>Total for 2/22/2006</b>		<u>11.1</u>	
<b>2/23/2006</b>			
Flynn, Michael	Professional Retention and Compensation Matters	3.6	Review and editing of Final Fee Application
Flynn, Michael	Professional Retention and Compensation Matters	3.3	Update of Final Fee Application with edits
<b>Total for 2/23/2006</b>		<u>6.9</u>	
<b>Total Hours for Period 1/1/2006 - 2/24/2006</b>		<u><u>28.0</u></u>	



**EXHIBIT F**

**ULTIMATE ELECTRONICS, et al**

**BRIEF BIOGRAPHIES OF THE APPLICANT'S SENIOR PERSONNEL INVOLVED IN THIS  
ENGAGEMENT**

## Robert J. Duffy

Senior Managing Director - Corporate Finance/Restructuring

bob.duffy@fticonsulting.com

125 High Street  
Suite 1402  
Boston, MA 02110  
Tel: (617) 897-1500  
Fax: (617) 897-1510

Bob Duffy is a senior managing director and head of FTI's Corporate Finance/Restructuring practice in Boston. Mr. Duffy has nearly 20 years of experience serving as an advisor to corporations, creditors, boards of directors and shareholders of underperforming businesses and companies in transition. He has led project teams that have helped clients revitalize operations, implement operational improvements and reposition businesses for future growth.

Mr. Duffy's corporate finance and restructuring experience includes assisting companies and their creditors in achieving the successful restructuring of both senior notes and debentures. He has been instrumental in the creation of comprehensive business plans, design of cash flow forecasting systems, development of strategic business alliances and implementation of action plans to increase cash flow, reduce working capital requirements and maximize shareholder value.

On behalf of his clients, Mr. Duffy has led the negotiation efforts between creditors and debtors, prepared and analyzed strategic business plans, evaluated proposed joint ventures, valued businesses, developed restructuring alternatives, completed viability studies and prepared detailed financial projections. In addition, Mr. Duffy has assessed existing and proposed strategic business alliances, negotiated for the sale of entire companies and the divestiture of noncore subsidiaries, prepared detailed liquidation analyses, refinanced senior and junior loan facilities and evaluated and negotiated plans of reorganization.

Mr. Duffy has substantial experience in a number of industries as a result of leading successful out-of-court and Chapter 11 restructurings for companies with operations in both the United States and throughout the world. He has significant experience in the specialty retail, heavy and light manufacturing, automotive, specialty chemical, technology, banking and service industry sectors.

Prior to joining FTI in 2002, Mr. Duffy was a partner with the U.S. division of PricewaterhouseCoopers' Business Recovery Services practice. Before that, he spent four years working for the Bayer Corporation.

Mr. Duffy has given speeches and presentations at conferences, seminars and forums throughout the United States. Some of his topics include "Business Lawyering for Troubled Companies—Getting it Right When the Client's Survival is at Stake," "Bankruptcy Remote Lending: Will it Survive the Wall Street Shakeout?," "High Technology Reorganizations," "Protecting your Company's Life Line: Dealing with Troubled Suppliers," "Revitalization of Troubled Companies," "Understanding the Financing Structures Available to Restructure Your Portfolio," "Practical Advice for Managing the Cash Burn," and "Assessing the Fundamental Causes and the Likelihood of a Turnaround of a Company in Distress." He has also been an adjunct professor at F.W. Olin Graduate School of Business at Babson College.

Mr. Duffy holds a B.S. in finance from Babson College and an M.B.A. in finance, management policy and marketing from J.L. Kellogg Graduate School of Management at Northwestern University. He is a member of the Turnaround Management Association, American Bankruptcy Institute and the Association of Insolvency Accountants.



## Kevin Regan, CIRA, J.D., MBA

Senior Managing Director - Corporate Finance/Restructuring

[kevin.regan@fticonsulting.com](mailto:kevin.regan@fticonsulting.com)

Park 80 West  
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Saddle Brook, NJ 07663  
Tel: (201) 843-4900  
Fax: (201) 843-8044

Kevin Regan is a senior managing director in FTI's Corporate Finance/Restructuring practice and is based in Saddle Brook, New Jersey. Mr. Regan specializes in assisting senior management, boards of directors and creditors in the areas of financial and operational restructurings, loan workouts and business planning in retail and related industries. He has an extensive background in retail, which includes more than 15 years as the chief financial officer (CFO) of various private and public retail companies.

Mr. Regan's engagement experience includes advisories to the official committees of unsecured creditors of Montgomery Ward, Hechinger Investment Co., Levitz Furniture, Just For Feet, Bill's Dollar Stores, Weiner Stores, Video Update, Payless Cashways, and Ames Department Stores as well as to the term loan holders of Caldor. He has also worked on behalf of the debtors in Furr's Supermarkets and Dairy Mart. He has served as interim chief executive officer of Cosmetic Center and interim chief financial officer of Mayors Jewelers and has consulted on control issues at Food Lion.

During his career, Mr. Regan has been the lead officer in various public debt financings and private refinancings and restructurings. He was also the chief administrative officer of a newly acquired retail holding company, where he was responsible for an operational restructuring, which entailed the decentralization of systems, financial services and legal and other centralized functions in order that the operating divisions (drugstore, home center, specialty apparel, and discounter) could be spun off.

His extensive list of accomplishments includes successfully raising \$20 million in venture capital as cofounder of a new retail superstore concept involving home health care products; the development and implementation of a strategic turnaround plan for a mass merchandiser, involving a downsizing and store closing action plan; the development of a real estate repositioning strategy for a successful specialty chain, which included the closing of 15 percent of existing stores and the acquisition of a small regional chain in a new growth market; the successful installation of fully integrated retail systems in two different businesses; the development of a strategic technology plan, involving an outsourcing solution for a regional mass merchandiser; and the development of human resource strategies, which involved the redesign of compensation, benefit, and incentive programs in two established companies.

Mr. Regan has lectured and participated in panel discussions on various retailing subjects and was a participating author in the publication *Workouts & Turnarounds II: Global Restructuring Strategies for the Next Century*. He has published articles in *Bankruptcy Court Decisions*, including one on "How to Value Retail Inventories for Adequate Protection Purposes." He currently coauthors FTI's annual publication on the state of retailing.

Mr. Regan holds a J.D. from Seton Hall University, an M.B.A. in finance from the Stern School of Business at New York University and a bachelor's degree in economics from Fairfield University. He is also a certified insolvency and restructuring advisor (CIRA).



## Mark Weinstein, M.B.A.

Senior Managing Director—Corporate Finance/Restructuring

mark.weinstein@fticonsulting.com

125 High Street  
Suite 1402  
Boston, MA 02110  
Tel: (617) 897-1500  
Fax: (617) 897-1510

Mark Weinstein is a senior managing director in FTI's Corporate Finance/Restructuring practice and is based in Boston. Mr. Weinstein has assisted boards of directors, equity sponsors and management of distressed companies and their creditors and bank groups in many industries, including retail, manufacturing, professional services, telecommunications, high technology and gaming. He has developed and analyzed business plans and restructuring strategies; evaluated and negotiated joint ventures, mergers, acquisitions and debt restructurings; valued companies and business units; prepared viability studies; formulated cash flows and budgets; performed liquidation analyses; and functioned in interim management positions.

Mr. Weinstein has participated in several engagements designed to assist clients in creating and implementing business strategies and operational improvements. He has performed analyses related to capital budgeting decisions in such areas as automation implementation, facilities improvement and mergers and acquisitions. He has conducted operations and organization reviews to identify areas for clients to reduce costs and enhance productivity, and he has developed business plans and financial projections to provide guidelines and targets for client growth and development.

Mr. Weinstein has assisted counsel in various phases of litigation, including case strategy, discovery, financial analysis and modeling, business valuation, quantification and rebuttal of damages and trial/deposition preparation. His damage quantification and valuation experience includes cases involving breach of contract, disserving shareholders claims and product liability.

Prior to joining FTI, Mr. Weinstein was a partner with the U.S. division of PricewaterhouseCoopers' Business Recovery Services practice. After graduating from business school, Mr. Weinstein joined the Management Consulting Department of Grant Thornton, where he focused on business planning and raising capital for middle market companies as well as representing large multinational corporations in responding to antidumping charges raised by the U.S. Department of Commerce. Before obtaining his M.B.A., Mr. Weinstein worked in the engineering and operations groups for Winfield Manufacturing, a major supplier of uniforms, chemical protective suits and equipment items to the U.S. military and NATO.

Mr. Weinstein holds an M.B.A. from the Wharton School at the University of Pennsylvania and a B.S. in economics from Carnegie-Mellon University. He is a member of the American Bankruptcy Institute and the Turnaround Management Association. He has been an adjunct professor at Babson College's Olin School of Business, teaching "Turnaround Finance and Management" to M.B.A. classes. Additionally, Mr. Weinstein has been a frequent lecturer at many conferences and educational institutions, delivering presentations on various topics, including "Bankruptcy Remote Lending, Will It Survive the Wall Street Shakeout" (ABI Western Leadership Conference), "Use of Financial Professionals" (ABI Northeast Conference), "How M&A is Used to Implement Turnaround Strategies" (Wharton School, University of Pennsylvania), "Valuing Distressed Businesses" (Massachusetts Bar Association), "Lease Negotiation Strategies, How to Deal with Troubled/Bankrupt Tenants" (Boston RE Board) and "Restructuring Opportunities in the Paging Industry" (PCIA Conference).



### About FTI

FTI is the premier provider of financial, forensic and litigation consulting services. We are dedicated to helping corporations and their advisors, lawyers, lenders and investors achieve the best results for their most complex business challenges. From performance improvement and turnaround consulting to investigations and expert opinions, our practice areas bring multidisciplinary expertise and insight to the world's leading organizations.

[www.fticonsulting.com](http://www.fticonsulting.com)

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

----- X  
In re: : Chapter 11  
ULTIMATE ELECTRONICS, INC., et al. :  
Debtors. : Case No. 05-10104 (PJW)  
: Jointly Administered  
: Related Docket No. \_\_  
----- X

**ORDER GRANTING PAYMENT OF FEES AND EXPENSES REQUESTED  
IN FINAL FEE APPLICATION OF FTI CONSULTING, INC. AS FINAN-  
CIAL ADVISORS TO THE DEBTORS FOR COMPENSATION AND REIM-  
BURSEMENT OF EXPENSES INCURRED FOR THE PERIOD JANUARY  
11, 2005 THROUGH DECEMBER 31, 2005**

This Court having previously authorized the employment of FTI Consulting, Inc. ("FTI") in the cases of the above-captioned debtors (collectively, the "Debtors"); a Notice of Hearing (the "Notice")<sup>1</sup> on the Final Fee Application of FTI Consulting, Inc. as Financial Advisors to the Debtors for Compensation and Reimbursement of Expenses Incurred for the Period January 11, 2005 Through December 31, 2005 (the "Final Fee Application") having been filed and served; the Court having conducted a hearing on the Final Fee Application of FTI and having determined that the Final Fee Application seeks reasonable compensation for actual, necessary services rendered by FTI in these cases and reimbursement for actual,

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<sup>1</sup> Each capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Notice.

necessary expenses incurred in the rendition of such services; it appearing that the Notice has been properly and adequately served and that no other or further notice is necessary; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The fees and expenses requested in the Final Fee Application, including any fees and expenses incurred after the Effective Date for preparing the Final Fee Application or otherwise, are hereby approved and allowed on a final basis in the amounts set forth on Exhibit A attached to this Order.

2. Liquidating Ultimate and/or the Plan Administrator are hereby authorized and directed to promptly pay FTI the difference, if any, between the allowed amount of fees and expenses approved by this Order and the actual payments received by FTI. Such payment shall be made no later than five (5) business days from the entry of this order as a final order of this Court.

3. FTI is authorized to apply any retainer funds previously advanced by the Debtors against any amounts approved by this Order.

4. This Order is without prejudice to the rights of FTI to seek further allowance and payment of compensation and reimbursement of expenses upon application to this Court.

Dated: Wilmington, Delaware  
April \_\_, 2006

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Honorable Peter J. Walsh  
United States Bankruptcy Judge

**Exhibit A**

Date Filed	Period Covered	Requested Fees, Expenses		Paid Fees, Expenses		Fees, Expenses To Be Paid	
2/22/06	December 1, 2005 to December 31, 2005	\$6,126.00	\$0.00	\$0.00	\$0.00	\$6,126.00	\$0.00
2/22/06	November 1, 2005 to November 30, 2005	\$4,735.00	\$0.00	\$0.00	\$0.00	\$4,735.00	\$0.00
1/26/06	October 1, 2005 to October 31, 2005	\$5,427.00 <sup>2</sup>	\$0.00	\$0.00	\$0.00	\$5,427.00	\$0.00
1/26/06	September 1, 2005 to September 30, 2005	\$29,499.00	\$108.06	\$0.00	\$0.00	\$29,499.00	\$108.06
1/26/06	August 1, 2005 to August 31, 2005	\$48,997.50	\$2,186.24	\$0.00	\$0.00	\$48,997.50	\$2,186.24
1/26/06	July 1, 2005 to July 31, 2005	\$104,997.50 <sup>3</sup>	\$5,452.39	\$0.00	\$0.00	\$104,997.50	\$5,452.39
8/22/05	June 1, 2005 to June 30, 2005	\$258,922.00 <sup>4</sup>	\$19,554.18	\$258,922.00	\$19,554.18	\$0.00	\$0.00
8/22/05	May 1, 2005 to May 31, 2005	\$346,442.00 <sup>5</sup>	\$30,922.09	\$346,442.00	\$30,922.09	\$0.00	\$0.00

<sup>2</sup> This amount reflects \$4,000.00 in accommodations arising from the fee examiner's review of FTT's monthly fee application for October, 2005.

<sup>3</sup> This amount reflects \$1,250.00 in accommodations arising from the fee examiner's review of FTT's monthly fee application for July, 2005.

<sup>4</sup> This amount reflects \$1,200.00 in accommodations arising from the fee examiner's review of FTT's monthly fee application for June, 2005.

<sup>5</sup> This amount reflects \$5,000.00 in accommodations arising from the fee examiner's review of FTT's monthly fee application for May, 2005.



Date Filed	Period Covered	Requested Fees, Expenses		Paid Fees, Expenses		Fees, Expenses To Be Paid	
8/10/05	April 1, 2005 to April 30, 2005	\$452,780.50 <sup>6</sup>	\$30,832.81	\$452,780.50	\$30,832.81	\$0.00	\$0.00
6/16/05	March 1, 2005 to March 31, 2005	\$418,733.50	\$9,547.21	\$418,733.50	\$9,547.21	\$0.00	\$0.00
6/16/05	February 1, 2005 to February 28, 2005	\$225,848.00	\$1,458.64	\$225,848.00	\$1,458.64	\$0.00	\$0.00
6/15/05	January 11, 2005 to January 31, 2005	\$236,239.00	\$18,407.70	\$236,239.00	\$18,407.70	\$0.00	\$0.00
	<b>Total for Entire Case Period</b>	<b>\$2,138,677.00</b>	<b>\$118,539.32</b>	<b>\$1,938,895.00</b>	<b>\$110,792.63</b>	<b>\$199,782.00</b>	<b>\$7,746.69</b>
	<b>Post Effective Date (estimated)</b>	<b>\$13,020.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$13,020.00</b>	<b>\$0.00</b>

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<sup>6</sup> This amount reflects \$43,000.00 in accommodations arising from the fee examiner's review of FTT's monthly fee applications for January, 2005 through April, 2005.

**CERTIFICATE OF SERVICE**

I, Matthew P. Ward, hereby certify that on the 24th day of February, 2006, I caused the foregoing **Final Fee Application of FTI Consulting, Inc. as Financial Advisors to the Debtors for Compensation and Reimbursement of Expenses Incurred for the Period January 11, 2005 Through December 31, 2005** to be served on the parties listed on Exhibit A, attached hereto, by first-class mail, postage prepaid, unless otherwise indicated thereon.



---

Matthew P. Ward

**Exhibit A**  
**Ultimate Electronics, Inc.**  
**Service List**

**Former Counsel to the Debtors:**

Gregg M. Galardi, Esq.  
Mark L. Desgrosseilliers, Esq.  
Matthew P. Ward, Esq.  
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One Rodney Square  
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Fax: 212-702-3627

Daniel J. DeFranceschi, Esq.  
Jason M. Madron, Esq.  
Richards, Layton & Finger, PA  
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**Former Special Corporate Counsel to the Debtors:**

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