1 Charles R. Sterbach (009315) 2 Joseph E. Cotterman (013800) GALLAGHER & KENNEDY, P.A. 3 2600 N. Central Avenue Phoenix, AZ 85004-3020 4 (602) 530-8000 3-128,9001 5 Attorneys for the Britwill Debtors 321,461.00 and Special Counsel for Unison 6 Healthcare Corporation 7 8 2-6,342.91 9 10 IN THE UNITED STATES BANKRUPTCY COURT 11 FOR THE DISTRICT OF ARIZONA 12 13 In re: Chapter 11 14 UNISON HEALTHCARE CORPORATION, and related proceedings, 15 Case No. B-98-06583-PHX-GBN 16 Federal I.D. No. 86-0684011 (Jointly Administered) 17 Debtors. 18 APPLICABLE DEBTOR(S) (Check) UNISON HEALTHCARE CORPORATION THIRD INTERIM AND FINAL 19 (Case No. 98-06583-PHX-RGM) [X]APPLICATION FOR ALLOWANCE AND 20 SUNQUEST SPC, INC. PAYMENT OF FEES AND EXPENSES (Case No. 98-06584-PHX-SSC) [] FOR SERVICES RENDERED BY 21 BRITWILL HEALTHCARE COMPANY GALLAGHER & KENNEDY, P.A. AS (Case No. 98-06585-PHX-SSC) ATTORNEYS FOR THE BRITWILL [] 22 BRITWILL FUNDING CORPORATION DEBTORS AND AS SPECIAL (Case No. 98-06602-PHX-SSC) COUNSEL TO UNISON HEALTHCARE [] 23 MEMPHIS CLINICAL CORPORATION LABORATORY, INC. 24 (Case No. 98-06588-PHX-CGC) [] (Pertaining to Debtors: 25 AMERICAN PROFESSIONAL Unison Healthcare HOLDINGS, INC. Corporation; Britwill 26 (Case No. 98-06587-PHX-GBN) [] Investments-I, Inc.; Britwill AMPRO MEDICAL SERVICES, INC. Investments-II, Inc.; and 27 (Case No. 98-06609-PHX-GBN) Britwill Indiana Partnership)

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2	GAMMA LABORATORIES, INC. (Case No. 98-06611-PHX-SSC)	Г	1
	SIGNATURE HEALTH CARE	ι	1
3	CORPORATION	_	_
4	(Case No. 98-06591-PHX-SSC) BROOKSHIRE HOUSE INC.	[]
5	(Case No. 98-06608-PHX-RGM)	ſ	1
δ	CHRISTOPHER NURSING	٠	•
6	CENTER, INC.	_	_
7	(Case No. 98-06596-PHX-JMM) AMBERWOOD COURT, INC.	Ĺ	J
	(Case No. 98-06597-PHX-RGM)	ſ	1
8	THE ARBORS HEALTH CARE	٠	•
9	CORPORATION		
	(Case No. 98-06598-PHX-CGC)	[]
10	LOS ARCOS, INC. (Case No. 98-06603-PHX-RGM)	г	1
11	PUEBLO NORTE, INC.	L	J
,	(Case No. 98-06604-PHX-RTB)	[]
12	RIO VERDE NURSING CENTER	_	_
13	(Case No. 98-06606-PHX-CGC) SIGNATURE MANAGEMENT	[j
14	GROUP, INC.		
14	(Case No. 98-06605-PHX-GBN)	[]
15	CORNERSTONE CARE CENTER		
16	(Case No. 98-06595-PHX-RTB) ARKANSAS, INC.	[]
	(Case No. 98-06590-PHX-GBN)	ſ	1
17	DOUGLAS MANOR, INC.	١	,
18	(Case No. 98-06589-PHX-CGC)	[]
	SAFFORD CARE, INC.	_	7
19	(Case No. 98-06593-PHX-RTB) REHABWEST, INC.	l	J
20	(Case No. 98-06594-PHX-CGC)	[]
	QUEST PHARMACIES, INC.	•	•
21	(Case No. 98-06586-PHX-RGM)	[]
22	SUNBELT THERAPY MANAGEMENT SERVICES, INC. (ALABAMA)		
07	(Case No. 98-06607-PHX-RTB)	Γ	1
23	DECATUR SPORTS FIT & WELLNESS		,
24	CENTER, INC.		
25	(Case No. 98-06601-PHX-SSC)	[]
20	THERAPY HEALTH SYSTEMS, INC. (Case No. 98-06600-PHX-GBN)	Г	1
26	HENDERSON & ASSOCIATES	L	J
27	REHABILITATION, INC.		
~'	(Case No. 98-06599-PHX-SSC)	[]

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SUNBELT THERAPY MANAGEMENT SERVICES, INC. (ARIZONA) (Case No. 98-06592-PHX-RGM) [] CEDAR CARE, INC. (Case No. 98-06612-PHX-GBN) [] SHERWOOD HEALTHCARE CORP. (Case No. 98-06610-PHX-SSC) [] BRITWILL INVESTMENTS-I, INC. (Case No. 98-0173-PHX-GBN) [X] BRITWILL INVESTMENTS-II, INC. (Case No. 98-0174-PHX-GBN) [X] BRITWILL INDIANA PARTNERSHIP (Case No. 98-0175-PHX-GBN) [X]

Gallagher & Kennedy, P.A., duly-appointed counsel to BRITWILL INVESTMENTS-I, INC., a Delaware corporation; BRITWILL INVESTMENTS-II, INC., a Delaware corporation; and BRITWILL INDIANA PARTNERSHIP, an Arizona general partnership (collectively, the "Britwill Debtors"), and special counsel to UNISON HEALTHCARE CORPORATION (the "Unison Debtor"), hereby submits its "Third Interim and Final Application for Allowance and Payment of Fees and Expenses for Services Rendered by Gallagher & Kennedy, P.A. as Attorneys for the Britwill Debtors and as Special Counsel to Unison Healthcare Corporation" ("Application"). This Application is submitted pursuant to 11 U.S.C. §§ 330, 331, 503(a) and (b), and Rule 2016(a), Fed.R.Bankr.P., and in compliance with the "Order Authorizing and Approving the Employment of Gallagher & Kennedy, P.A. as Counsel for the Debtors and Debtors-in-Possession" dated January

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12, 1998, and the "Order Approving Nunc Pro Tunc Expedited Application of Unison Healthcare Corporation to Retain and Employ Gallagher & Kennedy, P.A. as Special Counsel Under 11 U.S.C. § 325(e)" dated October 19, 1998. In support of its Application, Gallagher & Kennedy submits its separate billing statements for work performed and for costs incurred from September 1, 1998 through January 31, 1999 ("Application Period"), which are collectively attached hereto as Exhibit "A" and incorporated herein by reference. At the U.S. Trustee's request, Gallagher & Kennedy has segregated its time entries into billing statements for each of the Britwill Debtors relating to general bankruptcy representation, and for the Unison Debtor relating to special counsel activities. Exhibit "A" to this Application includes the following billing statements:

> File #10603-0001 = time and costsattributable to all three debtors;

File #10603-0002 = time and costsattributable to debtor Britwill Indiana Partnership only;

File #10603-0003 = time and costsattributable to debtor Britwill Investments-II, Inc. only;

¹ This Application also complies with the United States Trustee's "Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330" dated January 30, 1996 ("U.S. Trustee's Guidelines").

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File #10603-0004 = time and costsattributable to debtor Britwill Investments-I, Inc. only; and

File #11291-0001 = time and costsattributable to debtor Unison Healthcare Corporation for special counsel representation in a single labor/employment matter.

I. SERVICES RENDERED

The fees in the aggregate amount of \$128,900.00 and costs in the aggregate amount of \$5,811.20 set forth in Exhibit "A" were incurred in representing the Britwill Debtors and the Unison Debtor with regard to, but not limited to, the following:

1. Business Operations (BK01) . \$393.00

"Business Operations" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
*	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS	. 8	.2	.2		1.2 hrs.
(Charles R.					@ \$275.00
Sterbach)		e .			= \$330.00
CKT	.7				.7 hrs.
(Cindy K.					@ \$90.00
Templeton)					= \$63.00
TOTAL	1.5	.2	.2		\$393.00

In relation to all three Britwill Debtors, during the Application Period, Gallagher & Kennedy continued to work with

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trade vendors of the Britwill Debtors regarding the delivery of post-bankruptcy goods and services to the Britwill Debtors' nursing home facilities. Gallagher & Kennedy also worked on issues relating to Medicare payments.

With respect to the specific operations of Debtors Britwill Indiana Partnership and Britwill Investments-II, Inc., Gallagher & Kennedy handled inquires regarding vendor agreements and payments for post-petition services.

2. <u>Case Administration (BK02)</u> . 11,188.50

"Case Administration" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS	39.5	. 4			39.9 hrs.
(Charles R.					@\$275.00 =
Sterbach)					\$10,972.50
CKT	2.4				2.4 hrs.
(Cindy K.					@ \$90.00
Templeton)					= \$216.00
TOTAL	41.9	. 4			\$11,188.50

With respect to all of the Britwill Debtors, Gallagher & Kennedy reviewed the Debtors' monthly operating reports, worked on issues relating to appointment of an examiner, docketed hearing dates on various motions, reviewed numerous

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pleadings regarding administrative matters in the Unison Debtor's Chapter 11 proceedings, and responded to numerous telephone inquiries from general creditors.

3. Asset Analysis and Recovery (BK03) . \$470.00

"Asset Analysis and Recovery" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS	.3		. 4		.7 hrs. @
(Charles R.					\$275.00 =
Sterbach)					\$192.50
JEC	.9	.6			1.5 hrs.
(Joseph E.					@ \$185.00
Cotterman)					= \$277.50
TOTAL	1.2	.6	.4		\$470.00

With respect to all three Britwill Debtors, during the Application Period, Gallagher & Kennedy analyzed a personal injury claim regarding post-petition transfers, and conducted research regarding same.

Relating to Debtor Britwill Indiana Partnership, Gallagher & Kennedy worked on recovery of sanctioned fees against a creditor. Relating to Debtor Britwill Investments-II Inc., Gallagher & Kennedy worked on recovery of an unauthorized, post-petition transfer.

4. Asset Disposition (BK04)

"Asset Disposition" time entries have been divided among the four billing files established for this matter as follows:

.\$10,386.00

TIMEKEEPER	10603- 0001 all Britwill Debtors	10603- 0002 Britwill Indiana Matters	10603- 0003 Britwill II Matters	11297- 0001 Unison Debtor Matters	TOTALS
CRS	17.0	.5	3.9		21.4 hrs.
(Charles R.					@ \$275.00
Sterbach)					= 5,885.00
JEC	11.3		5.1		16.4 hrs.
(Joseph E.					@ \$185.00
Cotterman)					= 3,034.00
CKT	8.4		7.9		16.3 hrs.
(Cindy K.					@ \$90.00
Templeton)					= 1,467.00
TOTAL	36.7	.5	16.9		\$10,386.00

In relation to all three Britwill Debtors, during the Application Period, Gallagher & Kennedy prepared the pleadings necessary to obtain a third and fourth court-approved extension of time to assume or reject the Debtors' non-residential real property leases, worked on payment and escrow issues on certain leases, and continued to work with landlords and with the Unison Debtor's counsel regarding all of the Debtors' remaining leases.

In direct relation to Debtor Britwill Indiana Partnership, Gallagher & Kennedy assisted the Debtor with matters concerning rejection of leases at the Owensville and Kendalville nursing facilities.

With respect to Debtor Britwill Investments-II, Gallagher & Kennedy worked on assumption and rejection issues for leases at the Four States Facility, the Homestead of McKinney facility, and the Oakwood facility. Gallagher & Kennedy continued to work with counsel for Britwill Texas regarding lease payments and lease rejection deadlines.

5. Claims Administration and Objections (BK05) ...

"Claims Administration and Objections" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwil	Unison	
	Britwill	Indiana	l II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS	27.0	.6	. 7		28.3 hrs.
(Charles R.					@ \$275.00
Sterbach)					= 7,782.50
JEC	5.5		1.3		6.8 hrs. @
(Joseph E.					\$185.00 =
Cotterman)					\$1,258.00
CKT	7.9	. 7	.2		8.8 hrs.
(Cindy K.					@ \$90.00
Templeton)					= \$792.00
TOTAL	40.4	1.3	2.2		\$9,832.50

For all Britwill Debtors, Gallagher & Kennedy worked with the Britwill Debtors' claims agent regarding reconciliation of claims, reviewed the Unison Debtor's bar date notice regarding claims procedures, worked on the claims dispute

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between two major, secured creditors, and responded to numerous inquiries from general creditors regarding the filing of claims.

In relation to Debtor Britwill Indiana Partnership, Gallagher & Kennedy worked on the claims issues of NCS Healthcare and the Indiana Department of Health.

In specific relation to Debtor Britwill Investments-II, Gallagher & Kennedy continued to work on personal injury claims against the Texas nursing facilities, and corresponded with claimants and their counsel regarding claims and the bar date. Gallagher & Kennedy also worked on issues relating to a motion for relief from the bar date.

6. Labor Issues and Employee Benefits /Pensions (BK06).

"Labor Issues and Employee Benefits/Pensions" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS				5.8	5.8 hrs. @
(Charles R.					\$275.00 =
Sterbach)					\$1,595.00
RJM				4.1	4.1 hrs. @
(Robert J.					\$250.00 =
Milligan)					\$1,025.00
SBW				82.2	82.2 hrs. @
(Steve B.					\$210.00
Wiggs)					= 17,262.00

JRT	 	 1.3	1.3 hrs. @
(James R.			\$190.00 =
Taylor)			\$247.00
SEE	 	 2.1	2.1 hrs. @
(Scott E.			\$130.00 =
Eastmond)			\$273.00
CKT	 	 1.2	1.2 hrs.
(Cindy K.			@ \$90.00
Templeton)			= \$108.00
TOTAL	 	 96.7	\$20,510.00

TOTAL "UNISON DEBTOR ONLY/SPECIAL COUNSEL ACTIVITIES"

\$20,510.00

During the Application Period, as special counsel to the Unison Debtor, Gallagher & Kennedy responded to allegations of patient neglect occurring at the Unison Debtor's Arbors

Healthcare Center in Camp Verde, Arizona. The Arizona Attorney

General's Office, AHCCCS Fraud Control Unit ("AG's Office"), was investigating allegations that a resident of the facility sustained a head injury when left unattended, and was thereafter denied adequate medical treatment. This investigation commenced in September of 1998. Although the Unison Debtor denied the allegations, the investigation continues, and Gallagher & Kennedy continues to assist the Unison Debtor in responding to the AG's Office's requests for information.

7. Fee/Employment Applications (BK07)\$5,810.00

"Fee/Employment Applications" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603- 0001 all Britwill Debtors	10603- 0002 Britwill Indiana Matters	10603- 0003 Britwill II Matters	11297- 0001 Unison Debtor Matters	TOTALS
CRS	6.0	.2	.2		6.4 hrs. @
(Charles R.					\$275.00 =
Sterbach)					\$1,760.00
CKT	35.2	. 6	1.9		37.7 hrs.
(Cindy K.					@ \$90.00 =
Templeton)					\$3,393.00
AEB	7.3				7.3 hrs.
(Alyson E.					@ \$90.00
Baer)					= \$657.00
TOTAL	48.5	. 8	2.1		\$5,810.00

During the Application Period, in relation to all three Britwill Debtors, Gallagher & Kennedy prepared, finalized, and noticed out its second interim fee and expense application.

As to the specific employment matters of Britwill Indiana Partnership, Gallagher & Kennedy reviewed and finalized the billing statements for inclusion in this Application.

Specifically relating to Debtor Britwill Investments-II, Gallagher & Kennedy reviewed and finalized its billing statements for inclusion in this Application, and worked on the employment of a collection attorney for the Pleasant Manor Nursing Home.

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8. Fee/Employment Objections (BK08). . . . \$2,255.00

"Fee/Employment Objections" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603- 0001 all Britwill Debtors	10603- 0002 Britwill Indiana Matters	10603- 0003 Britwill II Matters	11297- 0001 Unison Debtor Matters	TOTALS
CRS	8.2				8.2 hrs.
(Charles R.					@ \$275.00
Sterbach)					=\$2,255.00
TOTAL	8.2				\$2,255.00

During the Application Period, with respect to all three Britwill Debtors, Gallagher & Kennedy worked on issues regarding objections to the employment of Chanin as financial advisor to the committee, and of the Guardian Group as financial advisor to the Britwill and Unison Debtors. Gallagher & Kennedy prepared for and attended a hearing on these matters, and worked on a resolution to these matters.

9. Financing (BK09) \$7,893.00

"Financing" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS	27.0				27.0 hrs.
(Charles R.					@ \$275.00
Sterbach)					= 7,425.00
CKT	5.2				5.2 hrs.
(Cindy K.					@ \$90.00
Templeton)					= \$468.00
TOTAL	32.2				\$7,893.00

On behalf of all three Britwill Debtors, Gallagher & Kennedy worked with counsel for the Unison Debtor on the extension of debtor-in-possession financing, and renewal of cash collateral agreements. Gallagher & Kennedy prepared for, and attended, a hearing regarding same.

10. Litigation (BK10) \$797.50

"Litigation" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603- 0002	10603- 0003	11297- 0001	TOTALS
	all Britwill	Britwill Indiana	Britwill II	Unison Debtor	
	Debtors	Matters	Matters	Matters	
CRS (Charles R. Sterbach)	2.6		.3		2.9 hrs. @ \$275.00 = \$797.50
TOTAL	2.6		.3		\$797.50

During the Application Period, with respect to litigation matters for all Britwill Debtors, Gallagher & Kennedy

worked with the Unison Debtor's counsel on a lawsuit brought by the State of Arizona regarding Medicare issues. Gallagher & Kennedy also worked on a securities litigation dispute.

11. Meeting of Creditors (BK11). . . .\$0.00

There are no "Meeting of Creditors" time entries for the Application Period.

12. Plan and Disclosure Statement (BK12) . . \$33,856.00

"Plan and Disclosure Statement" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	,
	Debtors	Matters	Matters	Matters	*
CRS	109.7	.2	.2		110.1 hrs.
(Charles R.		1		·	@ \$275.00
Sterbach)					=\$30,277.50
JEC	17.3				17.3 hrs. @
(Joseph E.					\$185.00 =
Cotterman					\$3,200.50
CKT	4.2				4.2 hrs.
(Cindy K.					@ \$90.00
Templeton)					= \$378.00
TOTAL	131.2	. 2	. 2		\$33,856.00

During the Application Period, Gallagher & Kennedy researched, prepared necessary pleadings, and attended a hearing to obtain a third court-approved extension of the Debtors' exclusivity period to file and confirm a plan of reorganization.

Gallagher & Kennedy worked with secured creditors' counsel regarding a dispute over exclusivity. Gallagher & Kennedy reviewed various objections to the disclosure statement, and worked on resolution to such objections. Gallagher & Kennedy reviewed the revised disclosure statement and amended plan, liquidation analysis, and related documents, and attended a hearing on plan confirmation. Gallagher & Kennedy responded to numerous inquiries from creditors regarding the plan, ballots, and the status of plan confirmation.

13. Relief From Stay Proceedings (BK13) . . \$25,508.50

"Relief From Stay Proceedings" time entries have been divided among the four billing files established for this matter as follows:

TIMEKEEPER	10603-	10603-	10603-	11297-	TOTALS
	0001	0002	0003	0001	
	all	Britwill	Britwill	Unison	
	Britwill	Indiana	II	Debtor	
	Debtors	Matters	Matters	Matters	
CRS	75.9	. 7	8.6		85.2 hrs. @
(Charles R.					\$275.00 =
Sterbach)					\$23,430.00
JEC	2.8	.7			3.5 hrs. @
(Joseph E.					\$185.00 =
Cotterman					\$647.50
CKT	1.6		14.3		15.9 hrs.
(Cindy K.					@ \$90.00
Templeton)					= \$1,431.00
TOTAL	80.3	1.4	22.9	_	\$25,508.50

With respect to all Britwill Debtors, Gallagher & Kennedy continued to work with the Unison Debtor's counsel to

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defend the Debtors against Omega Healthcare Corporation's stay relief motion, including preparing discovery responses and working with counsel on pretrial issues. Gallagher & Kennedy conducted research, participated in conference calls with opposing counsel, and attended hearings on the Omega stay relief Gallagher & Kennedy traveled to Dallas to participate in depositions in this matter, and worked on a settlement stipulation with Omega, including a subordination and attornment agreement.

With respect to the specific operations of Britwill Indiana Partnership, Gallagher & Kennedy continued to work on collection of the Britwill Debtors' judgment against Commercial Laundry for its intentional violation of the automatic stay relating to Sunset Manor and other Indiana nursing facilities.

With respect to Debtor Britwill Investment-II, Inc., during the Application Period, Gallagher & Kennedy continued to work with personal injury claimants on stay relief stipulations to pursue insurance settlements for claims allegedly arising at nursing home facilities in Texas.

II. BACKGROUND

On January 7, 1998 ("Petition Date"), the Britwill Debtors commenced voluntary reorganization cases under Chapter 11 of the Bankruptcy Code, and continue to manage their business affairs as debtors-in-possession pursuant to Sections 1107 and

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1108 of the Bankruptcy Code.

- On January 8, 1998, the Britwill Debtors filed "Debtors' Application for Order Authorizing and Approving the Employment of Gallagher & Kennedy as Counsel for the Debtors-in-Possession," which was granted and approved by the Court on January 12, 1998.
- Gallagher & Kennedy received a pre-petition retainer from the Britwill Debtors in the amount of \$50,000.00. Additionally, the Britwill Debtors executed a formal engagement letter setting forth the terms and conditions of Gallagher & Kennedy's employment, a copy of which is attached hereto as Exhibit "B".
- Since its appointment as bankruptcy counsel to the Britwill Debtors, Gallagher & Kennedy has rendered substantial time and legal services and has contributed significant expertise for the benefit of the jointly-administered estates during the Britwill Debtors' Chapter 11 proceedings. Britwill Debtors' Chapter 11 cases have required active and extensive legal representation, often on an expedited basis. In fulfilling the Britwill Debtors' needs, Gallagher & Kennedy delivered necessary professional services and incurred related expenses, and now seeks interim allowance of reasonable compensation and reimbursement of expenses relative to actual and necessary services, pursuant to Sections 330(a), 331, 503(a)

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and (b) of the Bankruptcy Code.

- On October 14, 1998, the Unison Debtor filed "Nunc Pro Tunc Expedited Application of Unison Healthcare Corporation to Retain and Employ Gallagher & Kennedy, P.A., as Special Counsel Under 11 U.S.C. § 327(e)", which was granted and approved by the Court on October 19, 1998. Additionally, the Unison Debtor executed a formal engagement letter setting forth the terms and conditions of Gallagher & Kennedy's employment as special counsel, a copy of which is attached hereto as Exhibit "C." scope of Gallagher & Kennedy's work for the Unison Debtor as special counsel was limited to assisting the Unison Debtor with respect to an internal investigation at The Arbors in Camp Verde, Arizona, regarding patient care issues, which are the subject of an investigation by the State of Arizona; interfacing with the Attorney General's Office during the investigation; and advising The Arbors on all matters relating to the Attorney General's investigation.
- 6. Since its appointment as special counsel to the Unison Debtor, Gallagher & Kennedy has rendered substantial time and legal services and has contributed significant expertise for the benefit of the Unison Debtors Chapter 11 proceedings. In fulfilling the Unison Debtors needs, Gallagher & Kennedy delivered necessary professional services and incurred related expenses, and now seeks interim allowance of reasonable

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compensation and reimbursement of expenses relative to actual and necessary services, pursuant to §§ 330(a), 331, 503(a) and (b) of the Bankruptcy Code.

By this Application, Gallagher & Kennedy seeks: (1) approval for payment from the Britwill Debtors' estates of \$108,390.00 in attorneys' and professionals' fees, and \$5,455.79 in costs, for a total of \$113,845.79, representing actual and necessary fees and expenses incurred on the Britwill Debtors' behalves during the Application Period, and (2) \$20,510.00 in attorneys' and professional's fees, and \$355.41 in costs, for a total of \$20,865.41, representing actual and necessary fees and expenses incurred on the Unison Debtor's behalf during the Application Period. The total fees requested herein are broken down as follows:

File #10603-0001 (all three debtors) \$99,919.00; Costs: \$5,363.24

File #10603-0002 (Britwill Indiana matters)

\$1,127.50; Costs: Fees: (\$1.40)

File #10603-0003 (Britwill II matters) \$7,358.50; Costs: Fees: \$91.15

File #10603-0004 (Britwill I matters)

Fees: \$-0-; Costs: \$-0-

File #11291-0001 (Unison Debtor Special Counsel matters) Fees: \$20,510.00; Costs: \$355.41

The Britwill Debtors and the Unison Debtor, through their respective Vice President, Clayton Kloehr, have reviewed

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the billing statements of Gallagher & Kennedy during the Application Period, and have approved them for payment, subject to Court approval. The Britwill Debtors and Unison Debtor believe and assert that all legal services and cost disbursements as set forth in the billing statements have provided a benefit to the estates, and that the requested fees and expense reimbursement are fair, reasonable and customary for the services provided. The billing statements collectively attached hereto as Exhibit "A" include a detailed list of attorneys and paraprofessionals providing services during the Application Period and the time and rates attributable to each, all in conformity with the U.S. Trustee's Guidelines.

9. Finally, this Application seeks interim and final approval of payment of all amounts due and owing under the attached billing statements, and further seeks final approval and allowance of all amounts requested in prior applications as listed below:

	FEES	COSTS
First Interim Fee and Expense Application of Gallagher & Kennedy, P.A.	\$112,693.00	\$19,120.35
Second Interim Fee and Expense Application of Gallagher & Kennedy, P.A.	\$ 79,868.00	\$ 6,342.91
Third Interim and Final Fee and Expense Application of Gallagher & Kennedy, P.A.	\$128,900.00	\$ 5,811.20

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GRAND TOTAL ALL FEES AND COSTS \$321,461.00 \$31,274.46

III. PRESENT CONDITION OF DEBTOR

- Pursuant to the U.S. Trustee's Guidelines, Gallagher & 1. Kennedy submits the following information:
- (a) On May 28, 1998, Unison Healthcare Corporation ("Unison"), the Britwill Debtors' parent corporation, commenced voluntary reorganization proceedings under Chapter 11 of Title 11 of the Bankruptcy Code. The Britwill Debtors' proceedings were incorporated into Unison's proceedings and jointly administered thereafter under Unison's case.
- (b) To the best of Gallagher & Kennedy's knowledge, as of the date of this Application, no interim fee/expense applications have been filed by any other professionals on behalf of the Britwill Debtors. All other professionals employed in Unison's proceedings are working on matters unrelated to the Britwill Debtors. Gallagher & Kennedy's first interim fee application (fees: \$112,693.00 and costs: \$19,120.35) was approved by the Court on or about June 16, 1998. Gallagher & Kennedy's second interim fee application (fees: \$79,868.00 and costs: \$6,342.91) was approved by the Court on or about November 4, 1998.
 - (c) On or about August 10, 1998, Unison and the

Britwill Debtors filed a Disclosure Statement and Joint Plan of Reorganization.

- (d) As of the date of this Application, the Britwill Debtors and the Unison Debtor have paid the quarterly fees due to the U.S. Trustee. The respective Debtors will continue to pay quarterly fees throughout the pendency of the proceedings.
- (e) The Britwill Debtors' monthly operating report for December, 1999 (as part of Unison's monthly operating report) was filed with the Court on January 29, 1999 (Docket Nos. 878-880). According to the December monthly operating report, the Britwill Debtors have cash on hand as follows:

Britwill Investments-I, Inc. - \$ -0-Britwill Investments-II, Inc. - \$165,767.00 Britwill Indiana Partnership - \$452,034.00

According to the December monthly operating report, the Unison Debtor has cash on hand of \$16,172,689.00.

Debtors to Obtain Post-Petition Financing from HCFP Funding,

Inc. Pursuant to 11 U.S.C. §§ 364(c)(1) and (d); (II) Granting

Senior Liens and Security Interests; (III) Granting Authority to

Make Payments to Lender; and (IV) Granting Other Requested

Relief" dated January 29, 1998 ("HCFP Order"), and other orders of the Court, funds were available to pay administrative claims of professionals, whose compensation was to be paid from the estates. To the extent that the Britwill Debtors' current

lender, HCFP Funding, Inc., was undersecured on its claims, approved fees of Gallagher & Kennedy enjoyed a "carve-out" up to \$150,000, and were junior to administrative priority claims of HCFP Funding Inc. to the extent that approved fees exceed \$150,000. Payment of Gallagher & Kennedy's fees and costs approved under its First and Second Applications was made from the carve-out funds. The carve-out funds are now depleted. However, upon information and belief, the carve-out is a moot issue, since HCFP Funding, Inc. has been paid in full for all secured claims arising post-petition and accruing through the Effective Date of the Plan, January 31, 1999. The Britwill Debtors and the Unison Debtor have operating funds available for payment of professional fees without prejudicing any creditors.

IV. BILLING STATEMENTS AND ACCOUNTING PROCEDURES

1. The detailed billing statements attached collectively hereto as Exhibit "A" constitute complete time records and cost disbursement records of Gallagher & Kennedy during the Application Period consistent with privilege requirements. The volume and detail of such records underscore: (i) the size and complexity of the Britwill Debtors' Chapter 11 cases; (ii) the numerous pleadings, documents and correspondence which had to be produced or reviewed; (iii) the number of issues to be researched, analyzed and incorporated into pleadings, responses

and correspondence on an expedited basis; (iv) the discussions and negotiations with many parties involved in the cases; (v) the number of attorneys and paraprofessionals required to assist the Britwill Debtors and Unison Debtor during the Application Period; and (vi) the requirements of the U.S. Trustee's Guidelines.

2. Exhibit "A" (including the summary pages) reflects legal services subdivided and summarized by categories, as recommended and endorsed by the U.S. Trustee's Guidelines. In particular, Gallagher & Kennedy provided services segregated into the following subject matters:

Project Category #	Description
BK01	<u>Business Operations</u> : Issues related to Debtor-in-Possession/employee, vendor, tenant issues/similar problems.
BK02	Case Administration: Coordination and compliance activities/preparation of statement of financial affairs/schedules/contracts/interim statements and operating reports/contacts with the U.S. Trustee/general creditor inquiries.
BK03	Asset Analysis and Recovery: Identification and review of potential assets/causes of action/ non-litigation recoveries.
BK04	<pre>Asset Disposition: Sales, leases (§ 365 matters), abandonment and related transaction work.</pre>
BK05	<pre>Claims Administration and Objections: Claims inquiries/bar date motions;</pre>

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2		analyses, objections and allowances of claims.
3	BK06	<u>Labor Issues and Employee</u> Benefits/Pensions: Review issues
4		severance, retention/ 401K coverage and
5		continuance of pension plan.
6	BK07	<u>Fee/Employment Applications:</u> Preparations of employment and fee
7		applications for Gallagher & Kennedy and others/establish interim
8		procedures. Review of, objections to,
9		the employment and fee application.
10	BK08	Fee/Employment Objections: Review of and objections to the employment and
11		fee applications of others.
12	BK09	Financing: Matters under §§ 361, 363
13		and 364 cash collateral/secured claims/loan document analysis.
14	BK10	Litigation: [Be specific in naming the
15		litigation and stating whether Debtor is the plaintiff or defendant. This
16		category is for all litigation <u>except</u> relief from stay proceedings]
17	DW1.1	
18	BK11	<u>Meetings of Creditors</u> : Preparing for/attending conference of creditors,
19		the § 341(a) meeting/ other creditors' committee meetings.
20	BK12	Plan and Disclosure Statement:
21		Formulation, presentation
22		and confirmation/the plan confirmation order, related orders and rules/
23		disbursement and case closing activities, except those related to
24		allowance/objections to allowance of claims.
25	מיאם	
26	BK13	Relief From Stay Proceedings: Termination or continuation matters of
27		automatic stay under § 362.

- 3. Gallagher & Kennedy generally incurs costs as necessary for effective representation of its clients. These costs are incurred in the ordinary course of its business, and reimbursement of costs are requested in the manner sought by other firms of comparable size and caliber. The prices for services such as photocopying, telecopying and messengers are determined by the management of Gallagher & Kennedy from time to time. The costs of these services relate directly to Gallagher & Kennedy's representation of a particular client, and are identifiable as such. Reimbursement of costs help defray expenses initially borne by Gallagher & Kennedy in accordance with local practice.
- 4. Gallagher & Kennedy has incurred photocopying, telecopying, postage expenses, and messenger expenses in representing the Britwill Debtors and Unison Debtor in the above-captioned Chapter 11 cases. Such expenses are directly related to services provided to the respective Debtors.

 Photocopying and out-of-state telecopying expenses are incurred at a flat rate per page. This rate reflects the costs to

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Gallagher & Kennedy for long distance telephone service (clients are not charged for local telecopies) and the purchase of paper. For this case, Gallagher & Kennedy charged \$.20 per page for photocopies, and \$1.00 per page for out-of-state telecopies. Services of U.S. postal carriers and overnight carriers are charged to clients at rates determined by the carrier, with no additional overhead charges. Messenger services may be in-house or independent service companies. Both are used only when necessary to effectuate the Britwill Debtors' reorganization or ordinary business transactions. Such messenger services are charged according to competitive rates set by outside services or for in-house messengers by the firm management. foregoing services are not "profit centers" for Gallagher & Kennedy. Following is a condensed breakdown of the expenses incurred by Gallagher & Kennedy for the Application Period. See, Exhibit "A" hereto for a chronological summary recap of Gallagher & Kennedy's expenses for the Application Period.

TYPE OF COST/ EXPENSE	File # 10603-0001	File # 10603-0002	File # 10603-0003	File # 11291-0001	TOTALS
In-house Duplication	\$2,921.20	\$1.40	\$10.40	\$59.80	\$2,992.80
Long Distance Telephone	\$27.15	\$-0-	\$4.07	\$51.70	\$82.92
Messenger Services	\$575.87	\$-0-	\$-0-	\$56.27	\$632.14
Automated Legal Research	\$72.73	\$-0-	\$11.18	\$-0-	\$83.91
Postage	\$61.09	\$-0-	\$-0-	\$-0-	\$61.09
Express Mail	\$312.00	\$-0-	\$-0-	\$-0-	\$312.00
Fax Transmittals	\$37.00	\$-0-	\$2.50	\$17.00	\$56.50
Outside Duplication (special projects)	\$32.00	\$-0-	\$63.00	\$-0-	\$95.00

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Conference Calls	\$28.14	\$-0-	\$-0-	\$-0-	\$28.14
Travel Expenses, Including Mileage	\$1,356.36	\$-0-	\$-0-	\$170.64	\$1,527.00
Transcripts	\$269.70	\$-0-	\$-0-	\$-0-	\$269.70
Overpayments/Credits	<\$330.00>				<\$330.00>
GRAND TOTALS ² :	\$5,363.24	\$1.40	\$91.15	\$355.41	\$5,811.20

ALLOWANCE OF COMPENSATION V.

- Gallagher & Kennedy submits that the legal services rendered by it to the Britwill Debtors and the Unison Debtor constitute a substantial contribution to the estate, and Gallagher & Kennedy is therefore entitled to compensation from the estate, pursuant to Section 503(b) of the Bankruptcy Code. The professional services rendered by Gallagher & Kennedy have required the expenditure of substantial time and effort. total, more than 572 recorded hours have been devoted to this case by partners, associates and paralegals of Gallagher & Kennedy during the Application Period. This Application seeks approval and payment of all amounts due and owing under the attached billing statements.
- 2. Under the Bankruptcy Code, it is clear that the compensation a law firm would receive in matters other than a reorganization case is a relevant standard for fixing the amount

²Expenses of \$5,811.20 for the Application Period are less than the expenses requested under Gallagher & Kennedy's Second Application in the amount of \$6,342.91, demonstrating Gallagher & Kennedy's efforts to be cost efficient for its clients.

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of compensation allowed in a Chapter 11 case. The allowance and payment of fees sought herein by Gallagher & Kennedy, is reasonable in light of compensation for comparable services for non-reorganization cases³, and consistent with compensation paid to other law firms in the Phoenix metropolitan area for legal services in comparable cases. Gallagher & Kennedy submits that it has rendered valuable professional services that have benefited, and will continue to benefit, the Britwill Debtors, the Unison Debtor, the bankruptcy estates, and other parties in interest.

- Gallagher & Kennedy does not seek an allowance of compensation from the estate for any services unrelated to the Britwill Debtors' and the Unison Debtor's Chapter 11 cases, or for any services not directly relating to the matters described in the Application.
- The professional services required in these Chapter 11 cases and described herein were performed by attorneys and paraprofessionals with the requisite expertise and skill in the areas in which they rendered services. Moreover, the professional services rendered required a high degree of

³ In addition to its representation of parties in Chapter 11 cases, Gallagher & Kennedy maintains a general law practice in areas of corporate law, securities, real estate, taxation, probate, insurance defense litigation and general state and federal trial and appellate practice.

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professional competence. The services rendered by Gallagher & Kennedy have not been duplicative of services rendered by other professionals employed or compensated by the estate, and represent services required in an organized and cooperative approach to the numerous issues and problems encountered in these cases. As with most Chapter 11 cases, this case has provided numerous difficult questions, and has often required extensive legal analysis and interpretation for the Britwill Debtors and the Unison Debtor.

No agreement has been made and no understanding exists 5. for any division of the compensation requested by this Application between Gallagher & Kennedy and any other person in violation of the Bankruptcy Code and Bankruptcy Rules. conjunction with the Employment Applications and accompanying Declarations on file with this Court, Gallagher & Kennedy represents that no partner, associate, or "of counsel" member of Gallagher & Kennedy holds any direct or indirect interest, claim or equitable or beneficial interest in the Britwill Debtors or the Unison Debtor or Unison Debtor, or directly or indirectly acquired or transferred any such claim or interest in the Britwill Debtors for their own account after commencement of the Chapter 11 cases. Furthermore, no partner, associate or "of counsel" member of Gallagher & Kennedy has purchased or sold any claim against the Britwill Debtors or the Unison Debtor or

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equitable or beneficial interest in the respective Debtors. There is no partner, associate or "of counsel" member of Gallagher & Kennedy by whom, or for whose account, such claim or interest otherwise has been acquired or transferred.

6. Gallagher & Kennedy respectfully submits that all services rendered in this case have been at the request of the Britwill Debtors and the Unison Debtor, and have been reasonable and necessary to protect the respective Debtors' interests. Such services have also been beneficial to the estates and their creditors. Costs incurred have been necessary and proper and assessed at Gallagher & Kennedy's normal and customary rates.

WHEREFORE, Gallagher & Kennedy respectfully requests: interim and final allowance and approval of its fees and costs for the Application Period totaling \$134,711.20; (2) final 128 allowance and approval of its fees and costs under previous applications totaling \$218,024.26; (3) an order directing the Britwill Debtors to pay the approved fees and costs for the Application Period relating to their cases from funds currently in the bankruptcy estates or available to the estates for payment of the fees and costs requested herein; (4) an order directing the Unison Debtor to pay the approved fees and costs for the Application Period relating to special counsel activities from funds currently in the bankruptcy estate or available to the estate for payment of the fees and costs

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requested herein; and (5) granting such other and further relief as is just and proper under the circumstances.

RESPECTFULLY SUBMITTED this 19 day of March, 1999.

GALLAGHER & KENNEDY, P.A.

Bv.

Charles R. Sterbach Joseph E. Cotterman 2600 North Central Avenue Phoenix, Arizona 85004-3020 Attorneys for the Britwill Debtors

COPIES of the foregoing mailed this 19 day of March, 1999, to:

Richard Cuellar U. S. Trustee's Office 2929 North Central Ave., Suite 700 Phoenix, AZ 85012

Ronald L. Rose, Esq.
DYKEMA GOSSETT
1577 N. Woodward Avenue, Suite 300
Bloomfield Hills, MI 48304-2820

Jared G. Parker, Esq. Brenda K. Martin, Esq. MORRISON & HECKER, LLP 2800 N. Central, No. 1600 Phoenix, AZ 85004-1047

Thomas J. Salerno, Esq.
SQUIRE, SANDERS & DEMPSEY
40 North Central, Suite 2700
Phoenix, AZ 85004-4440
Attorneys for Unison Healthcare Corp.

1	
2	Paul Aronzon, Esq. Gloria Noh, Esq.
3	_
4	Los Angeles, CA 90017-5735
5	Attorneys for the Official Committee of Unsecured Creditors
6	Clayton Kloehr
7	Unison Healthcare Corp.
8	8800 N. Gainey Center Drive, Suite 245 Scottsdale, AZ 85258
9	John J. Fries, Esq.
10	RYLEY CARLOCK & APPLEWHITE P.A. 101 N. First Ave., #2700
11	Phoenix, AZ 85003-1973
12	Donald L. Gaffney, Esq.
13	SNELL & WILMER LLP One Arizona Center
14	400 E. Van Buren Phoenix, AZ 85004-0001
15	Chaim J. Fortgang, Esq.
16	Steven Abramowitz, Esq.
17	
18	New York, NY 10019
19	C. Temple to
20	563927/10603-0005
21	
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CERTIFICATION

STATE OF ARIZONA))ss.
County of Maricopa)

- I, Charles R. Sterbach, a shareholder in the law firm of Gallagher & Kennedy, P.A., general bankruptcy counsel for BRITWILL INVESTMENTS-I, INC., BRITWILL INVESTMENTS-II, INC., and BRITWILL INDIANA PARTNERSHIP, and special counsel for UNISON HEALTHCARE CORPORATION, Debtors herein ("Debtors"), hereby certify that:
- 1. Pursuant to the United States Trustee's Guidelines regarding interim fee and expense applications dated January 30, 1996, I have provided a copy of the foregoing fee and expense application to Clayton Kloehr, Vice President of the Debtors.
- 2. The fee and expense application has been approved as to form and content by Mr. Kloehr, and I am authorized to file it in its present form with the Court.

DATED this 19 day of March, 1999.

CHARLES R. STERBACH

Subscribed and sworn to before me this $\frac{19}{100}$ day of March, 1999, by CHARLES R. STERBACH.

NOTARY PUBLIC

My commission expires:



IDENTIFICATION OF TIMEKEEPERS

2			IDENTIFICATION OF TIMEREEPERS
3	CRS	_	Charles R. Sterbach, Shareholder, Bankruptcy Section.
$4\ $			Practice concentrates primarily on bankruptcy representation and litigation. Mr. Sterbach's current
5			hourly rate is \$275.00. He was admitted to practice
6			in 1983. Mr. Sterbach is a Certified Bankruptcy Specialist.
7	RJM	_	Robert J. Milligan, Shareholder, Litigation Section.
8			Practice concentrates primarily on healthcare law in
9			the physician services and long-term care areas. Mr. Milligan's current hourly rate is \$250.00. He was
			admitted to practice in 1980.

JRT	_	James R. Taylor, Shareholder, Litigation Section.
		Practice concentrates on primarily healthcare law.
		Mr. Taylor's current hourly rate is \$190.00. He was
		admitted to practice in 1991.

JEC -	Joseph E. Cotterman, Shareholder, Bankruptcy Section.
	Practice concentrates primarily on bankruptcy
	representation and litigation. Mr. Cotterman's
	current hourly rate is \$200.00. He was admitted to
	practice in 1991.

SBW	-	Steven B. Wiggs, Associate, Litigation Section.
		Practice concentrates primarily on healthcare law with
		an emphasis on fraud and abuse, long-term care issues,
		and corporate compliance. Mr. Wigg's current hourly
		rate is \$210.00. He was admitted to practice in 1988.

CKT ·	_	Cindy K. Templeton, Paralegal/Bankruptcy Assistant
		Ms. Templeton's current hourly rate is \$90.00.

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