

040-GBN

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:)
)
UNISON HEALTHCARE CORPORATION,)
And related proceedings,)
)
Federal I.D. No. 86-0684011)
)
Debtors.)

In Proceedings Under Chapter 11
Case No. B-98-06583-PHX-GBN
(Jointly Administered)

APPLICABLE DEBTORS(S))

UNISON HEALTHCARE CORPORATION)
(Case No. 98-06583-PHX-RGM))
SUNQUEST SPC, INC.)
(Case No. 98-06584-PHX-SSC))
BRITWILL HEALTHCARE COMPANY)
(Case No. 98-06585-PHX-SSC))
BRITWILL FUNDING CORPORATION)
(Case No. 98-06602-PHX-CGC))
MEMPHIS CLINICAL LABORATORY, INC.)
(Case No. 98-06588-PHX-CGC))
AMERICAN PROFESSIONAL HOLDINGS, INC.)
(Case No. 98-06587-PHX-GBN))
AMPRO MEDICAL SERVICES, INC.)
(Case No. 98-06609-PHX-GBN))
GAMMA LABORATORIES, INC.)
(Case No. 98-06611-PHX-SSC))
SIGNATURE HEATH CARE CORPORATION)
(Case No. 98-06591-PHX-SSC))
BROOKSHIRE HOUSE INC.)
(Case No. 98-06608-PHX-RGM))
CHRISTOPHER NURSING CENTER, INC.)
(Case No. 98-06596-PHX-JMM))
AMBERWOOD COURT, INC.)
(Case No. 98-06597-PHX-RGM))
THE ARBORS HEALTH CARE CORPORATION)
(Case No. 98-06598-PHX-CGC))
LOS ARCOS, INC.)
(Case No. 98-06603-PHX-RGM))
PUEBLO NORTE, INC.)
(Case No. 98-06604-PHX-RTB))
RIO VERDE NURSING CENTER, INC.)
(Case No. 98-06606-PHX-CGC))
SIGNATURE MANAGEMENT GROUP, INC.)
(Case No. 98-06605-PHX-GBN))
CORNERSTONE CARE CENTER, INC.)
(Case No. 98-006596-PHX-RTB))

FIRST AND FINAL
APPLICATION FOR ALLOWANCE
OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES
OF GORDIAN GROUP, L.P. AS
FINANCIAL ADVISOR TO THE
DEBTOR AND DEBTORS

FILED
PROV. CLERK OF COURT
MAY 2 1999
UNITED STATES
BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

931p

ARKANSAS, INC.)
 (Case No. 98-06509-PHX-GBN))
 DOUGLAS MANOR, INC.)
 (Case No. 98-06589-PHX-CGC))
 SAFFORD CARE, INC.)
 (Case No. 98-06593-PHX-RTB))
 REHAB WEST, INC.)
 (Case No. 98-006594-PHX-CGC))
 QUEST PHARMACIES, INC.)
 (Case No. 98-006586-PHX-RGM))
 SUNBELT THERAPY MANAGEMENT SERVICES, INC.)
 (ALABAMA))
 (Case No. 98-06607-PHX-RTB))
 DECATUR SPORTS FIT & WELLNESS CENTER, INC.)
 (Case No. 98-06601-PHX-SSC))
 THERAPY HEALTH SYSTEMS, INC.)
 (Case No. 98-06600-PHX-GBN))
 HENDERSON & ASSOCIATES REHABILITATION, INC.)
 (Case No. 98-06599-PHX-SSC))
 SUNBELT THERAPY MANAGEMENT SERVICES, INC.)
 (ARIZONA))
 (Case No. 98-06592-PHX-RBM))
 CEDAR CARE, INC.)
 (Case No. 98-06612-PHX-GBN))
 SHERWOOD HEALTHCARE CORP.)
 (Case No. 98-006610-PHX-SSC))
 BRITWILL INVESTMENTS-I, INC.)
 (Case No. 98-0173-PHX-GBN))
 BRITWILL INVESTMENTS-II, INC.)
 (Case No. 98-0174-PHX-GBN))
 BRITWILL INDIANA PARTNERSHIP)
 (Case No. 98-0175-PHX-GBN))
)

Date of Hearing: TBD
 Time of Hearing: TBD

1. **APPLICATION PERIOD:** May 28, 1998 through January 31, 1999

APPLICATION NUMBER: Final

TOTAL FEES REQUESTED: \$520,000.00

TOTAL COSTS REQUESTED: \$ 3,585.95

TOTAL APPLICATION REQUEST: \$523,585.95

2. **RETAINER HELD:** None

I. **INTRODUCTION**

Gordian Group, L.P. ("Gordian" or the "Applicant"), financial advisor to Unison Healthcare Corporation, a Delaware corporation ("Unison" or the "Debtor"), together with its wholly-owned subsidiaries (collectively the "Debtors"), hereby makes its First and Final Application for Allowance of

Compensation and Reimbursement of Expenses as financial advisor for the Debtors for the period from May 28, 1998 through January 31, 1999 (the "First and Final Application").

During the First and Final Application Period, Gordian spent at least 724.2 hours in its representation of the Debtor and the Debtors. Gordian's total fees pursuant to this Fee Application are \$520,000.00. Gordian's retention arrangements hereunder are periodic in nature - \$65,000.00 per month - and thus expressly do not encompass or contemplate billing by hourly rates for services rendered. During the First and Final Application Period, Gordian incurred out-of-pocket expenses for which Gordian is seeking reimbursement in the total amount of \$3,585.95. Total compensation and expense reimbursement requested by Gordian for the First and Final Application Period is \$523,585.95, of which \$195,000.00 has been previously paid by the Debtors for the Initial Retention Period, which consists of \$65,000.00 per month for three months.

II. BACKGROUND

A. Filing of the Chapter 11 Cases.

On May 28, 1998, Unison Healthcare Corporation and twenty-nine of its affiliates and subsidiaries filed for relief under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On May 28, 1998, the Debtor filed an "Application for an Order Authorizing the Employment of Gordian Group, L.P. as Financial Advisors for the Debtors and Debtors-in-Possession", which Original Motion was approved by the Bankruptcy Court by Order dated May 28, 1998 (the "Original Order"). On June 30, 1998, the Debtor filed the "Debtors' Motion for Amendment of Order Authorizing and Approving the Employment of Financial Advisor" (the "Amended Motion"), which Amended Motion was approved by the Bankruptcy Court by Order dated July 6, 1998 (the "Amended Order"). On October 7, 1998, the Second Amended Order modifying the Employment of Gordian Group, L.P. as financial advisor for the Debtors-in-Possession was approved (the "Second Amended Order").

For the period May 28, 1998 through August 31, 1998 (the "Initial Retention Period"), Gordian's retention consisted of a monthly cash fee of \$65,000.00 payable in advance for each month ("Unison Monthly Fee"). The Unison Monthly Fees paid to or accrued by Gordian during the Initial Retention Period were \$195,000.00 and were and shall continue to be governed by, and are subject exclusively to review under, Bankruptcy Code Section 328. Gordian agreed, as set forth in the Amended Order and the Revised Retention Letter, to maintain and submit to the Debtor time records for the Initial Retention Period in one-half hour increments.

Prospectively commencing on September 1, 1998 through January 31, 1999 (the "Second Retention Period"), the payment to Gordian of the Unison Monthly Fee and any Success Fees (as defined in the Revised Retention Letter) were \$325,000.00 and shall be subject to court review under Bankruptcy Code Sections 327 and 330(a) and Bankruptcy Rule 2016. For the Second Retention Period, Gordian agreed to maintain time records in tenths of hours.

During the Second Retention Period, Gordian kept adequate expense and time records to permit the Court to determine the reasonableness of actual and necessary fees and expenses pursuant to the U.S. Trustee guidelines with respect to fee applications under Bankruptcy Code Sections 327(a) and 330(a). Pursuant to the Second Amended Order, time spent and contributions made by Gordian during the Initial Retention Period shall be considered in evaluating the services rendered by Gordian after September 1, 1998.

III. SUMMARY OF SERVICES BY CATEGORY

The following is a description of the categories into which Gordian has organized its time records (described in more detail below), as well as the total number of hours expended in the First and Final Application Period.

<u>Categories</u>	<u>Total Hours</u>
1) Fee/Employment Applications	47.1
2) Restructuring Plan Analysis and Negotiation with Creditors	135.2
3) Business Plan Analysis	219.9
4) Disclosure Statement/POR Assistance	308.9
5) Therapy Sale	13.1
Aggregate Hours	724.2

1. Fee/Employment Applications.

Hours Expended: 47.1

Gordian's time in this category included or includes review of timesheets, discussions with Company management, Company counsel, Gordian counsel and representatives of creditors, all in connection with Gordian's retention arrangements with the Debtors and preparing various required documents in connection therewith. This category also includes the preparation of billing and court-related applications and the review of detailed time narratives. Gordian has included the time spent in preparing the First and Final application. The foregoing services were necessary and conferred a benefit upon creditors of the estate for the reason that Gordian could receive court approval, several times, of its retention application, and therefore be able to guide the financial aspects of the chapter 11 case to a successful confirmation and thus benefit the Debtor and the Debtors.

2. Restructuring Plan Analysis and Negotiations with Creditors.

Hours Expended: 135.2

Gordian's services hereunder included: (i) financial modeling, including various sensitivity analyses, in connection with various settlement impacts upon a financial restructuring plan of the Debtors, (ii) analysis of various capital structures for the Debtors, (iii) development of various plan structures and (iv) advice to the management and the Board of Directors of the Debtor and the Debtors with respect to the financial impact of various settlement strategies and impact and advisability of various capital structure approaches

Gordian also assisted counsel and management of Debtors with various analyses and advice related to (from a financial perspective) settlement and capital structure discussions between the Debtor and the Debtors and their various creditor constituencies. Gordian was extensively involved in analyzing the financial and operating impact of all litigation settlement and capital structure proposals. Gordian was also responsible for the financial analysis of all settlements and counter-settlements as proposed by the Debtors and by the creditors – including at the direct request of creditors. Gordian also provided analyses of various proposals to the creditors and negotiated with various parties to effect a settlement of claims and to resolve capital structure issues among the parties.

The foregoing services were necessary and conferred a benefit upon creditors of the estate for the reason that Gordian was pivotal to the estate's efforts in critiquing and/or proposing all settlement offers, and together with Gordian's such analyses, advice and negotiations led directly to the Debtor and the Debtors and their various constituencies effecting a confirmable and consensual plan of reorganization successfully and expeditiously.

3. Business Plan Analysis.

Hours Expended: 219.9

Gordian's services hereunder included: preparing, analyzing and modeling, for the Debtor and the Debtors' management and Board: (i) various operational configurations, (ii) financial projections for each of the Debtors' facilities, (iii) various operating assumptions, (iv) sensitivity analyses, (v) debt capacity analyses and (vi) prospective valuation and stock trading values. The foregoing services were necessary and conferred a benefit upon creditors of the estate for the reason that the above analyses identified for the Debtor and the Debtors the maximum recovery scenarios for creditors and protected the creditors against possible lesser pay-out scenarios. Further, the foregoing services were necessary and conferred a benefit upon creditors of the estate for the reason that such review assisted the estate and its constituencies to have a thorough understanding of all of the associated documents, issues, and potential recoveries, and led directly to the Debtor and Debtors effecting a confirmable and consensual plan of reorganization successfully and expeditiously.

4. Disclosure Statement/POR Assistance.

Hours Expended: 308.9

Gordian assisted the Debtors in analyzing, preparing and critiquing the Debtor's Disclosure Statement, including: (i) reviewing and commenting upon the many drafts for the amended Disclosure Statement, (ii) advising the Debtors and counsel on strategic issues that affected the Disclosure Statements, (iii) preparing and analyzing the financial projections included in the Disclosure Statements, which included an analysis of historical and pro-forma expenses and revenues, and (iv) analyzing creditors claims and the potential of recovery. The foregoing services were necessary and conferred a benefit upon creditors of the estate for the reason that the above analyses identified the maximum recovery scenarios for creditors and protected the creditors against possible lesser pay-out scenarios, and enabled the estate to propose and confirm a consensual plan of reorganization successfully and expeditiously.

5. Therapy Sale.

Hours Expended: 13.1

Gordian's services hereunder included (i) assisting the Debtor and the Debtors in preparing and packaging material for potential acquirors, (ii) contacting potential purchasers, (iii) developing, in conjunction with Debtors, a comprehensive list of potential purchasers and (iv) assisting potential purchasers in better understanding the company's Therapy division ("Therapy"). A significant portion of Gordian's time in respect of Therapy was expended pre-chapter 11, and thus will confer a meaningful benefit upon the Debtor and Debtors upon such a sale.

Gordian's services have contributed directly to the competitive nature of the Debtors' ongoing and active Therapy sale process.

IV. SUMMARY OF SERVICES AND EXPENSES

Attached hereto as Exhibit 1 is a detailed summary of hours and a sample of the hourly rates of Gordian professionals and paraprofessionals who rendered services during the First and Final Application Period, which are the subject matter of this Application. Attached as Exhibit 2 are the time entries covering the services rendered during the First and Final Application Period organized by chronological order. In accordance with this Court's guidelines regarding Fee Applications, Gordian requested those involved in this representation to utilize increments of one-half of an hour for this engagement for the Initial Retention Period and one-tenth of an hour for the Second Retention Period. Set forth as Exhibit 3 is a detailed summary of expenses by type and by month incurred for the Application Period.

Services for which allowance of compensation is requested were performed by Gordian on behalf of the Debtor and the Debtors. Gordian believes all of its services rendered in this engagement benefited both the Debtor and all Debtors.

Compensation is sought pursuant to 11 U.S.C. Sections 327(a), 328, 330(a) and Rule 2016(a) of the Federal Rules of Bankruptcy Procedures, and in compliance with various court orders approving the

employment of Gordian as financial advisor to the Debtors and the Guidelines of the Office of the United States Trustee for the District of Arizona. Except as Gordian may be entitled to receive compensation herein, Gordian has no arrangements with any other parties whatsoever to pay Gordian for the services rendered to the Debtors, nor has Gordian received any funds from any parties whatsoever for the services rendered to the Debtors. Further, Gordian has not made any arrangement to share any compensation received by order of this Court with any party whatsoever, nor does Gordian have any arrangement for the sharing of any compensation hereinafter awarded, except as between members of Gordian.

This is Gordian's First and Final Application for compensation in this case and Gordian has not previously been awarded any other fees and costs in this case. The periodic rate charged by Gordian in this engagement is a normal and customary charge for financial advisors of similar expertise and experience performing similar services (*i.e.*, firms with a national practice and specialized expertise in financial restructurings of major public companies). The names of Gordian's professionals and paraprofessionals requesting fees during the First and Final Fee Application is as follows:

- Peter S. Kaufman (Partner)
- Patricia A. Caldwell (Partner)
- Dennis McGettigan (Associate)
- Brandt Wilson (Associate)
- Brad Edwards (Associate)
- Judy Yu (Paraprofessional)

V. SUMMARY OF COSTS

During the First and Final Fee Application, Gordian incurred out-of-pocket expenses for which Gordian is seeking reimbursement in the total amount of \$3,585.95. The following is a summary of expenses incurred by Gordian:

EXPENSE SUMMARY

May 28, 1998 to January 31, 1999

(1) Local Transportation	\$ 38.00
(2) Telephone and Telecopy	\$1,166.96
(3) Meals	\$ 161.14
(4) Document Copy Services	\$1,611.60
(5) Messenger/Overnight Services	\$ 349.75
(6) Legal Fees and Disbursements	<u>\$ 258.50</u>
Total	<u>\$3,585.95</u>

The specific per-item charges for expenses are as follows: telecopy charges – No charge to receive and \$1.00 to send; photocopy charges -- \$.15 per page. Gordian does not bill for travel time unless

work is being performed during that travel time. Overnight messenger services was used when there was a deadline.

VI. EVALUATING STANDARDS

The fees billed by Gordian to the Debtors for the professional services rendered during the application period total \$520,000.00, of which \$195,000.00 has been previously been paid by the Debtors.

In addition, the provisions of Section 330(a) place a premium on the timeliness of administration of the case. Compensable services must be "performed within a reasonable amount of time commensurate with the complexity, importance and nature of the problem, issue or task addressed". 11 U.S.C. Section 330(a)(3)(A).

For the time period May 28, 1998 through January 31, 1999, Gordian advised the Debtor in connection with financial matters in the case on an ongoing basis, conducted extensive financial analyses of the Debtor's business operations and was instrumental and pivotal in the development and confirmation of a plan of reorganization that resulted in a consensual, expeditious and successful resolution of a highly contentious chapter 11 case, thus benefiting both the Debtor and the Debtors and the creditors of same. Gordian has prepared documents and analysis concerning a myriad of financial issues relating to the plan of reorganization, has attended meetings, has rendered frequent advice to Debtor's counsel, management and Board of Directors, and has made other appearances for and on behalf of the Debtors. Gordian has performed numerous financial advisory services for and on behalf of the Debtor and Debtors, which services are described above and which are itemized in Exhibit 2 attached hereto. Gordian has maintained time records as per the requirements of the various orders hereunder, reflecting the approximate time expended per timekeeper in the performance of the services for which compensation is sought.

The results Gordian obtained within the time frames of this First and Final Application were superior, in light of the complexity of issues to be resolved and contentiousness of this restructuring, were achieved under tight time-frames, and illustrate that Gordian:

1. Used the skill required to perform the necessary financial advisory services.
2. Provided services necessary to the administration of the case for the benefit of the Debtors;
and
3. Performed the services within a reasonable amount of time commensurate with the complexity, importance and nature of each task.

**VII. COMPLIANCE WITH SECTION 504 OF THE BANKRUPTCY CODE AND BANKRUPTCY
RULE 2016**


Gordian has not entered into any arrangement or agreement with any person or entity with respect to the sharing of fees and expenses for which Gordian is seeking compensation and reimbursement as set forth in this Application, except as permitted by Bankruptcy Code Section 504(b)(1).

VIII. CONCLUSION

Wherefore, Gordian respectfully requests that this Court enter an order: (a) awarding Gordian final allowance of compensation of \$520,000.00 for services rendered during the Application Period and reimbursement of \$3,585.95 of expenses incurred in connection therewith, (b) authorizing the payment of such fees and the reimbursement of such expenses and (c) granting such other and further relief as is just and proper.

DATED this 19th day of March, 1999.

GORDIAN GROUP, L.P.
499 Park Avenue, 5th Floor
New York, New York 10022



Peter S. Kaufman,
Managing Director of the
General Partner of
Gordian Group, L.P.
Financial Advisor to the Debtors


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DECLARATION OF PETER S. KAUFMAN

I, PETER S. KAUFMAN, do hereby declare as follows:

1. I am a managing director of the general partner of Gordian Group, LP. I am personally familiar with the facts relating to the within proceedings, and am authorized to make this Declaration in support of its First and Final Application for Compensation and Reimbursement of Expenses for services rendered as financial advisors to the Debtors for the period of May 28, 1998 through January 31, 1999.
2. I have read the foregoing First and Final Fee Application and make the solemn oath that the statements contained therein are true to the best of my knowledge, information and belief.
3. To the best of my knowledge, the First and Final Interim Fee Application submitted by Gordian Group, L.P for the time period from May 28, 1998 through January 31, 1999, complies with the Guidelines of the United States Trustee.
4. No agreement or understanding was made or exists between Gordian Group, L.P. and any other person for the sharing of any compensation which may be awarded to Gordian Group, L.P. herein.

Dated this 19th day of March, 1999



PETER S. KAUFMAN
Gordian Group, L.P.