

UNITED STATES BANKRUPTCY COURT  
 NORTHERN DISTRICT OF ILLINOIS  
 EASTERN DIVISION

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<b>In re:</b>	:		<b>Chapter 11</b>
	:		<b>Case No. 02-B-48191 (ERW)</b>
	:		<b>(Jointly Administered)</b>
<b>UAL CORPORATION, et al.,</b>	:		
	:		
	:		<b>Honorable Eugene R. Wedoff</b>
	:		
<b>Debtors.</b>	:		<b>Hearing Date: TBD</b>
	:		<b>Objection Deadline: April 5, 2006</b>
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**TWENTY-FOURTH AND FINAL APPLICATION OF MERCER MANAGEMENT CONSULTING, INC. FOR COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED AS EXECUTORY CONTRACT CONSULTANT FOR DEBTORS RELATING TO THE PERIOD JANUARY 23, 2003 THROUGH FEBRUARY 28, 2006, INCLUSIVE**

Mercer Management Consulting, Inc. (“Mercer”), executory contract consultant to the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”), hereby submits this application (the “Final Application”) seeking final allowance of compensation for services rendered and reimbursement of charges and disbursements incurred, including reasonable attorneys’ fees, relating to the period January 23, 2003 through February 28, 2006, inclusive (the “Compensation Period”). In support of this Application, Mercer represents as follows:

**BACKGROUND**

**A. General Background**

1. On December 9, 2002 (the “Petition Date”), the Debtors commenced their respective reorganization cases by filing voluntary petitions for relief under chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”).

2. On December 13, 2002, the Office of the United States Trustee for the Northern District of Illinois (the "United States Trustee") appointed the official committee of unsecured creditors in these cases (the "Committee").

3. On January 18, 2006, the Debtors filed their Second Amended Joint Plan of Reorganization (the "Plan"), and on January 20, 2006, this Court entered an order confirming the Plan (the "Confirmation Order").

4. This Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This Application is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

**B. Specific Background**

5. On May 9, 2003, the Debtors filed an application with this Court (the "Retention Application") requesting an order authorizing them to retain Mercer as their executory contract consultant to provide, among other things, the following professional services:

- Support of the Debtors' analysis of their executory contracts including, but not limited to, those relating to catering, information technology, telecom, maintenance, loyalty services, marketing, advertising, and hotels (the "Contracts").
- Completion of: (i) a category spend analysis; and (ii) vendor profiling and relationship overview of all claims, pre-petition debts, post petition defaults and liens relating to the Contracts.
- Development of: (i) market analysis; (ii) negotiation strategies; and (iii) assumption and rejection recommendations in connection with selected vendor relationships.
- Assistance to the Debtors and their professionals with decisions regarding assumption, rejection and renegotiation of executory contracts.
- Analysis of motions assuming or rejecting executory contracts and defense of such motions as necessary, including, but not limited to, providing expert testimony in Court as requested by the Debtors.
- Assessment of financial risks, environmental risks and certain contract term risks including, but not limited to, indemnification obligations, restrictive covenants, unnecessary services and uncompetitive terms.
- Interface with the Sourcing Department and Restructuring Office to execute and project manage the recovery of preferences.

6. On May 23, 2003, this Court entered a final order authorizing the Debtors to employ and retain Mercer as executory contract consultant to the Debtors on the terms contained in the consulting services agreement and related work order (the "Work Order"), as supplemented and amended by the final order (the "Retention Order"). A copy of the Retention Order is attached hereto as Exhibit "A".

7. The work order between Mercer and the Debtors that governed Mercer's retention (the "Work Order") expired on June 30, 2003. The Debtors filed a motion to extend the Work Order on or about July 3, 2003. The Debtors withdrew such motion on or about July 10, 2003 because the Debtors, Mercer and the Committee reached an agreement, in accordance with Annex 3 to the Retention Order, to extend the Work Order without further court approval.<sup>1</sup>

8. Pursuant to the Retention Order, the Debtors were authorized to pay Mercer a fixed amount each month (four weeks) plus expenses which amount was decreased as certain portions of Mercer's work were completed. Moreover, for those months in which Mercer provided services to the Debtors for less (or more) than four weeks, Mercer's compensation was reduced (or increased) by one-twentieth (1/20<sup>th</sup>) of Mercer's monthly (four weeks) compensation. To date, there has been no objection to Mercer's fees or expenses.

#### **RELIEF REQUESTED**

7. Pursuant to the Plan, the Confirmation Order, and the Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Compensation and Reimbursement of Expenses for Professionals and Committee Members (the "Compensation Order"), Mercer submits this application for final approval of compensation for professional services rendered and reimbursement of charges and disbursements incurred, including reasonable attorney's fees, totaling \$7,179,698.78, in these cases during the Compensation Period.

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<sup>1</sup> The Work Order was extended by agreement on or about July 10, 2003, September 11, 2003, October 22, 2003, March 4, 2004, July 1, 2004, September 30, 2004 and February 17, 2005.

8. Prior to this Application, Mercer filed twenty-three monthly fee applications<sup>2</sup> and nine quarterly fee applications. A detailed breakdown of these applications is annexed hereto as Exhibit "B". Each prior fee application is incorporated by reference herein as if attached hereto. As stated above, no objections have been filed to any of Mercer's fee applications. To date, Mercer has received from the Debtors a total of \$7,110,021.09, and is owed an outstanding balance of \$89,054.19.

9. Mercer does not, in the normal course, bill its clients in hourly or daily increments. Instead, its general practice is to bill clients a flat monthly fee, plus expenses. Mercer does not, in the normal course of its billing practices, itemize hours spent and expenses incurred on behalf of its clients.

10. Notwithstanding the foregoing, in accordance with the Retention Order, during the Compensation Period, Mercer's professionals kept time records, in summary format, setting forth a description of the services rendered by each professional and the amount of time spent by each such individual in rendering services on the Debtors' behalf.

11. As confirmed by each of the expense affidavits filed in connection with the fee applications, Mercer's expenses conform with the standards set out in the second amended fee review committee billing guidelines. Moreover, Mercer has strict policies governing travel expenses intended to preserve value for its clients. These policies were applied on this engagement. Travel expenses included actual expenses for hotels, meals and local transportation for services required pursuant to the engagement.

12. Mercer also maintained records of its outside counsel fees and out-of-pocket expenses incurred in connection with any matters related to its retention and services provided to the Debtors. Schedules of disbursements for expenses and attorneys' fees have been attached to each prior fee application.

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<sup>2</sup> Mercer's twenty-third fee application was an application for reimbursement of unbilled expenses from March 1, 2005 through March 31, 2005.

13. The following is a brief summary of services rendered and goals achieved by Mercer in these cases:

- Worked with Debtors to negotiate significant supplier preference recovery while managing public relations with such suppliers;
- Supported: i) the Debtors' analysis of over \$500M of supplier claims (including reclamation and damages claims); and ii) the objection process to minimize claims exposure;
- Worked with Debtors to formulate strategy on assumption, rejection damages, cure claims, communication etc.;
- Reviewed approximately 3,000 sourcing contracts and worked with Debtors and Debtors' internal and external counsel to formulate appropriate disposition and supplier negotiation strategies which resulted in a significant reduction in cure claims;
- Assisted the Debtors to determine which contracts should be renegotiated and which should be eliminated; and
- Assisted the Debtors in the negotiation of major supplier deals, which resulted in an over one billion dollar benefit to the Debtors over the average life of the contracts.

The foregoing is not intended to be a detailed recital of time spent by individual Mercer personnel, which is set forth in each Listing.

14. Mercer submits that all services performed by Mercer were necessary for the proper administration of these cases and the amounts requested herein are fair and reasonable given: (a) the nature of these cases; (b) the novelty and complexity of these cases; (c) the time and labor required to assist the Debtors effectively; (d) the time limitations imposed by these cases and the Bankruptcy Code; (e) the nature and extent of the services rendered; (f) Mercer's experience, reputation and ability; and (g) the value of Mercer's services.

15. In accordance with section 155 of title 18 of the United States Code, no member of Mercer has entered into any agreement, express or implied, with any other party-in-interest for the purpose of fixing the amount of any of the fees or other compensation to be allowed out of or paid from the Debtors' assets.

16. In accordance with section 504 of the Bankruptcy Code, no agreement or understanding exists between Mercer or any member or consultant thereof with any other person for the division of such compensation as Mercer may receive for services rendered in connection with these cases, nor will any division of fees prohibited by section 504 of the Bankruptcy Code be made by any member or consultant of Mercer.

17. Due to Mercer's significantly reduced role in these cases, Mercer has not submitted to the Debtors fee or expense statements for the period from March 28, 2005 through the present date (the "Final Interim Period"). Mercer's expenses incurred during the Final Interim Period, which relate primarily to legal fees incurred in connection with the preparation of fee applications, aggregate \$19,376.50, and as such, Mercer determined that it was not in the best interests of the Debtors or their creditors for Mercer to prepare, serve and/or prosecute monthly fee statements or fee applications relating to the Final Interim Period. A copy of the backup relating to the expenses incurred in the Final Interim Period and the related expense declaration are attached hereto as Exhibit C.

**WHEREFORE** Mercer respectfully requests approval of: (a) the compensation for professional services rendered as executory contract consultant for the Debtors in the sum of \$6,491,535.00 in professional fees incurred during the Compensation Period; (b) the reimbursement of necessary expenses, including outside legal fees, incurred by Mercer in connection with the performance of its services for the Debtors and in connection with the preparation of this Application in the sum of \$707,540.30<sup>3</sup>; and (c) the payment of the Debtors' outstanding balance in the sum of \$89,054.19.

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<sup>3</sup> This sum includes the \$19,376.50 in attorneys' fees incurred during the Final Interim Period.

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Dated: March 3, 2006

MERCER MANAGEMENT CONSULTING, INC.



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Executory Contract Consultant to the Debtors  
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